Agenda Item 6:
ED 70, *Revenue with Performance Obligations*

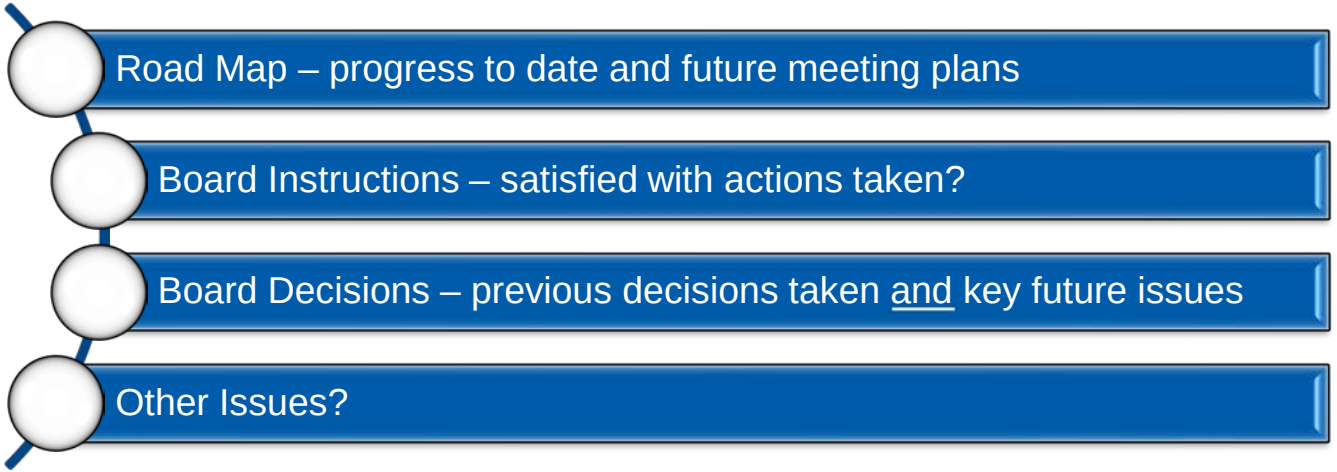
Edwin Ng, Principal

IPSASB Meeting

Abu Dhabi, United Arab Emirates

December 10–13, 2019

Project management: Stocktake



Session Outline

- Themes from November In-Period Review
- Key Changes to ED 70 since November 6, 2019
- Compelled Transactions where Collectability is not Probable
- Approval of ED 70

Themes from November In-Period Review - (Agenda Item 6.2.1)

Most Comments Related to Cross-Cutting Issues

- Definition of “Transfer Revenue with Performance Obligations” and “Transfer Revenue” – See Agenda Item 5.2.3
- Disclosures – See Agenda Item 5.2.4
- Binding Arrangements – See Agenda Item 5.2.5
- Examples / Editorials – See Agenda Item 5.2.6

ED 70-Specific Issue

- Clarification of Accounting and Disclosure of Compelled Transactions – See Agenda Item 6.2.3 and slides 7 to 9

Key Changes to ED 70 since November 6, 2019 – (Agenda Item 6.2.2) (1/2)

Substantive Changes Since November 6, 2019

- "Hybrid" ED 70 and ED 71 transactions (AG70, AG71 & BC55)
  - Separation into ED 70 and ED 71 components still based on whether binding arrangement specifies that only a portion of consideration is refundable if performance obligations are not fulfilled
    - Implies the portion which will be refunded relates to performance obligations
    - Implies the portion which will not be refunded does not relate to performance obligations and is within scope of ED 71
  - Added explanation of why the above approach was used, including clarification of why a measurement-based criteria was not used, to the BC55

Key Changes to ED 70 since November 6, 2019 – (Agenda Item 6.2.2) (2/2)

Other Substantive Changes Since November 6, 2019

- Determination of stand-alone price when there is no market information (AG92)
  - Changed from use of “replacement cost” to “expected cost approach”
- Subsequent measurement of receivables (AG142 & AG143)
  - Simplified wording of AG paragraphs. See Agenda Item 8.2.4

Matter for Consideration

- Does the IPSASB agree with the Staff’s recommendations?

Compelled Transactions where Collectability is not Probable – (Agenda Item 6.2.3) (1/3)

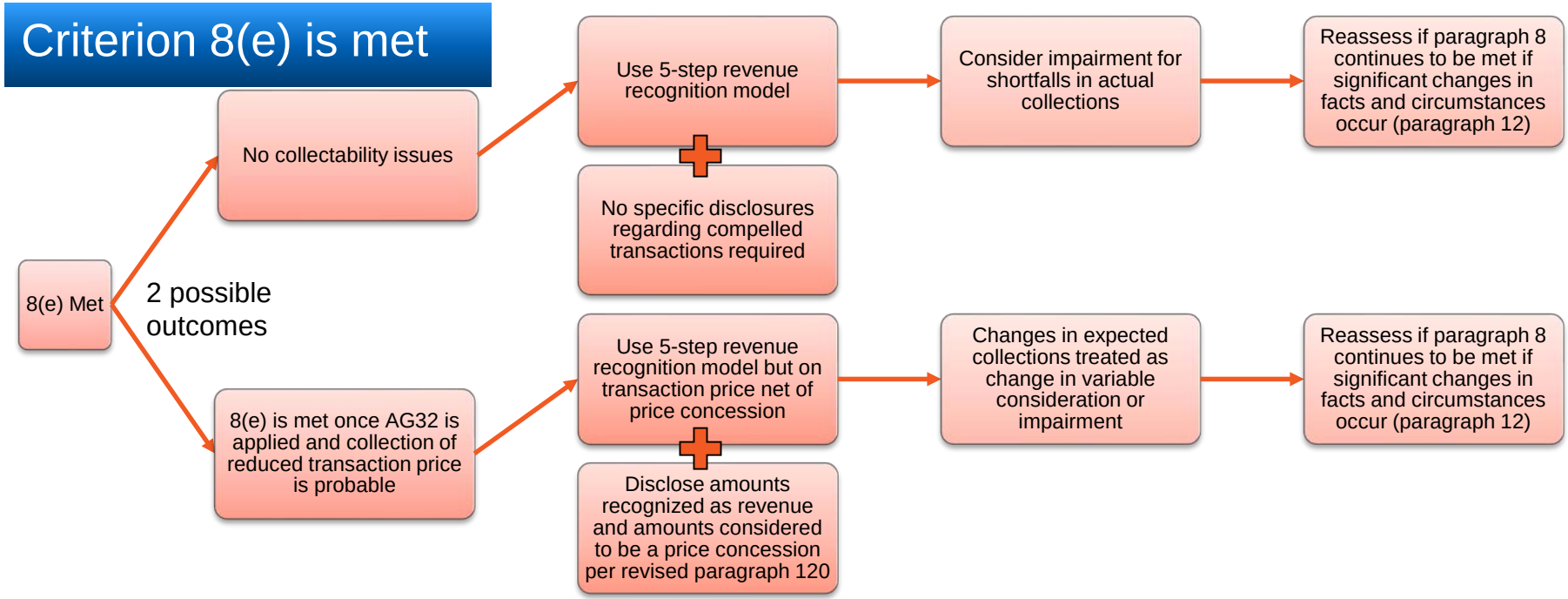
Paragraphs 120, AG32, BC32 – BC38, and BC46 were Amended

- In response to multiple questions on how paragraphs 120 and AG32 are to be applied, the Staff:
  - Clarified accounting once a price concession per AG32 has been accepted
  - Updated paragraph 120 disclosures to also include unrecognized amounts which were considered a price concession in AG32
  - See slides 8 for 9 for a summary of how requirements would be applied

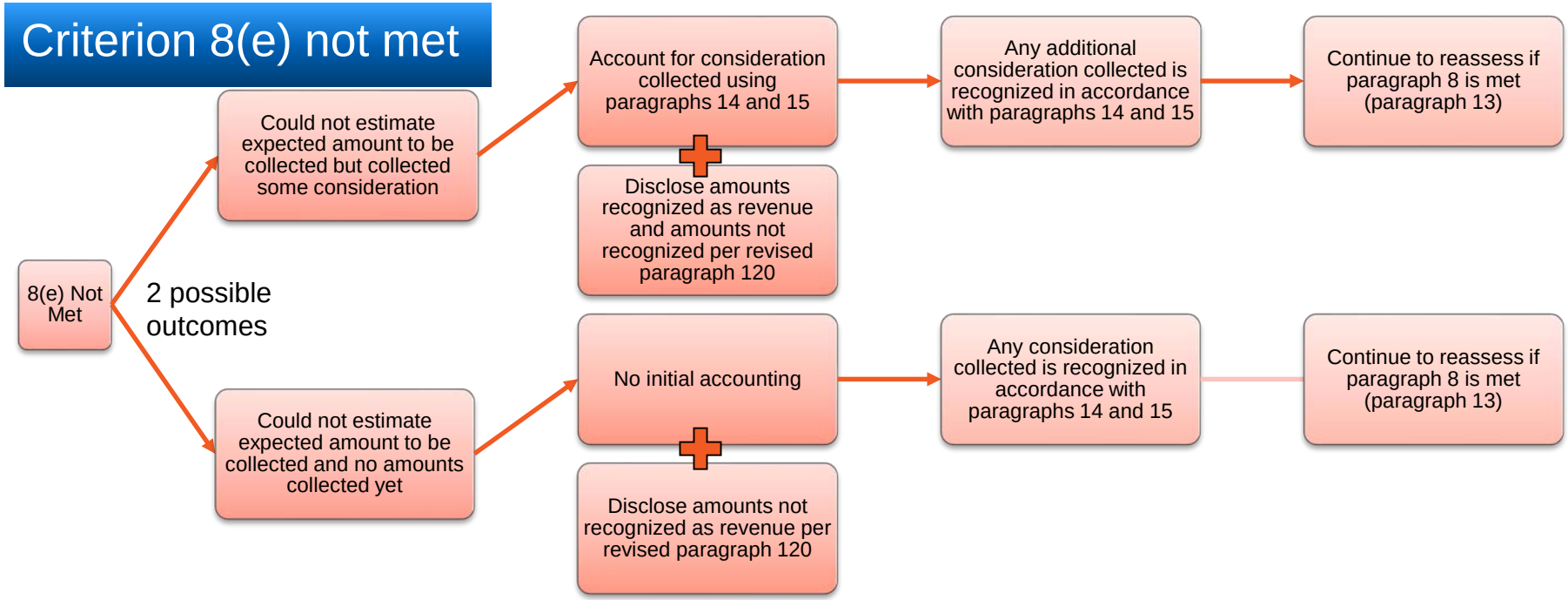
Matter for Consideration

- Does the IPSASB agree with the Staff's recommendation?

Compelled Transactions where Collectability is not Probable – (Agenda Item 6.2.3) (2/3)



Compelled Transactions where Collectability is not Probable – (Agenda Item 6.2.3) (3/3)



Approval of ED 70 (Agenda Item 6.2.4)

The IPSASB is asked to

- Confirm it is satisfied there are no additional issues to be discussed by the IPSASB at this time;
- Approve [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations*, for comment; and
- Confirm an exposure period ending August 31, 2020.



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