

## Agenda Item 8: Revenue-Approach to IFRS 15

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June 19 – 22, 2018

# Objectives of the Session

## Objectives

- **Discuss** the approach to develop a new standard on Revenue that is **based on** IFRS 15, *Revenue from Contracts with Customers*.
- **Approval** of Terminology changes.
- **Approval** of changes to Definitions.
- **Approval** of changes to Reference to Other Standards

# Approach to Convergence (Agenda Item 8.2.1)

**Three (3) IPSAS** addresses revenue recognition.

IPSAS 9, *Revenue from Exchange Transactions*,  
IPSAS 11, *Construction Contracts* and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

**August, 2017**

IPSASB **developed** Consultation Paper, *Accounting for Revenue and Non-Exchange Expenses*

**June 2018**

Decisions to be made?

**May, 2014**

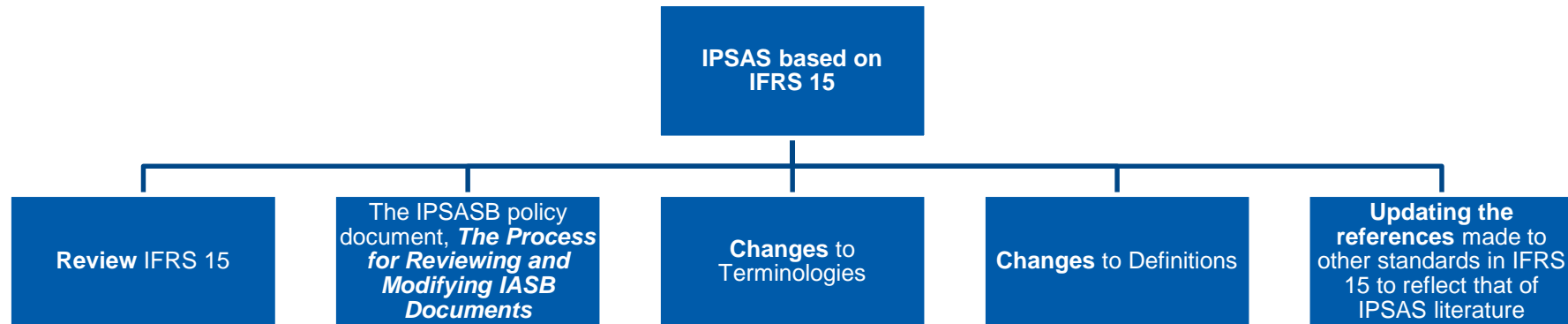
IASB **issued** IFRS 15, *Revenue from Contracts with Customers*

**Replaced** IAS 11, *Construction Contracts* and IAS 18, *Revenue* and various Interpretations.

**March, 2018**

IPSASB decided to **replace** IPSAS 9 and IPSAS 11 with an IPSAS that is **primarily based** on IFRS 15 to address the accounting for **those transactions that would be within the scope of IFRS 15**

# IPSAS based on IFRS 15 (Agenda Items 8.2.1 – 8.2.4)



# Terminology Changes (Agenda Item 8.2.2)

IFRS 15 Terminology	Proposed IPSAS Terminology
Fair Value (IFRS Version)	Fair Value (IPSAS Version)
Benefits/generate or enhance resources	Add service potential element
Business unit	Operation
Business segment	Segment
Business combinations	Public Sector Combinations
Contract	Contract or Other Binding Arrangement
Equity	Net Assets
Income	Revenue
Interest income	Interest revenue
Profit or Loss	Surplus or Deficit
Statement of Comprehensive Income	Statement of Changes in Net Assets/Equity

## Terminology Changes (Agenda Item 8.2.2)

1. Does the IPSASB agree with the continued use of “fair value” consistent with other recent IPSASB projects?
2. Does the IPSASB agree with the proposed terminology changes?

# Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Contract	<ul style="list-style-type: none"> <li>An agreement between two or more parties that creates enforceable rights and obligations.</li> </ul>	<ul style="list-style-type: none"> <li><b>No proposed changes to the definition of a Contract.</b></li> <li>Staff proposes that a definition of a <b>Binding Arrangement</b> is added.</li> <li>Staff propose the definition of Binding arrangement in IPSAS 35: <i>Joint Arrangement</i> is used as it includes rights from contracts or other legal rights.</li> </ul>
Contract Asset	<ul style="list-style-type: none"> <li>An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).</li> </ul>	<ul style="list-style-type: none"> <li><b>No proposed changes to the definition.</b></li> <li>Staff <b>proposes further clarification that a Contract Asset may arise from Contracts or Other Binding Arrangement</b> as rights and obligations are not only established through legal contracts, but can also be established through equivalent enforceable binding arrangements</li> </ul>

## Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Contract Liability	<ul style="list-style-type: none"><li>An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.</li></ul>	<ul style="list-style-type: none"><li><b>No proposed changes to the definition.</b></li><li>Staff <b>proposes further clarification that a Contract Liability may arise from Contracts or Other Binding Arrangement</b> as rights and obligations are not only established through legal contracts, but can also be established through equivalent enforceable binding arrangements.</li></ul>



# Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Customer	<ul style="list-style-type: none"> <li>A party that has contracted with an entity to obtain goods or services that are an output of the <b>entity's ordinary activities</b> in exchange for consideration.</li> </ul>	<ul style="list-style-type: none"> <li>Staff proposes that the <b>reference to 'ordinary' activities in IFRS 15 is removed</b> in the proposed IPSAS definition.</li> <li>The current IPSASB literature <b>does not generally make a distinction between ordinary activities and activities outside the ordinary course of operations.</b></li> </ul>
Income	<ul style="list-style-type: none"> <li>Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.</li> </ul>	<ul style="list-style-type: none"> <li>No definition added.</li> <li>Staff propose that the term "<b>income</b>" is removed because <b>IPSAS literature does not use the term "Income"</b>.</li> </ul>

## Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Performance obligation	<ul style="list-style-type: none"><li>A promise in a <b>contract</b> with a customer to transfer to the customer either:<ul style="list-style-type: none"><li>a) a good or service (or a bundle of goods or services) that is distinct; or</li><li>b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.</li></ul></li></ul>	<ul style="list-style-type: none"><li>Staff propose that we add <b>Or Other Binding Arrangement</b> to the definition of Performance obligation.</li></ul>

# Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Revenue	<ul style="list-style-type: none"> <li>Income arising in the course of an entity's ordinary activities.</li> </ul>	<ul style="list-style-type: none"> <li><b>Staff proposes that the definition of revenue as per IPSAS 1 is adopted because it is more comprehensive</b></li> <li>Revenue is defined in IPSAS 1, <i>Presentation of Financial Statements</i>, as:</li> <li><b>The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.</b></li> <li>Revenue is defined in the <i>Conceptual Framework</i> as follows:</li> <li><b>Increases in the net financial position of the entity, other than increases arising from ownership contributions.</b></li> </ul>

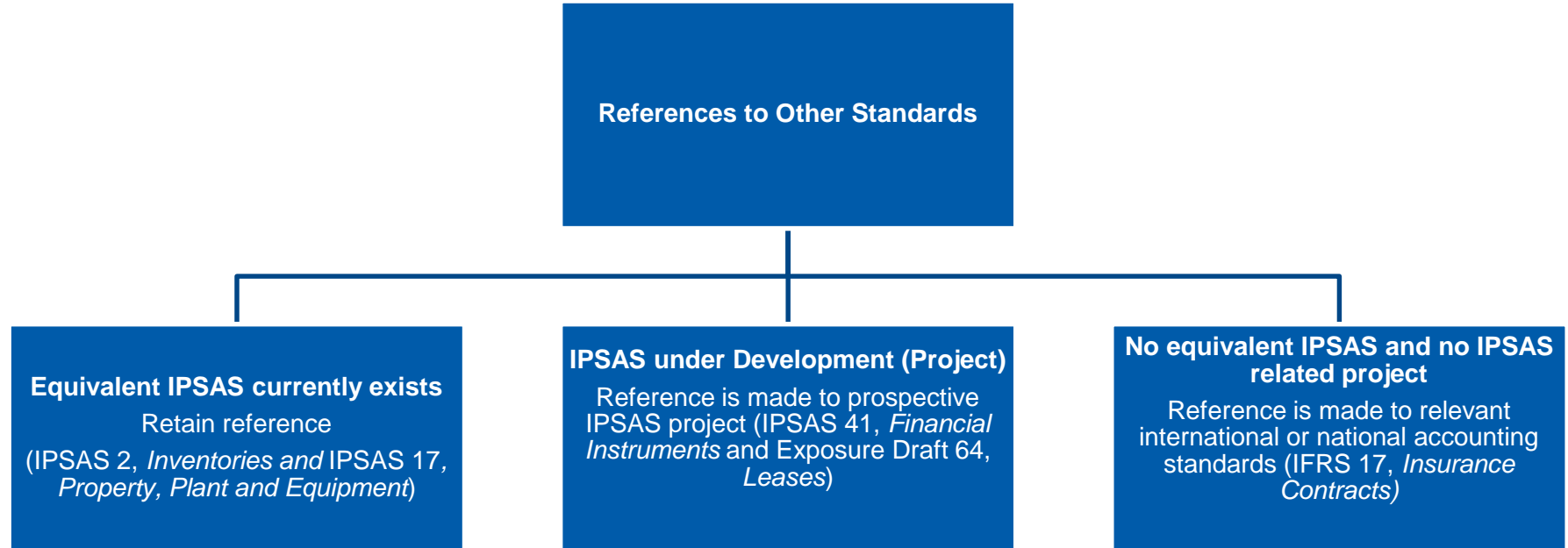
# Changes to Definitions (Agenda Item 8.2.3)

Term	IFRS 15 Definition	Proposal
Stand-alone selling price (of a good or service)	<ul style="list-style-type: none"> <li>The price at which an entity would sell a promised good or service separately to a customer.</li> </ul>	<ul style="list-style-type: none"> <li>No proposed changes to the definition.</li> </ul>
Transaction price (for a contract with a customer)	<ul style="list-style-type: none"> <li>The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.</li> </ul>	<ul style="list-style-type: none"> <li>No proposed changes to the definition.</li> <li>The change that is required is to <b>the term “Transaction price”</b>.</li> <li>There is a need to amend to “Transaction price (for a contract or other binding arrangement with a customer).</li> </ul>

## Changes to Definitions (Agenda Item 8.2.3)

1. Does the IPSASB agree with the proposed changes to the definitions?
2. If not, what changes to the proposed definitions are required?

## References to Other Standards (Agenda Item 8.2.4)



## References to Other Standards (Agenda Item 8.2.4)

1. Does the IPSASB agree with the proposed changes to the references to Other Standards?



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