**INTRODUCTION**

The purpose of this FRR is to outline the principles and criteria to be applied to promote consistent classification of grants and procurement expenses and revenue by departments and statutory bodies for financial reporting purposes and for the Service Delivery Statements (SDS) that form part of the annual State Budget papers.

**Policy items**, indicated by **shaded bold print**, form the Minimum Reporting Requirements (MRRs) referred to in sections 42(1) and 43(1) of the **Financial and Performance Management Standard 2009 (FPMS)**. These are mandatory for departments. Statutory bodies must also have regard to these requirements and apply them where they are considered relevant in the circumstances.

**Application Guidance**, indicated by plain text under the “Application Guidance” sub-headings, provides support on interpreting and applying the mandatory policy items and other matters.

**Illustrative Case Studies**, contained in Appendix 1, demonstrate the application of the FRR policy items to hypothetical scenarios.

A **Classification Checklist**, contained in Appendix 2 can be used by agencies to assist in identifying an arrangement’s purpose and characteristics.
### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>3E.1</td>
<td>SCOPE OF FRR 3E</td>
<td>3</td>
</tr>
<tr>
<td>3E.2</td>
<td>CLASSIFICATION OF ARRANGEMENTS BETWEEN GRANTS AND PROCUREMENT</td>
<td>5</td>
</tr>
<tr>
<td>APPENDIX 1</td>
<td>ILLUSTRATIVE CASE STUDIES</td>
<td>17</td>
</tr>
<tr>
<td>APPENDIX 2</td>
<td>CLASSIFICATION CHECKLIST</td>
<td>36</td>
</tr>
</tbody>
</table>
3E.1 SCOPE OF FRR 3E

REFERENCES

- Financial Accountability Act 2009 (FA Act) (s.72)
- Social Services Investment Framework

APPLICATION GUIDANCE

This FRR excludes special payments as defined in the FA Act and applies to both an agency making a payment or transfer of assets (transferor) and to the recipient of such a payment/transfer.

This FRR generally applies to transactions that are not dealt with by an existing accounting standard or other FRR.

This FRR is not to be used to determine the specific taxation (e.g. Goods and Services Tax) consequences of a transfer. Agencies remain responsible for tax compliance matters and for seeking external taxation expertise where necessary.

Table 1 below provides direction as to the appropriate accounting standard or guidance that addresses other specific types of arrangements.

<table>
<thead>
<tr>
<th>Arrangement</th>
<th>Guidance if Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the transaction relate to a loan or other financial instrument?</td>
<td>AASB 7 Financial Instruments: Disclosures;</td>
</tr>
<tr>
<td></td>
<td>AASB 132 Financial Instruments: Presentation; and AASB 9 Financial Instruments as applicable.</td>
</tr>
<tr>
<td>Does the transaction relate to a contract for the construction of an asset or acquisition of property, plant and equipment?</td>
<td>AASB 111 Construction Contracts;</td>
</tr>
<tr>
<td></td>
<td>AASB 116 Property, Plant and Equipment;</td>
</tr>
<tr>
<td></td>
<td>Non-Current Asset Policies;</td>
</tr>
<tr>
<td></td>
<td>Other relevant accounting standards and interpretations.</td>
</tr>
<tr>
<td>Arrangement</td>
<td>Guidance if Yes</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Is the transaction for the acquisition of an intangible asset?</td>
<td>AASB 138 <em>Intangible Assets</em>; Non-Current Asset Policies; Other relevant accounting standards and interpretations.</td>
</tr>
<tr>
<td>Is the arrangement one whereby the agency conveys or receives the right to use an asset for an agreed period of time in return for a payment?</td>
<td>AASB 117 <em>Leases</em>; Other relevant accounting standards and interpretations.</td>
</tr>
<tr>
<td>Is the transaction for the purchase of assets held for sale in the ordinary course of business, for the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services?</td>
<td>AASB 102 <em>Inventories</em>.</td>
</tr>
<tr>
<td>Does the transaction relate to land and/or buildings intended to earn rentals or capital appreciation or both?</td>
<td>AASB 140 <em>Investment Property</em>.</td>
</tr>
<tr>
<td>Is the transaction a contribution by owners or a distribution to owners to be accounted for directly against equity?</td>
<td>AASB 1004 <em>Contributions</em>; Interpretation 1038 <em>Contributions by Owners Made to Wholly-Owned Public Sector Entities</em>; and FRR 4F Equity, Contributions by Owners and Distributions to Owners.</td>
</tr>
<tr>
<td>Does the transaction relate to services rendered by employees?</td>
<td>AASB 1004 <em>Contributions</em>; AASB 119 <em>Employee Benefits</em>; Other relevant accounting standards and interpretations.</td>
</tr>
</tbody>
</table>
### Arrangement | Guidance if Yes
--- | ---
**Is the transaction in respect of taxation?** | AASB 112 *Income Taxes*; Other relevant accounting standards and interpretations and tax guidance.

**Is the payment a special payment (i.e. it is ex gratia or extra-contractual) as per Schedule 3 of the Financial Accountability Act 2009?** | section 20 of the FPMS; Financial Accountability Handbook – Information Sheet 3.6 Expense Management Systems (excluding HR); FRR 3D Expenses

If the answer to all of the above questions is “no”, then an agency must consider the principles and criteria in this FRR for guidance on a transfer’s classification and accounting treatment (by both the transferor and recipient).

### 3E.2 CLASSIFICATION OF ARRANGEMENTS BETWEEN GRANTS AND PROCUREMENT

**REFERENCES**

- AASB 101 *Presentation of Financial Statements*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 118 *Revenue*
- AASB 1004 *Contributions*
- *Framework for the Preparation and Presentation of Financial Statements*
- AASB *Glossary of Defined Terms*
- FRR 3A *Statement of Comprehensive Income*
- FRR 3D *Expenses*
- FRR 4F *Equity, Contributions by Owners and Distributions to Owners*

**POLICY**

- For an arrangement to be classified as a procurement transaction, the value of what one entity provides/receives to/from another entity must be of approximately equal value, in the form of cash, goods, non-monetary.
assets and/or services. Where this is not the substance of the arrangement, the transaction is classified as a grant.

- The classification of the arrangement as procurement or grant will determine the relevant accounting treatment for the expenditure/revenue under Accounting Standards.

APPLICATION GUIDANCE

Key Terms

The following table sets out key terms that are central to the application of this FRR. These terms have been developed based on a review of accounting pronouncements, accounting literature and industry practice.

Australian Accounting Standards and Interpretations do not explicitly deal with the classification and treatment of grants and procurement expenses from the perspective of the transferor. However, certain concepts used in this FRR (i.e. control and non-reciprocal transfer) are to be interpreted according to how those concepts are explained in prevailing accounting standards.
Table 2: Key terms that supplement accounting standard concepts relevant to classifying grants and procurement revenue/expenses

<table>
<thead>
<tr>
<th>Key Term</th>
<th>Definition/Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency</strong></td>
<td>• A department or a statutory body as defined in the FA Act.</td>
</tr>
<tr>
<td><strong>Enforceability</strong></td>
<td>• An arrangement that creates enforceable rights and obligations.</td>
</tr>
<tr>
<td></td>
<td>• “Legal or equivalent” can take the form of:</td>
</tr>
<tr>
<td></td>
<td>- a right to enforce specific performance; and/or</td>
</tr>
<tr>
<td></td>
<td>- a directive given by a Minister or government agency; and/or</td>
</tr>
<tr>
<td></td>
<td>- a return obligation; and/or</td>
</tr>
<tr>
<td></td>
<td>- a capacity to impose a severe penalty for non-performance.</td>
</tr>
<tr>
<td></td>
<td>• Enforceability reflects the extent to which the transferor has rights, and the recipient has obligations, that will ensure the transferor obtains the direct benefits intended under the arrangement.</td>
</tr>
<tr>
<td></td>
<td>• Note that a transferor’s capacity or threat to withhold future funding from a recipient (under a future arrangement) if stipulated goods or services are not transferred would not, of itself, give rise to enforceability of the current arrangement. Also, a mere statement of intent (and/or related accountability mechanisms) to spend money/consume resources in particular ways is not sufficient to make an arrangement enforceable by legal or equivalent means.</td>
</tr>
<tr>
<td>Key Term</td>
<td>Definition/Characteristics</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>
| **Grant** | • A transfer to a recipient that may be in return for compliance with certain terms and conditions and which does not directly give approximately equal value in return to the transferor (that is, there is a non-exchange transaction or subsidisation) and the recipient may have been selected on merit against a set of program-specific criteria. Grants can be in the nature of incentives, donations, contributions, debt forgiveness, rebates, subsidies and other similar funding agreements.  
  
• Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them, and transactions with government that cannot be distinguished from the normal trading transactions of an entity.  
  
• Government grants are sometimes called by other names such as subventions or premiums.  
  
• Refer to the Financial Accountability Handbook Volume 6 for information on grant management, including administration of grant programs. |
<p>| <strong>Objectives</strong> | • May be stated in legislation or publicly issued documents, or any relevant framework (policy, legal requirements, constitution) for the entity concerned. |
| <strong>Procurement</strong> | • The entire process by which all types of resources (human, material, facilities and services) are obtained. This can include the functions of planning, design, standards determination, specification writing, selection of suppliers, financing, contract administration, disposals and other related functions. |</p>
<table>
<thead>
<tr>
<th>Key Term</th>
<th>Definition/Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient</td>
<td>• The party receiving the transfer, including a government entity, non-government service provider, a not-for-profit entity, a for-profit organisation, an individual providing goods or services or an individual receiving the resources directly.</td>
</tr>
<tr>
<td>Reciprocal transfer</td>
<td>• The transferor and recipient directly receive and sacrifice approximately equal value.</td>
</tr>
<tr>
<td></td>
<td>• The transferor must have a right to receive the benefits directly.</td>
</tr>
<tr>
<td></td>
<td>• It is not sufficient that the transferor receives benefits indirectly as a result of the transfer.</td>
</tr>
<tr>
<td></td>
<td>• A reciprocal transfer also occurs where, for example, assets are provided to an entity on the condition that the entity renders particular services to the provider of the asset, and if the services are not rendered, those assets are required to be returned directly to the provider of the asset.</td>
</tr>
<tr>
<td>Specific</td>
<td>• A contract may be sufficiently specific if it stipulates the nature or type of goods or services to be transferred/provided as well as one or more of:</td>
</tr>
<tr>
<td></td>
<td>(i) the cost or value of the goods or services;</td>
</tr>
<tr>
<td></td>
<td>(ii) the volume of the goods or services; and</td>
</tr>
<tr>
<td></td>
<td>(iii) the period over which the goods or services must be performed/provided.</td>
</tr>
</tbody>
</table>

Based on these terms, common features of grants and procurement revenue/expenses are identified. These common features are used to determine the nature of the transaction. Indicators that can be considered to determine whether a transaction is a grant or procurement are discussed in more detail below.
Classification Criteria

Paramount to the classification of a transaction (either for recurrent/operational, or capital purposes) as either a grant or procurement is understanding the purpose and the characteristics of the transaction with the other party.

Refer to the Classification Checklist in Appendix 2 for specific considerations that can be used to assist in identifying an arrangement’s purpose and characteristics. In determining whether a transaction is a grant or procurement, it is necessary that the classification is in accordance with the substance and economic reality and not merely the legal form. An agency may enter into an agreement that takes the legal form of a grant, but in substance is a procurement of goods and/or services; and vice versa. The substance of a transaction should prevail over the strict legal wording in associated documentation.

Other considerations

When assessing the overall substance of a transaction, it sometimes may be easier to consider the classification that applies to the counterparty and assess the merits of applying a classification that mirrors the counterparty perspective. However, the agency must undertake a thorough review of the individual circumstances of the transaction and demonstrate that the accounting treatment reflects the substance of the arrangement. Where both parties are within the Queensland public sector, there should be consistency in the classification of a given transaction by both parties.

Within the financial statements, the use of additional line items or headings for items that have a different nature or are sufficiently material may be warranted either on the face of the financial statements or in the notes to the financial statements. Judgements about the most appropriate disclosure should include an assessment of the materiality of an item.

For whole of Government (woG) reporting, transactions between Queensland public sector agencies are eliminated. In that respect, in the rare situation where one agency (the “initiator”) makes a transfer to another agency (an “intermediary”) that is in turn to be transferred to an entity external to the Queensland public sector, it is likely that the woG impact (post-elimination) may not reflect the appropriate classification at the woG level. This may result from the intermediary’s classification
of the transfer to the external entity differing from the initiator’s classification of its transfer.

If this situation arises, the intermediary agency must ensure that the classification used in Tridata for its transfer (for both actual and budget figures) reflects the woG perspective i.e. use the same classification as the initiator. This will result in a classification difference between the intermediary’s general purpose financial statements and what is reported in Tridata (for both actual and budget figures). However, for the Service Delivery Statement (for both actual and budget figures), the classification should be the same as for the agency’s general purpose financial statements. (Queensland Treasury’s Fiscal Reporting team can advise on how to adjust the Tridata classification for the SDS.)

For example, Agency A pays Agency B to pay external entity C to undertake activities that provide direct benefits of equivalent value to Agency A. From a State perspective, this is a procurement of services from an external entity – refer to Table 2. Consistent with Agency A’s classification, Agency B would classify its revenue as “user charges”. However, the payment from Agency B to external entity C would be classified as a grant expense, on the basis that Agency B does not receive a direct benefit of equivalent value. After elimination of the inter-agency transaction, the remaining transaction at the woG level is a grant expense. To ensure the woG classification is as “procurement”, for Tridata purposes only, Agency B is to classify the payment to external entity C as a procurement expense.

Assessment of the substance of the transaction

The indicators listed in Table 3 below are provided to assist an agency in determining the overall substance of the arrangement. These indicators would normally individually or in combination provide guidance for the most appropriate classification. The list of indicators is not exhaustive and the classification is ultimately based on an overall assessment of the substance of the arrangement. Professional judgement is required to be applied when evaluating the indicators as these may not be conclusive.

Where an arrangement contains multiple elements, an agency will need to identify the respective elements and classify/account for them separately according to their nature. The agency may need to exercise judgement in determining the underlying
elements, the amount attributable to each element and the most appropriate timing of recognition of associated revenue/expenses.

*Example – Different elements of a transaction*

An agency enters into an agreement with another entity to outsource its information technology responsibilities. As part of the agreement, the other entity is required to provide specific services over a set period of time (over several reporting periods). That other entity is also required to acquire specific assets for the sole use of the agency and to provide maintenance and upgrade services for the agency's existing assets. The agency agrees to pay a pre-determined fee for all such services. The agency will need to consider whether the agreement results in the purchase of multiple goods and/or services, and whether each needs to be accounted for separately.

Table 3 sets out the indicators that would result in a particular transfer being classified as a procurement transfer versus a grant.

*Table 3: Procurement Indicators versus Grant Indicators*

<table>
<thead>
<tr>
<th>Indicator of Procurement</th>
<th>Indicator of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) APPROXIMATELY EQUAL VALUE</td>
<td></td>
</tr>
<tr>
<td>Can approximately equal value between the amount/value of the transfer and benefits received by the transferor be well demonstrated?</td>
<td></td>
</tr>
<tr>
<td>Refer to the following indicators of approximately equal value:</td>
<td></td>
</tr>
<tr>
<td>• Does the transferor receive equal benefit in the exchange?</td>
<td>Yes</td>
</tr>
<tr>
<td>• Does the transferor provide a commercial level of consideration?</td>
<td>Yes</td>
</tr>
<tr>
<td>• Does the transferor utilise the goods or services obtained for its normal day-to-day activities (administrative or service delivery) or redirect the goods or services for use by a third party?</td>
<td>Yes</td>
</tr>
<tr>
<td>• Has the transferor specifically directed the recipient to deliver specific goods and/or services to a specified third party on its behalf i.e. are the goods or services controlled by the transferor?</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Distinction between Grants and Procurement (Revenue and Expense)

<table>
<thead>
<tr>
<th>Indicator of Procurement</th>
<th>Indicator of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>• Is the total amount of the transfer based only on a quantity of items/services delivered (subject to normal remittance terms)?</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Is there a requirement to return unspent funds to the transferor to the extent of non-performance by the recipient?</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Is the tender process and services to be delivered contestable (i.e. demanding that the transferor assess the range of service delivery options and test the market to provide better value for money) as distinct from applicants simply competing for funding?</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Does the arrangement specify prices, production quantities and/or other performance criteria, and have a pre-specified acquittal process?</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Is the ultimate aim of the transfer to generate benefits that cannot be reliably quantified e.g. future reduction of greenhouse gases?</strong></td>
<td>No</td>
</tr>
<tr>
<td><strong>• Is the ultimate aim of the transfer to generate benefits that can be reliably quantified e.g. specifically applied research where the resulting output (such as intellectual property) belongs to the transferor?</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Does the recipient have more than one source of funding for the activities incidental to the arrangement? For example, from the recipient’s perspective, if the resources received from the transferor are insufficient to fund the cost of the activities, can/will the recipient resort to another source of finance?</strong></td>
<td>No</td>
</tr>
</tbody>
</table>

---

1 Where a return obligation exists there is a presumption that the transferor is seeking approximately equal value in exchange, on the basis that fulfilment of the conditions entitles the recipient to retain the payment, whilst non-performance requires return of the funds.

2 The answer could potentially be yes if this is applied research that can be demonstrated to result in a direct benefit for the transferor of approximately equal value to the transfer (refer Case Study 4 - Scenario 2).
### b) DIRECT BENEFIT TO THE TRANSFEROR

**Direct benefit**
Has the transferor procured goods or services for its own use or specifically directed the recipient to deliver specific goods and/or services to a specified third party on its behalf?

**Indirect benefit**
Does the transfer provide financial assistance to the recipient so that the recipient may achieve its goals and, as such, only indirectly promotes the transferor's policy objectives?

Refer to the following indicators of direct benefit:

<table>
<thead>
<tr>
<th>Indicator of Procurement</th>
<th>Indicator of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>b) DIRECT BENEFIT TO THE TRANSFEROR</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Direct benefit</strong></td>
<td></td>
</tr>
<tr>
<td>Has the transferor procured goods or services for its own use or specifically directed the recipient to deliver specific goods and/or services to a specified third party on its behalf?</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Indirect benefit</strong></td>
<td></td>
</tr>
<tr>
<td>Does the transfer provide financial assistance to the recipient so that the recipient may achieve its goals and, as such, only indirectly promotes the transferor's policy objectives?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Refer to the following indicators of direct benefit:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>• Is this an arrangement whereby the transferor procures goods or services from the recipient for a third party (individual or group) that the transferor has identified (either individually by name or by category of entity) and the recipient delivers on the transferor’s behalf?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>• Does the transferor control the use of resources by the recipient and apply specific parameters (and reporting obligations) as to how the resources are used?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>• Has the transferor explicitly undertaken responsibility to provide particular goods/services to the public?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>• Does the transferor control the time and/or place of delivery of any goods or services to third parties?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>• Is there a pre-specified acquittal process and provisions for economic penalties(^3) to the extent of non-performance?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>• Is the transferor providing funding to the recipient to assist the recipient in meeting their own objectives (even though an indirect benefit may be obtained by the transferor through aligned objectives)?</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>• Is the arrangement enforceable (refer to the definition in Table 2 Key Terms), and does the transferor have the means and intention to enforce it?</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

---

\(^3\) Economic penalties against the recipient would be for an amount beyond the payment, for failure to meet the terms of the agreement.
Financial reporting consequences

The indicators in Table 3 above imply that transactions classified as a grant are non-reciprocal in nature, and procurement transactions are reciprocal in nature. On that basis, agencies should note that the timing of revenue/expense recognition should align with its nature.

Grants

The revenue/expense should be recognised when the obligation for a transfer (or entitlement to receipt) arises according to the remittance terms of the funding agreement. If the transfer does not occur at that time, a corresponding payable/receivable should be recognised in the meantime. If the transfer is made in advance of the remittance timeframe, and the recipient can control use of the resources at that time, the corresponding revenue (or expense, for the transferor) should be recognised at that time.

Procurement

The revenue/expense should be recognised according to the timeframe(s) when the entitlement to revenue has arisen or benefits are obtained. If the transfer is made in arrears of that timeframe, a corresponding receivable/payable should be recognised in the meantime. If the transfer is made in advance of the entitlement to revenue arising/benefits being obtained, unearned revenue/prepayment should be recognised in the meantime.

Financial statement presentation

Where an agency reclassifies revenue and/or expenses in line with the criteria in this FRR, this is also to be applied to the comparative period’s figures. Agencies should refer to paragraphs 40A – 42 of AASB 101 Presentation of Financial Statements for the associated requirements.

Types of transactions and their classification

A number of transactions that fall within the scope of this FRR are discussed in Table 4 below. Where this table indicates how a particular arrangement would be classified, it should be classified as such. When considering the transactions...
listed below, the principles and criteria set out in this FRR and the overall substance of the arrangement prevail in determining the appropriate classification.

Table 4: Transaction Types

<table>
<thead>
<tr>
<th>Transaction type</th>
<th>Description of transaction</th>
<th>Classification - subject to assessment of the substance of transaction as per this FRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-sourcing agreement</td>
<td>An arrangement where an agency enters into a specific agreement with another entity to combine agency staff with the other entity’s staff to deliver a service that the agency would otherwise be required to deliver.</td>
<td>Procurement</td>
</tr>
<tr>
<td>Donation/Gift</td>
<td>The provision of cash, property or other assets to a specified “cause” or activity without creating an obligation on the recipient about the use of the resources.</td>
<td>Grant</td>
</tr>
<tr>
<td>Forgiveness of a loan</td>
<td>An arrangement where an agency cancels all or part of an amount owing to it in order to assist the recipient financially.</td>
<td>Where this is in accordance with terms/conditions in an agreement that allows for this at the outset - Grant (subject to the over-riding requirements of AASB 9 regarding impairments). Otherwise – Other Expenses</td>
</tr>
<tr>
<td>Outsourcing arrangement</td>
<td>An arrangement whereby an agency enters into a specific agreement with another party to contract out the delivery of specific services that the agency would otherwise be required to deliver.</td>
<td>Procurement</td>
</tr>
<tr>
<td>Transaction type</td>
<td>Description of transaction</td>
<td>Classification - subject to assessment of the substance of transaction as per this FRR</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Peppercorn lease</td>
<td>An agreement whereby an agency gives another party the right to use property (land and/or buildings) for a nominal rent (i.e. a “peppercorn” rent e.g. $1 per annum) over a period of time.</td>
<td>It is common that the requirements of AASB 117 are applied such that the nominal rentals are used in recognising the lease. Depending on the specific facts and circumstances, it may also be appropriate to account for the difference between the fair value of the rental and the nominal rental as a grant.</td>
</tr>
<tr>
<td>Scholarship</td>
<td>Payment made to support an individual’s education, awarded on the basis of academic or other achievements.</td>
<td>Grant. However, where there are conditions attached that require an individual to provide service as an employee after completing their studies, consideration may be required as to whether the substance of the arrangement is an employee benefit.</td>
</tr>
<tr>
<td>Subsidy</td>
<td>A form of financial assistance to reduce all or part of the costs of a recipient in meeting its own objectives.</td>
<td>Grant</td>
</tr>
</tbody>
</table>

**APPENDIX 1  ILLUSTRATIVE CASE STUDIES**

The case studies on the following pages illustrate the application of the indicators and can be used by agencies as a broad guide to applying the concepts in this FRR for classifying arrangements. These case studies are not intended to deal with the full range of accounting consequences that may arise under the particular scenario.

Agencies must exercise caution in applying the conclusions in individual case studies to arrangements that do not exactly mirror the scenario described. Requests for advice about specific circumstances may be forwarded to the Financial Management help desk (at fmhelpdesk@treasury.qld.gov.au).
### Case Study 1: Arrangement for another entity to provide services

**Background**

Department XYZ’s operational plan states that one of its core functions is to provide transport services to patients in rural and remote communities.

Department XYZ entered into an arrangement with Agency TRS (the only entity with a presence in all remote areas across the State) to provide transport services to patients in remote communities. The arrangement specifies the service to be provided, the period over which the service should be provided as well as the payment terms (i.e. the agreement states that no payment will be made if there is no flight and the agreement specifies an agreed rate per flight hour). Furthermore, the agreement sets out non-performance and penalty considerations to the extent that the service is not provided.

**Step 1 - Gain an understanding of the arrangement:**

- **What are the goods and services?** Agency TRS is being paid for provision of flights (transport) to patients i.e. specific services are being purchased by Department XYZ for patients (i.e. there is an identified party).

- **Obligations in the agreement:** The agreement is sufficiently specific and sets out the nature of the service to be provided, the payment terms, the period of service as well as conditions regarding non-performance.

- **Overall intent/purpose:** To purchase transport services for patients in rural areas, a service Department XYZ undertakes (as evidenced by its operational plan) to provide.

**Step 2 - Application of classification principles:**

**Approximately equal value?**

- Activities are quantifiable in dollar terms as the agreement specifies the agreed rate per flight hour.

- Amount paid is based on number of flights delivered by the recipient (quantity).

**Direct benefit for the agency?**

- Department XYZ directs the use of the funds as funding is only provided for services delivered in line with the arrangement.
Case Study 2: Funding provided with broad key performance indicators and requirements

**Background**

Agency XYZ provides funding to a non-government organisation (NGO) located in a rural area. The lump sum funding is to assist the NGO with ongoing operational costs. The agreement does not provide specific detail on how the funds are to be applied but some broad key performance indicators and requirements are specified in the contract.

Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?** No specified goods or services are delivered by the NGO in return for the lump sum.

- **Obligations in the agreement:** The agreement does not include any specifications regarding the use of the funding, the period of service nor any conditions regarding non-performance.

- **Overall intent/purpose:** To provide a lump sum to the NGO to assist it with its own ongoing operational costs.

Conclusion:

*Based on analysis of the factors provided, the arrangement would be classified as procurement as Department XYZ receives approximately equal value by directing the use of funds to meet its obligations.*

*For Agency TRS, it is providing equivalent value in services directly to Department XYZ in return for the revenue from that department. Therefore, in Agency TRS’s Statement of Comprehensive Income this would be classified as user charges revenue.*
### Case Study 2: Funding provided with broad key performance indicators and requirements

#### Step 2 - Application of classification principles:

**Approximately equal value?**
- No goods or services of any identifiable “value” are received by Agency XYZ.
- The benefits cannot be reliably quantified.

**Direct benefit for the agency?**
- The contract does not specify specific goods/services to be delivered to either Agency XYZ or a third party nominated by Agency XYZ, but rather relates to a broad policy objective of Agency XYZ.
- Financial assistance can be spent at the NGO’s sole discretion but within the requirements of the broad performance indicators and requirements specified in the contract.

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified as a grant as Agency XYZ does not receive approximately equal value in return. Financial assistance provided to the NGO is largely spent at the NGO’s sole discretion and Agency XYZ only receives an indirect benefit.*

### Case Study 3: Scholarships

#### Background

Agency ABC annually allocates scholarships to high school students who want to study a degree in the field that it governs. The amount of a scholarship is specifically determined to be enough to fund course fees and textbook costs for the duration of a student’s studies. The terms of the scholarship are that the student must apply the money towards their course fees and textbook costs. Agency ABC awards the scholarships to applicants based on merit. Agency ABC has no obligation to promote study in the field that it governs.
### Case Study 3: Scholarships

#### Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?**  Course fees and textbooks for students are funded.

- **Obligations in the agreement:** To reinforce the intended purpose of the scholarship, the agreement sets out the student’s obligations about usage of the money and the period over which it will be provided.

- **Overall intent/purpose:** To provide financial assistance to the students so that they may further their education.

#### Step 2 - Application of classification principles:

**Approximately equal value?**

- The ultimate outlays by the student are quantifiable in dollar terms as the costs for course fees and textbooks can be determined.

**Direct benefit for the agency?**

- The funding assists the students to meet their objectives.

- Agency ABC receives no goods or services for its sole use, nor does it receive a direct benefit.

Agency ABC’s objectives may be promoted through being associated with the financial assistance provided to the student, but this is only an indirect benefit.

#### Conclusion:

*Based on analysis of the factors provided, the arrangement would be classified by Agency ABC as a grant as it does not receive a direct benefit of approximately equal value in return.*
## Case Study 4: Scenario 1 - Arrangement to provide research funding

**Background**
Agency ABC provides discretionary payments to Universities engaged in particular research activities. The payments are only made in accordance with policies and conditions including the costs that may be funded by Agency ABC’s payments (e.g. salaries of scientists/consultants), the manner in which any research findings are reported back to Agency ABC, responsibilities in research practice and matters in relation to research integrity.

### Step 1 - Gain an understanding of the arrangement:
- **What are the goods and services?** Research is performed by the Universities.

- **Obligations in the agreement:** The agreement includes a number of specifications regarding the conduct of research, the manner in which research is conducted and reported and how the funding is to be used.

- **Overall intent/purpose:** To further facilitate research in certain areas.

### Step 2 - Application of classification principles:

**Approximately equal value?**
- The ultimate aim of the funding provided is to generate benefits which cannot be reliably quantified.

- No unspent funds are required to be returned by the Universities.

**Direct benefit for the agency?**
- The contract does not specify goods/services to be delivered to Agency ABC.

- Financial assistance can be spent at the Universities’ sole discretion but within agreed terms and conditions. There is an indirect benefit for Agency ABC and a direct benefit for the Universities.
### Case Study 4: Scenario 1 - Arrangement to provide research funding

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified as a grant, as Agency ABC does not receive approximately equal value in return. Financial assistance provided to the Universities is spent at their sole discretion and Agency ABC only receives an indirect benefit.*

*From the perspective of the Universities, on the basis that they cannot demonstrate the provision of equivalent value directly to Agency ABC in return for the amount of the funding, in their Statement of Comprehensive Income they would classify this revenue as grants.*

### Case Study 4: Scenario 2 - Arrangement to provide research funding

**Background**

Agency ABC seeks competitive tenders from universities to conduct research on a number of particular industry-specific topics. University XYZ is the successful tenderer and Agency ABC provides it with an upfront lump-sum payment to conduct specific research.

The funding agreement between Agency ABC and University XYZ specifies the type of research to be conducted, over which period and directs in the manner in which the research should be conducted. Agency ABC requests that the rights to the intellectual property from the research are assigned to the agency and requests that certain KPIs and reporting requirements are met.

The funding agreement contains terms and conditions that enable it to be legally enforced, and Agency ABC has the means and intent to enforce its rights under the agreement. The research findings will be directly reflected in the design and delivery of new industry support services by Agency ABC.

**Step 1 - Gain an understanding of the arrangement:**

- **What are the goods and services?** Industry-specific research is performed by University XYZ.
  
- **Obligations in the agreement:** The agreement includes specifications regarding the nature of the service to be provided and requires that the intellectual property from the research be assigned to Agency ABC.
Case Study 4: Scenario 2 - Arrangement to provide research funding

- **Overall intent/purpose:** To obtain specific research findings to progress the agency’s objectives.

**Step 2 - Application of classification principles:**

**Approximately equal value?**
- The resulting intellectual property rights will be totally controlled by Agency ABC.
- The price paid for the research has been determined through a competitive tender process, so it reflects a reasonable measurement of the cost necessary to obtain the research findings.

**Direct benefit for the agency?**
- The contract specifies the research to be conducted (i.e. applied research).
- The intellectual property arising from the research will be assigned to Agency ABC.
- The research findings will be directly used by Agency ABC in its operations.

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified as procurement, as Agency ABC receives approximately equal value in the form of the intellectual property and specified research that will directly be used in its operations. As this expenditure does not provide “front line” services to the community (the research itself will only be used by Agency ABC to inform its operations), for presentation in Agency ABC’s Statement of Comprehensive Income, this would in turn be classified as other supplies and services.*

*For University XYZ, under this scenario it is creating intellectual property directly for Agency ABC according to a reasonable cost to create it. Therefore, in the University’s Statement of Comprehensive Income this would be classified as user charges revenue.*

**NB.** As this transaction is considered reciprocal, to the extent that Agency ABC has not received the rights to the intellectual property it will recognise a prepayment (asset); and to the extent that University XYZ has not provided the rights to the intellectual property, it will recognise unearned revenue (liability).
### Case Study 5: Legislative obligation

#### Background

The *Child Protection Act 1999* (the Act) proclaims that the State is responsible for protecting those children who do not have a parent who is able and willing to protect the child and to ensure a child’s developmental, educational, emotional, health, intellectual and physical needs are met.

In order to meet its obligations under the Act, Agency DEF provides funds to various providers e.g. funds are paid for schooling, residential placements and medical expenses.

Funding is provided based on invoices received for specific types of services delivered/goods purchased (i.e. no single overarching agreement is in place for the delivery of all support required).

#### Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?** Various services and goods are procured. The benefits will be based on the services provided that have commercial value.

- **Obligations in the agreement:** The invoice will be specific to goods/services provided, the payment terms will be specified and the goods/services to be delivered in order to obtain the funding (i.e. payment is made subsequent to delivery of the goods/services).

- **Overall intent/purpose:** To enable the carers of children to obtain the services required to protect children and provide for their basic needs.

#### Step 2 - Application of classification principles:

*Approximately equal value?*

- Goods or services delivered by the providers are quantifiable as payments made will be based on invoices for services/goods delivered.

- Amount paid is based on specific services delivered by the providers (i.e. quantity).
**Case Study 5: Legislative obligation**

*Direct benefit for the agency?*
- Agency DEF is specifically directing the providers to deliver goods/services to third parties on its behalf.

- The purchase orders will specify the goods/services to be delivered. If the providers did not provide the respective services, Agency DEF would be required to deliver the goods/services through other means.

- The terms and conditions of the arrangement are sufficiently specific and directive.

- Agency DEF directs the use of the funds as funding is only provided for services delivered in line with purchase orders (the services/goods delivered should be checked to ensure they are as per the purchase order).

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified by Agency DEF as procurement, as Agency DEF directs the use of the funds to meet its obligations.*

---

**Case Study 6: Joint Funding Agreement**

*Background*

The Australian Government and Queensland Governments (the latter via Agency CDE) have a joint funding agreement under which the Australian Government provides funding to assist the Queensland Government in undertaking the monitoring of water pressure levels in the Great Artesian Basin (this forms part of a broader process to implement a whole-of-Basin water bore monitoring network).

The Australian Government contributes to the Queensland Government 50% of the total cost. The Queensland Government (via Agency CDE) is responsible for assessing the impact of recently implemented sustainability measures, and determining future management approaches. The Queensland Government (via Agency CDE) must also annually report back to the Australian Government about its progress with improving the sustainability of the Basin.
### Case Study 6: Joint Funding Agreement

Agency CDE entered into a funding agreement with an NGO to monitor water pressure levels in the Great Artesian Basin and associated activities.

This funding agreement addresses the following:

- An upfront payment of $1m (i.e. total funding from both the Australian Government and Queensland Government) from the agency to the NGO subject to certain conditions being met.
- Schedule of works to be completed as specified
- Certain activities to be performed to qualify for funding provided including:
  - providing lists of bores by type, monthly progress reports;
  - progress reports detailing works undertaken and expenditure incurred; and
  - bore elevation survey.
- Requirement for unspent funds to be returned to Agency CDE (in turn, Agency CDE passes back to the Australian Government 50% of any such returned funds). Money can only be used for purposes specified in the agreement, unless the Australian Government’s written permission is obtained.
- Requirement to maintain an assets register on behalf of Agency CDE. The contract runs for a period of three years, and contains terms and conditions that make it legally enforceable.

### Part 1 - Agreement between Australian Government and Queensland Government (via Agency CDE)

**Step 1 - Gain an understanding of the arrangement:**

- **What are the goods and services?** Periodic reporting on progress with management of the Great Artesian Basin.

- **Obligations in the agreement:** The agreement only articulates an agreed outcome of medium-term improvement in the sustainability of the Basin.
Case Study 6: Joint Funding Agreement

- **Overall intent/purpose:** To financially assist the Queensland Government in its efforts towards management of the Basin.

Step 2 - Application of classification principles:

**Approximately equal value?**
- The only thing the Australian Government receives in return for its funding is annual progress reporting. It is very difficult to quantify the benefits of such reporting, but would be unlikely to approximate the value of the funding provided.

**Direct benefit for the transferor (Australian Government)?**
- The Australian Government only has policy oversight over the nation’s natural resources – it does not use the Basin.

- Those who directly benefit most from sustainability and condition of the Great Artesian Basin are landholders and primary producers in regions that can access the Basin, but they are not the transferors in this arrangement.

**Conclusion to Part 1:**

*Based on analysis of the factors provided, the arrangement would be classified as grant revenue to Agency CDE as it cannot demonstrate the provision of equivalent value directly to the Australian Government in return for the funding.*

Part 2 - Agreement between Agency CDE and NGO

Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?** Monitoring of water pressure, provision of information and record-keeping for assets.

- **Obligations in the agreement:** The agreement is specific and sets out the nature of the service to be provided, the period over which it will be provided as well as conditions regarding non-performance.

- **Overall intent/purpose:** To contract out the monitoring of the water levels and associated information-collection activities.
Case Study 6: Joint Funding Agreement

Step 2 - Application of classification principles:

Approximately equal value?
- Service delivered by the NGO to Agency CDE has commercial value and can therefore be measured reliably.
- The services delivered will benefit the Queensland Government (based on the monitoring of the water bore network, and associated record-keeping activities).
  - If money is not spent by the NGO, it has to be returned to Agency CDE;
  - If the NGO does not perform the services, Agency CDE will be required to meet its obligations through another means as it is a requirement of its own funding agreement with the Australian Government.
- The net amount funded by the Queensland Government is 50% of the total cost but the Queensland Government will retain 100% of the outcomes i.e. the Agency CDE will receive more than equal value for its portion of the cost.

Direct benefit for the agency?
- The agreement between Agency CDE and the NGO specifies the services to be delivered.
- Agency CDE directs the service through the funding agreement.

Conclusion to Part 2:

Based on analysis of the factors provided, the substance of the arrangement is procurement as Agency CDE directly receives specified services and more than equal value for its net share of the cost.

NB. As this transaction is considered reciprocal, to the extent that the NGO has not delivered services to Agency CDE as per the agreement, Agency CDE will recognise a prepayment (asset).
### Case Study 7: Funding arrangement with multiple payment elements

#### Background
Agency STU entered into a service agreement with a company to deliver helicopter services to patients. The agreement entered into determines the following:

- The company will be funded on an activity basis (a rate per hour of service delivered) supplemented by an annual lump sum payment.

- The hourly rate paid is based on the commercial value of the service delivered by the company. The company provides Agency STU with a monthly invoice for services delivered (flight hours) to patients.

- The annual lump sum is paid at the beginning of each year as non-conditional and the amount does not need to be returned. The payment is used by the company at its discretion, according to prevailing needs around that time. Furthermore, the annual lump sum does not reduce Agency STU’s service cost, nor does it ensure a specified service.

- The contract runs for a period of three years, and contains terms and conditions that make it legally enforceable.

Agency STU does not have a legislative obligation to provide transport to patients, however, there is considered to be a public expectation that this service will be delivered (based on its past practice over the last 10 years).

#### Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?** The company is providing flight services to patients on behalf of Agency STU.

- **Obligations in the agreement:**
  
  **Hourly rate:**
  - The agreement is specific and sets out the nature of the service to be provided by the company, the period over which it will be provided and determines that fees will be paid per hour of service delivery.

  **Annual lump sum:**
  - There is no obligation on the company to perform any service or meet any objectives of Agency STU in return for the annual lump sum.

- **Overall intent/purpose:** To provide transport to patients.
## Case Study 7: Funding arrangement with multiple payment elements

### Step 2 - Application of classification principles:

**Approximately equal value?**

*Hourly rate:*
- The agreement is specific and sets out the nature of the service to be provided by the company, the period over which it will be provided and determines that fees will be paid per hour of service delivery.
- The total amount of the payment is based on the service delivered (i.e. hours of flying time provided).
- The benefits of the service are quantifiable and commercial in nature.

*Annual lump sum:*
- There is no obligation on the company to perform any service or meet any objectives of Agency STU in return for the annual lump sum.
- The ultimate aim of this funding is to provide financial assistance to the company to ensure it carries on as a going-concern.
- The annual payment has not been structured to reduce the service cost.

Approximately equal value is therefore not received by Agency STU from the annual payment component.

**Direct benefit for the agency?**

*Hourly rate:*
- The contract specifies the service to be delivered. The terms and conditions of the funding agreement are sufficiently specific and directive to ensure that the service is provided (i.e. Agency STU controls the services).

*Annual lump sum:*
- The payment is not paid for a specified service.
- The company has discretion as to how these funds can be spent.

### Conclusion:

*Based on analysis of the factors provided, the amount paid in the form of an hourly rate to the company would be classified as procurement as Agency STU meets its obligations by obtaining specified services.*

*The annual lump sum would be classified as a grant, as Agency STU does not receive a direct benefit of approximately equal value.*
Case Study 8: Recurrent funding arrangement

**Background**

Under the *Housing Act 2003* (the Act), the Chief Executive of Agency DEF may grant assistance or funding to a service provider for the provision of housing services as defined under the Act.

Agency DEF entered into such an assistance agreement with a service provider. The assistance is for the service provider to deliver services under a Crisis Accommodation Program (CAP) to help eligible people with housing needs and move them towards independent living. The agreement with the service provider contains terms and conditions that enable Agency DEF to enforce the service provider’s obligations (and Agency DEF intends to do so, if necessary). The key circumstances are:

- CAP is a Queensland and Australian Government funded program under the National Affordable Housing Agreement.

- CAP is administered by Agency DEF, and primary obligation for delivery of services rests with the agency.

- Description of services the service provider is funded to deliver:

  - All premises utilised by the provider in supplying services must be maintained to a high standard. Any maintenance undertaken by the provider must be carried out in a tradesperson-like and lawful manner and should be of good quality.

  - The funding provided under the assistance agreement must be utilised by the service provider for the delivery of housing services and only for allowable expenditure (as defined in the program specifications). Furthermore, the services can only be delivered in the geographic locations where Agency DEF specifies that services are required. Agency DEF specifies the eligibility criteria for provision of the specified housing support.

  - The funding provided by Agency DEF is based on estimates of costs that would be incurred using an efficient service delivery model and appropriate cash management.
Case Study 8: Recurrent funding arrangement

- Any money earned by the service provider e.g. through rent/board and bank account interest, must be dealt with as if funding was provided directly by Agency DEF.

- If a large portion of funding remains unspent at the end of a particular period (six months), then the agency can adjust future funding to take into account the unspent amount (i.e. reduce the next instalment of funding) or authorise the use by the service provider of the unspent amount for another purpose.

- No capital funding is provided. The service provider owns the property used to deliver the housing services.

- The provider must supply to Agency DEF information related to the provider’s operations upon reasonable requests from Agency DEF.

- Payment of the funding under the terms of the assistance agreement will be made in advance every six months, subject to the lodgement of all statements and reports by the provider as required under the agreement.

The provider may have an entitlement to receive funding from other agencies of the Queensland or Australian Governments. The provider may also have an ability to seek funding assistance from private sources.

Step 1 - Gain an understanding of the arrangement:

- **What are the goods and services?** The service provider is funded to deliver housing services to eligible individuals.

- **Obligations in the agreement:** The agreement is sufficiently specific and sets out the nature of the services to be provided, the payment terms, the period of service as well as requirements around excess funding.

- **Overall intent/purpose:** To provide housing services as defined by the CAP.

Step 2 - Application of classification principles:
Case Study 8: Recurrent funding arrangement

**Approximately equal value?**

- Activities are quantifiable in dollar terms as the funding is to be applied to allowable expenditure, and is based on estimates of reasonable costs to deliver such services.

- Funding provided is pre-determined, but records/statements are required to be kept by the service provider and supplied to Agency DEF to demonstrate how the funding was spent. If any funding is unspent, future payments by Agency DEF can be reduced by the unspent amount (i.e. in essence a return of unspent funding).

**Direct benefit for the agency?**

- Agency DEF directs the use of the funds, as funding is only provided for services delivered in line with the assistance agreement.

- Agency DEF specifically directs the service provider to deliver specified services to identified individuals (eligible persons) on its behalf. The terms and conditions of the agreement are sufficiently specific and directive to ensure achievement of Agency DEF’s obligations under the CAP.

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified as procurement as Agency DEF receives approximately equal value by directing the use of the funds to meet its obligations. This results in a direct benefit to Agency DEF.*

*NB. As this transaction is considered reciprocal, to the extent that the service provider has not delivered services to Agency DEF as per the assistance agreement (and met any other obligations), Agency DEF will recognise a prepayment (asset).*

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Case Study 9: Acquisition of services via an interposed entity

**Background**

Under an intergovernmental agreement, Agency JKL is responsible for the provision of services to eligible young people with a disability. In some cases, such young people reside in privately-run aged care facilities. Those aged care facilities receive their primary funding from the Australian Government.
**Case Study 9: Acquisition of services via an interposed entity**

To reimburse the Australian Government for its funding costs that relate to Agency JKL’s responsibilities, the agency pays the Australian Government an annual lump sum based on the estimated cost of service delivery and projections of the number of eligible young people in the relevant aged care facilities during the coming financial year. The Australian Government and Agency JKL agree on the methodology for estimating the amount of this payment, which is reviewed annually.

### Step 1 - Gain an understanding of the payment:

- **What are the goods and services?** Residential care for eligible young people with a disability.

- **Obligations in the agreement:** The payment obligations are based on estimates of the costs incurred by private sector providers for an estimated number of eligible people.

- **Overall intent/purpose:** To fund costs that Agency JKL is responsible for.

### Step 2 - Application of classification principles:

**Approximately equal value?**

- The amount of the lump sum payment is based on the estimated cost of housing a particular number of eligible people (that Agency JKL has an existing obligation to finance).

**Direct benefit for the agency?**

- The private sector providers deliver a service that satisfies obligations that Agency JKL would otherwise have.

**Conclusion:**

*Based on analysis of the factors provided, the arrangement would be classified as procurement as Agency JKL receives a direct benefit of approximately equal value, as its obligations are met by services delivered by the private sector providers.*

*NB. As this transaction is considered reciprocal, to the extent that agreed services have not been provided, Agency JKL will recognise a prepayment (asset).*
APPENDIX 2    CLASSIFICATION CHECKLIST

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Is there a legally enforceable contract? Refer also to the definition of</td>
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<tr>
<td>“enforceability” in this FRR. Consider whether:</td>
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<td>• the enforceability may occur through legal and other equivalent means;</td>
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<td>• the arrangement creates enforceable rights and obligations for the</td>
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<td>respective parties;</td>
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<td>• there is a right by the transferor to enforce specific performance by</td>
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<td>the recipient;</td>
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<td>• there is a directive given by a Minister or government agency for the</td>
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<td>recipient to transfer specified goods or services; and</td>
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<td>• there is a return obligation or a capacity to impose a severe penalty</td>
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<td>on the recipient for non-performance.</td>
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<td>Does the payment arise from specified legislation or is it part of a</td>
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<td>grant program?</td>
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<td>What objectives/obligations does the transferor have to fulfil? Is the</td>
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<td>transfer specifically linked to the fulfilment of the transferor’s</td>
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<td>objectives via delivery of specified goods/services?</td>
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<td>What is the transfer for?</td>
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<td>• Are there goods/services that will be delivered for use by the</td>
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<td>transferor?</td>
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<td>• Does the transferor specifically direct the recipient to deliver</td>
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<td>specific goods or services to an identified third party?</td>
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<td>• Is the payment of a commercial amount and subject to normal terms and</td>
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<td>conditions?</td>
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<td>Who are the parties involved in the arrangement?</td>
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<td>Are there specific rights and obligations of the parties to the</td>
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<td>arrangement?</td>
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<td>Who requested the transfer (i.e. was it requested by the recipient or</td>
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<td>did the transferor request the goods or services)?</td>
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<td>Did the recipient have to meet certain criteria?</td>
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<td>What is the amount of the payment and how will it be paid (i.e. will the</td>
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<td>payment be made in a lump sum, periodic payments, milestone payments or</td>
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<td>progress payments made according to work completed)?</td>
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<tr>
<td>What is the overall intent/substance of the agreement?</td>
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<tr>
<td>Does the transferor have an operational or financial obligation to</td>
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<td>provide the services/goods specified in the agreement?</td>
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<tr>
<td>Can the value of the goods/services to be delivered be quantified (meas-</td>
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<td>ured reliably)?</td>
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<tr>
<td>Are there any additional relevant factors that should be considered?</td>
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