

Introduction to International Public Sector Accounting Standards (IPSAS)

The PSA Handbook is the primary authoritative source of public sector GAAP.

The opinions stated in the presentation are those of the author and do not necessarily reflect the views of PSAB. Official positions of PSAB are established only after extensive public due process.

Disclaimer

The Handbook of International Public Sector Accounting Pronouncements is the primary authoritative source of international generally accepted accounting principles for public sector entities.

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SESSION 5: Expenses

Session Agenda



Social
Services



Collective And
Individual Services

IPSAS[®] 42: Social Benefits

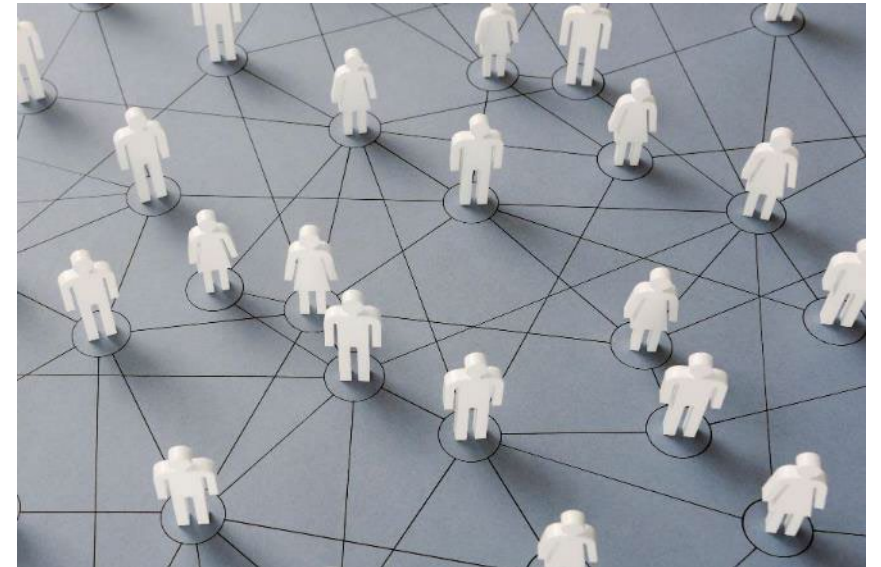
Definitions

Social benefits are cash transfers provided to:

- a) Specific individuals and/or households who meet eligibility criteria
- b) Mitigate the effect of social risks
- c) Address the needs of society as a whole

Social risks are events or circumstances that:

- a) Relate to the characteristics of individuals and/or households – for example, age, health, poverty and employment status
- b) May adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income



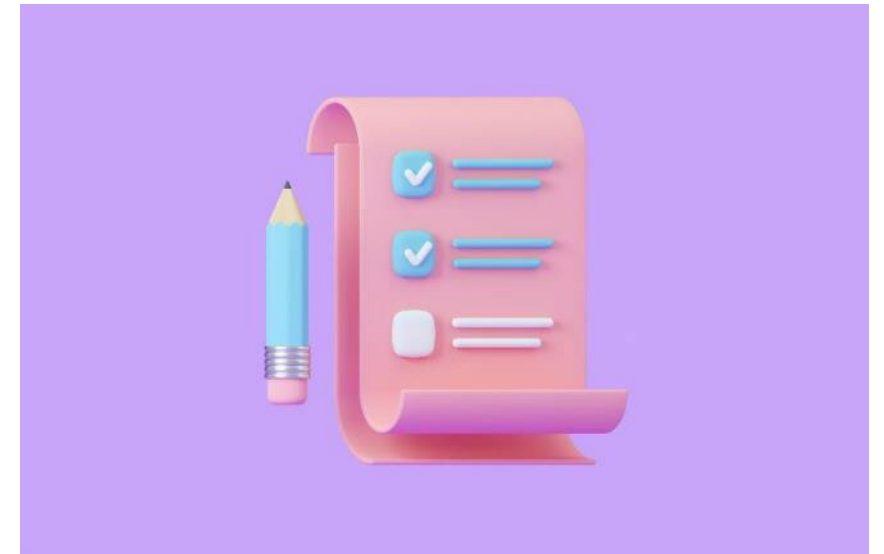
Accounting for Social Benefits

- General Approach
 - Used for all social benefits unless the government elects to use the insurance approach
- Insurance Approach
 - Used only where specified criteria are met and the government elects to use the insurance approach



General Approach: Recognition

- Recognize a liability for a social benefit scheme when:
 - The entity has a present obligation for an outflow of resources that results from a past event
 - The present obligation can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reports
- The past event is the satisfaction by the beneficiary of all eligibility criteria for the next benefit
- The satisfaction of eligibility criteria for each social benefit payment is a separate past event



Recognition Examples

- Reaching retirement age
(in the case of a retirement pension)
- The death of a partner
(in the case of a survivor benefit)
- Becoming unemployed (in the case of an unemployment benefit without a waiting period)
- Being unemployed for a specified period (in the case of an unemployment benefit with a waiting period)



General Approach: Measurement

- Expenses measured at amount equivalent to liability
- Liability measured at the best estimate of the costs that the entity will incur in fulfilling the present obligations
- Liability is for next payment only
- Discounting not required for most social benefits
- Liability reduced as payments are made – differences recognized in surplus or deficit

General Approach: Disclosures

Characteristics of Social Benefit Schemes

Demographic, economic and other external factors that influence the level of expenditure

The total expenditure on social benefits, analyzed by social benefit scheme

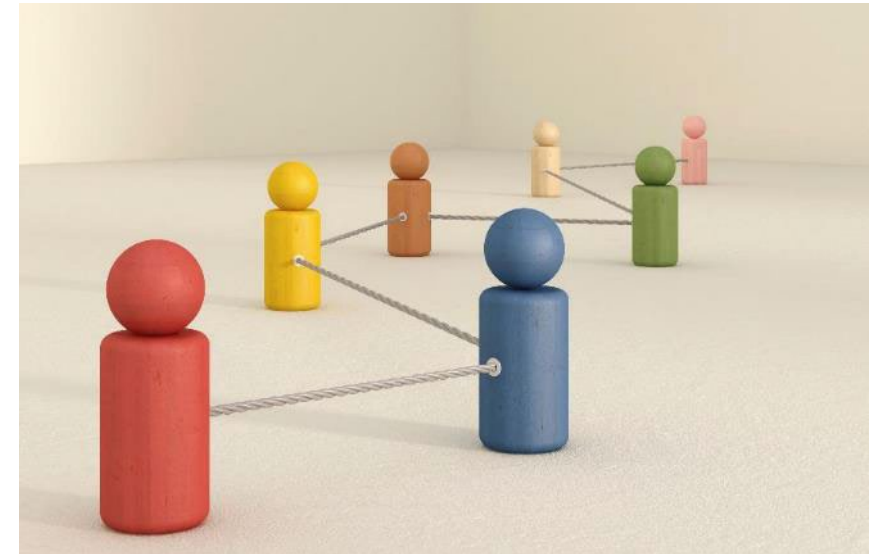
A description of any significant amendments to the social benefit schemes

If a scheme satisfies the criteria to permit the use of the insurance approach, a statement to that effect

Collective and Individual Services – Appendix A to IPSAS[®] 19

Definitions

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



Collective Services, Individual Services and Social Benefits

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

Accounting for Collective and Individual Services

- Ongoing activity of government therefore no provision is recognized
- Related expenses accounted for using other IPSAS

