Agenda Item 11: Revenue – IPSAS 23 Update

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IPSASB Meeting
Washington D.C., USA
March 12–15, 2019
Objective of Session

- To consider the EFRAG Discussion Paper, Non-Exchange Transfers: A Role for Societal Benefit
- To review a marked up version of an updated IPSAS 23 and provide feedback to staff
Transactions with intentions/expectations (restrictions) – recognize when receivable and to use enhanced display/disclosure to communicate these restrictions

Does not resolve concerns raised in CP, Accounting for Revenue and Non-Exchange Expenses re day one gains
• Purpose is to promote debate regarding transactions not of equal value (non-exchange transactions) – are there differentiating characteristics that may warrant a specific accounting treatment
• If so, the possible features of that accounting treatment
Agenda Item 11.2.1 – IPSAS 23 Update – EFRAG Discussion Paper

EFRAG Paper – 4 Step Approach – Step 1

**Step 1:** - Does the transfer impose a performance-related condition on the recipient of the resources?

- **Yes**
  - Income-generating transfers are recognized as the entity performs
  - Expense-generating transfers are recognized as the entity consumes the good or service

- **No** – Go to Step 2

**IPSASB staff comment:**
Step 1 is consistent with the approach proposed for PSPOA
**Step 2: - Is the transfer linked to an underlying activity conducted or to be conducted?**

<table>
<thead>
<tr>
<th>No – Go to Step 3</th>
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<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>• Recognize when or as the underlying activity is performed.</td>
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**IPSASB staff comment:**
This approach should be considered when developing options for Capital Grants etc.
### Agenda Item 11.2.1 – IPSAS 23 Update – EFRAG Discussion Paper

## EFRAG Paper – 4 Step Approach – Step 3

<table>
<thead>
<tr>
<th>Step 3: - Do the Non-Exchange Transfers occur on a recurring basis?</th>
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<tbody>
<tr>
<td><strong>No</strong> – Go to Step 4</td>
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<tr>
<td><strong>Yes</strong></td>
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<td>• Recognize on a straight-line basis between two payment dates.</td>
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**IPSASB staff comment:**
May be appropriate for recognizing revenue with restrictions.
Step 4: - All other transfers within the scope not addressed in steps 1-3

• Follow the general recognition requirements for assets and liabilities.
Questions for the Board

Does the Board agree that the proposed approach in Step 2 be considered when staff develop proposals for Capital and other Grants?

Does the Board agree that the proposed approach in Step 3 could be considered for transactions with restrictions?
Updating IPSAS 23

- Alternate term for ‘exchange transactions’ and ‘non-exchange transactions’
- Updated Flowchart
- Areas marked up to be amended or deleted.
Updating IPSAS 23 - Terminology

- Need to replace ‘exchange’ and ‘non-exchange’
- Staff suggest:
  - Transactions with performance obligations
  - Transactions without performance obligations
Agenda Item 11.2.2 – IPSAS 23 Update

Updating IPSAS 23 - Flowchart

- **Does the inflow give rise to an item that meets the definition of an asset?**
  - **(IPSAS 1)**
  - **Yes**
    - **Does the inflow satisfy the criteria for recognition as an asset?**
      - **(Paragraph XX)**
      - **Yes**
        - **Does the transaction arise from a binding arrangement?**
          - **Yes**
            - **Recognize an asset and recognize revenue.**
              - **(Paragraph XX)**
          - **No**
            - **Refer to other IPSASs**
    - **No**
      - **Do not recognize an increase in an asset, consider disclosure.**
        - **(Paragraph XX)**

- **Does the inflow result from a contribution from owners?**
  - **(Paragraphs XX)**
  - **Yes**
    - Refer to other IPSASs
  - **No**
    - **Does the inflow give rise to an item that meets the definition of an asset?**
      - **(IPSAS 1)**
      - **Yes**
        - **Refer to other IPSASs**
      - **No**
        - **Do not recognize an increase in an asset, consider disclosure.**
          - **(Paragraph XX)**

- **Are there specific performance obligations?**
  - **Yes**
    - Use IPSAS XX, *Revenue from Binding Arrangements with Purchasers*
Updating IPSAS 23 – Marked up areas

• Staff has indicated which areas they consider will need amending or deleting
  – Amend all reference to exchange and non-exchange
  – Add a section on grants – e.g., Capital and Research grants
The IPSASB is asked whether it agrees with:

- Staff that the terms ‘transactions with performance obligations’ and ‘transactions without performance obligations’ are appropriate to replace ‘exchange transactions’ and ‘non-exchange transactions’;
- The revised flowchart in the marked up updated IPSAS 23;
- The areas indicated to be amended or deleted in the marked-up updated IPSAS 23?