Agenda Item 5: Revenue & Non-Exchange Expenses

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IPSASB Meeting
June 27 – 30, 2017
Luxembourg, Luxembourg
Objective of Session

- Note Changes to Chapters 1 - 3
- Review Chapters 4 – 7
- Review Illustrative Examples
- Agree to Specific Matters for Comment
- Agree on IPSASB Preliminary Views
- Agree on Consultation Period after approval
- Approval of Consultation Paper
Materials Presented

• 5.1 Project Management including:
  – 5.1.1 Instructions up to March 2017 Meeting
  – 5.1.2 Decisions up to March 2017 Meeting
  – 5.1.3 Roadmap

• 5.2 Modifications to Structure and Content of Consultation Paper

• 5.3 Draft Consultation Paper (including Illustrative Examples)
Order of Discussion

- Chapters 1 – 3
- Chapter 5
- Chapter 6
- Chapter 7
- Chapter 4
- Illustrative Examples
Agenda Item 5 – Revenue and Non-Exchange Expenses

Modifications to Chapters 1 - 3

- Scope of Category A transactions narrowed

- Diagram illustrating Categories of Transactions (A, B, C) added

- Paragraph 3.10 and SMC 1 added.
Chapter 3 – Preliminary Views and SMCs

• PV 1 – Replace IPSASs 9 and 11 with an IPSAS based on IFRS 15

• PV 2 – Category A transactions will be addressed in an updated IPSAS 23

• SMC 1 – Issues with social contributions and taxes with long collection periods?
Chapter 5 – Capital Grants and Services in-Kind

- Comments on content?
- SMC 4 – Issues with Capital Grants, and any changes to the current requirements?
- SMC 5 – Options for accounting for Services in-kind:
  - Require service in-kind to be recognized if meet definition of asset?
  - Status Quo?
  - Any Alternative?
Two proposed Approaches

- Extended Obligating Event Approach
  - Extends Social Benefits Obligating Event Approach to non-exchange expense recognition using reverse IPSAS 23

- Public Sector Performance Obligation Approach
  - Reverse of Revenue Public Sector Performance Obligation Approach

Comments on content?
• PV 4 – Universally accessible services and Collective services should be accounted for under the Extended Obligating Event Approach?
• PV 5 – Universally accessible services and Collective services should be expensed as incurred?
• PV 6 – Grants, contributions and transfers often have performance obligations therefore should be accounted for using the PSPOA?
Chapter 7 – Measurement

• Non-contractual Receivables – Initial Measurement
  – Best estimate of discounted cash flows
  – Face value (legislated value) of transaction – uncollectible amounts identified

• Non-contractual Receivables – Subsequent Measurement
  – Fair value or market value
  – Amortized cost approach
  – Cost approach
Chapter 7 – Measurement cont.

• Non-contractual Payables – Measurement
  – Best estimate for settlement approach
  – Amortized cost approach
  – Hybrid approach

• Comments on content?
Chapter 7 – Preliminary Views

- PV 7 – Initial Measurement of NC receivables should be measured at Face value (legislated value) with uncollectible amounts identified.
- PV 8 – Subsequent measurement of NC receivables should be at amortized cost.
- PV 9 – Measurement of NC payables should be at amortized cost.
Two proposed Approaches

- Approach 1 Exchange/Non-exchange – based on IPSAS 23
  - Potential guidance on exchange/non-exchange determination -1(a)
  - Potential revisions for transactions with time requirements
    - Enhanced display/disclosure – 1(b)
    - Classify time requirements as conditions – 1(c)
    - Classify transfers with time requirements as ‘other obligations’ – 1(d)
    - Recognize transfers with time requirements in net asset/equity and recycle through statement of financial performance – 1(e)

- Approach 2 - Public Sector Performance Obligation Approach
  - Based on IFRS 15 extended for public sector

Advantages and disadvantages of approaches?

Comment on content?
• PV 3 – Category B Revenue transactions should be accounted using the Public Sector Performance Obligation Approach.

• SMC 2 – If constituents prefer Approach 1 which option for revising IPSAS 23 is favored?

• SMC 3 – Should Approach 1(a) be combined with approaches 1(b)-1(e)?
Appendices

• Appendix A – Advantages and Disadvantages of Revenue approaches against four factors:
  – Consistent with IPSASB Conceptual Framework
  – Consistent with other IPSASs
  – Resolves exchange/non-exchange determination
  – Allows preparers to recognize revenue over more than one reporting period

• Appendix B – Illustrative Examples

• Comment on content?
Finalization of Consultation Paper

• Last Comments?

• Approval!

• Consultation period – 4 months?