



**Office No. MEF-FOCAL-2020-0001**

Quito, October 30, 2020

**Subject:** Submission of annexes 1 and 2 with the comments of FOCAL member countries to the IPSASB Exposure Drafts 70, 71 and 72

Mr.

Ian Carruthers

**CHAIRMAN OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARDS BOARD IPSASB**

Dear Mr. Carruthers:

In the months of May and June 2020, FOCAL in coordination with Ernst & Young and International Public Sector Accounting Standards Board IPSASB, conducted three videoconferences on Exposure Drafts 70 Revenue with Performance Obligations, 71 Revenue without performance obligations and 72 Transfer Expenses, where it was highlighted that each exposure draft included specific matters for comment on which the IPSASB is looking for country opinions.

Therefore, the Forum of Governmental Accounting of Latin America - FOCAL - is delivering a consolidated document containing responses to comments from 11 countries: Colombia, El Salvador, Ecuador, Brazil, Paraguay, Honduras, Peru, Mexico, Guatemala, Chile and Costa Rica. FOCAL's objective is to strengthen the joint work with the International standard-setting Body and to contribute with the experience of each country for the application of the Public Sector Accounting.

Yours sincerely,



Firmado electrónicamente por:  
**MAGDALENA DEL  
PILAR VICUNA  
CEVALLOS**

Magdalena Vicuña Cevallos  
Ecuador's Sub-secretary of Government Accounting  
Ministry of Economy and Finance of Ecuador  
FOCAL President

**Annexes:**

- Annex No. 1\_Comments to Draft IPSASB Standards\_FOCAL consolidated 29-10-2020
- Annex No. 2 Additional comments Standards 70\_71\_72 IPSASB Mexico

**cc.** FOCAL Countries

## CONSOLIDATED DOCUMENT OF FOCAL MEMBER COUNTRIES

### SPECIFIC MATTERS FOR COMMENTS

#### IPSASB EXPOSURE DRAFTS (ED) 70

<u>IPSASB EXPOSURE DRAFT 70: REVENUE WITH PERFORMANCE OBLIGATIONS</u>	
<p><b>Specific matter for comment 1:</b></p> <p><b>This Draft Standard is based on IFRS 15 - Revenue from Customer Contracts. Because in some jurisdictions public sector entities may not have the authority to enter into legal contracts, the IPSASB decided that the scope of this draft standard would be based on binding arrangements. Binding arrangements have been defined as those that confer both rights and obligations enforceable by both parties to the agreement.</b></p> <p><b>Do you agree that the scope of this draft standard is clear? If not, what changes would you make to the scope of the draft standard or the definition of binding arrangements?</b></p>	<p><b>COLOMBIA</b></p> <p>Regarding the proposed scope of the project, we have the following comments:</p> <ol style="list-style-type: none"> <li>1. From the Conceptual Framework a distinction is made between revenues from exchange transactions and revenue from non-exchange transaction. In addition, the Conceptual Framework correctly states that most of the revenues of public sector entities are obtained through non-exchange transactions; that is, transactions in which the entity receives a value from another entity without directly delivering an equivalent value in return. However, this distinction is not reflected in this Exposure Draft 70 or the ED 71, because these projects differentiate revenue based on whether or not there is a performance obligation.</li> </ol> <p>Therefore, we believe that this distinction should be maintained and, consequently, ED 70 should be referred to as "revenue from exchange transactions" and ED 71 should be referred to as "revenue from non-exchange transaction".</p> <ol style="list-style-type: none"> <li>2. The Exposure Draft states that a binding agreement with a buyer is accounted for under this standard if, among other criteria, the binding agreement has economic substance. Paragraph BC30 defines "economic substance" as the "commercial substance" developed by IFRS 15, implying that neither party to the binding agreement is disadvantaged and therefore the agreement is established taking into account market conditions, i.e., the price of the transaction is equivalent (or similar) to the value of the asset or service being transferred.</li> </ol> <p>However, it is common in the public sector of countries to find performance obligations, where the value of the goods or services delivered is not equivalent to the price of the transaction; for example, the value of a semester's tuition at a public university that is less than the value of the services provided or the value paid for the issuance of a military passbook that is much higher than the value of the passbook issued. Thus, in these cases, there is no economic substance (or the rebuttable presumption mentioned in the exposure draft is not fulfilled) despite the existence of a performance obligation.</p>

	<p>This is a fact that is not particularly and explicitly addressed in ED 71 since it only regulates income and cash flows from transactions without performance obligations. Revenues from transactions without performance obligations are transactions where there is no requirement for an entity to transfer goods or services to another entity or third party beneficiary.</p> <p>Given that all types of performance obligations are excluded from ED 71 and that the cases mentioned do not have an economic substance, which excludes them from the criteria defined in step 1 (paragraph 8), it is necessary to specify what accounting treatment should be followed in these situations. In this regard, it is proposed to address the following: (a) in ED 71, goods and services that the government provides exclusively because of the sovereignty that falls upon it and that are not associated with a market logic or with the recovery of costs incurred in the provision of goods and services, for example, military passbooks and vehicle registration, tolls and other fees; and (b) in ED 70, goods and services that the government provides that are not exclusive to government entities and for which the value the entity receives is not equivalent to the value of the good or service it provides (e.g., tuition at public universities).</p> <p>In accordance with this proposal, ED 71 then requires: a) to modify its name so that it is called "revenue from non-exchange transactions ", b) to define the accounting treatment applicable to goods and services that the government provides exclusively because of the sovereignty that falls on it and that are not associated with a market logic or with the recovery of costs incurred, c) to exemplify these cases and d) to develop these situations in the application guidance.</p> <p>ED 70, on the other hand, should (a) include in the scope transactions in which government entities provide goods or services that are not exclusive to these entities and for which the value that the entity receives is not equivalent to the value of the good or service it delivers by modifying paragraph 8(d) that requires that the binding agreement must have economic substance, (b) exemplify these cases in paragraph 14, and (c) elaborate on these situations in the implementation guidance.</p> <p>Regarding the use of the term "binding agreement" instead of "contract", we agree with the proposed definition for the purpose of this ED. However, it is considered that it is not appropriate to state that binding arrangements may arise from legal provisions (as expressed in ED 71), since, in these cases, there is no agreement between the parties but an imposition by the legislature.</p> <p><b>EL SALVADOR</b></p> <p>The Scope of the project is clear, however, considering the legal accounting basis that regulates the Salvadorian public sector the scope of this project is not fully applicable, for the following reasons</p>
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	<p>a) The standard includes all revenue transactions with performance obligations, and thus would be regulating the recognition of revenue that is not currently contemplated in the General State Budget, but which is legally regulated in the country, for example:</p> <ul style="list-style-type: none"> <li>• Special Funds, Special Activities Funds; which are the resources coming from the sale of products and services, produced or commercialized by the institutions of the Central Government, whose income is generated from duly legalized activities that are not part of the nature or <i>raison d'être</i> of such institutions.             <ul style="list-style-type: none"> <li>• Entities that are not considered to be State owned, but were created with State funds, for example: Transmitting Company of El Salvador S.A. de C.V. (ETESAL), Special Fund of the Resources from the Privatization of ANTEL (FANTEL), municipal public enterprises, etc.</li> </ul> </li> </ul> <p>b) In the case of our country the legal prevails over the technical. In that sense, it should be considered creating accounting regulations without forcing countries to lose their legal independence.</p> <p>The suggested change in our case is to evaluate the use of the term binding agreement, given that the country's legislation is limited to public law.</p> <p><b>ECUADOR</b></p> <p>The term of exchange obligations, rather than performance obligations, should be maintained because it is more understandable. In Ecuador's legislation, a binding agreement is not required for an exchange revenue; furthermore, this term is not contemplated in the current legislation.</p> <p>As for the scope, the standard is clear, since it defines the concepts that apply and do not apply in exchange transactions. Except for the concept of binding arrangements as stated in the previous paragraph.</p> <p><b>BRAZIL</b></p> <p>Yes, I agree.</p> <p><b>PARAGUAY</b></p> <p>We do not agree, because in the first place the ED, uses unusual terminology in the case of the Public Sector, such "binding arrangements" would in fact be the provision of goods or services by State entities that generate a service or deliver a good at a price, known by most as institutional income or own resources.</p> <p>These own resources are always and not only in some occasions subsidized prices precisely because of the social role of the State, according to public policies. Moreover, here in our country, and I suppose this also happened in other countries because of the declared pandemic, many basic public services have been exempted for the most vulnerable population and the State had to transfer the amounts mentioned to these companies as subsidies.</p>
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	<p>Others had to be transferred for capitalization, in order to improve the infrastructure to reach the population with more and better services.</p> <p>The suggestion a better drafting or clarification of binding arrangements, since in practice it is given through a service whose monopoly is held by the State and citizens may or may not agree, but they must comply with it.</p> <p><b>HONDURAS</b></p> <p>When an asset is developed or produced and the revenue has to be recognized over time for either development or improvements. This can be expanded in the publication.</p> <p><b>PERU</b></p> <p>With respect to the provisions of the standard as exempted from its scope, paragraph 3.f) "Non-monetary exchanges between entities in the same line of business to facilitate sales to buyers or potential buyers. For example, this [draft] standard would not apply to a binding agreement between two public sector entities that agree on an exchange of electricity to meet the demand of their buyers in different specified locations in a timely manner" and 3.j) "The extraction of mineral resources", does not identify under which standard these should be treated, therefore, emphasis should be given and guidance provided to the user on the standard applicable to this type of transactions.</p> <p>With respect to the definition of "binding arrangements" given temporarily in this ED, its definition should be extended by adding the provisions in the section of the additional guidance (AG7-AG12) to clearly distinguish what a binding agreement would be in this standard, which is: "An agreement that confers both enforceable rights and obligations on both parties to the agreement, where such agreement could be enforced through a contract or equivalent means", i.e. an enforcement mechanism outside the legal system that nevertheless enhances compliance as would be the case with a contract.</p> <p><b>MEXICO</b></p> <p>According to paragraph 4, it is understood that this ED is applicable to binding arrangements that are with a buyer, which is what the IFRS establishes as clients.</p> <p>Paragraph 9 states "Factors determining applicability may differ between jurisdictions and some enforcement mechanisms may be outside the legal system. Binding arrangements may be written, oral or implied according to an entity's usual practices.</p> <p>In this regard, it is suggested that the relevance of incorporating oral or verbal terms be reviewed, given that the role of governments should be aimed at compliance with legality, formality, transparency and honesty. Likewise, in the case of MEXICO the formalization for the use of public resources must be in writing, through the signing of agreements or contracts, where the rights and obligations of the parties and the</p>
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	<p>mechanisms to enforce the commitments established in a binding arrangement are expressly established.</p> <p>It is suggested that if this type of arrangement (oral or verbal) is intended to be left within the Standard, the following should be considered:</p> <ul style="list-style-type: none"> <li>• That, in the event that this type of arrangement exists, it must be contemplated within the government's regulations, that is, no illegal means must be considered in the standard and that the standard can or intends to regularize them.</li> <li>• That this type of arrangements be treated as an exception to the rule.</li> </ul> <p><b>GUATEMALA</b></p> <p>It is important to emphasize that not all income referred to in this standard is subject to a contract.</p> <p><b>CHILE</b></p> <p>The scope is considered clear. The concept of "binding arrangement with performance obligation" is broader than the concept of "exchange transactions", because many times an entity does not provide a direct consideration to the person who made the purchase, but must provide a product or service to a third party, a situation that is covered by the concept of performance obligation. In this way, there is a harmonized accounting treatment for both situations.</p> <p>However, it should be clarified whether this rule will address revenue from sales that are made below a market price, given that the State may in some circumstances choose to agree to a reduced sales price with the intention of benefiting a citizen.</p> <p>With respect to terminology, the translation of "performance" should avoid the term "performance", given that in some countries in the region performance is associated with the evaluation of public management.</p> <p><b>COSTA RICA</b></p> <p>With respect to ED 70, and considering Revenue with performance obligations considering a binding arrangement, where a performance obligation is a promise in a binding arrangement to transfer to the buyer or third party beneficiaries or a series of different goods or services that are substantially the same and have the same transfer pattern.</p> <p>In this sense, Costa Rica is a country of law, and all the operations of the State depend on laws or, in their absence, on contract agreements; however, transfers in the Costa Rican Public Sector do not depend on or have a binding agreement, they are given according to the availability of resources, according to a maximum authorization of the Legislative Power.</p> <p>Any transfer that is made must be supported by a Law of the Republic, and in the case of the relationship with third parties depends on several Laws:</p>
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	<ul style="list-style-type: none"> <li>• General Law of Public Administration (6227)</li> <li>• General Law of Financial Administration and Public Budgets (8131)</li> <li>• Administrative Contracting Law (7494)</li> <li>• Internal Control Act (8292)</li> <li>• Among others.</li> </ul> <p>The change of the term of exchange or non-exchange revenue, to revenue with or without performance obligations, are terms that imply a period of time for their adaptation, since indicators are required in a strategic planning, and that must adapt the accountability not only with the receipt of a payment or transfer by law, but must give a management report of the use of resources.</p> <p>Another important aspect is the timing of accrual in revenue, since the public sector is in a transition from budgetary accounting to accrual accounting. These accrual times are highly dependent on the laws and regulations that support revenue; however, they are sometimes dependent on cash flow capacity to meet obligations.</p> <p>It is important to analyze the conceptual framework of the IPSAS, in terms of the terms exchange and non-exchange, considering the business logic of public institutions since, for the most part, they seek a potential for services and not an economic benefit.</p> <p>In summary, the drafting of ED 70 requires considering the regulatory framework of the countries and a fairly explanatory guide to application, considering practical cases in the public sector.</p>
<p><b>Specific matter for comment 2:</b></p> <p><b>This draft standard has been developed in conjunction with draft standard 71, Income without Performance Obligations, and draft standard 72, Transfer Costs, because there is an interaction between them. Although there is an interaction between the three draft standards, IPSASB decided that although draft standard 72 defines transfer costs, draft standard 70 did not need to define "transfer revenue" or "transfer revenue with performance obligations" to clarify the "mirror" relationship between the draft standards. The rationale for this decision is contained in paragraphs BC20 BC22.</b></p>	<p><b>COLOMBIA</b></p> <p>We agree not to define, in this draft standard, the terms "transfer revenue" or "transfer revenue with performance obligations", as the terms "transfer revenue" and "performance obligations" have opposite meanings.</p> <p>Transfer revenues are defined in ED 71 as those arising from "a transaction, other than a tax transaction, in which an entity receives a good, service or other asset from another entity (which may be an individual) without directly providing a good, service or other asset in return. The performance obligation, on the other hand, is defined in ED 70 as "a promise in a binding arrangement with a purchaser to transfer to the purchaser or third party beneficiary either (a) A different good or service (or set of goods or services); or (b) A different set of goods or services that are substantially the same and have the same pattern of transfer to the buyer or third party beneficiary".</p> <p>Consequently, when a transfer is involved, the entity making the transfer does not expect to receive, from the entity receiving the transfer, a good or service in exchange, i.e., there is no performance obligation of the latter entity. The performance obligation must be fulfilled by the entity selling the goods or services to the entity that makes the transfer. In sum, we</p>

<p><b>Do you agree with the IPSASB's decision not to define "transfer revenue" or transfer revenue with performance obligations "? If not, why not?</b></p>	<p>consider that it is not appropriate to include, under the same term, two different transactions: one, with a performance obligation (exchange transaction between the buyer and the seller of the goods or services) and another, without a performance obligation (non-exchange transaction between the entity that transfers the goods or services and the entity that benefits from them).</p> <p>Under this same argument, we believe that it is not appropriate to use the term "transfer expenses with performance obligations" used in ED 72.</p> <p>Accordingly, the relationship of the EDs is considered to exist between ED 71 and 72, but not with ED 70.</p> <p><b>EL SALVADOR</b> Partially agreed.</p> <p>In our opinion, the definitions of IPSAS 9 and 23 could be maintained, since they regulate in a homogeneous and consistent manner the operations of the Public Sector (General Government).</p> <p><b>ECUADOR</b> We do agree, since transfers are not an exchange concept, which is why ED 70, despite the fact that talking about revenue, should not include the concept of transfer revenue, because it is different. The country's current legal framework implies the use of transfers, with the knowledge of the entity receiving the transfer, which is opposed to the exchange term. This is a concept where the public entity grants a transfer to the beneficiary.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> We agree in principle, and I would particularly suggest another name "Revenue from the provision of goods or services".</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> It is suggested to differentiate exactly the scope and definition of what is a performance obligation presented in ED 70 and what is a present obligation in ED 71, since they seem to coincide in their objectives without a clear differentiation.</p> <p><b>MEXICO</b> The IPSASB's decision not to specify "transfer revenue" or "transfer revenue with performance obligations" is considered appropriate since it is the binding arrangement and the existence of performance obligations that determines whether the revenue corresponds to this ED. However, for clarity, it is suggested that it be specified that: Revenue earned under this</p>
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	<p>ED should be accumulated with ordinary revenue without adding or creating a new concept, i.e., without changing the accounting listings or chart of accounts.</p> <p><b>GUATEMALA</b> It is considered important to maintain the definitions of IPSAS 9 and 23 because they clearly describe revenue-related transactions.</p> <p><b>CHILE</b> It is not considered adequate. Given that the concept of performance obligations is central to the understanding of the three draft standards under study, it is considered better to be redundant with the definitions, indicating that "transfer income" and "transfer income with performance obligations" are understood to reinforce the concept and to ensure that the aforementioned mirror relationship exists between the draft standards.</p> <p><b>COSTA RICA</b> It is necessary to consider that it is an accounting entity with the use of IPSAS, where an economic benefit is not sought, but when it is a transfer, both the entity that gives and the one that receives value a service potential.</p> <p>Considering two transactions, one with a performance obligation and the other without a performance obligation, is technically inconsistent.</p>
<p><b>Specific matter for comment 3:</b></p> <p><b>Since IPSASB decided to develop two revenue standards (this draft standard on revenue with performance obligations and draft standard 71 on revenue without performance obligations), IPSASB decided to provide guidance on accounting for transactions with components related to both draft standards. Implementation guidance is provided in paragraphs AG69 and AG70.</b></p> <p><b>Do you agree with the application guide? If not, why not?</b></p>	<p><b>COLOMBIA</b> In the case of Colombia, it is not possible that in the same arrangement, the purchase of goods or services and a transfer of exchange resources to the selling entity are presented simultaneously, since these transactions must be identified separately. Consequently, it is suggested to withdraw paragraphs AG69 and AG70.</p> <p><b>EL SALVADOR</b> Partially agreed.  Because it is necessary to analyze the impact of the scope and implications of the country's legal regulations and the fulfillment of society's needs and to clearly establish that it is sought to support the public sector and that it is viable and true.</p> <p><b>ECUADOR</b> The guide allows us to identify the details of the situation posed for a revenue with and without consideration, however, the accounting remains to be clarified; that is, how to recognize these concepts in the financial statements. The application guidance should be clearer for the accounting postings of these components.</p> <p><b>BRAZIL</b> Yes, I agree.</p>

	<p><b>PARAGUAY</b> We do not agree, they should be accounted for in different ways, according to the economic fact.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> With respect to the Application Guide, it should address sections that may require further analysis and case studies.</p> <p>Likewise, in paragraph AG70 of the application guidance, we suggest that its analysis should be expanded as it mentions that the binding arrangement should clearly specify that only a part of the consideration will be returned to the buyer, this could be interpreted as if the standard dictates what a binding agreement should prescribe, if this is what is sought, we consider that a section should be added to the standard specifying the basic points that a binding agreement should contain in order to be considered as such.</p> <p><b>MEXICO</b> Paragraph AG70 states that "the terms of the binding agreement should clearly specify that only a portion of the consideration will be returned to the buyer if the entity fails to deliver the promised goods or services" and that portion is accounted for under ED 70 and the rebuttable portion is accounted for under ED 71. However, it is suggested that the ED indicates that the terms of the binding arrangement should clearly identify which party is intended to assist the entity, which party is intended to "assist in achieving its objectives" and which party is rebuttable, and if none of these parties are identified, the treatment of the binding arrangement should be specified.</p> <p>However, the above requires clarification of specific examples or circumstances in which these guidelines in paragraphs AG69 and AG70 would apply, which remain ambiguous.</p> <p><b>GUATEMALA</b> We agree with the elaboration of the guidelines, however, it is necessary that they clearly show the accounting in each case.</p> <p><b>CHILE</b> Yes, the indications in the application guidance are considered adequate, although it is considered that it is uncommon for the same transaction to consider components with a performance obligation and without a performance obligation.</p> <p><b>COSTA RICA</b> The combination of the purchase of goods or services and a transfer of exchange resources to the selling entity, in the public sector is not normal, and it is best to identify them separately.</p>
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	<p>The country's legal standing with respect to these relationships should be considered.</p>
<p><b>Specific matter for comment 4:</b></p> <p><b>IPSASB decided that this draft standard should include the disclosure requirements contained in IFRS 15. However, IPSASB recognized that these requirements are greater than those in existing revenue standards.</b></p> <p><b>Do you agree that the disclosure requirements should be aligned with those of IFRS 15, and that there are no disclosure requirements that should be eliminated? If not, why not?</b></p>	<p><b>COLOMBIA</b></p> <p>We agree with the proposed disclosures. However, we suggest including a disclosure that would allow us to differentiate between revenue that has economic substance and revenue that does not.</p> <p><b>EL SALVADOR</b></p> <p>Not entirely.</p> <p>Because IFRS 15 puts or makes the technical financial prevail over the legal, however, in the Salvadoran public sector, the legal prevails over the technical.</p> <p>Therefore, it is necessary to define the disclosure requirements that the public sector has which are very particular and in many cases different from the private sector.</p> <p><b>ECUADOR</b></p> <p>We agree with the above disclosures; however, for those related to binding arrangements we ratify the above, as they are not used by the current country legislation.</p> <p><b>BRAZIL</b></p> <p>I do not agree. There are disclosure requirements that should be eliminated.</p> <p><b>PARAGUAY</b></p> <p>We disagree, this standard should be disclosed in accordance with the particularities of the Public Sector.</p> <p><b>HONDURAS</b></p> <p>No comment is issued.</p> <p><b>PERU</b></p> <p>Disclosures have been appropriately aligned with what public entities should disclose, which also helps to provide a better picture of performance obligations over time.</p> <p><b>MEXICO</b></p> <p>In relation to the disclosure requirements, the following is specified:</p> <ul style="list-style-type: none"> <li>• "Binding arrangements" and "significant judgments": since this standard does not require that performance obligation income be classified in a new item or accounting concept affecting the chart of accounts, it is suggested that the same treatment be given to the disclosure of binding arrangements of not distinguishing with obligation or without performance obligation.</li> </ul>

	<p><b>GUATEMALA</b> In relation to the disclosures it is necessary to verify that they are in line with the public sector.</p> <p><b>CHILE</b> It is considered appropriate that IFRS 15 disclosures be used as a starting point, but more public sector specific disclosures should be added, especially for transactions that are made at below-market prices. In particular, when an institution delivers a service that is not funded by the buyer's contribution, it should indicate what other source of funding was used to cover the costs of the service. It should also disclose how much of the transfers received have been executed (used to meet the obligation) in the period and how much is still outstanding (this is considered to apply also to ED 71).</p> <p><b>COSTA RICA</b> It is important to mention that IFRS, and in this case IFRS 15, responds to a business logic that normally an accounting entity with IPSAS application does not have. IPSAS normally do not seek economic benefit, and are based on service potential and accountability, which is why this perspective must be analyzed in the disclosure. However, it is important that the standard includes disclosure aspects that help accountants establish the necessary parameters. The term economic substance must be very well defined.  Disclosure requirements must be in line with the reality of the public sector.</p>
<p><b>Specific matter for comment 5:</b></p> <p><b>In developing this draft standard, IPSASB noted that some public sector entities may be required to enter into binding arrangements to provide goods or services to parties that do not have the ability or intent to pay. Accordingly, IPSASB decided to add a disclosure requirement on such transactions in paragraph 120. The rationale for this decision is contained in paragraphs BC38 BC47.</b></p> <p><b>Do you agree with the decision to add the disclosure requirement in paragraph 120 for the disclosure of information about transactions that an entity is required to</b></p>	<p><b>COLOMBIA</b> We agree with the proposed disclosure.</p> <p><b>EL SALVADOR</b> Partially agreed Because one does not have a complete understanding of what one intends to regulate. One should continue to evaluate until one has the complete picture of the application of paragraph 120.</p> <p><b>ECUADOR</b> We agree with paragraph 120.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> We agree with the proposed disclosure, in particular to include figures such as compensation or swap or dation in payment that occurs in the Public Sector.</p>

<p><b>enter into by law or other government policy decisions? If not, why not?</b></p>	<p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> Yes, these are situations that occur on a very recurring basis; however, it could be added in this disclosure that the entity evaluates and projects in a reasonable range of time if such performance obligations that will doubtlessly pay back the entity, would affect its performance over time.</p> <p><b>MEXICO</b> In the particular case of MEXICO, we do not identify transactions where this disclosure needs to be addressed.</p> <p><b>GUATEMALA</b> Yes, we agree.</p> <p><b>CHILE</b> Yes, paragraph 120 is considered appropriate, since providing services to people with low capacity to pay is a fairly common situation, especially in the health sector.</p> <p><b>COSTA RICA</b> No comment is issued.</p>
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Sincerely,

**FORO DE CONTADURÍAS GUBERNAMENTALES DE AMÉRICA LATINA FOCAL**

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Quito, October 30, 2020

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Ian Carruthers

**CHAIRMAN OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
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Ecuador's Sub-secretary of Government Accounting  
Ministry of Economy and Finance of Ecuador  
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### SPECIFIC MATTERS FOR COMMENTS

#### IPSASB EXPOSURE DRAFTS (ED) 71

<u>IPSASB EXPOSURE DRAFT 71: REVENUE WITHOUT PERFORMANCE OBLIGATIONS</u>	
<p><b>Specific matter for comment 1:</b></p> <p><b>The draft standard proposes that a current obligation is a binding obligation (legally or by equivalent means), where an entity has little or no realistic alternative to avoid and which results in an outflow of resources. IPSASB decided that, to help determine whether a transferee has a current obligation, consideration is given to whether the transferee has an obligation to perform a specific activity or to incur eligible expenses.</b></p> <p><b>Do you agree with the IPSASB's proposals that, for the purposes of this Draft Standard, Revenue without a Performance Obligation, a specific activity, and eligible expenses give rise to current obligations? Are there other examples of current obligations that would be useful to include in the Draft Standard?</b></p>	<p><b>COLOMBIA</b></p> <p>Although we consider it pertinent that the draft standard reflects and discusses that any resource derived from a transfer must be directed to a specific activity and in some cases gives rise to present obligations or eligible expenses and therefore the proposed accounting treatment is appropriate, we believe that the proposal fails to elucidate the problem that had already been resolved in IPSAS 23, in which under the principle of substance over form, the emergence of present obligations for the beneficiary of a transfer was subject to a failure to comply with what under that standard were called conditions.</p> <p>Consequently, we consider it pertinent that the criteria for revenue from non-exchange transactions, which are those of the public sector government, should be maintained, given that all resources have a purpose and considering that the central element for recognizing a revenue or a liability in the transfer recipient is the existence of a possibility of reimbursing a resource or not.</p> <p>This is because only the compliance with the obligation by the transfer recipient would give rise to the expense, while only at that moment would the binding arrangement be complied with and, therefore, the transfer provider's outflow of resources; whereas, for the transfer recipient, it constitutes an income (susceptible of increasing his patrimony since there is no place to reimburse the resource).</p> <p>With respect to the example included in the draft standard, it fails to specify the characterization of a specific activity or eligible expense, since every resource received by the government, regardless of its source, generates obligations in terms of purpose or application, but not every resource generates a specific activity, which, if not complied with, results in reimbursement to the transferor. In the case of transfers from the national government to provincial (sub-national) or local governments, these are generally defined in the law or equivalent regulations and do not generate present obligations; however, the example refers to the existence of a binding arrangement that generates present obligations for this type of transfer, on the understanding that this is the exception and not the rule.</p>

	<p><b>EL SALVADOR</b></p> <p>Yes, we agree that there are activities that are regulated by this standard that give rise to performance obligations, however, such activities are not necessarily applicable to be recognized and fully disclosed, since, in our case, it is not in accordance with the accounting legislation that regulates the Salvadoran public sector.</p> <p>At present, it could not be determined because the Salvadoran public sector has not had the experience of applying similar standards.</p> <p><b>ECUADOR</b></p> <p>The transfers in the country are expenses established in the budget; therefore, they are associated with the beneficiary. As soon as the recognition of the accrual occurs, this process is directly related to the beneficiary. In the case of non-exchange transfers, there is a direct link with the transfer recipient, but not through a binding arrangement, but through the application of the country's current legislation.</p> <p><b>BRAZIL</b></p> <p><i>General commentary</i></p> <p>I do not agree with the publication of a new IPSAS based on ED 71. It is suggested to maintain IPSAS 23, updating it to solve application and interface problems with the new standard aligned with IFRS 15 (ED 70). This was even the result of the discussion of the topic in round tables last year in Brazil. (Focal 2019).</p> <p><b>PARAGUAY</b></p> <p>We agree with the present obligations, but it is very important to clarify that such obligations are approved in the National General Budget Law, which establishes the use and destination of such funds. In addition, there are other special laws in which it establishes the obligatory nature of transfers, distribution or co-participation of certain taxes, royalty income and others in established percentages. Likewise, the destination of such funds is specifically budgeted but could be adjusted during the year or with certain discretion. However, others are destined for the specific use of school infrastructure improvements, school lunch, current expenses up to a percentage, and capital expenses in other percentages. Therefore, it is essential to talk about budgets and/or special laws on resource transfers.</p> <p><b>HONDURAS</b></p> <p>The transfer recipient has an obligation to account for and disclose the receipt, even if they are eligible expenses, however, if the recipient fails to disclose they can avoid the transfer of this expense.</p> <p><b>PERU</b></p> <p>We agree, IPSASB decided that, to help determine whether a transfer recipient has a present obligation, consideration is given to whether the transfer recipient has an obligation to perform a specific activity or to incur eligible expenses.</p>
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	<p>We recommend that implied obligations are also included</p> <p><b>MEXICO</b> The Standard indicates in very general terms in its structure when there is a present obligation and eligible expenses, which will make difficult the understanding for its application.</p> <p><b>GUATEMALA</b> We do not agree that the definitions in the draft standard are not clear.</p> <p><b>CHILE</b> Yes, the concepts of "specific activity" and "eligible expenses" are broad enough to cover different types of current obligations. However, one should be more emphatic in that, if the purpose of the transfer is not met, those resources should be returned to the transfer provider (similar to how it is indicated in standard 23); otherwise, it is considered that no obligation exists.</p> <p><b>COSTA RICA</b> In Costa Rica, the principle of annuality is applied in the budget, through which transfers are assigned that may not be subject to performance obligations.</p> <p>Disbursements depend on the ability to generate cash flow to meet obligations, and sometimes despite a current obligation, it cannot be met.</p> <p>The prioritization of resources according to needs, despite the fact that this is a legal requirement.</p> <p>It is important to clearly elucidate the concept of economic essence over form, since the accounting record must be based on this logic.</p> <p>Similarly, the issue of recognition of expenses on an accrual basis needs to be interpreted more broadly, taking into account the budgetary paradigms.</p> <p>In the Costa Rican public sector, it is difficult to determine whether each transfer made by the central government to other institutions or third parties has the obligation to carry out a specific activity, because the <i>raison d'être</i> of that institution cannot be taken in general and, moreover, this is not explicitly stated in Costa Rica, transfers are made for the fulfillment of the function in general and in some cases they are subsidies or economic aid to a population with certain characteristics.</p>
<p><b>Specific matter for comment 2:</b></p> <p><b>The flow chart following paragraph 31 of this draft standard illustrates the process that a transfer recipient uses to determine whether revenue arises and, if</b></p>	<p><b>COLOMBIA</b> In principle, we agree with the presented flowchart.</p> <p>However, we believe that the disclosure and presentation aspects of this standard should be clarified, and we note that the two terms are used interchangeably. Additionally, with respect to the question in step 3, is the</p>

<p><b>so, the relevant paragraphs to apply for such revenue recognition.</b></p> <p><b>Do you agree that the flowchart clearly illustrates the process? If not, what clarification is needed?</b></p>	<p>entry the result of a contribution from the owners? (Paragraph 7), we find that this does not arise from the position of the transfere recipient, because as it is an increase in the patrimony it is not a revenue nor does it come from a binding arrangement.</p> <p><b>EL SALVADOR</b> I totally agree. The diagram clearly illustrates the process.</p> <p><b>ECUADOR</b> Partially in agreement, since the decrease in liabilities and the increase in assets are not clearly identified.</p> <p><b>BRAZIL</b> See general comment question 1.</p> <p><b>PARAGUAY</b> In principle, we agree with the presented flowchart, provided that the "binding arrangement" is clarified.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> We agree, IPSASB decided that a transfer recipient recognizes revenue without performance obligations, but with present obligations when (or as) the transfer recipient meets the present obligation, we also propose that the Implementation Guidance be illustrated with case studies.</p> <p><b>MEXICO</b> The diagram is considered very general, despite being for illustrative purposes.</p> <p><b>GUATEMALA</b> No comment is issued.</p> <p><b>CHILE</b> Yes, the diagram is quite clear.</p> <p><b>COSTA RICA</b> Theoretically, the flowchart is explicit; what needs to be analyzed is the operational feasibility to implement it, due to the conditions that exist in the public sector.</p> <p>The relationship between revenue, expenditure and net assets/equity are concepts that must be analyzed in this flow.</p>
<p><b>Specific matter for comment 3:</b></p>	<p><b>COLOMBIA</b> There is sufficient guidance in this draft standard to determine when a present obligation is satisfied (the transfere recipient undertakes the</p>

<p><b>IPSASB decided that a transfere recipient recognizes revenue without a performance obligation, but with a present obligation when (or as) the transfer recipient meets the present obligation.</b></p> <p><b>Do you agree that there is sufficient guidance in this draft standard to determine when a present obligation is met and when revenue should be recognized? For example, at a given point in time or over time. If not, what other guidance is needed to improve the clarity of the principle?</b></p>	<p>specified activities) and when revenue should be recognized (to the extent that those activities are met progressively over time or by a specified date).</p> <p>However, we believe that greater emphasis should be placed on the fact that the existence or not of a present obligation, as well as its compliance, must be consistent between the beneficiary entity and the entity providing the transfer and, consequently, these must have symmetrical treatments in both entities.</p> <p><b>EL SALVADOR</b> Partially agreed. More examples and further guidance are needed to safely and effectively recognize and determine when, because of its special characteristics, an obligation is fulfilled and revenue is recognized.</p> <p>Perhaps what is required is only more time for analysis, understanding and study of the draft standard, by those of us who will be users of it.</p> <p><b>ECUADOR</b> The standard does provide sufficient guidance for the registration of the accounting in the transfer provider and the transfer recipient.</p> <p><b>BRAZIL</b> See general comment question 1.</p> <p><b>PARAGUAY</b> In this item the best is to make similar the consolidable or reciprocal budget items and define that the expense of the transfer provider and the revenue of the transfer recipient must occur simultaneously, because if they are recognized at different times it would only bring problems at the time of consolidation either monthly or annually, and most of these items are budgeted, can be identified and eliminated at the time of consolidation.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> We agree with this approach; however, under certain circumstances, there may be mismatches between the times when the transfer provider and the transfer recipient account for the expenses and revenue, respectively, arising from the transaction. For example, on date "x" the transfer recipient informs the transfer provider that the performance obligation has been satisfied from his (the recipient's) point of view, but not necessarily, the transaction could be satisfied on the same date from the transfer provider's point of view. This would result in differences in the consolidated financial statements.</p> <p><b>MEXICO</b> The standard includes the revenue recognition in a very general way, so it is considered that it will be difficult to understand for its application.</p>
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	<p><b>GUATEMALA</b> We agree that there is sufficient guidance in this draft standard, however, it is suggested that guidance be included to improve understanding of the accounting records.</p> <p><b>CHILE</b> Yes, it is considered appropriate.</p> <p><b>COSTA RICA</b> Within the guidance, it is important to indicate the procedure to follow in case for some reason some present obligation is not fulfilled, and the accounting must be adjusted considering an extraordinary event.</p> <p>Recognition times between the beneficiary entity and the provider entity must have procedures that guarantee consistency between the parties.</p> <p>In the case of Costa Rica, it is very difficult to establish the moments in accordance with the proposal of the standard, and the guide should expand on how to provide this follow-up and give examples.</p>
<p><b>Specific matter for comment 4:</b></p> <p><b>IPSASB decided that the objective in assigning the transaction price is for a transferee to assign the transaction price to each current obligation in the agreement, so that it represents the amount to which the transferee expects to be entitled upon performance of the current obligation. The amount of revenue recognized is an amount proportionate to the inflow of resources that is recognized as an asset, based on the estimated percentage of the total obligation to be fulfilled.</b></p> <p><b>Do you agree that there is sufficient guidance in this draft standard to identify and determine how to allocate the transaction price between the different current obligations? If not, what further guidance is needed to improve clarity of the principle?</b></p>	<p><b>COLOMBIA</b> We agree with the guidelines mentioned in the draft standard for the identification and allocation of the transaction price to the current obligations.</p> <p><b>EL SALVADOR</b> Partially agreed.</p> <p>It is considered to evaluate that establishing transaction prices to a service to society, probably leads to create indexes, not only by the individuality and legal aspects of each country, but by the diversity of services to society provided by public entities, in order to measure the costs and benefits of its implementation.</p> <p><b>ECUADOR</b> Yes, we agree with the guidance provided in the standard to identify and determine the price of the transaction.</p> <p><b>BRAZIL</b> See general comment question 1.</p> <p><b>PARAGUAY</b> No comments.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> Yes. We agree.</p>

	<p>We recommend applying the percentage-of-completion method to the estimated percentage of obligations that have been fulfilled.</p> <p><b>MEXICO</b></p> <p>It is suggested to mention the treatment that will be followed in case of binding arrangements that contain different present obligations to be fulfilled, but that the price of each one of the present obligations has not been determined separately and each obligation has different deadlines to be fulfilled.</p> <p>It would be important to exemplify complex cases so that the minimum elements for each present obligation of such arrangements can be understood from the example.</p> <p><b>GUATEMALA</b></p> <p>Yes, we agree.</p> <p><b>CHILE</b></p> <p>More indications should be added about when to recognize transfer revenue and reduce the obligation, which is important especially in countries that have integrated budget and accounting. Reference should be made to the achievement of project milestones.</p> <p><b>COSTA RICA</b></p> <p>It is important that the methodology shows a greater diversity of measurement indicators or their conceptualization, in order to have alternatives for the different alternatives of obligations that may occur.</p> <p>It should be expanded in the guidance with examples.</p>
<p><b>Specific matter for comment 5:</b></p> <p><b>Do you agree with the IPSASB proposals that accounts receivable within the scope of this draft standard should subsequently be measured in accordance with the requirements of IPSAS 41: Financial Instruments?</b></p> <p><b>If not, how do you propose to account for the receivables?</b></p>	<p><b>COLOMBIA</b></p> <p>We agree with the proposal to subsequently measure accounts receivable in accordance with the requirements of IPSAS 41; However, we believe it is appropriate to include or provide additional guidance for the measurement of accounts receivable that are not within the scope of IPSAS 41, with the understanding that there may be financial assets (financial flows that must be repaid to the transferring entity if obligations are not met) and non-financial assets (when the transfer is presented with in-kind assets) and therefore, in many cases, it would be expected that the recourse to repay, in the event of non-compliance with obligations, would materialize into a non-financial flow. With respect to the latter case, it is not clear whether it should be called an account receivable.</p> <p>In accordance with the above and depending on the type of agreement or arrangement, the transfer recipient will be obliged to return or reimburse a financial asset or a non-financial asset, in some cases, in the short or long term and, in other cases, with or without the mediation of a penalty or an interest rate. For this reason, we believe that instructions or guidelines should be given for this type of particular transaction.</p>

	<p>For example, in accordance with paragraph 84, if a financial asset is held, as a receivable and the time value of money is not significant, the measurement of the receivable asset should be the cost or value disbursed; however, when the time value of money is significant, a present value measurement may be appropriate. Therefore, it is not clear in which cases the amortized cost is used to measure the account receivable at the transferor entity or the liability at the transferee entity.</p> <p>With respect to fair value measurement, we believe that the concept of fair value should be clarified, either from the conceptual framework or from the draft standard, given that, in the absence of a precise definition, users could resort to standards from other bodies such as IFRS 13 and go to any of the three (3) levels proposed by that standard. Additionally, it is proposed that the treatment be mirrored with draft standard 72 in relation to the measurement of non-financial assets at carrying amount.</p> <p><b>EL SALVADOR</b></p> <p>We partially agree, although the above is not applicable in the Salvadorian public sector accounting regulations, since this would imply the increase of financial value in the accounts receivable.</p> <p>According to our current application, this should be maintained.</p> <p><b>ECUADOR</b></p> <p>Partially agree, since in Ecuador accounts receivable are recognized on an accrual basis.</p> <p><b>BRAZIL</b></p> <p>See general comment question 1.</p> <p><b>PARAGUAY</b></p> <p>We agree especially in the case of transfers made to Public Entities or Public Companies, in which the Treasury takes the Public Debt and then transfers it to such entity through an agreement in which the entity is obliged to amortize and pay all the service of the Debt according to the maturities, and generally it is used in infrastructure, in which the Treasury is a joint guarantor.</p> <p><b>HONDURAS</b></p> <p>No comment is issued.</p> <p><b>PERU</b></p> <p>Yes, we agree.</p> <p><b>MEXICO</b></p> <p>No comment is issued.</p> <p><b>GUATEMALA</b></p> <p>No comment is issued.</p>
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	<p><b>CHILE</b> Yes, it is considered appropriate, and thus a uniform standard for accounts receivable is maintained.</p> <p><b>COSTA RICA</b> At this point, it is always necessary to analyze materiality in the public sector, since IPSAS 41 considers impairment and this calculation normally requires actuaries, and not every accounting entity has the possibility of contracting actuaries.</p> <p>IPSAS has a weakness with respect to fair value, which in IFRS and IASs is well defined. It is considered appropriate for this standard to consider this issue, and its application in financial instruments.</p>
<p><b>Specific matter for comment 6:</b></p> <p><b>The proposed IPSASB disclosure requirements for revenue transactions without performance obligations are intended to provide users with information useful for decision making and to demonstrate the recipient's responsibility for the resources entrusted to them.</b></p> <p><b>Do you agree that the disclosure requirements in this draft standard provide users with sufficient, reliable and relevant information about revenue transactions without performance obligations? In particular, (i) which disclosures are relevant? (ii) which disclosures are not relevant? and (iii) what other disclosures, if any, should be required?</b></p>	<p><b>COLOMBIA</b> We believe that the disclosures required in the draft standard are sufficient, relevant, and material to the user of the information; however, in disclosing in-kind services, the availability of qualitative or quantitative information for the disclosures required in this standard should be taken into account.</p> <p>Additionally, it is important to avoid that, given the number of disclosures required by the standard, as mentioned in paragraph 128, useful information is overshadowed by the inclusion of details or information that is not very relevant, which distracts the user's attention from the information.</p> <p><b>EL SALVADOR</b> Agree with further disclosure of revenue transactions, however, the above is not applicable in the Salvadoran accounting system, since it does not have subsequent measurement accounting policies for the application of performance obligation transactions.</p> <p><b>ECUADOR</b> We agree with the above disclosures as they meet the criteria of sufficient, relevant and material.</p> <p><b>BRAZIL</b> General commentary.</p> <p><b>PARAGUAY</b> We agree, but it is important the cases of compensation or exchange or dation in payment, since such operations are budgetary, but do not generate income or output of funds, so it should indicate and identify such operations, amount etc.</p> <p><b>HONDURAS</b> No comment is issued.</p>

	<p><b>PERU</b></p> <p>Which disclosures are relevant? The amount of revenue without performance obligations recognized during the period.</p> <p>The amount of accounts receivable recognized in respect of revenue without performance obligations.</p> <p>The existence and amounts of any anticipated collections with respect to revenue without performance obligations Disclose the nature and type of the main types of in-kind services received.</p> <p><b>MEXICO</b></p> <p>Since this standard does not require the classification of revenue from performance obligations or present obligations in a new line item or accounting concept affecting the chart of accounts, it is suggested that the same treatment be given to the disclosure of binding arrangements, of not distinguishing with or without performance obligation.</p> <p>In addition, the disclosures included in ED 71 do not require a maximum volume of disclosures, they are read in great detail, and therefore it could be too much information that is published and that makes it difficult for different users of financial information to understand. Although paragraph 128 states that public entities may define the level of aggregated or disaggregated information, giving priority to the usefulness of the information for users, it is also true that the following paragraphs (131 and 132) are in contrast to paragraph 128.</p> <p><b>GUATEMALA</b></p> <p>No comment is issued.</p> <p><b>CHILE</b></p> <p>Yes, the disclosures are considered adequate. It is proposed to add a disclosure that asks to explicitly state which accounting policy is used to determine when revenue is recognized when there is no present obligation, and to explain the judgments used.</p> <p><b>COSTA RICA</b></p> <p>Disclosure of performance and obligations is a new concept in the public sector, considering the potential for service, so guidance should be given with that perspective in mind, not an economic amount.</p> <p>Costa Rica operates with the following type of transfers, always looking for a social benefit, which can be health, education, housing, sports, etc., considering an indicator to evaluate is complex.</p> <p>Specific items, by means of current transfers. Current transfers from the Executive Branch. Specific Items, through Capital Transfers Capital transfers from the Executive Branch Transfers associated with Laws to other entities.</p>
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<p><b>Specific matter for comment 7:</b></p> <p><b>Although much of the material in this draft standard has been taken from IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), the IPSASB decided that the draft standard should set out broad principles for the recognition of revenue from non-performance transactions, and provide guidance on the application of those principles to major sources of revenue for governments and other public sector entities. The manner in which these principles and general guidance have been set out in the draft standard is consistent with that in ED 72, Transfer Expenses.</b></p> <p><b>Do you agree with the approach taken in the draft standard and that the structure and general principles and guidelines are logically established? If not, what improvements can be made?</b></p>	<p><b>COLOMBIA</b></p> <p>With respect to the structure of the standard, it should be mentioned that it is not pertinent to develop the exceptions listed in the scope, such is the case of the following statement: "a public sector combination that is a transaction would not change and the accounting of the owners' contributions" (which are developed in paragraphs 6, 7 and 8), since, instead of clarifying, it generates confusion in the reader.</p> <p>In order to make the draft standard "Transference expenses" consistent with the "Revenue without performance obligations" standard, it would be necessary to separate the government's own revenue that does not generate obligations, such as taxes, fines, contributions and fees (considering that in these cases, it is not appropriate to treat them as transfers) and to treat, independently, the transfer revenue, differentiating, for this revenue, those that generate obligations from those that do not.</p> <p>This situation was better clarified in IPSAS 23 through the differentiation of restricted transfer revenue from conditional revenue. These transfers (especially those related to resources that are transferred between different levels of government) are those that would be mirrored in those of transfer expenses and should be mirrored in the transferring and receiving entities and, therefore, there should be correlation in both income and expenses as well as in assets and liabilities.</p> <p>The draft standard clarifies the existence of the present obligation from the perspective of a binding arrangement (legal or equivalent) that leaves the transferor no alternative but to leave resources to fulfill or liquidate the obligation. However, the term arrangement implies that two or more parties, autonomously, agree to assume obligations and rights; however, the standard does not seem to regulate transactions that occur between government entities at different levels (national and local, central and decentralized, or federal and state), where no arrangement is mediated, but rather, by legal mandate, an entity is obliged to transfer monetary or non-monetary resources to another government entity. These conditions meet the elements of paragraphs 33 and below, but only paragraph 48 addresses them, albeit under the arrangement approach.</p> <p>Additionally, the binding arrangement that is made by equivalent means does not result in compliance with the principle of substance over form, since, by prioritizing compliance with the principle, the law may be violated.</p> <p>Finally, it is proposed to include, in ED 71, the cases of goods and services that the government provides exclusively because of the sovereignty that falls on it and that are not associated with a market logic or with the recovery of costs incurred in the provision of goods and services, for example, military passbooks and vehicle registration, tolls and other fees.</p> <p><b>EL SALVADOR</b></p> <p>I totally agree. The approach taken in the draft standard, its structure and the general principles and guidelines are logically established.</p>
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	<p><b>ECUADOR</b></p> <p>We agree with the structure and approach of the draft standard; however, the term revenue from transactions without performance obligations should be replaced by the concept of revenue from non-exchange transactions, as it is more understandable and applicable in public sector uses.</p> <p><b>BRAZIL</b></p> <p>See general comment question 1.</p> <p><b>PARAGUAY</b></p> <p>We do not agree with the approach especially to the lack of references to the budgets, special laws and other legal dispositions that affect the Public Sector, it is essential that these standards go hand in hand with the Budgets and the way to identify this type of operations especially the reciprocal or consolidable ones that it gives in a universal way and it affects in a direct way when consolidating the information.</p> <p><b>HONDURAS</b></p> <p>No comment is issued.</p> <p><b>PERU</b></p> <p>Yes, we agree, Although much of the material in this draft standard is taken from IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), the IPSASB decided that the draft standard should set out broad principles for the recognition of revenue from non-performance transactions, and provide guidance on the application of those principles to major sources of revenue for governments and other public sector entities.</p> <p><b>MEXICO</b></p> <p>In this regard, it is considered that the information contained in draft regulations 71 and 72 in general terms is consistent.</p> <p><b>GUATEMALA</b></p> <p>We agree with the approach taken in the draft standard.</p> <p><b>CHILE</b></p> <p>Yes, this is considered a suitable title structure.</p> <p><b>COSTA RICA</b></p> <p>The concept of exchange and non-exchange addressed by IPSAS 9 and 23 was appropriate in order to classify revenue, since the generation of own revenue where a fee could be charged for the good and service, was different from a transfer that sought a service or social potential, with the concept of performance, that distinction can disappear.</p>
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	<p>We believe that the approach between draft regulation 71 and 72 is not consistent in terms of the timing of recognition of transfers with obligations.</p>
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Sincerely,

**FORO DE CONTADURÍAS GUBERNAMENTALES DE AMÉRICA LATINA FOCAL**

Office No. MEF-FOCAL-2020-0001

Quito, October 30, 2020

**Subject:** Submission of annexes 1 and 2 with the comments of FOCAL member countries to the IPSASB Exposure Drafts 70, 71 and 72

Mr.

Ian Carruthers

**CHAIRMAN OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARDS BOARD IPSASB**

Dear Mr. Carruthers:

In the months of May and June 2020, FOCAL in coordination with Ernst & Young and International Public Sector Accounting Standards Board IPSASB, conducted three videoconferences on Exposure Drafts 70 Revenue with Performance Obligations, 71 Revenue without performance obligations and 72 Transfer Expenses, where it was highlighted that each exposure draft included specific matters for comment on which the IPSASB is looking for country opinions.

Therefore, the Forum of Governmental Accounting of Latin America - FOCAL - is delivering a consolidated document containing responses to comments from 11 countries: Colombia, El Salvador, Ecuador, Brazil, Paraguay, Honduras, Peru, Mexico, Guatemala, Chile and Costa Rica. FOCAL's objective is to strengthen the joint work with the International standard-setting Body and to contribute with the experience of each country for the application of the Public Sector Accounting.

Yours sincerely,



Firmado electrónicamente por:  
MAGDALENA DEL  
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Magdalena Vicuña Cevallos  
Ecuador's Sub-secretary of Government Accounting  
Ministry of Economy and Finance of Ecuador  
FOCAL President

**Annexes:**

- Annex No. 1\_Comments to Draft IPSASB Standards\_FOCAL consolidated 29-10-2020
- Annex No. 2 Additional comments Standards 70\_71\_72 IPSASB Mexico

cc. FOCAL Countries

## CONSOLIDATED DOCUMENT OF FOCAL MEMBER COUNTRIES

### SPECIFIC MATTERS FOR COMMENTS

#### IPSASB EXPOSURE DRAFTS (ED) 72

<u>IPSASB EXPOSURE DRAFT 72: TRANSFER EXPENSES</u>	
<p><b>Specific matter for comment 1:</b></p> <p><b>The scope of this draft standard is limited to transfer expenses as defined in paragraph 8. The basis for this decision is set out in paragraphs BC4-BC15.</b></p> <p><b>Do you agree that the scope of this draft standard is clear? If not, what changes would you make to the scope or definition of transfer costs?</b></p>	<p><b>COLOMBIA</b></p> <p>It is considered that the scope of the standard requires greater precision, given that the term "transfer" should only have a direct analogy with the draft of IPSAS 71, Revenue without Performance Obligations, where explicit reference is made to this concept, from the perspective of the entity receiving the transfer. Therefore, it is suggested that the draft Standard does not refer to "transfers with performance obligations", since there is no performance obligation between the provider and the beneficiary of the transfer.</p> <p><b>EL SALVADOR</b></p> <p>Partially agreed</p> <p>No change is suggested in the scope of the project or in the definition of transfer expenses.</p> <p><b>ECUADOR</b></p> <p>According to this, the scope is focused on transfer expenses and clearly limits those that would not be under this concept. However, it should not be related to revenues from transactions with performance obligations.</p> <p><b>BRAZIL</b></p> <p>Yes, I agree.</p> <p><b>PARAGUAY</b></p> <p>We do not agree, we continue to insist that such "transfer expenses" must include or assimilate what happens with the consolidable items established in the Budget Law itself. These accounts are mirrors of the revenue accounts that affect the beneficiary entities, which is why it is essential to talk about the items assigned to budgets, since these are used at the time of consolidating the Public Sector Financial and Budgetary Statements and are required in the IMF Public Finance report and other reports for the purpose of providing information and accountability.</p> <p><b>HONDURAS</b></p> <p>It can be extended in the application guidance that a performance obligation corresponds to the trust contracts in which the obligations are contractually established.</p>

	<p><b>PERU</b></p> <p>A transfer expense is defined as "(...) an expense arising from a transaction, other than tax, in which one entity provides a good, service or other asset to another entity (which may be an individual) without directly receiving any good, service or other asset in return".</p> <p>When the definition makes the precision "without directly receiving any goods, services or other assets in return", it could be understood as including those goods, services or other assets that are received indirectly from the recipient of the transfer (perhaps through third parties). In the latter case, we would be facing a transfer expense.</p> <p><b>MEXICO</b></p> <p>In this regard, the "definition" of transference expenses in the standard specifies that taxes are not considered, and therefore it is recommended to add in the "scope" that taxes that are outside the scope of this standard.</p> <p><b>GUATEMALA</b></p> <p>We agree with the scope of the draft standard.</p> <p><b>CHILE</b></p> <p>Yes, it is an adequate scope. Matters outside the scope can be accounted for based on the conceptual framework or by applying similarly standardized accounting policies. It is considered beneficial to use the same definition of transfers as in the IMF Fiscal Statistics Manual.</p> <p><b>COSTA RICA</b></p> <p>The concept of transfers with performance obligations must be analyzed, because this relationship is not necessarily possible.</p> <p>The examples of performance indicators are important, considering different approaches to transfers and considering that most of them are what is known today as non-exchange.</p>
<p><b>Specific matter for comment 2:</b></p> <p><b>Do you agree with this draft standard's proposal to distinguish between transfer costs with performance obligations and transfer costs without performance obligations, reflecting the distinction for revenue transactions proposed in draft standard 70, Revenue with Performance Obligations, and draft standard 71, Revenue without Performance Obligations? If you disagree, what distinction would you make if there were one?</b></p>	<p><b>COLOMBIA</b></p> <p>In line with the second commentary on the draft IPSAS 70, the classification proposed in the draft IPSAS 72 is not considered appropriate, given that when a transfer is involved, the transferring entity does not expect to receive, from the entity receiving the transfer, a good or service in return; that is, there is no performance obligation on the part of the latter entity. The performance obligation must be met by the entity selling the goods or services to the entity making the transfer. Therefore, we consider that it is not appropriate to include under the same term two different transactions: one with a performance obligation (transaction with consideration between the buyer and the seller of the goods or services) and one without a performance obligation (transaction without consideration between the entity that transfers the goods or services and the entity that benefits from them).</p> <p>Instead of the classification proposed in the draft IPSAS 72, it is suggested transfer expenses to be distinguished between those that are conditional</p>

	<p>and those that are not; that is, a classification that distinguishes between transfers subject to repayment due to the failure of the transfer recipient to comply with certain conditions and transfers that have a particular destination without being subject to repayment of the resources to the transfer provider.</p> <p><b>EL SALVADOR</b> I totally agree.</p> <p><b>ECUADOR</b> We agree with the relationship established in the standard for revenues from non - performance obligation transactions; however, we do not agree with the obligations of performance obligations transactions, since the transfer expenses are without consideration.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> The concept of transference recognized by our country is those contributions between Entities and Organisms of the State, destined to finance current or capital expenses. They constitute reimbursable or non-reimbursable resources and without consideration of goods and services. This terminology clarifies very well that they may or may not be reimbursable, but effectively non-exchange, although in practice the Entity that receives the funds from the central administration or the Public Treasury may acquire goods or services, specifically the glass of milk for the children in the schools. It is important to clarify this concept also in this standard.</p> <p><b>HONDURAS</b> Yes.</p> <p><b>PERU</b> We agree with the approach; however, in aspects such as the one developed in 28.g): "A transfer recipient that builds, manufactures or develops an asset on behalf of a third party beneficiary (for example, a residential development built for a housing association)", it should be specified that the goods, services or other assets received from the transfer provider, also intend to meet the objectives of the transfer recipient and therefore, satisfy the definition of assets. The current wording proposes that the transfer recipient is a service provider.</p> <p><b>MEXICO</b> Yes, we agree with the distinction of these expenses since with the information contained in the Draft Standard, it is possible to distinguish between transfer expenses with performance obligations and transfer expenses without performance obligations.</p>
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	<p><b>GUATEMALA</b> Yes, we agree.</p> <p><b>CHILE</b> Yes, the approach is considered appropriate. There must be consistency with the other standards.</p> <p><b>COSTA RICA</b> We agree.</p> <p>Yes, it is good to distinguish the objective of the transfer; however, in our legislation there are limitations to comply as proposed, for example, with the monitoring and recording of transfers with performance obligation. In Costa Rica, resources must be transferred through collections based on a percentage and not on purchase prices. In addition, transfers are made to meet general objectives associated with the creation of the institution rather than specific activities, and when transfers are made to the private sector, they have a social objective.</p>
<p><b>Specific matter for comment 3:</b></p> <p><b>Do you agree with this draft standard's proposal that unless a transfer provider monitors the transferee's compliance with performance obligations throughout the binding agreement, the transaction should be accounted for as a transfer expense without performance obligations?</b></p>	<p><b>COLOMBIA</b> It is important to clarify this concept also in this standard.</p> <p><b>EL SALVADOR</b> Yes, we agree that the standard states this; however, it is recommended that we consider the costs that will be incurred in monitoring.</p> <p><b>ECUADOR</b> Partially in agreement, no binding arrangements apply in the country, as the transfer is delivered directly to the recipient. In addition, the recipients of transfers and their movements are monitored.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> We agree.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> We agree with this approach; however, under certain circumstances, there may be mismatches between the times when the suppliers and recipients of the transfers account for the expenses and revenue, respectively, arising from the transaction. For example, on date "x" the recipient of the transfer informs the supplier that the performance obligation has been satisfied from his (the recipient's) point of view, but not necessarily, the transaction could be satisfied on the same date from the supplier's point of view. This would result in differences in the consolidated statements.</p>

	<p><b>MEXICO</b></p> <p>We do not agree that a transfer provider would monitor compliance with the performance obligations of another entity, as the Federal Government of Mexico (transfer provider) would be unable to monitor compliance with performance obligations by sub-national governments, and these in turn would be unable to monitor compliance with another level of government.</p> <p>This is due to the fact that in Mexico there are three levels of government (federal, state and municipal) where each one has autonomy to exercise resources and must adhere to the annual closings of the year. On the other hand, there is an oversight body that has the power to monitor the use of public resources, in order to prevent irregular practices and contribute to good governance, including verification of the application of resources and compliance with contracts.</p> <p><b>GUATEMALA</b></p> <p>It is recommended that the content of the draft standard be expanded.</p> <p><b>CHILE</b></p> <p>Yes, it is important to monitor compliance with a performance obligation, at least through the review of periodic reports, otherwise it would not be possible to request a possible return of the funds.</p> <p><b>COSTA RICA</b></p> <p>It is important to induce a classification in the transfer expense considering the case that a refund is given, or those that do not require a refund.</p> <p>It is very complicated and complex to monitor compliance with performance obligations for all transfers made by the central government, and if this is not possible, there is no reason to classify the transfers.</p>
<p><b>Specific matter for comment 4:</b></p> <p><b>This draft standard proposes the following recognition and measurement requirements for transfer costs with performance obligations:</b></p>	<p><b>COLOMBIA</b></p> <p>Considering the suggestion not to refer to transfer expenses with performance obligations, the recognition of the expense by the transfer provider should be subject to the existence of conditions and their compliance by the beneficiary entity.</p> <p>Consequently, requirements related to the recognition and measurement of transfers with performance obligations should not be addressed in this standard.</p> <p><b>EL SALVADOR</b></p> <p>As stated before, we partially agree.</p> <p>The following concerns should be addressed:</p> <p>What is the ultimate purpose of assessing the devaluation of expenditure and valuation of income?</p> <p>How to measure the devaluation and valorization of revenue?</p> <p>What legal backing would support such a move?</p> <p>Why define expense book value?</p>

	<p>Is the nature of the sector, which in El Salvador's case consists of providing services to the population, being overlooked? Will more convincing arguments and benefits be needed for the implementation of this standard?</p> <p>It lacks the impact it could have on the consolidation of financial statements at the end of the accounting period, given that in the consolidation process reciprocal operations (transfer expenses) are subject to elimination and this case would be special, in the public sector of El Salvador it would be appropriate to analyze what impact it could have on the process of consolidating financial statements.</p> <p><b>ECUADOR</b> According to the answers given above, this standard should not include requirements related to the recognition and measurement of transfers with performance obligations.</p> <p><b>BRAZIL</b> I partially agree. This concept must be complemented with definitions of assets in the conceptual structure, that is, whether there are effectively controlled resources capable of generating economic benefits in each specific case.</p> <p><b>PARAGUAY</b> We do not agree, we would be directly recognizing it as an expense at the time of accrual and subsequent payment.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> In this regard, we believe that the following text from paragraph BC28 should be clarified "(...) IPSASB concluded that, since the goods or services being transferred will enable the transfer <u>provider</u> to meet <u>its objectives</u>, the right to have the goods or services transferred to the specified third parties will satisfy the definition of a resource, since that right will be an element with service potential".</p> <p>The above leads to establish that the recipient of the transfer acts on behalf of the provider of that transfer (despite the fact that in AG22 it is clarified that the recipient of the transfer is not an agent of the provider) and to fulfill the objectives of that provider; that is, under that point of view and if it is not clarified that the goods, services or other assets also serve the objectives of the recipient, these would not qualify as assets of that transfer recipient (since they do not contribute to its objectives), which, must be consistent with the Conceptual Framework.</p> <p><b>MEXICO</b> In this regard, it is mentioned that the Federal Government of Mexico (transfer provider) does not have the capacity to monitor compliance with the transfer of goods and services to third party beneficiaries.</p>
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	<p>Therefore, it is suggested that transfer expenses with either a performance obligation or a current obligation be recognized at the time they are transferred.</p> <p><b>GUATEMALA</b> No comment</p> <p><b>CHILE</b> It is considered correct. In fact, this is the approach that is currently dealt with in Chilean accounting regulations, mainly, since it reflects what the transfer provider of the resources accounts for. However, it is considered that the wording of letter b) should be improved or complemented, with the objective of understanding that the expense is recognized as the transfer provider, through monitoring (accountability) sees the fulfillment of the performance obligation.</p> <p><b>COSTA RICA</b> Considering that in Costa Rica public resources are administered in accordance with contracts, laws or other regulations, it would not make sense to consider this issue in the law, since it depends on a negotiation between the parties and could be outdated.</p>
<p><b>Specific matter for comment 5:</b></p> <p><b>If you believe that there will be practical difficulties with the application of recognition and measurement of transfer costs with performance obligations, please provide details of the anticipated difficulties, and any suggestions you have for addressing these difficulties.</b></p> <p><b>Considering the suggestion not to refer to transfer expenses with performance obligations, the recognition of the expense by the transfer provider should be subject to the existence of conditions and their compliance by the beneficiary entity.</b></p>	<p><b>COLOMBIA</b> Considering the suggestion not to refer to transfer expenses with performance obligations, the recognition of the expense by the transfer provider should be subject to the existence of conditions and their compliance by the beneficiary entity.</p> <p><b>EL SALVADOR</b> What will be the standard unit of measurement for recognition, and how will it be applied for accounting purposes, which will be the basis for measuring the obligation and what will it, contribute and to whom?</p> <p><b>ECUADOR</b> According to the legal regulations in force, in the country transfer expenses are made without consideration, therefore, these would be subject to the existence of conditions and compliance of the transfer recipient.</p> <p><b>BRAZIL</b> The difficulty lies in monitoring the performance of performance obligations in another entity by resource transferors. Therefore, this draft standard's proposal that unless a transferor provider monitors the transferee's compliance with performance obligations throughout the binding agreement, the transaction should be accounted for as a transfer expense without performance obligations, is correct.</p> <p><b>PARAGUAY</b> Definitely there will be many difficulties fundamentally because all these operations are carried out with integrated system parameterizable and specially integrated to the Budget, so it will be impossible to comply with</p>

	<p>disaggregate these operations analyzing one by one for registration and transfer. Therefore, we continue to recommend that the three norms mentioned be included and clarify the links to the budget systems because they are established by annual law for the transfer to the different Entities, NGOs, International Organizations and their use, destination or reimbursement depends on special laws for this purpose.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> No comment to make; however, we are concerned that the treatments could lead to disparities between providers and recipients of the transfers (comment 3).</p> <p><b>MEXICO</b> The Federal Government of Mexico (transfer provider) does not have the capacity to monitor by the transfer recipient when goods and services are transferred to third party beneficiaries due to the large amount of income transfers it makes, so it would be impossible to monitor them.</p> <p>Likewise, it is noted that the regulatory framework considers that the revenue is recognized by the recipient of the transfer and the expense is recognized by the provider of the transfer at the time the resource is accrued and transferred.</p> <p><b>GUATEMALA</b> No comment is issued.</p> <p><b>CHILE</b> It is noted that the requirements for the recognition of transfers with performance obligations are demanding, which, from the outset, limits the scope of this issue. The need to monitor compliance with the performance obligation is complex from a practical point of view, but at least in Chile, there is a solid accountability framework for transfers, with monthly reports from those who execute the resources, which should satisfy the monitoring obligation.</p> <p><b>COSTA RICA</b> The Public Sector in most transactions is not directly linked to a performance obligation indicator. Only for accountability, and established procedures that are assessed by auditing bodies. This issue requires a long transition period, which allows the generation of a culture on the line of performance, which must also be considered in binding arrangements, or laws establishing resource transfer.</p>
<p><b>Specific matter for comment 6:</b></p>	<p><b>COLOMBIA</b> Since it is not considered appropriate to classify transfer expenses between those who have performance obligations and those who do not,</p>

<p><b>This draft standard proposes the following recognition and measurement requirements for the transfer of expenses without performance obligations:</b></p> <p><b>(a) A transferor must recognize transfer expenses without performance obligations at the time the transferor has a current obligation to provide resources or has lost control of those resources, whichever is earlier (this proposal is based on IPSASB's view that any future benefits expected by the transferor as a result of the transaction do not meet the definition of an asset); and</b></p> <p><b>b) A transfer provider must measure transfer costs without performance obligations at the book value of the resources delivered.</b></p> <p><b>Do you agree with the recognition and measurement requirements for transfer costs without performance obligations? If not, how would you recognize and measure transfer costs without performance obligations?</b></p>	<p>recognition of the expense by the transfer provider should be subject to the existence of conditions and their compliance by the beneficiary entity. If the transfer is unconditional, the transferor should recognize an expense and if the transfer is conditional, the transferor should recognize, initially, an asset and, subsequently, an expense, to the extent that the beneficiary entity complies with the conditions stipulated in the agreement.</p> <p>Furthermore, in relation to measurement requirements, the criteria set out in the draft IPSAS 72 for transfer costs without performance obligations are shared.</p> <p><b>EL SALVADOR</b> Partially agreed. It is necessary to deepen in the analysis and in the costs benefits of what it requires to control or to regulate.</p> <p><b>ECUADOR</b> We agree with the statement of the standard that the transfer without consideration will be recognized as an expense and would be subject to the existence of conditions and compliance with the receiving entity, precisely because it does not meet the requirements for it to be recognized as an asset and subsequently as an expense. In the country, transfers are made in accordance with the current budget and the planning established in the National Plan for Good Living, therefore, they have a direct relationship with the budget and there is no change in the carrying amount.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> It would be interesting to insist on including cases for obligations established in special laws, annual budget law and their financial allocation by the Entities.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> In general, we agree with the criteria of recognition and measurement, but we would appreciate the following comment: Paragraph 92 provides, "In order for there to be a present obligation, the transfer recipient must be able to enforce the transfer of resources by the provider of the transfer, that is, <u>there must be a binding arrangement imposing present obligations on the transfer recipient.</u>" We believe that this paragraph should specify that the binding arrangement establishes, in principle, present obligations for the provider of the transfer, and that these obligations must be such that it is not sufficient for them to be established in the agreement, but that they must be enforceable (substance over form), so that the recipient controls the execution of these obligations.</p>
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	<p><b>MEXICO</b> No comment is issued.</p> <p><b>GUATEMALA</b> As mentioned in comment 3, it is recommended to expand the content in the draft standard.</p> <p><b>CHILE</b> Yes, it is considered appropriate. Currently in Chile the transfer expense is generally accounted for at the second moment (unless it is a transfer with conditions), that is, when control of the resources is lost.</p> <p><b>COSTA RICA</b> We agree to transfer expenses without performance obligations. It is important that the rule also addresses the timing of the accrual, because of the particularity and paradigms of the public sector from a budgetary point of view.</p>
<p><b>Specific matter for comment 7:</b></p> <p><b>As explained in the Specific matter for comment 6, this draft standard proposes that a transfer provider recognize transfer costs without performance obligations at the time the transfer provider has a current obligation to provide resources or has lost control of those resources (whichever occurs first). Draft regulation 71: Revenue without performance obligations proposes that when a transferee has current obligations other than performance obligations, it recognizes the revenue as it meets those current obligations. Accordingly, a transfer provider may recognize an expense before a transferee recognizes income.</b></p> <p><b>Do you agree that this lack of symmetry is appropriate? If not, why not?</b></p>	<p><b>COLOMBIA</b> Asymmetry is not considered appropriate, since the transfer provider, similarly to the transferee, should recognize an asset until the recipient meets its current obligations, as it retains rights to the resources it has transferred. Achieving symmetry in the recognition of transfers from both the provider's and the recipient's point of view would allow for an adequate reflection of the reciprocal operations between government entities and, consequently, facilitate the consolidation of financial information.</p> <p><b>EL SALVADOR</b> We don't agree.  It is considered that in order to recognize financial expenses and revenue that are in accordance with the country's legislation, there would be an increase in the budget deficit and financially the operating result could decrease.</p> <p><b>ECUADOR</b> We agree, the transferring entity could recognize the expense before the receiving entity recognizes the revenue.</p> <p><b>BRAZIL</b> Yes, I agree.</p> <p><b>PARAGUAY</b> We do not agree, this as we had mentioned before will cause serious problems at the time of Consolidation, all these operations must be asymmetrical.</p> <p><b>HONDURAS</b> No comment is issued.</p>

	<p><b>PERU</b></p> <p>This asymmetry in recognizing expenses by the transfer provider, rather than revenue by the transfer recipient, is not appropriate for us for purposes of a consolidated position and is related to the previous commentary, in which we hold that the expense and liability for the former must arise from the right acquired by the latter to exercise that right (and of course from the effective possibility of exercising it).</p> <p>In addition, it should be taken into account that this expense gives rise to a liability and exists as opposed to the income and assets of the transferee. That is, the liabilities of the transfer provider only have one perfectly identified destination (the recipient) and not several destinations (or unidentified destinations) as is the case with provisions.</p> <p>A treatment of this type, causes asymmetries, in addition, on the side of the information for the purposes of fiscal statistics.</p> <p><b>MEXICO</b></p> <p>No comment is issued.</p> <p><b>GUATEMALA</b></p> <p>As mentioned in comment 3, it is recommended that the content of the derived draft standard be expanded because there is no clarity.</p> <p><b>CHILE</b></p> <p>It is proposed to make a distinction between two cases. If the breach of the present obligation means that the resources must be returned to the transfer provider, the transfer provider should recognize an asset when it delivers the transfer and only recognize the expense when the present obligation is fulfilled. However, if the breach of the obligation has other consequences, such as fines or administrative penalties, the treatment indicated in the draft, i.e., recognizing the expense when the transfer is delivered, is considered appropriate.</p> <p><b>COSTA RICA</b></p> <p>Where greater symmetry is required in the issue of recognition of the actors from whom the asset is transferred until the recipient meets its present obligations. This relationship in the real register is not so simple, and the focus should be on the timing of the accrual.</p>
<p><b>Specific matter for comment 8:</b></p> <p><b>This draft standard proposes that, when a binding agreement is subject to budget allocation authorization, the transfer provider must consider whether it has a current obligation to transfer resources, and therefore must recognize a liability, before the budget allocation is authorized.</b></p>	<p><b>COLOMBIA</b></p> <p>In the Colombian context, it is not possible to recognize a transfer obligation that is not contained in the Budget Law or that has been authorized in the budget. Therefore, the alternative proposed in the draft ED 72 would not be applicable.</p> <p><b>EL SALVADOR</b></p> <p>We don't agree.</p>

	<p>From the legal point of view, it may have future repercussions, because our Constitution of the Republic requires that each expense to be recorded in the accounts must have its budgetary allocation, and in this case, a liability would be recognized without having a budget allocated for that financial operation.</p> <p><b>ECUADOR</b> In accordance with current legislation, liabilities are recognized on an economic basis and the accrual principle is applied. Therefore, the relationship between budget and accounting is simultaneous. It is proposed that the treatment for this appropriation be with an association between budget and accounting.</p> <p><b>BRAZIL</b> Yes I agree.</p> <p><b>PARAGUAY</b> We do not agree, we can only recognize expenses that are explicitly budgeted. Generally these transfers are not obligatory and the Entities are not obliged to make them except by a special law and the budget item established for this purpose.</p> <p><b>HONDURAS</b> No comment is issued.</p> <p><b>PERU</b> Although in the Public Sector, budget allocations are a series of transactions carried out by entities, we consider that the criterion adopted is the appropriate one; however, we recommend including a clarification that states that the provider of a transfer will account for a present obligation, unless the binding arrangement states that this (arrangement) loses its validity, is void or is not enforceable in the absence of the budget allocation to the provider.</p> <p><b>MEXICO</b> No comment is issued.</p> <p><b>GUATEMALA</b> It would not be possible because we are subject to budget laws.</p> <p><b>CHILE</b> We agree with the substance, but propose another way of approaching the treatment. It is considered that the general rule is that an obligation cannot exist before the budget allocation is authorized, and that the existence of an earlier obligation is an exception that should be legally supported.</p> <p><b>COSTA RICA</b> Costa Rica must consider the legal handle, at most the laws that consider resource transfers, and that sometimes depend on political situations. Without budget authorization there can be no movement. We are ruled by</p>
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	<p>the principle of legality, we cannot recognize expenses and obligations if they are not authorized and the availability of resources is confirmed.</p>
<p><b>Specific matter for comment 9:</b></p> <p><b>This draft standard proposes disclosure requirements that reflect the requirements of draft standard 70, Revenue with performance obligations, and draft standard 71, Revenue without performance obligations, as appropriate.</b></p> <p><b>Do you agree that the disclosure requirements in this draft standard are appropriate to provide users with sufficient, reliable and relevant information on transfer charges? In particular,</b></p> <p><b>(a) Do you think there are any additional disclosure requirements that should be included?</b></p> <p><b>(b) Are any of the proposed disclosure requirements unnecessary?</b></p>	<p><b>COLOMBIA</b></p> <p>Since it is not considered appropriate to classify transfer expenses between those who have performance obligations and those who do not, the requirements for disclosure of transfer expenses without performance obligations are considered appropriate. In addition, if the criterion of conditional and unconditional transfers is incorporated, disclosure requirements should be expanded to indicate the conditions related to the transfers and compliance with them.</p> <p><b>EL SALVADOR</b></p> <p>Yes, we agree.</p> <p>To provide users with sufficient, reliable and relevant information on transfer costs.</p> <p>It is important to consider the budgetary impact of transfer expenditures, considering that there could be differences between the executed budget and the accounting.</p> <p><b>ECUADOR</b></p> <p>We partially agree, since exchange transfers do not constitute a transfer concept. For non-exchange transfers, we agree with the proposed disclosures.</p> <p><b>BRAZIL</b></p> <p>Yes, I agree.</p> <p><b>PARAGUAY</b></p> <p>This is sufficient, but considering all the observations made above.</p> <p><b>HONDURAS</b></p> <p>No comment is issued.</p> <p><b>PERU</b></p> <p>No comments to make.</p> <p><b>MEXICO</b></p> <p>No comment is issued.</p> <p><b>GUATEMALA</b></p> <p>We agree with the disclosures made in this project.</p> <p><b>CHILE</b></p> <p>It is considered appropriate and important that it reflects the disclosures of ED 70 and 71.</p>

	<p><b>COSTA RICA</b></p> <p>Greater emphasis should be placed on disclosure of conditional and unconditional transfers and conditions for compliance.</p> <p>Establish an application guidance with proposals for indicators or procedures to create them.</p>
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Sincerely,

**FORO DE CONTADURÍAS GUBERNAMENTALES DE AMÉRICA LATINA FOCAL**

Office No. MEF-FOCAL-2020-0001

Quito, October 30, 2020

**Subject:** Submission of annexes 1 and 2 with the comments of FOCAL member countries to the IPSASB Exposure Drafts 70, 71 and 72

Mr.

Ian Carruthers

**CHAIRMAN OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARDS BOARD IPSASB**

Dear Mr. Carruthers:

In the months of May and June 2020, FOCAL in coordination with Ernst & Young and International Public Sector Accounting Standards Board IPSASB, conducted three videoconferences on Exposure Drafts 70 Revenue with Performance Obligations, 71 Revenue without performance obligations and 72 Transfer Expenses, where it was highlighted that each exposure draft included specific matters for comment on which the IPSASB is looking for country opinions.

Therefore, the Forum of Governmental Accounting of Latin America - FOCAL - is delivering a consolidated document containing responses to comments from 11 countries: Colombia, El Salvador, Ecuador, Brazil, Paraguay, Honduras, Peru, Mexico, Guatemala, Chile and Costa Rica. FOCAL's objective is to strengthen the joint work with the International standard-setting Body and to contribute with the experience of each country for the application of the Public Sector Accounting.

Yours sincerely,



Firmado electrónicamente por:  
MAGDALENA DEL  
PILAR VICUNA  
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Magdalena Vicuña Cevallos  
Ecuador's Sub-secretary of Government Accounting  
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FOCAL President

**Annexes:**

- Annex No. 1\_Comments to Draft IPSASB Standards\_FOCAL consolidated 29-10-2020
- Annex No. 2 Additional comments Standards 70\_71\_72 IPSASB Mexico

cc. FOCAL Countries

**Exposure Drafts: 70 Revenue with Performance Obligations;  
71 Revenue without Performance Obligations  
and 72 Transfer Expenses.**

Mexico City, September 2020

With respect to Exposure Drafts 70 Revenue with Performance Obligations, 71 Revenue without Performance Obligations and 72 Transfer Expenses; issued by the International Public Sector Accounting Standards Board (IPSASB), the Government Accounting Unit of the Government of Mexico issues general and specific comments on their content.

**GENERAL COMMENTS**

The draft Standard 70 includes the term "Performance Obligations" which translates into the official presentation of IPSASB as "Obligation de Performance".

In this regard, the Mexican Council for Research and Development of Financial Reporting Standards (CINIF) in Mexico has issued the following statement:

*"Obligation de compliance" is the term most commonly used in the FRS survey, which is a translation of the English term "performance obligation", which is translated into Spanish in the IASB's official translation as "obligation de performance". We reject the official translation as incorrect in our environment, and use "Obligation de compliance". However, we received suggestions for several alternative translations, and after much reflection at CINIF, we finally decided to use the term "obligation a comply".*

This accounting authority coincides with the CINIF pronouncement, so it is recommended to consider this translation in the official Spanish translations of the IPSASB.

**SPECIFIC COMMENTS**

**IMPORTANT NOTE:** The texts referred to in the column "PARAGRAPH", correspond to a general translation, and therefore do not imply a specialized translation of the documents of the Draft Standards, mainly in terms of technical terms.

**Draft Standard 70**

<b>PARAGRAPH</b>	<b>COMMENTS</b>
<p><i>Acknowledgement</i></p> <p>Identification of the binding agreement (step 1)</p>	<p>It is suggested to review the relevance of <b>oral</b> or <b>verbal</b> terms, since in the case of Mexico, acquisitions, leases, service provision and contracts carried out by the public sector should:</p>

<p>9...</p> <p><b>Binding agreements</b> may be written, <b>oral</b> or implied according to the usual practices of an entity. The practices and processes for establishing binding agreements with buyers vary by jurisdiction, sector and legal entity. In addition, they may vary within an entity (for example, they may depend on the type of buyer or the nature of the goods or services promised).</p>	<p>1. Be carried out by means of a public award or tender through a public call, in order to ensure the best conditions to administer public resources efficiently, effectively, economically and transparently.</p> <p>2. The formalization for the exercise of public resources must be in writing, through the signing of agreements or contracts, where the rights and obligations of the parties and the mechanisms to enforce the commitments established in a binding arrangement are expressly established.</p>
<p>Step 5: Meeting performance obligations</p> <p>30. An entity <b>shall recognize revenue when the entity meets a performance obligation by transferring a promised good or service</b> (i.e., an asset) to a buyer or third party beneficiary. An asset is transferred when the buyer or third party beneficiary obtains control of that asset.</p>	<p>Mexico's legal framework recognizes revenue from the sale of goods and the rendering of services at the time the resources are received or when the tax receipt is issued. Therefore, it can be seen that this recognition is for the purpose of complying with accounting regulations and tax legislation, among others. This is in contrast to the provisions of the draft standard, which seeks to recognize revenue as a liability and until the performance obligation is satisfied, revenue is recognized.</p> <p>Therefore, it is requested to consider within the criteria of the Standard, that the registration or recognition of the revenue is made once the tax receipt is issued.</p>
<p>Measurement</p> <p>45. <b>When (or as) a performance obligation is satisfied, an entity recognizes as revenue the amount of the transaction price</b> (which excludes estimates of variable consideration that are restricted in accordance with paragraphs 55-57) that is allocated to that performance obligation.</p>	

**Draft Standard 71**

<p><b>Present Obligations</b></p> <p>16. <b>A present obligation gives rise to a liability because the past event occurs when the transfer provider and the transferee enter into a binding agreement that creates rights and obligations enforceable by both parties.</b> Furthermore, such an agreement leads to an outflow of</p>	<p>Mexico's legal framework recognizes the revenue from transfers between different orders of government, at the time the resources are received. This is in contrast to the provisions of the exposure draft, which seeks to recognize revenue as a liability.</p> <p>On the other hand, it is mentioned that exposure drafts 71 and 72 indicate that income is recognized in accordance with compliance with the present obligation and the transfer</p>
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resources because the transferee cannot avoid using those resources to comply with the requirements of the binding agreement or in case of breach of a binding agreement, reimburse the resources to the transferor or incur some other form of penalty.

**Transfers with present obligations**

*Recognition of liabilities*

45. When a transferee recognizes an asset for an inflow of resources, it will consider whether there are present obligations related to the inflow that result in the **recognition of a liability**.

46. A present obligation arising from a transaction without a performance obligation that meets the definition of a liability shall **be recognized as a liability** when, and only when:

**Revenue recognition**

53. When an inflow of resources arises from a transaction with no performance obligations, but with present obligations, it is recognized as an asset, revenue is also **recognized**, except to the extent that **a liability is recognized for any unmet present obligation with respect to the** same inflow.

expense is recognized at the time the resources are transferred, an asymmetric inconsistency is observed during the course of a fiscal year.

**Illustrative example of asymmetry**

Journal entry to account for receipt of income without performance obligations, but with present obligations:

1. Recognition of the expense by the transfer provider (Federation)

	Debit	Credit
<b>General expenses (Transfers, Assignments, Grants and Other Assistance)</b>	xxx	
Banks		xxxx

2. Recognition of revenue with present obligation by the transferee

	Debit	Credit
Banks	xxx	
<b>Liability with present obligation</b>		xxxx

3. Recognition of revenue as obligations are met

	Debit	Credit
Liability with present obligation	xxx	
Revenue		xxxx

It is therefore suggested that such revenues between governments and sub-governments be recorded at the time the resource is delivered and received and when the present obligation has not been met.

Given the conditions of the Draft Standard regarding the accounting management of "Transfers" and considering the characteristics on which operations are carried out in Mexico for the delivery of resources by the Federal Government to sub-national governments (Federal Entities) in the form of "Transfers", it is mentioned that the integral application of the Standard is not possible, due to the structure of the Mexican Public Sector, its administrative classification and the legal and normative dispositions that regulate it, conditioned primarily by the principle of annuality, as well as by the sovereignty and autonomy of the Federal Entities and the Municipalities (subnational governments).

**Draft Standard 72**

<p><i>Acknowledgement</i></p> <p><i>Identification of the binding arrangement (step 1)</i></p> <p><b>13. A transfer provider shall account for a transfer expense that imposes performance obligations to provide goods or services to a third-party beneficiary to the transfer recipient in accordance with the Public Sector Performance Obligation Approach</b> in this [draft] Standard only when all of the following criteria are met:</p> <p>(a) The parties to the binding agreement have approved the binding agreement (in writing, <b>orally, or in accordance</b> with other customary practice) and agree to comply with their respective obligations</p>	<p>The Federal Government of Mexico (transfer provider) would be unable to monitor when the performance obligation of sub-national governments is met, and these in turn would have to be met by another level of government.</p> <p>In Mexico there are three orders of government (federal, state and municipal) where each one has autonomy to exercise resources and must adhere to the annual closings of the exercise. On the other hand, there is an oversight body that has the power to monitor the use of public resources, in order to prevent irregular practices and contribute to good governance, including verification of the application of resources and compliance with contracts.</p> <p>It is suggested that the relevance of <b>oral</b> or <b>verbal</b> terms be reviewed, since in the case of Mexico, acquisitions, leases, service provision and contracts carried out by the public sector should:</p> <ol style="list-style-type: none"> <li>1. Be carried out by means of a public award or tender through a public call, in order to ensure the best conditions to administer public resources efficiently, effectively, economically and transparently.</li> <li>2. The formalization for the exercise of public resources must be in writing, through the signing of agreements or contracts, where the rights and obligations of the parties and the mechanisms to enforce the commitments established in a binding agreement are expressly established.</li> </ol>
<p><i>Meeting performance obligations (step 5)</i></p> <p><b>33. A transfer provider will recognize an expense when the transferee satisfies a performance obligation by transferring a promised good or service</b> (i.e., an asset) to a third party beneficiary. An asset is transferred when the third party beneficiary gains control of that asset. A transferor may determine the point at which the third party beneficiary obtains control of the asset by</p>	<p>The Federal Government of Mexico (transfer provider) would be unable to monitor when the performance obligation of sub-national governments is met, and these in turn would have to be met by another level of government.</p> <p>In Mexico, there are three orders of government (federal, state and municipal) where each one has autonomy to exercise resources and must adhere to the annual closings of the exercise. On the other hand, there is an oversight body that has the power to monitor the use of public resources, in order to prevent irregular practices and contribute to good</p>

<p>reference to the transferee losing control of that asset.</p>	<p>governance, including verification of the application of resources and compliance with contracts.</p>																											
<p>Measurement</p> <p>47. <b>When (or as) a transfer recipient satisfies a performance obligation, a transfer provider shall recognize as an expense the amount of the transaction consideration</b> (which excludes estimates of variable consideration that are restricted in accordance with paragraphs 56-58) that is allocated to that performance obligation.</p>																												
<p><b>Recognition</b></p> <p>91. A transfer provider <b>will recognize a transfer expense without performance obligations on the first of the following dates:</b></p> <p>(a) When the transferor provider <b>has a present obligation to transfer resources to a transferee</b>. In such cases, the transfer provider shall recognize a liability that represents its obligation to transfer the resources; and</p> <p>(b) When the transferor <b>no longer controls the resources</b>; this is usually the date when it <b>transfers the resources to the transferee</b>. In such cases, the transfer provider terminates the resources it no longer controls in accordance with other Standards.</p>	<p>Derived from the interrelationship of ED 71 and 72, which indicate that revenue is recognized in accordance with compliance with the present obligation and the transfer expense is recognized at the time the resources are transferred, an asymmetric inconsistency is observed over the course of a fiscal year.</p> <p><b>Illustrative example of asymmetry</b></p> <p>Journal entry to account for receipt of income without performance obligations, but with obligations present:</p> <p>1. Recognition of the expense by the transfer provider (Federation)</p> <table border="1" data-bbox="748 1188 1385 1331"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td><b>General expenses (Transfers, Assignments, Grants and Other Assistance)</b></td> <td>xxx</td> <td></td> </tr> <tr> <td>Banks</td> <td></td> <td>xxxx</td> </tr> </tbody> </table> <p>2. Recognition of income with current obligation by the transferee</p> <table border="1" data-bbox="748 1402 1385 1482"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>xxx</td> <td></td> </tr> <tr> <td><b>Liability with present obligation</b></td> <td></td> <td>xxxx</td> </tr> </tbody> </table> <p>3. Recognition of revenue as obligations are met</p> <table border="1" data-bbox="748 1554 1385 1633"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Liability with current obligation</td> <td>xxx</td> <td></td> </tr> <tr> <td>Income</td> <td></td> <td>xxxx</td> </tr> </tbody> </table> <p>It is therefore suggested that such revenues between governments and sub-governments be recorded at the time the resource is delivered and received and when the current obligation has not been met.</p>		Debit	Credit	<b>General expenses (Transfers, Assignments, Grants and Other Assistance)</b>	xxx		Banks		xxxx		Debit	Credit	Banks	xxx		<b>Liability with present obligation</b>		xxxx		Debit	Credit	Liability with current obligation	xxx		Income		xxxx
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## COMMENTS ON ILLUSTRATIVE EXAMPLES

While it is true that the examples accompanying the Draft Standards are not part of them and are intended only to illustrate normative aspects, without providing interpretative guidance, it is important to mention the following:

- Because the Draft Standards are so broad in accounting matters, they must be accompanied by examples that allow for correct interpretation, i.e., the examples given must be of an interpretative nature.
- It is considered important that the examples provided in each Draft Standard are within the scope of the corresponding Project and that they are the examples considered necessary, so that the content and application of each Draft Standard can be clarified. This is because the examples provided in Draft Standard 70 refer, in their interpretation and application, to Draft Standard 71, which creates confusion because they do not illustrate the specific cases of the respective standard.
- The examples should be about real cases, since it is observed that some of the cases exposed are not attached to real circumstances and others are left with a partial pronouncement on the Standard.

In this sense, comments are sent on some examples in order to show what has been pointed out in the previous paragraphs.

### Examples: ED 70

<p><b>Example 2: transactions arising from a binding arrangement without performance obligations</b></p>	<p>The example does not reflect a real situation, since it does not show the objective that a government seeks, about the transfer of a good or service that benefits the population.</p> <p>On the other hand, the cited example corresponds to draft standard 70 and later indicates that since there is no performance obligation (since there is no transfer of a good or service from the research laboratory to the local government or any other third party) it would be within the scope of draft standard 71 creating confusion to identify to which draft standard it corresponds and its accounting record.</p>
<p><b>Example 4: enforceability through a mechanism other than legal means</b></p>	<p>Mexico's regulatory framework does not allow for this type of agreement, and all contracts must be within a framework of legality and enforceability.</p> <p>The example is confusing and not perceived as a real case, so it is suggested that its scope should be limited to specific circumstances.</p> <p>Likewise, it is considered risky to leave informal mechanisms (outside the Law) in an International</p>

	<p>Standard, which also does not indicate compliance with budgetary mechanisms, which can privilege the informality of agreements and the inadequate use of public resources.</p> <p>It is suggested that if this type of arrangement (oral or verbal) is intended to be left within the Standard, the following should be considered:</p> <ul style="list-style-type: none"> <li>• That in the event that this type of arrangement exists, it must be contemplated within the government's regulations, that is, no illegal means must be considered in the regulation and that the regulation can or intends to regularize them.</li> <li>• That this type of agreement be treated as an exception to the rule.</li> </ul>
<p><b>Example 5: Collectability of the consideration</b></p>	<p>The example is inconclusive, since it only mentions the recognition of income for 5,000 CU. (consideration), however, it is suggested to consider the following aspects:</p> <ul style="list-style-type: none"> <li>- Clarify whether the example corresponds to Draft Standard 70, 71 or both.</li> <li>- Point out how the market price is initially recognized for 400,000 CU.</li> <li>- Indicate how to recognize the 150,000 cU. that the resident had already paid.</li> <li>- What is the treatment for the difference of 250,000 CU. with the 180,000 CU.</li> <li>- How it reaches 180,000 CU. and how it registers.</li> <li>- How to record the accounting moments in which the movements take place.</li> </ul>
<p><b>Example 6 - The consideration is not the declared price - Implicit price concession</b></p>	<p>The example does not correspond to reality.</p> <p>In the case of Mexico, if there is a regulated price, it cannot be modified without generating a damage to public resources, so the consideration cannot be allowed to be less than the agreed one.</p>

	<p>When formalizing an arrangement, it is required to have the documentary support in order to be able to evaluate the fulfillment of the contracted obligations. Likewise, a budget to contract agreements was previously evaluated and committed.</p>
<p><b>Example 9: Modification of a binding agreement for goods</b></p> <p><b>Case A:</b> Additional products for a price that reflects the independent price</p> <p><b>Case B:</b> Additional products for a price that does not reflect the independent price</p>	<p>Although the objective of the example is to reflect the moment when the binding arrangement is modified, the exercise is incomplete as it does not indicate:</p> <p>Case A:</p> <ul style="list-style-type: none"> <li>- The accounting record by the time the entry is recognized.</li> <li>- Despite the fact that the Draft Standard indicates in numeral 26 the criteria for considering a different asset, it is confusing when it mentions in the first paragraph of case A that 1.5 identical textbooks were acquired.</li> </ul> <p>Case B:</p> <ul style="list-style-type: none"> <li>- The accounting record by the time of recognition of the arrangement.</li> <li>- When handling an amount as a combined price and in order to be able to clarify the example, it is suggested that the record be reflected by the initial recognition of the agreement and by the modifications.</li> </ul> <p>Therefore, the above example is confusing to clarify the correct application of Standard 70.</p>

**Examples: Draft Standard 71**

<p><b>Example 1 - Scope (paragraphs 3 to 9)</b></p> <p><b>Case A, Case B</b> Revenue with performance obligations (Delivery of goods to buyer)</p> <p><b>Y Case C</b> Income with performance obligations (Delivery of goods to third party beneficiaries).</p>	<p>The example is confusing because:</p> <ul style="list-style-type: none"> <li>• For case A, there is no mention of whether there is a present obligation to determine when revenue is recognized.</li> <li>• Case B and Case C do not correspond to ED 71 under analysis, since they refer to accounting on the basis of ED 70, i.e., in this</li> </ul>
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	<p>example EDs 70 and 71 are mixed, which is not clear for interpretation.</p> <ul style="list-style-type: none"> <li>• In case C, it is mentioned that it does not comply with the basic postulate of "<i>Consistency</i>" which indicates that "in the presence of similar transactions in a public entity, the same accounting treatment must be applied".</li> </ul>
<p><b>Example 4: Value Added Tax (paragraph 94) 1</b></p>	<p>It is suggested to exemplify when it is the recognition of income and add the accounting records of the time of accrual and collection.</p>

**Example: Draft Standard 72**

<p><b>Example 1 Transaction where the other party provides goods and services</b></p> <p><b>Case A: the vehicle is provided to the international organization</b></p> <p><b>Case B: the vehicle is delivered to a national government</b></p>	<p>It is suggested that the five-step model for expense recognition be developed, as recognized by the national government and if there is a relationship of applicability between EDs 70, 71 and 72. In addition, it should be exemplified:</p> <ul style="list-style-type: none"> <li>• The International Organization's accounting applications (for the first year and subsequent years).</li> <li>• National government applications (for the first year and subsequent years).</li> </ul>
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