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Transfers other than Exchanges of Equal Value Cover Note

Objective of the session

- 1 The objective of this session is to approve for publication a Discussion Paper ('DP') on Transfers other than Exchanges of Equal Value ('ToEEV').

Background of the project

- 2 When responding to the IASB's 2016 Agenda Consultation, some constituents identified transfers whereby entities do not directly receive (or give) approximately equal value as an area requiring attention. These constituents identified several different transfers, including levies and government grants, as examples where the nature of the transfers contributed to the difficulties in accounting for them.
- 3 In March 2016, the EFRAG Board approved to add a research project on the matter to its agenda.

Summary of the Discussion Paper

- 4 This DP considers whether ToEEV have differentiating characteristics that could warrant a specific accounting treatment.
- 5 The DP describes the factors to consider in assessing whether a transfer qualifies as a ToEEV and explains what factors are normally relevant to the assessment, such as the transfer being imposed or the involvement of government bodies acting in this capacity.
- 6 The DP focuses on the timing and pattern of recognition rather than measurement issues such as the use of an expected or more likely outcome. Issues related to measurement may be considered at a future stage of the research project.
- 7 The DP assesses that the changes introduced in the 2018 Revised Conceptual Framework do not always provide a clear answer for all types of transactions considered and presents an alternative approach that is designed to provide both a broad conceptual basis and a practical approach suitable for such transfers.
- 8 The DP suggests, in particular, a recognition model following which ToEEV that impose performance-related conditions or are linked to an underlying activity are recognised when the performance-related condition is satisfied or the underlying activity is performed.
- 9 For other ToEEV that occur on a recurring basis, the proposed approach suggests recognition on a straight-line basis between two payment dates. This is because the primary purpose of these transfers is not to create proprietary benefits for the resource provider. Instead, the transfers are likely to encompass some form of 'societal benefit'. As it is not generally possible to identify specific patterns in which entities receive and consume societal benefits, such as other societal benefits

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created by the general activity of the Government, or contribute to them, it seems reasonable to report the transfers on the assumption that many of these are rendered continuously.

- 10 A summary of the content of the DP is contained in agenda paper 06-02.

EFRAG TEG Recommendation

- 11 At its June 2018 meeting, all EFRAG TEG members present agreed to recommend a draft discussion paper for consideration by the EFRAG Board subject to some drafting improvements. A revised version of the Discussion Paper was circulated to EFRAG TEG members for fatal flaw comments.

Questions for EFRAG Board

- 12 Does the EFRAG Board approve the Discussion Paper for publication?

Agenda Papers

- 13 In addition to this cover note, the following documents have been provided for the session:
- (a) Agenda paper 06-02 Slide presentation of the content of the DP; and
 - (b) Agenda paper 06-03 EFRAG's Discussion Paper *Transfers other than Exchanges of Equal Value*.