Agenda Item 5: Revenue

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IPSASB Consultative Advisory Group Meeting

Toronto, Canada

June 18, 2018
Project Background

Project added to IPSASB work plan in March 2015

Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses* issued in August 2017 – Comments received January 2018

CP made proposals to replace current revenue standards

39 Responses received

IPSASB commenced feedback discussions March 2018
CP - Categorization of Transactions

Category A – transactions without any performance obligations or stipulations

Category B – transactions with performance obligations or stipulations but does not fit within IFRS15

Category C – transactions that fit within IFRS 15
Revenue

Preliminary Views

PV 1 – Category C transactions should be use an IFRS 15 based standard
  • Performance Obligation Approach

PV 3 – Category B transactions should use an expanded version of IFRS 15
  • Public Sector Performance Obligation Approach (PSPOA)

PV 2 – Category A transactions should use an updated IPSAS 23 approach
  • Residual Standard
Five step approach

• Step 1 – Identify the binding arrangement
• Step 2 – Identify the performance obligations
• Step 3 – Determine the consideration
• Step 4 – Allocate the consideration
• Step 5 – Recognize revenue
## For
- Fewer scope debates
- Resolve issues with exchange/non-exchange

## Against
- Non-exchange transactions are unique to public sector and should be retained
Exchange/Non-Exchange

- Important characteristic but – useful?

Performance Obligation/No Performance Obligation

- Looks at substance of transaction not the form
Does the CAG agree that it is in the Public Interest to proceed with a PSPOA for Category B transactions?
Performance Obligation is defined as:
A promise in a contract with a customer to transfer to the customer either:
(a) A good or service (or a bundle of goods or services) that is distinct; or
(b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
Revenue

Performance Obligations and Capital Grants cont.

One aspect of a PSPOA is the requirement to TRANSFER goods or services

But … Some public sector transactions do not transfer – e.g. capital grants

CP raised question re accounting for capital grants – various options provided

- AASB approach – by analogy
- IFRS for SMEs – performance condition approach
- Broaden definition of performance obligation to include capital grants
Is it in the public interest to expand the definition of performance obligation to go beyond a transfer of goods/services so that capital grants could be accounted for under a PSPOA?
Services in kind – Services provided by individuals to public sector entities in a non-exchange transaction

IPSAS 23 currently allows but does not require the recognition of services in-kind

Identified as an application issue
CP put forward three options

• Retain the existing requirements
• Modify the requirements
• Alternative approaches

No clear direction from respondents
## Recognition of Voluntary Services cont.

### Key issues to consider

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Does the CAG have any views on which approach best meets the public interest?