Revenue

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IPSASB Meeting
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Objective of session

- Review responses to the Consultation Paper *Accounting for Revenue and Non-Exchange Expenses*

- Main decisions required:
  - Standard(s) for Category B & C transactions
  - Revised IPSAS 23 – no performance obligation approach or exchange/non-exchange
Overview

1. Overview of responses (10.2)
2. Revenue Transactions with Performance Obligations – Category C and Category B (10.3.1)
3. Modifying the IFRS 15 five-steps for Category B Transactions (10.3.2)
4. Revised IPSAS 23 – Category A Transactions (10.3.3)
5. Revenue Transactions with Time Requirements and Provision of Guidance on Exchange/Non-Exchange (10.3.4)
6. Accounting for Capital Grants (10.3.5)
7. Accounting for Services in-kind (10.3.6)
Analysis of Respondents - Region

- Australasia and Oceania: 26%
- Europe: 39%
- Asia: 11%
- Africa and the Middle East: 11%
- Latin America and the Caribbean: 3%
- North America: 5%
- International: 5%
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- Australasia and Oceania: 26%

Respondents by Region
Agenda Item 10 Revenue

Analysis of Respondents - Function

Respondents by Function

- Accountancy Firm: 8%
- Audit Office: 11%
- Standard Setter / Standard Advisory Body: 18%
- Member or Regional Body: 26%
- Preparer: 26%
- Other: 11%
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Analysis of Respondents - Language

Respondents by Language

- English-Speaking: 47%
- Non-English Speaking: 29%
- Combination of English and Other Language: 24%
PV 1 – Replace IPSAS 9 & 11 with IFRS 15 equivalent for Category C transactions

Comments:
• No responses disagreeing with proposal
• Convergence should be pursued
• Care to be taken when adapting IFRS 15 for use in the public sector
Agenda Item 10 Revenue

Category C and Category B Transactions cont. (Agenda Item 10.3.1)

PV 3 – Use PSPOA for Category B Transactions

Comments:
- All transactions with performance obligations can be accounted for under a PSPOA
- Retain exchange/non-exchange
- Time requirements Category A or B?
Questions for the Board

• Does the Board want staff to explore the idea of only having one standard for both Category B and C transactions?

• Any other comments?
SMC 2 – Proposals for Modifying the IFRS 15 for use in a PSPOA

Comments:
• Areas that will be particularly difficult include:
  • Enforceability
  • Tripartite arrangements
  • Binding arrangements
  • Performance obligations
  • Allocation of consideration
Questions for the Board

• Have staff identified the main issues relating to broadening the five-steps

• Any other comments?
Agenda Item 10 Revenue

Revised IPSAS 23 – Category A Transactions
(Agenda Item 10.3.3)

PV 2 – Category A transactions to be addressed in an updated IPSAS 23

Comments:
• No responses disagreeing with proposal
• Classify transactions on performance obligation/no performance obligation rather than exchange/non-exchange
• Scope of standards may be problematic
Questions for the Board

• If the a performance obligation approach is adopted for Category B and Category C transactions should a revised IPSAS 23 retain an exchange/non-exchange distinction?

• Any other comments?
Agenda Item 10 Revenue

Time requirements and guidance on exchange/non-exchange
(Agenda Item 10.3.4)

**SMC 3 – Options for modifying IPSAS 23 for transactions with time requirements**

- Enhanced display/disclosure
- Classify as a condition
- Classify as an other obligation
- Recognize in net assets/equity and recycle
- Alternative option
- None of the options
- Response not clear
- No comment
SMC 4 – If an exchange/non-exchange approach is retained for Category B transactions should guidance on making this distinction be provided?

Comments:
- Developing guidance will depend on which approach for Category B transactions is adopted.
- Staff consider no work on guidance be commenced until decision on Category B transaction is made.
- Work on transactions with time requirements may still be required.
Questions for the Board

- Does Board agree that development on guidance on making the exchange/non-exchange distinction should wait until a decision on Category B transactions is made?
- Any other comments regarding transactions with time requirements?
Agenda Item 10 Revenue

Capital Grants
(Agenda Item 10.3.5)

**PV 4 – Addressing Capital Grants within IPSAS**

Comments:
- Guidance on distinction between grants required
- Capital grants have performance obligations therefore should be Category B transaction
- Refer to work of other standard setters
SMC 5 – Have all the issues with capital grants been identified
– Proposals for accounting for capital grants

Comments:
• Challenges re transfer of goods/services
• Are capital grants revenue or ownership contribution
• Use IAS 20
• Broaden the definition of a performance obligation to include capital grants
• Consider a presentation and OCI approach for capital grants
Questions for the Board

• Does the Board have any views on how to account for capital grants?

• Is there a particular accounting the Board would like staff to explore?

• Any comments regarding constituent comments on capital grants?
Agenda Item 10 Revenue

Services in-kind
(Agenda Item 10.3.6)

SMC 6 – Options for accounting for services in-kind

Comments on alternative approaches:
• Only recognize services in-kind for traders or professionals
• Disclosure in the notes
• Record services in-kind at nominal value
• Whether or not services would have been purchased is irrelevant
Questions for the Board

- Does the Board have any comments or direction for staff regarding accounting for services in-kind?