

Agenda Item 5: Revenue

Edwin Ng, Principal

Eileen Zhou, Manager, IPSASB Standards Development
and Technical Projects

IPSASB Meeting

March 23, 2021

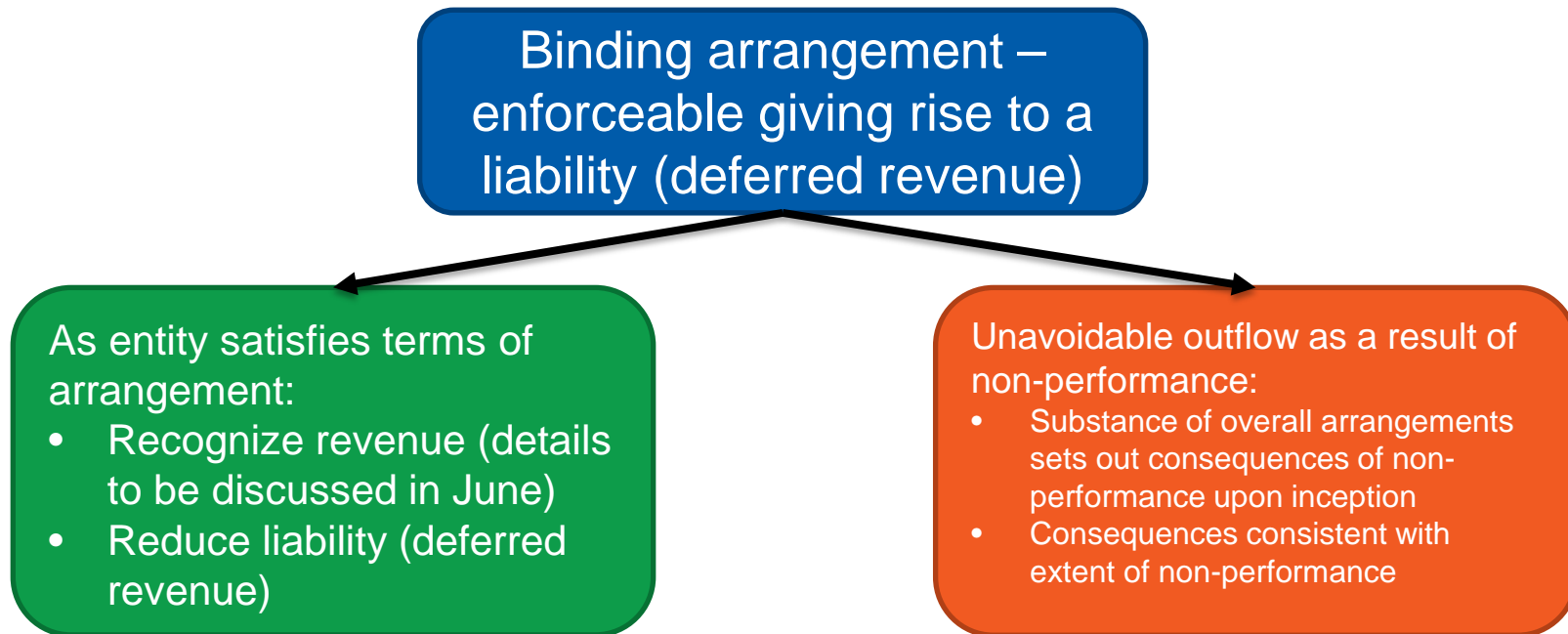
Virtual Meeting

Existence of a Liability in a Binding Revenue Arrangement without Performance Obligations

Background

- The IPSASB Conceptual Framework states: (5.14-5.16)
 - *“A liability is a present obligation of the entity for an outflow of resources that results from a past event.”*
 - *“Obligations are not present obligations unless they are binding and there is little or no realistic alternative to avoid an outflow of resources.”*
 - *“A liability must involve an outflow of resources from the entity for it to be settled. An obligation that can be settled without an outflow of resources from the entity is not a liability.”*
- In September 2019, IPSASB decided that:
 - **A present obligation with an unavoidable outflow of resources gives rise to a liability (deferred revenue)**

Liability from a Binding Arrangement



Existence of a Liability in a Binding Revenue Arrangement without Performance Obligations

Recommendation

- Staff recommend:
 - Confirm the principle that enforceability in a binding arrangement gives rise to a liability (deferred revenue) to the extent that the terms of the arrangement are not yet satisfied
- Staff to present a paper on the detailed recognition pattern in June 2021

Does the IPSASB disagree with this recommendation?

Revenue Project Plan

Recommendation

- Staff recommend:
 - a) Addressing the overarching structure issue in March 2021, along with other key issues identified that impact the consideration and resolution of other issues. The extent of disclosures and other comments on existing guidance will be primarily discussed in June;
 - b) Using the in-period review sessions, as needed, to close out previously discussed issues; and
 - c) Revisiting the need, role, and composition of a Task Force in Q2 2021.

Does the IPSASB disagree with this recommendation?



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