



Agenda Item 4: Revenue and Non-Exchange Expenses

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IPSASB Meeting
September 20-23, 2016
Toronto, Canada

Agenda Item 4.1.1: Project Management (1)

- Instructions-June 2016 and before
 - New structure
 - Focus on Category B transactions – transactions with performance obligations but not with IRFS 15 characteristics
 - Delete term “symmetry”

Applying the IPSAS 15 performance based approach in the public sector

STRETCH



Agenda Item 4.1.2 Project Management (2)

- Decisions-June and before
 - Ask constituents: Implementation issues with IPSAS 23
 - Include tax expenditures as potential project in next work plan consultation
 - Request comments on IFRS 15 approach as way to resolve IPSAS 23 issues
 - Reference to convergence with IFRS 15

Agenda Item 4.1.3: Project Management (3)

Meeting	Milestone
December 2016	Approve Consultation Paper (CP)
September 2017	First review of responses to CP
June 2018	Approval of Exposure Drafts (EDs)
March 2019	First review of responses to EDs
December 2019	Approval of IPSASs

Decisions Required at Meeting

Decision Items

- Agenda Item 4.2.1–Structure of Consultation Paper
- Agenda Item 4.2.2–Performance Obligations and Enforceability (consider prior to Chapter 3)

Material Presented for Decision at this Meeting

Other supporting items

- Agenda Item 4.3.1–4.3.6: Chapters 1-5 and Appendix A on Preparer Interviews

Agenda Item 4.2.1 Structure of Consultation Paper (1)

- Chapter One: Introduction
 - Drivers, Scope and Structure
- Chapter Two: Current Revenue Recognition Standards
 - IPSASB Literature
 - IPSAS 9 and IPSAS 11
 - IPSAS 23
 - IASB Literature
 - IFRS 15

Agenda Item 4.2.1: Structure of Consultation Paper (2)

- Chapter Three: Recognition Options for Public Sector Specific Revenue Transactions
 - Public Sector Performance Obligation Approach
 - Exchange/Non-Exchange Approach-Revised IPSAS 23
- Chapter Four: Non-Exchange Expenses –Initial Recognition
 - Scope
 - Expanded IPSAS 19 Approach
 - Public Sector Performance Obligation Approach
 - Reverse IPSAS 19 Approach

Agenda Item 4.2.1 Structure of Consultation Paper (1)

- Chapter Five: Measurement
 - Non-Contractual/Statutory Receivables
 - Non-Contractual/Statutory Payables
- Appendices?

Agenda Item 4.3.1 Chapter 1: Introduction

- Opening paragraphs (1.1-1.3)
- Drivers for projects (1.4-1.11)
 - *IPSAS 23 Implementation Issues (1.8-1.9)*
 - *Convergence with IASB Literature following issue of IFRS 15 (1.10-1.11)*
- Scope and Interaction with Other Projects and Pronouncements (1.12-1.14)
- Consultation Paper Structure (1.15-1.20)

Agenda Item 4.3.2 Chapter 2: Current Revenue Recognition Standards (1)

- Introduction (2.1)
- IPSAS Literature (2.2-2.16)
 - Definitions (2.2)
 - Non-Exchange Transactions (2.3-2.10)
 - IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes & Transfers)* (2.3-2.10)
 - Exchange Transactions (2.11-2.16)
 - IPSAS 9, *Revenue from Exchange Transactions* (2.11-2.13)
 - IPSAS 11, *Construction Contracts* (2.14-2.16)

Agenda Item 4.3.2 Chapter 2: Current Revenue Recognition Standards (2)

- IASB Literature
 - IFRS 15, *Revenue from Contracts with Customers* (2.17- 2.28)
 - Five Step Revenue Model (2.26)
- Categorization of Public Sector Transactions (2.29-2.30)
- Approach to Category C Transactions (2.31)
- PV 1/SMC 1: Replace IPSASs 9 & 11 with new IPSAS drawn from IFRS 15
- PV 2: Address Category A transactions in revised IPSAS 23 or standard adopting IPSAS 23 principals
- *MFC 1: Does IPSASB agree with preliminary views*

Agenda Item 4.2.2: Performance Obligations and Enforceability (1)

- Enforceability a key aspect of Public Sector Performance Obligation Approach
 - Legal and equivalent binding arrangements
 - Agreed performance obligations enforceable
- IFRS 15
 - Step 1: *Entity identifies contract with customer*
 - Acknowledgement of implied terms/business practices in IFRS Basis for Conclusions

Agenda Item 4.2.2: Performance Obligations and Enforceability (2)

- Conceptual Framework
 - Legally binding and non-legally binding obligations
 - Characteristics of non-legally binding obligations
 - Indication to other party of acceptance of certain responsibilities
 - Indication gives rise to valid expectation on part of other party
 - Little or no realistic alternative to avoid
- Framework terminology unhelpful
- Does economic compulsion imply enforceability?

Agenda Item 4.3.3: Chapter 3: Recognition Options for Public Sector Specific Revenue Transactions (1)

- Introduction (3.1)
- The Public Sector Performance Obligation Approach (3.2-3.64)
- *MFC 2: Re-express 8 characteristics so that analysis mirrors 5 Step Approach?*
 - Follows on from Chapter 2; or
 - Using 8 characteristics emphasizes public sector circumstance.
- SMC 2: Public Sector Performance Obligation approach only appropriate when agreed performance obligations are “identifiable and specific”
- SMC 3: Estimated cost of delivery approach appropriate for allocating total amount of funding across performance obligations
- SMC 4: Trigger for recognition satisfaction of performance obligations

Agenda Item 4.3.3: Chapter 3: Recognition Options for Public Sector Specific Revenue Transactions (2)

- The Exchange/Non-Exchange Approach (3.65-3.84)
 - Applying the Exchange/Non-Exchange Approach (3.66-3.84)
 - Time Requirements (3.67-3.73)
 - *MFC 4: Preliminary View on time requirements?*
 - *SMC 5: (a) Other resources/other obligations or (b) presentational mechanisms*
 - Capital Grants (3.74)
 - Advanced Receipts (3.75-3.76)
 - Services In-Kind (3.77-3.78)
 - *MFC 5: Preliminary View on above?*

Agenda Item 4.3.3: Chapter 3: Recognition Options for Public Sector Specific Revenue Transactions (3)

- Advantages of public sector performance obligation approach for revenue transactions (3.79-3.81)
- Disadvantages of public sector performance obligation approach for revenue transactions (3.82-3.84)
- *MFC 6: Preliminary view on which approach supported*
- SMC 6: Do respondents favor performance obligation approach or exchange/non-exchange approach?

Agenda Item 4.3.4: Chapter 4: Non-Exchange Expenses-Initial Recognition (1)

- Introduction (4.1)
- The Exchange/Non-Exchange Classification of Expenses (4.2-4.5)
- The Non-Exchange Expense Transactions in Scope (4.6-4.10)
- Approaches(4.11)
 - Expanded IPSAS 19 Approach
 - Public Sector Performance Obligation Approach
 - IPSAS 23 Reverse Approach

Agenda Item 4.3.4: Chapter 4: Non-Exchange Expenses-Initial Recognition (2)

- The Expanded IPSAS 19 Approach(4.12-4.17)
 - *PV 3: Collective goods do not give rise to obligating events*
 - *PV 4: Other transfers in kind do not give rise to obligating events*
 - Advantages of Expanded IPSAS 19 Approach (4.18-4.19)
 - Disadvantages of Expanded IPSAS 19 Approach (4.20-4.23)
- The Public Sector Performance Obligation Approach (4.24-4.35)
- *MFC 7: Re-express 8 characteristics so that analysis mirrors 5 Step Approach?*

Agenda Item 4.3.4: Chapter 4: Non-Exchange Expenses-Initial Recognition (3)

- Advantages of public sector performance obligation approach (4.36)
- Disadvantages of public sector performance obligation approach (4.37-4.40)
- IPSAS 23 Reverse Approach (4.41-4.42)
- *MFC 8: Revisit explanation of remedies in event of breach of condition and breach of restriction?*

Agenda Item 4.3.4: Chapter 4: Non-Exchange Expenses-Initial Recognition (4)

- Advantages of IPSAS 23 Reverse Approach (4.44)
- Disadvantages of IPSAS 23 Reverse Approach (4.45-4.48)
- *MFC 9: Does IPSASB want to provide a preliminary view?*
- *SMC 7: Which of three models supported; or identify and provide details of other approach favored*

Agenda Item 4.3.5: Chapter 5: Measurement (1)

- Introduction (5.1)
- Non-Contractual/Statutory Receivables (5.2-5.18)
 - Current requirements and Guidance (5.4 & Diagram One)
 - Measurement at Initial Recognition (5.5-5.9)

MFC 10: Does IPSASB want to provide a preliminary view?

SMC 8: Do you agree with option (a) – best estimate of discounted cash flows – or option (b) – face value and impairment for amount expected to be uncollectible?

Agenda Item 4.3.5: Chapter 5: Measurement (2)

- Subsequent Measurement (5.10-5.18)
- Current position and proposed potential approaches (5.10-5.11)
- *Approach 1 – Fair Value or Market Value Approach (5.12-5.14)*
- *Approach 2 – Amortized Cost Approach (5.15-5.16)*
- *Approach 3 – Cost Approach (5.17-5.18)*
- *MFC 11: Are these the three approaches that CP should identify? Should Approach 1 be identified? Does IPSASB want to provide a preliminary view?*
- *SMC 9: Which of approaches do you support?*

Agenda Item 4.3.5: Chapter 5: Measurement (3)

- Non/contractual/statutory payables (5.19-5.27)
 - Current position and proposed potential approaches (5.21-5.27)
 - Approach 1 – *Best Estimate for Settlement Approach* (5.24-5.25)
 - *Approach 2 – Amortized Cost Approach* (5.26)
 - *Approach 3 – Hybrid Approach* (5.27)
- *MFC 12: Are these the three options to identify. Do members agree with staff view advocating Approach 1?*
- SMC 10: Which of 3 approaches supported; or alternative?



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