

Agenda Item 5: Revenue & Non-Exchange Expenses

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IPSASB Meeting

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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

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?

Chapter 6 – Non-Exchange Expenses

- 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?

Chapter 6 – Preliminary Views

- 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.

Chapter 4 – Revenue – Category B Transactions

- 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?

Chapter 4 – Preliminary Views and SMCs

- 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?