HM Treasury

Financial Reporting Advisory Board
IPSAS 47 and 48

Issue:	An introduction of two of the newly produced IPSASB standards and an analysis of the differences between FReM and the new IPSASB standards.
Impact on guidance:	HMT's IAS 37 and Grantor Accounting Application Guidance will be updated to remove references from IPSAS ED 72 as it has now been superseded by IPSAS 48.
IAS/IFRS adaptation?	No adaptations or interpretations proposed.
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	N/A
Recommendation:	None - for information only
Timing:	N/A

DETAIL

Overview

1. On 26th May 2023, IPSASB published three new standards. FRAB 150 (12) explores IPSAS 46 (Measurement). An IPSASB representative will be providing a more extensive verbal update on the other two new standards, a high-level summary of which is presented below.

2. This paper presents a summary of the newly introduced IPSAS 47 and IPSAS 48 standards, and a comparison of IPSAS 47 and IPSAS 48 to their equivalent FReM requirements.

3. This is for the Board's information, and the Board is not being asked to make any decisions.

IPSAS 47 (Revenue)

4. IPSASB's stated purpose for the standard's introduction was to;
- Present revenue guidance in a single standard (previously, guidance was spread across 3 standards);
- Clarify and refine the accounting principles and concepts to account for revenue in the public sector (especially in relation to non-exchange transactions); and
- Provide non-authoritative guidance to help preparers use professional judgement in applying the accounting principles in the standard.

IPSAS 48 (Transfer Expenses[1])

5. IPSASB's stated purpose for the standard's introduction was to;
- Revise the accounting for transfer expenses to move away from the Public Sector Performance Obligation Approach (PSPOA) and to focus on whether the transfer transactions results in the recognition of an asset;
- Create guidance for transfer expenses, seen as a major gap in the suite of IPSAS;
- Focus on the accounting from the perspective of the transfer provider; and
- Where possible, streamline the requirements for measurement, presentation and disclosure.

Analysis of IPSAS 47 and IFRS under FReM

6. The requirements in IPSAS 47 and the FReM are materially the same; they are both based on the requirements of IFRS 15 and make public-sector-specific interpretations and adaptations.

7. IPSAS 47's *'Comparison with IFRS15'* highlights that the requirements in IPSAS 47 are drawn primarily from IFRS 15. See Appendix A for a summary of the differences

[1] A transfer expense is defined as an expense arising from a transaction, other than taxes, in which an entity provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return.

between IPSAS 47 and IFRS 15, along with an explanation of how these issues are addressed in the FReM.

Analysis of IPSAS 48 and IFRS under FReM

8. The requirements in IPSAS 48 and the FReM are also similar; they are both based on IAS 37 requirements, adapted and interpreted for the public sector. However, there are the following differences between IPSAS 48 and FReM requirements:

    a. IPSAS 48 explores the enforceability of performance conditions in their standards in more detail than IAS 37 adapted and interpreted by FReM and HMT's accompanying application guidance on grantor accounting[2]. Interpretation of 'performance condition enforceability' has not been raised as an issue by FReM users in the context of IAS 37 or grantor accounting.

    b. HMT provides extra guidance on accounting for both unilateral offers of support and grants where the issuer has discretion as to the recipients.

9. HMT's IAS 37 and Grantor Accounting Application Guidance does signpost to IPSAS ED 72 for further guidance on when to recognise an expense in instances where performance conditions exist, aligning the guidance of IPSAS and IFRS under FReM.

10. Although there are drafting differences between IPSAS 48 and IPSAS ED 72, there have not been any amendments that result in HMT needing to change the substance of the application guidance. As IPSAS ED 72 has now been superseded by IPSAS 48, HMT will bring the application guidance up to date to reference IPSAS 48 requirements.

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[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984519/IAS_37_and_Grantor_Accounting_Application_Guidance.pdf

Appendix A

Below is a table showing a comparison of the differences between IPSAS 48 and IFRS 15, as disclosed by IPSASB, which is then accompanied with a description of how the issue has been addressed in the FReM.

IPSAS 47 and IFRS 15 differences	FReM's approach to the issue
IPSAS 47 applies to all revenue transactions in the public sector, which may arise from transactions with or without binding arrangements. IFRS 15 applies to a subset of binding arrangements, specifically contracts to deliver goods or services to customers.	FReM's IFRS 15 adaptation 1 expands IFRS 15's scope in a similar way to IPSAS 47. This adaptation amends the definition of a contract to include legislation and regulations which enables an entity to receive cash or other financial assets.
IPSAS 47 explicitly requires an entity to determine whether the revenue arises from a transaction with or without a binding arrangement. IFRS 15 does not explicitly require an entity to determine whether the revenue arises from a contract.	FReM's IFRS 15 adaptation 2 requires an entity to identify revenue received via taxation, fines and penalties which is wholly non-refundable and leads to no obligations.
The concept of compliance obligations in IPSAS 47 is broader than performance obligations in IFRS 15. As a result, IAS 20, Accounting for Government Grants and Disclosure of Government Assistance is not applicable for public sector organizations because IPSAS 47 includes principles to account for capital transfers and other transfers arising from binding arrangements.	FReM's scope includes both IFRS 15 and IAS 20 as two separate standards. The substance of the standards is not altered by their separation.
IPSAS 47 uses the term "compliance obligation" as the unit of account for revenue recognition in a binding arrangement, which is a promise to either use resources internally for distinct goods or services, or to transfer distinct goods or services to another party (i.e., a purchaser or third-party beneficiary). IFRS 15 uses the term "performance obligation" as the unit of account for revenue recognition in a contract, which is a promise to transfer distinct goods or services to a customer.	FReM does not change the terminology used in IFRS 15 and IAS 20 but amends the meaning of the terminology via adaptations and interpretations where appropriate.
IPSAS 47 requires an entity to disclose any transactions where it is compelled to satisfy an obligation, regardless of the counterparty's ability or intention to pay and the probability of collection of consideration. IFRS 15 does not require this disclosure.	FReM's accountability report disclosure requirement 6.7.1(d) requires any entity to disclose losses as defined in Managing Public Money[3]. Loss identification, and therefore disclosure requirements, are done by consulting with HMT on a case-by-case.
IPSAS 47 uses different terminology from IFRS 15. For example, IPSAS 47 uses the terms "compliance obligation", "resource	FReM does not change the terminology used from IFRS 15 but amends the meaning of the

[3] https://www.gov.uk/government/publications/managing-public-money

provider", "stand-alone value", and "economic substance", while IFRS 15 uses the terms "performance obligation", "customer", "stand-alone selling price", and "commercial substance", respectively.	terminology via adaptations and interpretations where appropriate.