

## Exposure Draft (ED) 67 Summary—*Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19)

This summary provides an overview of Exposure Draft (ED) 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19).

<b>Project objective:</b>	In this stream of the broader non-exchange expenses project, Exposure Draft (ED) 67 addresses transactions for collective and individual services and emergency relief. Grants, contributions and other transfers will be addressed in a subsequent ED.
<b>The project and stage:</b>	The International Public Sector Accounting Standards Board® (IPSASB®) issued the Consultation Paper (CP) <a href="#">Accounting for Revenue and Non-Exchange Expenses</a> , in August 2017. The IPSASB issued ED 67 in January 2019.
<b>Next steps:</b>	The IPSASB seeks feedback on ED 67 to guide it in developing a final International Public Sector Accounting Standard® (IPSAS®) that establishes requirements for accounting for collective and individual services and emergency relief.
<b>Comment deadline:</b>	ED 67 is open for public comment until May 31, 2019.
<b>How to respond:</b>	Respondents are asked to submit their comments electronically through the IPSASB website, using the <a href="#">“Submit a Comment”</a> link. Please submit comments in both a PDF <u>and</u> Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will be posted on the website.

## Why the IPSASB Undertook this Project

The purpose of the IPSASB's project on non-exchange expenses is to develop new or amended standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

Exposure Draft 67 proposes requirements for collective and individual services and emergency relief.

ED 67 forms part of the IPSASB's broader non-exchange expenses project.

While a number of IPSAS provide guidance on the recognition of specific exchange expenses and liabilities, there is very little guidance on the recognition of expenses and liabilities arising from non-exchange transactions; and no equivalent to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, which deals with non-exchange revenue. As a consequence, there is ambiguity and inconsistency in developing accounting policies in a highly significant area of expenditure, including the provision of major services to the community and transfers between different levels of government.

The objective of the non-exchange expenses project is to develop new or amended standards, in order to provide accounting requirements that result in consistent accounting for non-exchange expense transactions.

The first step in the development of accounting requirements for non-exchange expenses was the publication of the CP, *Accounting for Revenue and Non-Exchange Expenses*, issued in August 2017.

In the CP, the IPSASB explained the drivers behind the development of the revenue and non-exchange expenses projects. For the non-exchange expenses project, these included:

- The gap in the current IPSASB literature on accounting for non-exchange expenses which may lead to ambiguity and inconsistency of accounting policies in a highly significant area of expenditure;
- The operationalization of the exchange versus non-exchange distinction and the value of that distinction;
- The scope for ensuring consistency of approaches between resource providers (for non-exchange expense transactions) and resource recipients (for revenue transactions).

The CP also noted that the IPSASB's definition of social benefits excludes areas such as the universal provision of healthcare and education, therefore making the development of requirements and guidance for non-exchange expenses not within the scope of IPSAS 42, *Social Benefits*, more pressing. This is the reason ED 67 is being published alongside IPSAS 42.

## Scope of ED 67

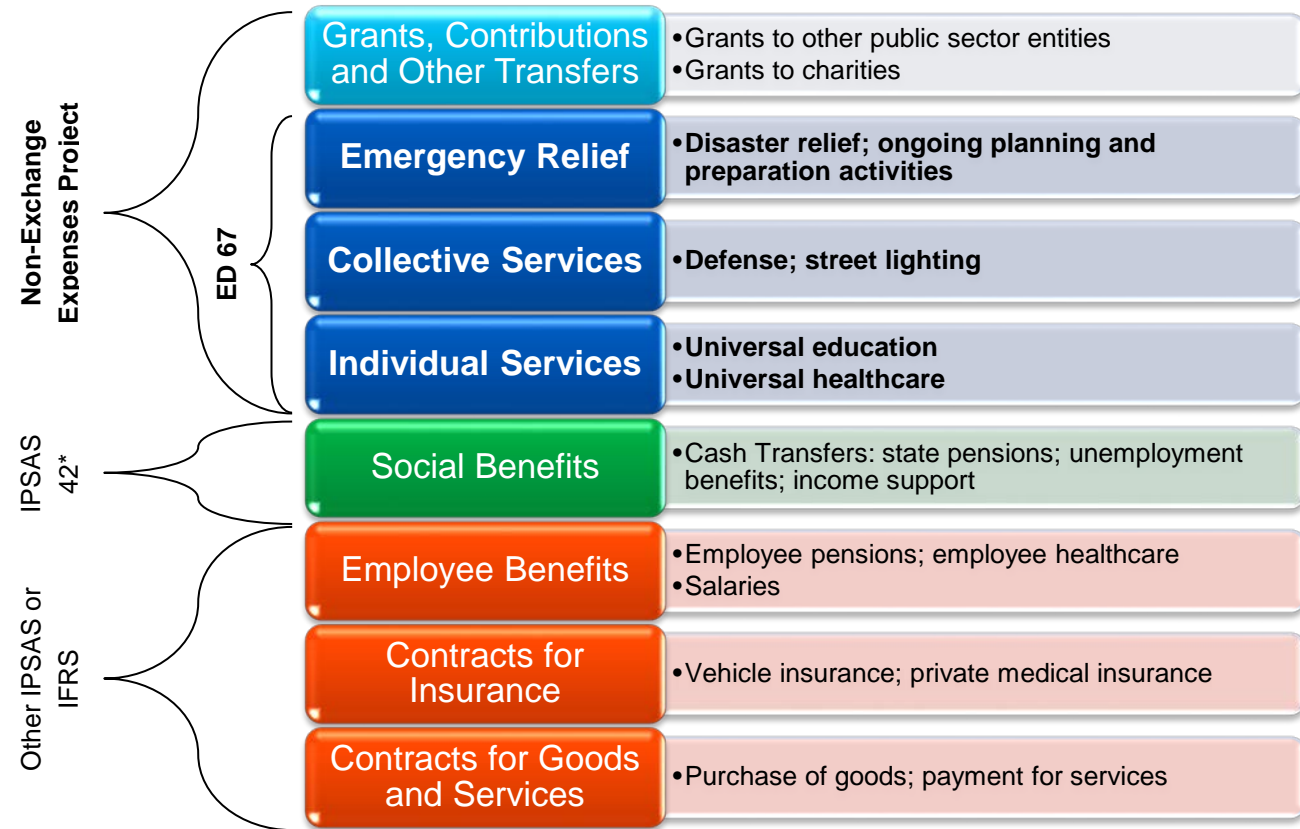
Figure 1 illustrates the scope of ED 67 and the boundaries between collective and individual services, emergency relief and other transactions.

Collective and individual services and emergency relief transactions, addressed in ED 67, are part of the IPSASB's broader non-exchange expenses project.

Grants, contributions and transfers will be addressed in a subsequent ED.

ED 67 was issued alongside IPSAS 42, *Social Benefits*, to enable stakeholders to identify and account more consistently for the full range of social obligations of government.

Figure 1: Scope of ED 67



\* IPSAS 42, *Social Benefits*, was issued on January 31, 2019, alongside ED 67.

## Definitions and Description

ED 67 proposes definitions for collective and individual services.

Figure 2 illustrates the relationship between collective services, individual services and social benefits. Unlike emergency relief, these transactions address the needs of society as a whole.

ED 67 also describes some of the circumstances in which emergency relief may arise. It may be provided through:

- (a) Provision of services
- (b) Provision of goods
- (c) Replacement of assets
- (d) Cash transfers

### Proposed Definitions of Collective Services and Individual Services

**Collective services** are services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole.

**Individual services** are goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole.

### Proposed Description of Emergency Relief

Governments and other public sector entities may deliver emergency relief to individuals and/or households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42), such as:

- (a) Natural disasters including flooding, earthquakes, food shortages and volcanic eruptions; and
- (b) The displacement of individuals and/or households as a result of war, civil commotion or economic failure.

**Figure 2:**  
Relationship between collective services, individual services and social benefits

	Social Benefits	Individual Services	Collective Services
Involves a cash transfer to eligible beneficiaries?	✓	✗	✗
Provided to individuals and/or households?	✓	✓	✗
Intended to address the needs of society as a whole?	✓	✓	✓

## Accounting for Collective Services and Individual Services

ED 67 proposes that no provision is recognized for collective services or individual services.

Information about collective services and individual services is presented and disclosed in accordance with other IPSAS.

### Accounting for Collective Services

Under ED 67, collective services are considered to be ongoing activities of the public sector entity that delivers the services.

In accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, “no provision is recognized for costs that need to be incurred to continue an entity’s ongoing activities in the future”.

Consequently ED 67 proposes that no provision is recognized for the intention to deliver collective services.

In delivering collective services, a public sector entity incurs expenses and acquires resources through exchange transactions. Examples include the salaries paid to acquire the services of defense staff, the electricity used in delivering street lighting, the acquisition of non-current assets used in delivering those services, and the purchase of collective services from a third-party provider.

Under ED 67, these exchange transactions would be accounted for in accordance with other IPSAS.

### Accounting for Individual Services

Similarly, ED 67 considers that the delivery of individual services represents ongoing activities of the public sector entity that provides the services. The delivery of individual services results in the public sector entity incurring expenses and acquiring resources through exchange transactions.

The public sector entity uses these resources to deliver individual services. Where individuals access these services, the entity may have a number of future obligations relating to the delivery of these individual services.

These obligations do not become present obligations until the individuals access the services.

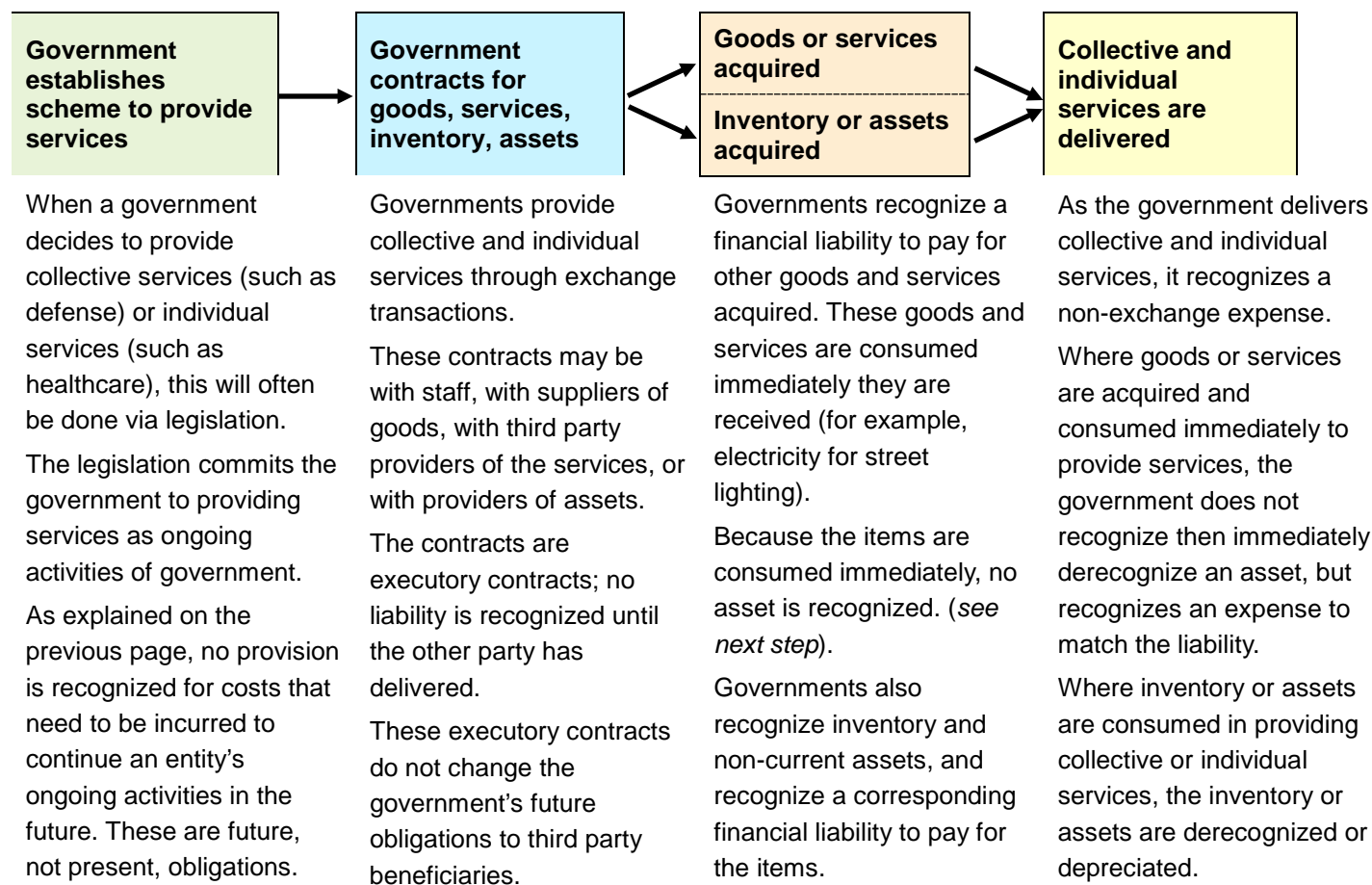
Such obligations are an aspect of the ongoing activities of the public sector entity.

As with collective services, no provision is recognized for the intention to deliver individual services prior to individuals and/or households accessing the services.

## Interaction of Exchange Transactions and Non-Exchange Transactions in Accounting for Collective and Individual Services

Figure 3 illustrates the interaction of exchange transactions and non-exchange transactions in accounting for collective and individual services, and explains why ED 67 considers that no provision is recognized for collective services or individual services.

**Figure 3: Interaction of Exchange Transactions and Non-Exchange Transactions**



## Accounting for Emergency Relief

ED 67 considers that goods and services delivered through emergency relief address the needs of specific individuals and households rather than the needs of society as a whole.

This distinguishes emergency relief from collective services and individual services.

### ED 67 Identifies Two Approaches to Emergency Relief

ED 67 proposes accounting treatments for two approaches to providing emergency relief.

Emergency relief may be provided in response to specific emergencies, for example a flood or an earthquake.

Emergency relief may also be delivered as an ongoing activity of government (or other public sector entity).

An example would be where a government has established an agency with a specific remit to deliver emergency relief, and where the agency staff are engaged either in delivering the emergency relief or in undertaking planning and preparation activities.

### Proposed Accounting for Emergency Relief:

#### Delivered in Response to Specific Emergencies

ED 67 proposes applying IPSAS 19 to determine whether a provision should be recognized.

Emergency relief in response to specific emergencies requires a separate decision to be made by a government or public sector entity.

Examples of events that could give rise to a provision under IPSAS 19 include government announcements, legislation and other government actions to deliver emergency relief.

Where the criteria for recognizing a provision are not met, an entity would consider whether IPSAS 19 requires the disclosure of a contingent liability.

An entity will need to reassess its decisions at each reporting date as circumstances change.

#### Delivered as an Ongoing Activity of Government

ED 67 proposes that an entity should consider the specific circumstances in which emergency relief as an ongoing activity of government is being delivered.

Where the delivery of such emergency relief is analogous to the delivery of collective services and/or individual services, ED 67 proposes that no provision is recognized. This matches the accounting for collective and individual services.

In other circumstances, ED 67 proposes that an entity would consider the requirements of IPSAS 19 in determining whether to recognize a provision or disclose a contingent liability. This matches the accounting for emergency relief delivered in response to specific emergencies.



## Next Steps

The deadline for comments is **May 31, 2019**.

During the comment period, IPSASB members are available to discuss the proposals with a wide range of parties.



### How can I comment on the proposals?

The ED includes Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

Respondents may choose to answer all SMCs or just a selected few. The IPSASB welcomes comments on any other matters respondents think it should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file.

All comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

### Stay informed

The IPSASB’s website will indicate the meetings at which feedback on ED 67 will be discussed. The dates and locations of 2019 meetings are available at: <http://www.ipsasb.org/meetings>.

To stay up to date about the project, please visit: <http://www.ipsasb.org/projects/non-exchange-expenses>.

### Specific Matters for Comment

**SMC 1:** Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft?

If not, what changes would you make to the definitions?

**SMC 2:** Do you agree that no provision should be recognized for collective services?

If not, under what circumstances do you think a provision would arise?

**SMC 3:** Do you agree that no provision should be recognized for individual services?

If not, under what circumstances do you think a provision would arise?

**SMC 4:** Do you agree with the proposed accounting for emergency relief?

If not, how do you think emergency relief should be accounted for?