



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: SEPTEMBER 29, 2004
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: MATTHEW BOHUN
SUBJECT: **REVENUE FROM NON-EXCHANGE TRANSACTIONS**

ACTION REQUIRED

The Committee is asked to:

- **review** the submissions and analysis; and
- **approve** the staff recommendations for the development of an Exposure Draft.

AGENDA MATERIAL:

	Pages
8.2 Flowchart from ITC	8.14
8.3 Summary of Submissions on ITC “Revenue from Non-Exchange Transactions”	8.15-8.98
8.4 Additional Responses Received	
8.5 Submissions Booklet	
8.6 Invitation to Comment “Revenue from Non-Exchange Transactions”	

BACKGROUND

The Public Sector Committee (PSC) issued this ITC, together with the ITC “Accounting for the Social Policies of Governments” in January 2004, requesting that comments be submitted by June 30, 2004. At the meeting in July, staff provided a preliminary list of responses received or promised. Since the July meeting additional responses have been received, and a number of organizations that indicated that they would respond, have not in fact submitted a response. The numbering of responses in the submissions booklet largely reflects the numbering of the preliminary list given to you in July. In total, fifty responses have been received on this ITC and have been included in the summary of submissions at attachment 8.3.

This memo summarizes the major issues arising from the respondents’ comments on the ITC and draws from attachment 8.3 Summary of Respondents’ Views. Neither this memo, nor attachment 8.3 are intended to replace the detailed views of the respondents, and should be read in conjunction with the responses to the ITC. This memo and attachment 8.3 have been prepared to assist members in drawing together the major themes and issues that have emerged from the consultation process. As with all summaries, the preparation of this agenda item has necessarily involved a considerable amount of interpretation. In interpreting the respondents’ comments, respondents were generally classified as supporting or not supporting a particular view presented in the ITC. In some cases, respondent’s did not address an issue at all, or made comments that staff felt made it inappropriate to classify as

supporting or not supporting the issue, in these cases staff have classified the response as “no clear view expressed”.

As members will see from the remainder of this memo, and from attachment 8.3, respondents were overwhelmingly supportive of the PSC’s initiative in undertaking this project and have welcomed the opportunity to provide input into the standard setting process. An encouraging number of responses have been received from countries that have implemented, or are in the process of implementing, the accrual basis of accounting for general purpose financial reporting – countries such as France, Switzerland, Canada, the United Kingdom, New Zealand and Australia. A number of responses have also been received from respondents in countries with economies in transition including Costa Rica, Aruba, Malaysia, South Africa and India.

PRINCIPLE STAFF RECOMMENDATION

Staff recommend that the PSC move to develop a first draft of an exposure draft on “Revenue from Non-Exchange Transactions” based on the principles set out in the ITC, and approved by the majority of respondents. The ITC asked respondents whether or not a single IPSAS on revenue should be developed that applies the principles developed in the ITC to revenue from both exchange and non-exchange transactions, most respondents agreed with this approach. Respondents also stated, however, that they did not favor delaying the issuing of an IPSAS on revenue from non-exchange transactions in order to develop a single statement on revenue. As is noted below (see specific matter for comment (m)) the International Accounting Standards Board has commenced a project to redevelop IAS 18, “Revenue from Non-Exchange Transactions”. Staff are of the view that, in the first instance, a first draft of an ED of a separate IPSAS on revenue from non-exchange transactions be developed, with a view to developing a single IPSAS on revenue when the IASB has redeveloped IAS 18, although this may not be for some years.

PRINCIPLE FEATURES OF THE ITC

The Assets/Liabilities Approach

The basic principle for the recognition of revenue from non-exchange transactions proposed in the ITC is based upon the definition of revenue that has been established in the existing IPSASs:

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

The ITC included a flowchart (see attachment 8.2) that proposed that entities analyze inflows of resources to determine whether revenue from non-exchange transactions has arisen. If an inflow:

- is not a “contribution from owners”;
- results from a non-exchange transaction that gives rise to an item that meets the definition of an asset and satisfies the criteria for recognition as an asset, and
- the entity has satisfied all present obligations related to the inflow,

- then the entity should recognize an asset at fair value and revenue for the increase in net assets/equity.

The ITC notes that in some limited circumstances, such as the forgiveness of debt, revenue will be recognized when liabilities decrease.

The ITC, by adopting the assets/liabilities approach, draws on the extensive work already undertaken by the PSC on the recognition and measurement of assets and liabilities and applies these principles to the recognition of revenue from non-exchange transactions. Revenue is recognized if an entity increases its assets, but does not increase its liabilities or its contributed net assets/equity, then it must have accrued revenue.

As noted below in the section addressing the specific matters for comment, the overwhelming majority of respondents approved of this approach to the recognition of revenue. Respondents approved the approach as being in harmony with the concepts implicit in the IPSASs, the IASB's "Framework for the Presentation of Financial Statements", and frameworks generally in use internationally.

Taxes

Taxation revenue is the single largest revenue source for most governments. The ITC acknowledges that the recognition and measurement of taxation revenue will be a significant financial reporting issue for many governments. Determining the appropriate amount of taxation revenue to recognize in each reporting period will be important for all entities that report taxation revenue. The ITC proposed that tax revenue be recognized when the taxable event occurs (the past event that gives rise to the control of resources), it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the economic benefits or service potential can be reliably measured.

One of the critical issues for determining when to recognize tax assets and revenues is identifying what the taxable event is. The ITC concluded that the taxable event would be the past event that the government, legislature or other authority has determined will be subject to taxation. The ITC identifies the taxable event for a number of common taxes:

- income taxes – the earning of assessable income during the taxation period by the taxpayer;
- value added taxes – the undertaking of taxable activity during the taxation period by the taxpayer;
- goods and services tax – the purchase or sale of taxable goods and services during the taxation period;
- customs duties – the movement of dutiable goods across the customs boundary;
- death duties – the death of a person owning taxable property; and
- property taxes – the passing of the date on which taxes are levied, or the period for which the tax is levied if the tax is levied on a periodic basis.

Several respondents expressed the opinion that the taxable event should be the issuing of a notice of assessment by the taxing authority. The respondents stated that in many cases the government would not know the amount of tax to recognize until this point. The SC discussed this as a possible recognition point, however the SC was of the view that adopting this approach would be tantamount to saying that the government had no entitlement to

collect the taxes if it did not issue an assessment. The individual SC members noted that in all their jurisdictions, the tax legislation gives the government the right to collect the taxation payment irrespective of whether an individual taxpayer files a return, or whether or not a tax assessment is issued. The SC considered that the taxable event, coupled with the recognition criteria of an asset, ensured that there was sufficient flexibility to enable taxing authorities to recognize taxes at a later point than the occurrence of the taxable event if there was insufficient information available at the time of the taxable event. As is noted below (at specific matter for comment (f)) determining the taxable event will depend on the law that imposes the tax, so may vary considerably from jurisdiction to jurisdiction.

Tax Expenditures and Expenses Paid Through the Tax System

The ITC made a distinction between “tax expenditures” (preferential provisions of the tax law that provide taxpayers with concessions that are not available to others) and “expenses paid through the tax system” (items that are available to beneficiaries regardless of whether or not they pay taxes). The majority view of the SC and the respondents to the ITC, is that tax expenditures are one of the many variables that are used to calculate tax revenue. Expenses paid through the tax system, however are expenses, and that the amount of these expenses that are paid through the tax system should be recognized separately (and added to the amounts paid using other means) and that tax revenue should be grossed up for the amount of the expenses.

Several respondents were of the view that the definitions of “tax expenditure” and “expense paid through the tax system” needed to be made clearer, and that the disclosures of information related to tax expenditures might need to be clarified. This was a controversial issue even for the SC. This will likely be addressed in the exposure draft.

Transfers

The ITC identified the transfer of resources as the second major source of revenue for public sector entities. These transfers can be made from a government to its controlled entities, from one government to another, or from an outside party to a government or public sector entity.

The ITC noted that many transfers of resources are made subject to stipulations. The ITC identified three types of stipulation:

- restrictions which limit or direct the purposes for which an asset may be used, but do not specify the return of the asset if not deployed as specified;
- conditions that specify that transferred assets must be returned to the contributor if not deployed as specified or if a specified future event occurs or does not occur; and
- time requirements that prohibit the use of transferred assets until a specified point in time.

The ITC proposed that where assets are transferred to an entity subject to restrictions, revenue should be recognized immediately. However, in respect of conditions and time requirements, the ITC proposed that entities recognize a liability in respect of the inflow of resources, and amortize that liability and recognize revenue as the conditions are discharged and the time requirements lapse.

SPECIFIC MATTERS FOR COMMENT

(a) The “Assets and Liabilities Approach”

As noted above, the ITC adopts an “assets and liabilities” approach to the recognition of revenue, that is if an increase in net assets occurs that is not a result of a contribution from owners, then revenue is to be recognized. The ITC asked whether respondents agreed with this approach. The overwhelming majority of respondents supported this approach as conceptually sound and in harmony with the conceptual framework implicit in the IPSASs and with the IASB’s “Framework for the Presentation of Financial Statements”.

Staff Recommendation

Staff recommend that the PSC authorize the development of an exposure draft that bases recognition of revenue from non-exchange transactions on the assets and liabilities approach.

(b) Designation of transfers as “contributions from owners”

The ITC proposed that where an entity transfers assets to a wholly owned controlled entity, it could designate that transfer as a “contribution from owners” provided the transfer is properly documented as such. In the absence of appropriate documentation, the transfer would be recognized as revenue. The ITC asked whether respondents agreed with this approach. Thirty-six respondents commented favorably on this proposal, many noting that it was a useful distinction to make. Whilst there was general support for adopting this proposal, ten respondents expressed concern about the terminology, with eight of those respondents suggesting that the term “contributions from controlling entities” is more appropriate in the public sector. Other respondents suggested that such transactions are anticipated to be relatively rare, at least in their jurisdictions. One respondent noted that the treatment should be extended to all equity type injections rather than just those sourced from controlling entities.

Eight respondents disagreed with the proposed treatment:

- two respondents are of the view that the substance of a transaction, not its legal form, should determine how the transaction is recognized;
- two respondents are of the view that, unless there is evidence to the contrary, all transfers from a controlling entity to a controlled entity should be accounted for as contributions from owners – including appropriations from governments to government departments;
- two other respondents were dissatisfied that the definition of contributions from owners was sufficiently cognizant of public sector situations to be useful; and
- two respondents considered that such transfers would only occur between a controlling entity and a separately incorporated controlled entity.

Staff recommendation

Staff recommend that the IPSASs provide explicit requirements for the recognition of contributions from owners. In the private sector, corporations’ law usually specifies which types of transactions are to be accounted for as contributions from owners; however, the such specifications do not normally exist for the public sector. There may be cases where a reporting entity is established by legislation or agreement as a jointly controlled entity “owned” by two or more other public sector entities. Such agreements may specify which

transactions are to be accounted for as contributions from owners. In other instances there may be no guidance.

Staff are not convinced that an IPSAS on revenue is necessarily the most appropriate place to include requirements relating to contributions from owners. An IPSAS on revenue will focus primarily on the statement of financial performance, whereas contributions from owners will be recognized in the statement of changes in net assets/equity, which is currently dealt with in IPSAS 1 “Presentation of Financial Statements”. The PSC is also considering the development of a conceptual framework document; staff are of the view that this would be the most appropriate location for requirements about contributions from owners.

Staff believe that the respondent comments on the terminology “contributions from owners” have merit, however “contributions from controlling entities” may not be satisfactory as a public sector entity can be “owned” jointly by several public sector entities, none of which control it, and all of which may make contributions from owners. At this point staff recommend that the PSC retain the current terminology.

(c) Whether contributions from owners can be non-exchange transactions

The ITC asked respondents whether they considered contributions from owners to be exchange or non-exchange transactions. Twenty-seven respondents consider that contributions from owners can be non-exchange transactions, whilst thirteen consider that there are no circumstances in which contributions from owners can be considered non-exchange transactions. Seven respondents, representing the “agree”, “do not agree” and “no clear view” responses stated that whether or not a contribution from owners is exchange or non-exchange is not a matter of great importance for the ITC, especially given that the accounting treatment does not change.

Staff recommendation

Staff are of the view that irrespective of whether contributions from owners are exchange or non-exchange transactions, their treatment in the GPFS will not change. Staff therefore recommend that any requirements relating to contributions from owners not refer to exchange or non-exchange transactions.

(d) Treating some components of non-exchange transactions in the same manner as exchange transactions

The ITC proposed that where a transaction consists of two components, one component of which is, in substance, a non-exchange transaction, and where the other component is, in substance, an exchange transaction, the two components should be distinguished and recognized separately. The exchange component would be recognized using the principles established in existing IPSASs, whilst the non-exchange component would be recognized using the principles established in the IPSAS that is developed from this ITC. The ITC asked if respondents agreed with this approach. Thirty-eight respondents agreed with the proposal that some transactions be distinguished between non-exchange and exchange components. Several respondents questioned the need for this approach if the PSC decides to abandon the distinction between exchange and non-exchange, as was mooted in the ITC. Others expressed the view that the substance of a transaction must be paramount in determining its accounting treatment, including treatment as a compound transaction consisting of several components. Another concern raised by respondents was that the PSC should take care that it

does not prescribe a treatment that requires or permits entities to artificially segment transactions to achieve desired outcomes.

The International Financial Reporting Interpretations Committee (IFRIC) has announced its intention of amending its IFRIC on emission credits. The draft IFRIC proposes if an entity purchases a right from the government at less than the right's fair value, the excess of the right's fair value over the purchase price is to be accounted for as a government grant in accordance with IAS 20. This is an example of a component approach to the recognition of a particular transaction.

Staff recommendation

Staff recommend that the exposure draft that is developed on this issue note, in grey letter, that some transactions are, in substance, compound transactions the components of which should be recognized separately. For example, if a public sector entity acquires a right in the circumstances outlined by the IFRIC, it would recognize the transaction using a components approach.

(e) Whether some non-exchange transactions can consist of an exchange component and a non-exchange component

The ITC proposed that a non-exchange transaction can, in substance, be a compound transaction consisting of both exchange and non-exchange components, the ITC asked respondents whether they agreed with this view. Thirty-seven respondents were of the view that a transaction can consist of exchange and non-exchange components. Several respondents noted that in response to specific matter for comment (m) they favored the development of a single IPSAS on revenue that deals with both exchange and non-exchange transactions, this they argue makes the distinction between exchange and non-exchange redundant. Some respondents noted that there may be serious practical difficulties distinguishing exchange components from non-exchange components.

Three of the four respondents who disagreed with this proposal were of the view that transactions should be considered exchange or non-exchange in their entirety.

Staff recommendation

Staff recommend that the components approach, which found favor with the majority of respondents, be integrated into the first draft of the ED on revenue from non-exchange transactions.

(f) Taxable event for property taxes

As noted above, the ITC developed the notion of "taxable event" as the past event that gives rise to a tax asset. The ITC proposed what the taxable event should be for a number of different taxes. The ITC asked respondents whether they agreed with the view that the taxable event for property taxes was the passing of the levy date, or the tax period if the tax was levied on a periodic basis. Thirty-five respondents agreed with the view proposed in the ITC on the taxable event for property taxes as being consistent with the asset/liabilities approach. A number of respondents noted that the legislative provisions in each jurisdiction will largely determine the taxable event for property taxes and other taxes. Three of the four respondents who disagreed with the SC view on this issue favored the matching principle – that is of matching the recognition of the taxation revenue to the period in which the money

raised is to be spent. The fourth respondent who disagreed with the proposal argued that all tax revenue should be recognized on the date on which it is due for payment. The New Zealand respondents noted that if this approach is adopted it will cause a significant reporting issue in New Zealand because property taxes are set and legally receivable in the reporting period prior to that to which they relate.

Staff recommendation

Staff recommend that:

- the taxable event approach to the recognition of tax revenue, which found favor with the majority of respondents, be integrated into the first draft of the ED on revenue from non-exchange transactions;
- the ED propose that the taxable event be that event that gives rise to taxation as determined by legislation; and
- that the ED avoid making specific “black letter” determinations as to what constitutes the taxable event for particular taxes, because this may vary from jurisdiction to jurisdiction. However, the ED should include commentary to assist users in identifying the taxable event for common taxes such as income taxes.

(g) Disclosures about the tax gap

The ITC described the tax gap as the difference between what was legally due to be paid under the tax law, and what was actually collected by the government. The ITC proposed that entities make disclosures about the tax gap in the notes to the GPFS, and asked respondents whether they agreed with this proposal. Twenty-seven respondents disagreed with the proposal that entities be required to make disclosures about the tax gap in the notes to the GPFS, with numerical information where reliably estimable. Eighteen respondents agreed with the proposal. Of almost universal concern to respondents was the ability of reporting entities to make reliable estimates of the tax gap, and the effect this would have on an auditor’s opinion of the information. Many respondents felt that making disclosures of numerical information about the tax gap was a guarantee of a qualified audit opinion. Respondents agreed that information about the tax gap was useful, however, they felt that it was better disclosed in the management report that accompanies the financial statements but is not subject to the auditor’s opinion.

Staff recommendation

Staff recommend that the ED not require entities to make disclosures about the tax gap. Qualitative information about the relative success of the taxing authorities in enforcing the tax law is more appropriately included in the management report that accompanies the GPFS. As noted by the respondents it is unlikely that any numerical information about the size of the tax gap will be sufficiently reliable to be included in the GPFS.

(h) Separate recognition of expenses paid through the tax system

The ITC proposed that where a government provides a benefit to beneficiaries and some receive that benefit as a reduction of the amount of tax otherwise payable, and others receive the benefit in another form, then the reporting entity should recognize that benefit as an expense and gross up tax revenue. This was a majority view of the SC, a minority view held, in accordance with OECD guidance, that tax revenue should be recognized net to the extent that individual taxpayer’s tax liability was reduced to zero. Thirty-six respondents agreed with the majority view of the SC, which they argued was consistent with the IPSAS 1 prohibition on offsetting expenses against revenue. Seven respondents agreed with the

minority view, on the grounds that it may be difficult to separately identify such expenses, and that the amount of tax revenue recognized should reflect the amount due to the government.

Staff recommendation

Staff recommend that the ED be drafted in accordance with the SC View, and the majority view of the respondents. Staff are of the view that governments that adopt these sorts of processes to pay expenses are usually able to identify the amount to be recognized because the benefit has to be approved by an analytical process, in other circumstances an estimate will need to be made. Staff are of the view that the OECD guidance that tax revenue be recognized net to the extent that an individual taxpayer's tax bill is reduced to zero is not consistent with the IPSAS 1 prohibition on offsetting, or the assets and liabilities approach. Staff are also of the view that the amount recognized as revenue should not be varied due to the administrative arrangements for making payments in respect of some expenses. Care will have to be taken in defining "expense paid through the tax system" to ensure that it does not capture tax concessions that are only available to taxpayers.

(i) Revenue recognition in relation to physical assets transferred subject to conditions that they be utilized in the provision of goods and services

The ITC proposed that when an entity recognizes a physical asset that is transferred subject to the condition that it be consumed in the production of goods and services, then the entity should recognize a liability, which will be amortized as the condition is satisfied, and revenue recognized, as the asset is consumed. Thirty-five respondents agreed with this proposal, many noting that they did not perceive a difference between the transfer of a physical asset and the transfer of a monetary asset. Seven respondents disagreed with this approach; five because they considered that it was fundamentally an income matching approach rather than an assets/liabilities approach. One respondent suggested that the amortization of the liability and the depreciation of the asset should be viewed as separate transactions. The other respondent suggested that there should be a different method of accounting for such transfers that is neither revenue nor a contribution of net assets/equity.

Staff recommendation

Staff are of the view that there is no difference between the transfer of monetary and non-monetary assets. In practice, donors and recipients can agree to any terms in relation to the transfer of assets. Staff recommend that the ED propose that entities be required to examine the terms of any transfer agreement to determine whether, in substance, a liability exists, and if one does, recognize a liability. As the liability is discharged, revenue will be recognized.

(j) Stipulations: recognition of liabilities in respect of conditions and time requirements, but not restrictions

As noted in the section on the principle features of the ITC, it was proposed that where assets are transferred to an entity subject to restrictions, revenue should be recognized immediately, but in respect of conditions and time requirements entities recognize a liability in respect of the inflow of resources. The liability would be reduced and revenue recognized as the conditions are discharged and the time requirements lapse. The ITC asked respondents if they agreed with this approach. Twenty-six respondents agreed with this proposal in its entirety, several noting that it was a pragmatic response to the way in which governments and public sector entities are funded.

Eight respondents agreed that restrictions did not give rise to liabilities, that conditions did give rise to liabilities, but that time requirements did not give rise to liabilities. They state that, in their view, time requirements do not meet the definition of a liability or the criteria for recognition as a liability, and that it is not appropriate to “deem” a liability to exist when one does not.

Five respondents disagreed with the ITC’s conclusions on stipulations, four stating that they considered the additional criteria as contrary to the assets and liabilities approach, which they consider should drive the recognition of revenue.

Staff recommendation

Staff recommend that requirements on stipulations be included in the ED to be developed from this ITC. Staff recommend that the proposals contained in the ITC in respect of restrictions be included in the first draft of the ED.

Staff recommend that the ED propose that entities be required to examine transfer agreements to determine whether conditions, in substance, require the recipient entity to recognize a liability in respect of the inflow of resources. If a liability is recognized, as the requirements of the transfer agreement are satisfied, the liability should be reduced and revenue recognized.

Staff recommend that the ED canvass the view that time requirements represent, in substance, a prepayment, which means that the entity would recognize an asset and a liability. When the time requirements lapse, the liability is reduced and revenue is recognized. Staff are of the view that this approach would be more consistent with the assets and liabilities approach.

(k) Reduction of liability and recognition of revenue when conditions satisfied?

The ITC proposed that entities that have recognized a liability in respect of a condition attached to the transfer of assets should decrease that liability and recognize revenue as the condition is satisfied. The ITC asked respondents whether they thought that entities should reduce a liability and recognize revenue when the entity had satisfied the conditions attached to the transfer, or when it was probable that the conditions would be satisfied. Thirty-seven respondents were of the view that the liability should be reduced and revenue recognized only when the conditions had been fulfilled. The respondents were generally of the view that it is only when the conditions are fulfilled that the liability ceases. One respondent pointed out that other liabilities are not reduced until performance has taken place, such as repayment of a loan, and that there is nothing about these liabilities that requires a different approach to be prescribed. Three respondents considered that if it is probable that the conditions will be satisfied, then the liability should be reduced and revenue recognized.

Staff Recommendation

Staff recommend that the ED be drafted on the basis that conditions must be satisfied before the liability is reduced and revenue recognized. This approach conforms with the approach proposed in the ITC and the majority view of the respondents; it is also consistent with the approach generally taken to liabilities.

(l) Voluntary services

The ITC asked respondents whether they agreed with the proposal that voluntary services not be recognized in the statement of financial performance (as both revenue and expense). This issue prompted a significant number of comments from respondents. Thirty-three respondents agreed with the SC view that voluntary services should not be recognized. Several respondents agreeing with the SC view expressed the opinion that voluntary services do not meet the definition of assets and are difficult to measure, both issues that were raised in the ITC.

Eleven respondents disagreed with the SC view, expressing the opinion that where voluntary services are essential to the mission of the reporting entity and would have been purchased if not given for free, the fair value of those services should be recognized in the financial statements. Several of these eleven respondents, and one who supports the SC view, noted that for some entities, voluntary services are highly material, and to not recognize them does not provide complete information about the entity.

Staff Recommendation

Staff recommend that the ED propose requiring entities to recognize donated services that the entity would ordinarily purchase. In these circumstances the entity has an inflow of resources that is immediately consumed, and the fair value of those services can be reliably determined by reference to the services that are ordinarily purchased. Whilst most respondents agreed with the proposal in the ITC, this was a subject of some debate during SC deliberations. Staff are of the view that the GPFS of entities that receive material voluntary services may be misleading if the fair value of those services is not recognized. Recognition of these voluntary services would also facilitate meaningful comparisons with similar entities that do not receive voluntary services.

(m) Single standard on revenue, or several standards on revenue

The ITC asked respondents whether the PSC should develop a single omnibus standard on revenue from both exchange and non-exchange transactions based on the assets/liabilities approach, or whether it should develop a separate standard or standards on revenue from non-exchange transactions. Thirty-six respondents were of the view that a single standard on revenue was desirable, however, a number noted that they would not want to delay the issuance of a standard on non-exchange revenue in order to issue a single standard on revenue. One respondent, whilst supportive of the concept of a single standard, suggested that it might be more useful to have several standards dealing with non-exchange revenue, such as standards on taxation, grants and transfers etc.

Eight respondents disagreed with the ITC proposal of having a single standard. Several of these respondents noted that revenue from non-exchange transactions is sufficiently different from revenue from exchange transaction to warrant a separate standard, or even several separate standards. Others stated that the need for a standard on non-exchange revenue was too urgent to wait for the development of a single standard and that the PSC should issue an IPSAS on non-exchange revenue as soon as possible.

One respondent pointed out that the International Accounting Standards Board (IASB) has commenced a project to redevelop IAS 18 "Revenue" to conform to the IASB's "Framework for the Presentation of Financial Statements". This project was initiated in June 2002, and

the IASB's current timetable indicates that the IASB is planning to issue a discussion paper on revenue recognition sometime after the first quarter of 2005 (the timetable does not extend beyond "later than Q1 2005").

Staff Recommendation

As noted above, staff recommend that an ED of a separate IPSAS on revenue from non-exchange transactions be developed in the first instance, with a view to developing a single standard on revenue when the IASB has redeveloped IAS 18, although this may not be for some years. To develop a standard for all revenue based on the assets and liabilities approach would be advantageous, however it would necessarily mean that the IPSAS would take a different approach to the recognition of revenue from exchange transactions than IAS 18, and there is no public sector specific reason to do so. The respondents to the ITC have a clearly stated preference for an IPSAS on revenue from non-exchange transactions to be issued in the short term, even if this means not revising IPSAS 9 until later.

(n) Separate disclosure of revenue from exchange transactions

The ITC did not make any specific proposals regarding disclosures, however it asked respondents whether an IPSAS should require separate disclosure of revenue from non-exchange transactions. Twenty-eight respondents agreed with the proposal that an IPSAS require separate disclosure of revenue from non-exchange transactions, whilst fourteen respondents disagreed. Many respondents, including some that agreed with the proposal and some that disagreed, expressed the view that what is more important than a distinction between exchange and non-exchange, is disclosure of the major classes of revenue, as is already required by IPSAS 1. A number of respondents perceived that requiring entities to disclose the total amount of revenue from non-exchange transactions would place an undue burden on reporting entities that could not be justified by a cost-benefit analysis. A number of respondents also pointed out that the ITC had noted that distinguishing between exchange and non-exchange may not always be easy, and in such circumstances the respondents questioned the necessity for making an "artificial" distinction just to satisfy a disclosure requirement.

Staff Recommendation

Staff recommend that, in line with other items in the general purpose financial statements, the major classes of revenue be disclosed separately either on the face of the statement of financial performance or in the notes. Staff are of the view that in the longer term, the distinction between exchange and non-exchange transactions will be eliminated from the IPSASs as unnecessary. Staff are of the view that the ED should not propose distinguishing exchange from non-exchange as the major classes of revenue, such as income tax, goods and services tax/value added tax, and company tax are the items of most interest to the readers of government GPFS.

Additional Comments

Several respondents made additional comments, which are included at the end of Attachment 8.3. Several common themes came through these comments and these are noted here.

Administered Items

Several respondents requested that the PSC provide more guidance on accounting for administered items, which are items not controlled by an agency, but administered on behalf of the government. The SC found this a difficult issue to deal with and considered that

disclosure was an appropriate approach. The SC considered that the same recognition and measurement criteria should be applied to administered items, which should be disclosed in a controlled entity's annual report. Staff will reexamine this issue when drafting the ED.

Measurement of Assets

Several respondents noted that they considered fair value a difficult principle to apply in relation to tax assets. The SC was aware of this issue, however, it considered that the guidance in IPSAS 15, "Financial Instruments: Presentation and Disclosure", IPSAS 16, "Investment Property" and IPSAS 17, "Property, Plant and Equipment" was sufficiently comprehensive to apply to tax assets. One respondent note that in its jurisdiction, deprival value, or value to the business, was the preferred measure of fair value for public sector assets. The respondent advised that the International Valuations Standards Committee (IVSC) had issued an exposure draft proposing the "Continuing Use Value" as a measure of fair value of property owned and occupied by an entity for its own use. This respondent requested that the PSC consider this as a measure of fair value in its standards. Staff would note that the IPSASs do not prescribe particular methods of determining fair value, however, commentary in various IPSASs describes some methods of determining fair value, although these IPSASs leave open the possibility of using another method of determining fair value.

Transitional Provisions

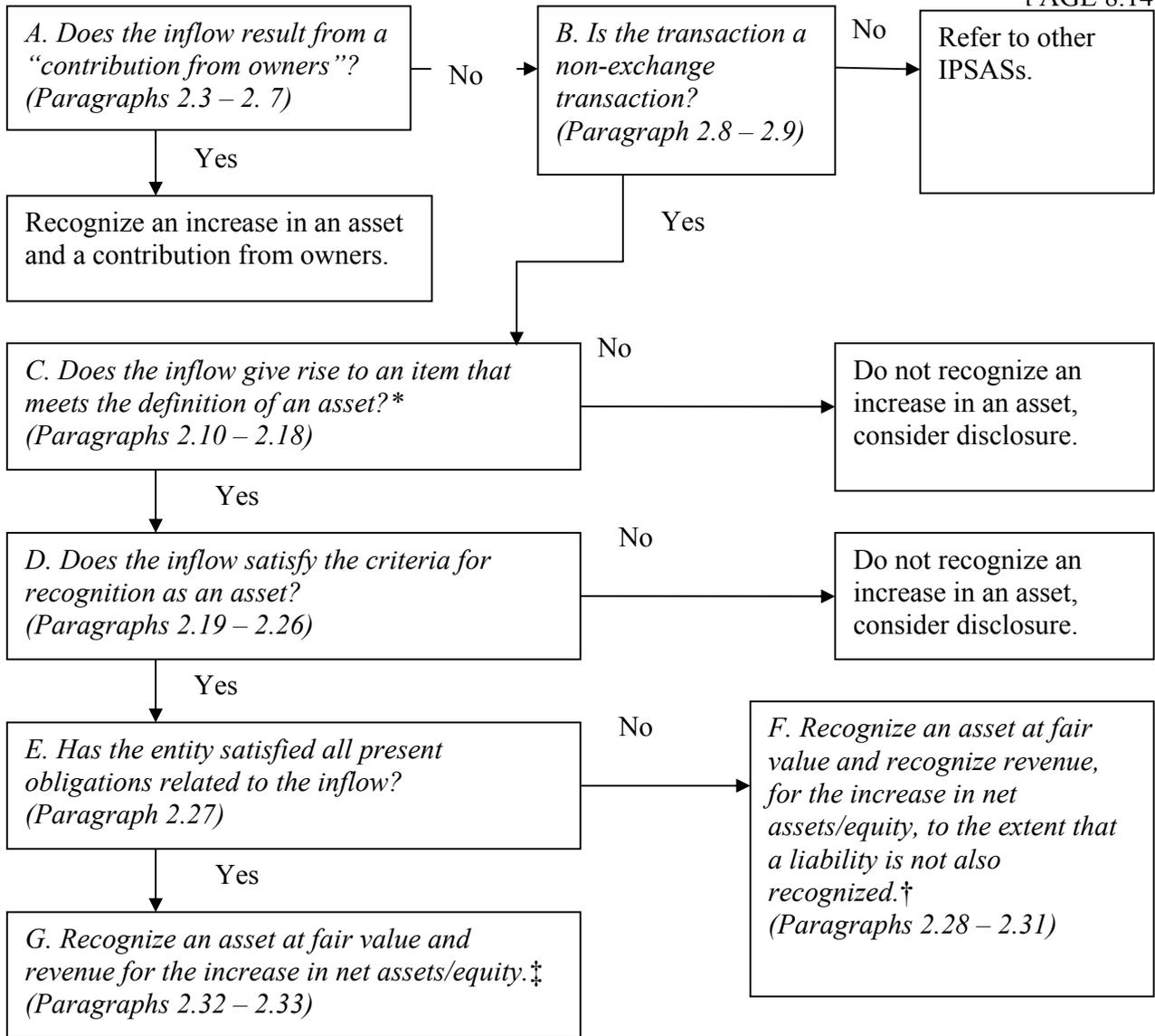
One respondent noted that in its experience, implementing accruals basis accounting is a long process and, particularly in relation to this ITC, an extended transitional provision may be required. Staff are of the view that the transitional period should be at least as long as that for IPSAS 17, "Property, Plant and Equipment", which has a five year transitional provision.

Process Going Forward

Staff recommend that the PSC now begin preparation of a first draft of an Exposure Draft on "Revenue from Non-Exchange Transactions" that proposes requirements in line with those proposed in the ITC and endorsed by respondents. Staff will undertake the drafting, however, as it is such an important ED, it would be preferable to have the assistance of a Project Advisory Panel to provide feedback on the development of the Exposure Draft. Staff anticipate that the Steering Committee would form the Project Advisory Panel, however, staff anticipate that some of the SC members may not be able to participate. As with the other Project Advisory Panels, staff do not anticipate that the PAP will need to meet, but would contribute by reviewing drafts and providing feedback, however this may need to be reviewed as the ED develops.

Matthew Bohun
TECHNICAL MANAGER

Initial Recognition of Inflows of Resources from Non-Exchange Transactions



Footnotes to Flowchart:

- * In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases instead of recognizing an asset at fair value the entity decreases the carrying amount of a previously recognized liability and revenue for the amount of the increase in net assets/equity. An inflow encompasses these circumstances. (Paragraph 2.18)
- † It is possible that value is transferred from the transferee to the transferor in a non-exchange transaction and therefore that a non-exchange transaction could give rise to both a liability and revenue. (Paragraphs 2.28 – 2.31)
- ‡ The component approach requires that an exchange component of a non-exchange transaction be recognized according to the provisions of existing IPSASs. (Paragraph 2.32)

ATTACHMENT 1 – SUMMARY OF SUBMISSIONS ON INVITATION TO COMMENT REVENUE FROM NON-EXCHANGE TRANSACTIONS (INCLUDING TAXES AND TRANSFERS)

SUMMARY OF OVERALL VIEW

SUPPORT	A	46
DOES NOT SUPPORT	B	2
NO CLEAR VIEW	C	2
TOTAL		50

	NAME	VIEW	COMMENT
1	Australian Accounting Standards Board (AASB)	A	
2	CPA Australia	A	CPA strongly supports the PSC addressing issues associated with the recognition of revenue from non-exchange transactions. CPA Australia supports the approach taken in the ITC.
3	Azerbaijan Chamber of Auditors (ACA)	A	The Chamber of Auditors appreciates the Steering Committees opinions on the ITC in solving the conceptual matters involved and supports attempts to increase transparency of government and public sector financial reporting.
4	Certified General Accountants of Canada (CGA Canada)	A	CGA Canada's overall comment is a concern that the SC may, in some cases, be seeking levels of precision that are unrealistic relative to materiality, while, in at least one other instance (that of tax expenditures), not be giving due consideration to the nature and materiality of the transactions. The document comments that in distinguishing between exchange and non exchange transactions, substance rather than the form of the transaction should be considered. Distinguishing between the two is a question of judgment that, in the dynamics of the political milieu and the crucible that is public policy, are all too often driven by the perspective of the beholder. As well, whether or not one receives value may be a matter of great debate, particularly in the context of services.
7	Japanese Institute of Certified Public Accountants	A	

	NAME	VIEW	COMMENT
	(JICPA)		
8	Institute of Chartered Accountants of New Zealand (ICANZ)	A	The ED should ensure a consistent application of the assets and liabilities approach, as well as emphasizing the importance of determining the substance of a transaction and should ensure that disclosures and commentary are sufficient to enable users to understand the nature of the revenue and their impact on the performance and position of an entity.
10	Accounting Standards Boards – South Africa (SA ASB)	A	
11	South African Institute of Chartered Accountants (SAICA)	A	SAICA support and comment the PSC in developing this ITC. In most instances SAICA agree with the SC Views.
12	Föreningen Auktoriserade Revisor – Sweden (FAR)	A	
13	Accounting Standards Board – United Kingdom (UK ASB)	A	Support the assets/liabilities approach. UK ASB do not believe that the ITC sufficiently addresses measurement issues such as fair value. UK ASB considers the most relevant measure of current value for public benefit entities to be one that reflects the loss that the entity would suffer if it were deprived of the asset.
15	Chartered Institute for Public Finance and Accountancy (CIPFA)	A	CIPFA supports the assets and liabilities approach. CIPFA suggest that the scope of the draft be reconsidered. Instead of one IPSAS covering all non-exchange transactions, it might be more helpful to issue one dealing with tax, another with grants and a third for transfers and appropriations, as these are the areas of greatest significance.
16	Institute of Chartered Accountants in England and Wales (ICAEW)	B	ICAEW welcome the publication of the ITC, however the analysis of a number of key issues needs to be expanded before an ED can be contemplated. ICAEW believes that a further ITC may be necessary before publishing firm proposals in an ED.

	NAME	VIEW	COMMENT
17	Institute of Chartered Accountants in Scotland (ICAS)	A	ICAS welcomes international developments which encourage the recognition of income by public sector entities on an accruals basis. ICAS does not agree with the proposed approach to income recognition in illustrative examples 9 and 14. Any future IPSAS on revenue recognition must ensure that revenue is not recognized prematurely in GPFS.
18	Association of Government Accountants (AGA)	A	AGA agrees that the proper financial reporting of these classes of revenue is essential if the financial statements of governments and other public sector reporting entities are to be transparent, support informed assessments of financial condition, and discharge accountability obligations.
19	Heads of Treasury Accounting Research Advisory Committee (HoTARAC)	A	
20	Comptroller General of British Columbia (CGBC)	B	CGBC disagrees with the assets and liabilities approach, the conceptual underpinning of the ITC.
20A	Provincial Comptroller of Manitoba (PCM)	A	PCM supports most of the concepts and views expressed by the SC. PCM is concerned that accounting standards need to be developed with due regard to the impact they will have on their preparers and auditors, and in the public sector, on the taxpayers/citizenry. The PSC should be mindful to balance sound accounting theory against the realities of public perception and behavior.
21	Comptroller General of Newfoundland and Labrador (CGNL)	A	

	NAME	VIEW	COMMENT
21A	Ontario Ministry of Community Safety and Correctional Services – Corporate Planning and Services Division (Ontario CPS)	A	
22	Treasury Board of Canada (TBS Canada)	A	TBS Canada generally agree with the direction and content of the ITC. TBS Canada believe that for government departments the notion of owner's contribution should be broader than contemplated in the ITC. In TBS Canada's experience the notion of fair value becomes problematic in transactions between government departments. It should be made clear that the concepts in the ITC only address revenues from arm's length transactions and would not apply, in many instances, to transactions between government departments.
23	Ministry of Finance, Québec (Québec Finance)	A	Québec Finance agrees with the concepts and Steering Committee Views, and supports the assets and liabilities approach. Québec Finance disagrees with disclosing information about the tax gap.
24	Controller General, Costa Rica (CGCR)	A	CGCR agrees with the proposals in the ITC, but has some concerns about the recognition of liabilities in respect of transfers, such as budget appropriations, grants and the like.
25	Ministry of Finance – Czech Republic (MoF – Cz)	A	
26	Ministère de l'Économie, des Finances et de l'Industrie – France (MEFI)	A	MEFI considers that the ITC provides an interesting contribution to international thinking on recognition by governments of tax revenues in particular. MEFI supports the principles in the document, however it has reservations about some recommendations: MEFI does not support the development of a single IPSAS on revenue, MEFI would like to see more research done on tax expenditures and the financial relations between the European Union and its Member States.
26A	Auditor General India (AG In)	A	
28	Accountant General –	A	

	NAME	VIEW	COMMENT
	Malaysia (AG My)		
29	New Zealand Treasury (NZT)	A	
30	Comptroller Generalship of Peru (CG Peru)	C	Receipt of ITCs acknowledged, but CG Peru is unable to respond.
31	Financial Management Authority, Sweden (ESV)	A	
32	Federal Office of Finance and the Conference of Cantonal Ministers of Finance, Switzerland (Swiss Finance)	A	Financial statements prepared under IPSAS should be based on facts rather than assumptions or results from studies that could be biased by statistical errors. Swiss Finance strongly disagrees with the view that items such as the tax gap should be part of the financial statements, which are better discussed in a management report or in a separate publication. All information contained in GPFS must be of a nature that it can be audited.
33	Controller General, Thailand (CG Thai)	A	
34	Her Majesty's Treasury – United Kingdom (HM Treasury)	A	HM Treasury supports the ITC, but has reservations about the SC majority view in relation to expenses paid through the tax system. HM Treasury disagrees with this view because the government is not entitled to the gross amount, only the net.
35	Financial Reporting Advisory Board to HM Treasury – United Kingdom (FRAB)	A	FRAB supports the intent behind the discussion to move to accruals accounting for taxation revenues, and FRAB is pleased to note that the deliberations of the SC have, in the main, reached similar conclusions to those of FRAB.
38	Queensland Audit Office on behalf of Australasian Council of Auditors General (ACAG)	A	
39	Government Audit Department Aruba (GAD)	A	

	NAME	VIEW	COMMENT
	Aruba)		
40	Auditor General Canada (AG Ca)	A	AG Ca is agreement with the basic principles and conceptual underpinnings of the discussion paper.
42	Provincial Auditor Saskatchewan (PA Sk)	A	
43	Auditor General – New Zealand (AG NZ)	A	
45	Auditor General – South Africa (AG SA)	C	AG SA notes that it has participated in extensive work groups with the SA ASB as well as with SAICA in drafting comments relating to the ITC. AG SA has not therefore submitted separate comment letter on this ITC, and refers the PSC to comments made by SA ASB and SAICA.
46	National Audit Office – United Kingdom (NAO UK)	A	NAO UK is not convinced that transfers will always result in revenue, and in many instances will be contributions from owners as funding for ongoing operations.
48	Audit Commission – United Kingdom (AC UK)	A	
49	Fédération des Experts Comptables Européens (FEE)	A	
51	Erik Peters (Canada, Cons Group Member)	A	
53	Teng Xiaguang (China)	A	Ms. Teng agrees with the SC views except as noted.
56	International Centre for Public Sector Accounting – Indonesia (ICPSA)	A	ICPSA is of the view that the terms “exchange” and “non-exchange” are not clear and that the PSC should develop an IPSAS on taxation revenue.
5	Institut der Wirtschaftsprüfer – Germany (IDW)	A	

	NAME	VIEW	COMMENT
50	International Organization of Supreme Audit Institutions (INTOSAI)	A	
	Mohammed Osman Medani & CO (MOMC)	A	
	Confidential Response (distributed separately) (XX)	A	
	Association of Chartered Certified Accountants (ACCA)	A	ACCA has some concerns about the proposals regarding recognition of taxation revenue, which it considers to be the most important aspect of this ITC.

SPECIFIC MATTER FOR COMMENT (a)

“Do you agree with the ‘assets and liabilities’ approach to the recognition of revenue from non-exchange transactions that has been proposed in this ITC? That is, do you agree that revenue should be recognized when a public sector entity recognizes an increase in net assets/equity that does not arise from a contribution from owners?”

Agree	A	45
Disagree	B	1
No clear view expressed	C	4
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB agree with the approach as conceptually sound. In developing an IPSAS, AASB strongly encourage the PSC to work with the IASB to ensure a sector neutral standard is developed that acknowledges particular issues faces by public sector entities.
2	CPA Australia	A	The assets and liabilities approach is consistent with the definitions of assets, liabilities, equity, revenues and expenses embodied in all IPSASs.
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	
8	ICANZ	A	ICANZ agrees with the assets and liabilities approach, but is concerned that in some instances (e.g. time requirements) the ITC departs from the conceptual robustness of the approach.
10	SA ASB	A	The assets and liabilities approach does not contradict the conceptual framework that is implicit in the existing IPSASs, the conceptual frameworks generally adopted internationally and the international efforts to improve the recognition rules and develop more consistent measurement of assets and liabilities.
11	SAICA	A	SAICA recommends that the explanation in para 2.34 which spells out the reasons for adopting the assets and liabilities approach be included in the ED as it is critical for users to understand the concepts and reasons behind the approach.
12	FAR	A	FAR is supportive of the balance sheet approach, although it would like to see some commentary in the ED explaining how the balance sheet approach

	NAME	VIEW	COMMENT
			differs from the income statement approach used in IPSAS 9.
13	UK ASB	A	This approach is consistent with the UK ASB's Statement of Principles.
15	CIPFA	A	CIPFA recognizes that there are both conceptual and practical difficulties inherent in the approach which will need to be addressed before developing the scope of future EDs of IPSASs. E.g. the effect of timing restrictions on income, the transfer of assets subject to conditions, voluntary services, non recognition of revenue when an entity sells inventory for less than its carrying value.
16	ICAEW	A	
17	ICAS	A	Agree with the UK Statement of Principles that "a transaction might create a new asset or liability", however ICAS do not agree that it will always be appropriate for an entity to recognize revenue in all of the circumstances described by the ITC.
18	AGA	A	
19	HoTARAC	A	HoTARAC believes the assets and liabilities approach is the only conceptually sound approach to the recognition of revenue and has the additional advantage of simplicity.
20	CGBC	B	CGBC disagree with the assets/liabilities approach. The majority of BC's inflows of resources from the non-exchange transactions is received from the Federal Government of Canada. "Frequently these transactions lack stipulations as prescribed by this ITC." Failing to recognize a liability in these situations would result in an inconsistency with conservatism, in that revenues are overstated while liabilities are understated and expenses are not matched with the related revenues. Additionally, the assets and liabilities approach is problematic with respect to cash transfers for the construction of capital assets.
20A	PCM	A	PCM agrees subject to the comments made in response to specific matter (j).
21	CGNL	A	CGNL agrees with the assets and liabilities approach, except for the recognition of revenue in relation to tangible capital acquisitions when the matching principle should be used, that is revenue should be deferred to match the consumption of asset as it contributes to the delivery of public

	NAME	VIEW	COMMENT
			services.
21A	Ontario CPS	A	
22	TBS Canada	A	This approach is consistent with the framework implicit in the IPSASs and it is a logical approach to the preparation of financial statements for governments.
23	Québec Finance	A	Québec Finance is concerned that the use of the term “formally assesses” in relation to the recognition of tax revenue may be interpreted in a manner that prevents the use of estimation in recognizing taxation revenue. Québec Finance suggests that the ED/IPSAS make it clear that reliable measurement can be made using estimates.
24	CGCR	A	
25	MoF –Cz	A	
26	MEFI	A	The assets and liabilities approach is conceptually consistent with the general principles of accrual accounting. MEFI are concerned that the inability to recognize an intangible asset in relation to the right to levy taxes means that the liabilities for items such as employee pensions will dominate the balance sheet.
26A	AG In	A	The approach is consistent with the conceptual basis of accrual accounting.
28	AG My	A	
29	NZT	A	There are three issues that NZT feel need further exploration. First if property taxes are due in the period before the period in which they are meant to fund activities, the ITC gives an intuitively incorrect answer. Time requirements do not satisfy the definition of a liability and their inclusion in an IPSAS should be further considered. The ITC does not consider the impact on interim financial statements, this is especially significant if property tax income is due at the beginning of the period.
30	CG Peru	C	
31	ESV	A	ESV considers this principle one of the most important principles in the ITC as many of the other statements are interpretations of the assets/liabilities approach.
32	Swiss Finance	A	
33	CG Thai	A	CG Thai agrees with the assets/liability approach,

	NAME	VIEW	COMMENT
			however points out that under some models of government it may not be easy to distinguish revenue from contributions by owners, and is concerned that an arbitrary distinction may be drawn.
34	HM Treasury	A	
35	FRAB	C	
38	ACAG	A	
39	GAD Aruba	A	
40	AG Ca	A	
42	PA Sk	A	
43	AG NZ	A	AG NZ agrees with the assets/liabilities approach but is concerned that there are some inconsistencies in the way the ITC applies it, in particular AG NZ does not believe that time requirements satisfy the criteria for recognition as a liability.
45	AG SA	C	
46	NAO UK	A	NAO UK notes that there are some practical and conceptual difficulties applying the assets/liabilities approach both for taxes and for grants/transfers. For taxes, NAO UK expects that many jurisdictions will have difficulty basing recognition of revenue on the basis of the taxable event given the long delays that often occur between the taxable event and receipt of tax due. For transfers, NAO UK does not think that delays in recognizing revenue until conditions are met or assets consumed, will always fit well with a balance sheet approach.
48	AC UK	A	
49	FEE	A	
51	Erik Peters	A	
53	Teng Xianguang	A	
56	ICPSA	A	
5	IDW	A	IDW agree with the ITC's approach in respect of non-exchange transactions without stipulations because it is in harmony with the IASB framework. IAS 20 "Accounting for Government Grants" prescribes a matching basis for grant revenues, which the ITC does not follow.

	NAME	VIEW	COMMENT
50	INTOSAI	A	INTOSAI notes that two of its members do not consider that deeming time requirements to be liabilities is consistent with the assets and liabilities approach.
	MOMC	A	
	XX	A	XX notes that the approach is consistent with accounting standards for the private sector.
	ACCA	A	ACCA considers that further consideration should be given to the identification of the past event which will give rise to the recognition of revenue, in the case of income taxes, ACCA is of the view that the it would be more appropriate to identify the past event as the date on which the tax becomes due for payment.

SPECIFIC MATTER FOR COMMENT (b)

“Do you agree that public sector entities should be permitted to designate a transfer to a wholly-owned controlled entity as a contribution from owners as outlined in paragraph 2.7?” [Paragraph reference should be 2.6]

Agree	A	36
Disagree	B	8
No clear view expressed	C	6
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB agree with the approach outlined in paragraph 2.6.
2	CPA Australia	A	CPA Australia consider that formal designation by the transferor of the nature of a transfer to a wholly-owned controlled entity is appropriate where the nature of the transfer is not identifiable from the form of the transfer. CPA Australia also considers that the PSC should develop public sector specific terminology such as “contributions from controlling entities”. CPA Australia do not consider that the private sector terminology must necessarily be applied in the public sector.
3	ACA	C	
4	CGA Canada	A	CGA Canada concurs where the entity relationship to the contributor is structured such that it operates at arms length (such as some for of corporate structure; independent reporting relationship embodied in legislation). With respect to government departments, CGA Canada has a concern with the term “owners”. “Owners” may misrepresent the nature of the relationship between the department, the government and the legislature (particularly with a Westminster model of government), implying a relationship and/or accountability that does not exist. In those situations “contributions from controlling entities” would more reflect the true nature of the relationships.
7	JICPA	A	
8	ICANZ	B	ICANZ are concerned that one party to a transaction can determine the accounting treatment. ICANZ believe that formal designation can be one of a number of indicators of the substance of a transaction that is ultimately

	NAME	VIEW	COMMENT
			accounted for as a contribution from owners. Other indicators include those in para 2.6(b) and (c) and the view of any other owners of the entity, the extent to which the contributor's financial interest in the entity is increased, and the extent to which the recipient entity's capacity or capability is increased by the transfer.
10	SA ASB	A	ASB SA is of the view that all contributions by owners should be the subject of formal designation, not only those where the entity is wholly owned. It is recommended that the final document include guidance on the distinction between an equity contribution and a liability, or reference be made to the appropriate sections in IPSAS 15.
11	SAICA	A	It may be worth noting that there will be very few instances of contributions from owners in the public sector.
12	FAR	A	FAR sees no reason to differ from the private sector in this respect.
13	UK ASB	B	UK ASB believes that the substance of a transaction should determine its accounting treatment.
15	CIPFA	A	Although designation by the controlling entity provides persuasive evidence of the status of the transfer, there may be occasions when the substance of the transaction is not consistent with such a designation.
16	ICAEW	A	The definition and discussion of "contributions from owners" in the ITC does not give sufficient guidance on control over a wholly-owned entity to decide all the situations that can arise in practice. Suggest that "contributions from controlling entities" is more applicable in the public sector.
17	ICAS	A	
18	AGA	A	
19	HoTARAC	A	The ITC should clarify that, where assets and liabilities are transferred at nil consideration as a contribution from owners, the transferee should initially recognize the items at fair value. Further, the ITC should address the measurement by the transferor. One approach is for the difference between fair value and the carrying amount to be recognized by the transferor in its GPFS

	NAME	VIEW	COMMENT
			immediately prior to transfer. Another approach is for transfers within an economic entity to be at the transferor's carrying amount.
20	CGBC	A	
20A	PCM	A	Would prefer changing the nomenclature to "contributions from controlling entities".
21	CGNL	A	
21A	Ontario CPS	B	"Contribution from owners" terminology is mainly used in private sector organizations. As a provincial government, Ontario already consolidate information of wholly owned organizations based on established policies. However, in respect of a joint venture where there is no controlling entity, or where a government consolidates a controlled partly privatized entity it is appropriate to use the terminology "contribution from owners".
22	TBS Canada	A	Contributions from owners arise in the public sector in many cases, not just those envisioned in para 2.7. For government departments the concept should be broadened. For example, where reorganization shifts responsibilities and resources between departments, these should be accounted for as contributions from/distributions to owners, and measured at carrying value. Operating and capital appropriations should also be considered in the context of contributions from owners. The model in place in Canada sees departments as cost centers rather than separate entities.
23	Québec Finance	A	Québec Finance is of the view that "contributions by controlling entities" is more appropriate than "contribution from owners" in the public sector.
24	CGCR	B	CGCR is of the view that in the public sector, only separately incorporated entities should receive contributions from owners.
25	MoF –Cz	C	The term "Contributions from Local and Central Governments" or "Contributions from Budget" should be used.
26	MEFI	A	
26A	AG In	A	
28	AG My	A	
29	NZT	A	Agree, however simple designation may not be enough, more consideration should be given to the

	NAME	VIEW	COMMENT
			purpose of the payment, that is its underlying substance, rather than merely form.
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	A	
33	CG Thai	A	Agree, particularly where the recipient is outside the budgetary framework.
34	HM Treasury	A	
35	FRAB	B	FRAB is of the view that appropriations to a government department should be treated as a "contribution from owners" unless it is clear that the government is purchasing a service. FRAB is of the view that the primary view of users is to determine the cost of government, and that recognizing appropriations as revenue may distort that view by permitting a department to recognize a spurious profit or loss is not in the interests of transparent financial reporting.
38	ACAG	A	
39	GAD Aruba	A	
40	AG Ca	A	AG Ca is concerned that the current proposals focus too much on form rather than substance. AG Ca are also of the view that appropriations should not be presented as either an equity contribution, nor as revenue, but as a special type of inflow of resources.
42	PA Sk	A	
43	AG NZ	A	AG NZ agrees with the proposal in respect of wholly owned controlled entities. However, AG NZ would prefer that the ED also deal with situations where a contribution is made to a partially owned entity.
45	AG SA	C	
46	NAO UK	B	NAO UK is of the view that all transfers to controlled entities are in the nature of contributions from owners or funding, rather than revenue, and should be described as such. This reflects a focus on the cost of government rather than on an artificial designation of the funding to meet such costs as "revenue".
48	AC UK	A	

	NAME	VIEW	COMMENT
49	FEE	A	
51	Erik Peters	B	Mr. Peters is of the view that the definition of contributions from owners is not adequate for the public sector. The definition should be reworked for any IPSAS that may be derived from the ITC. The definition only uses the concept of ownership, although in the public sector the more comprehensive concept of “control” is more appropriate, with ownership as one of the control criteria.
53	Teng Xianguang	A	
56	ICPSA	C	
5	IDW	B	IDW regard the terminology “contributions from controlling entities” as more appropriate in the public sector.
50	INTOSAI	A	
	MOMC	A	
	XX	A	
	ACCA	A	ACCA agrees with this proposal in principle, but considers that the terminology makes this less easy to understand than would otherwise be the case. ACCA is of the view that in the public sector the distinction should be made between funds which are provided for revenue purposes and those which are of a capital nature.

SPECIFIC MATTER FOR COMMENT (c)

“Do you believe that there are circumstances in which ‘contributions from owners’, as defined, may be non-exchange transactions?”

Yes	A	27
No	B	13
No clear view expressed	C	10
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	B	AASB do not believe that it is useful to consider the nature of contributions from owners in the context of the exchange/non-exchange dichotomy. To the extent that exchange transactions are regarded as being purchases, contributions from owners are non-exchange transactions, however, it can be argued that a contribution from an owner is an exchange of an asset for “ownership rights” and is therefore an exchange transaction. AASB strongly agree with the need to avoid the exchange/non-exchange distinction.
2	CPA Australia	A	<p>CPA Australia considers that there are circumstances in both the public and private sectors in which “contributions from owners” may be non-exchange transactions. We do not consider that these circumstances are common because most “contributions from owners” result in ownership rights in a larger or more viable entity. The fact that the increased ownership rights may not lead to a desired increase in the value of the entity does not make these contributions non-exchange transactions.</p> <p>Non-exchange transactions that are contributions from owners may arise in the private sector where donations to not-for-profit entities to participate in the governance of that entity. Few would consider that the right to participate in the governance of a charity is approximately equal in value to the contribution made by a major donor and would classify this contribution as a non-exchange transaction. Similarly, one public sector entity could contribute to another in exchange for governance rights although the transaction does not provide approximately equal value to the transferor. An example of such a transaction is a grant in aid which provides some form of governance right without any other expectation of</p>

	NAME	VIEW	COMMENT
			return or service to the grantor.
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	In Japan, contributions to foundations may be regarded as non-exchange transactions. In these cases, contributors are not entitled to a financial interest as described in the definition of “contributions from owners”, but they may still maintain significant influence over the entities’ operational and financial policies. JICPA considers that the ITC should refer to “owners” as “controlling entities”.
8	ICANZ	B	By definition a contribution from an owner establishes a financial interest in the entity. There has been a transaction in which one entity receives assets or has liabilities extinguished, and directly gives approximately equal value (in this case an equitable interest in itself) to another entity.
10	SA ASB	A	ASB SA is of the view that most contributions from owners will constitute a non-exchange transaction, as the contributor will not always receive approximately equal value in exchange for the contribution made to the controlled entity.
11	SAICA	A	
12	FAR	A	The substance of a transaction is critical for determining how it is presented in the GPFS.
13	UK ASB	C	
15	CIPFA	A	There probably are such circumstances, but CIPFA doubts whether this is an issue of real importance since the owner is in a position to decide whether the contribution should fall within the exchange or non-exchange transactions. Moreover under the assets/liabilities approach, as distinct from a transactions based approach, such a distinction has little relevance.
16	ICAEW	A	
17	ICAS	A	
18	AGA	A	
19	HoTARAC	A	HoTARAC believes that the distinction between exchange and non-exchange transactions, particularly the requirement that value be exchanged directly, is not useful and notes that it

	NAME	VIEW	COMMENT
			has been difficult to implement in Australia. However, applying the definition in the ITC, HoTARAC believes that there are circumstances in which contributions from owners may be non-exchange transactions.
20	CGBC	A	There are many other types of non-exchange “contributions from owners” than those included in paragraph 2.8.
20A	PCM	B	PCM cannot imagine a circumstance where non-exchange transactions such as exemplified in 2.8 could constitute a contribution. PCM is of the view that they would be more in the nature of transferred revenue entitlements, and should therefore be treated as revenues.
21	CGNL	B	Within Government, it is difficult to envision an example where a contribution from owners would be a non-exchange transaction. A transfer to a wholly-owned entity would constitute a contribution from owners, but would not meet the definition of a non-exchange transaction. The purpose of the transfer is to allow the entity to provide the service for which it was established.
21A	Ontario CPS	B	Generally there is always an exchange of equal value between the funding provided and goods or services received.
22	TBS Canada	A	The definition seems to imply that contributions from owners would necessarily provide a benefit to the owners. It could likely be extended to include the operating and capital appropriations provided to departments as well.
23	Québec Finance	B	The items mentioned in paragraphs 2.3 to 2.7 are similar to transactions with consideration.
24	CGCR	A	CGCR does not believe that public sector entities receive “contributions from owners” therefore transfers to public sector entities will be non-exchange in nature.
25	MoF –Cz	C	
26	MEFI	B	MEFI regards this as unrealistic, insofar as “contributions from owners” as defined, stipulates that the contribution must create a “financial interest” in the net equity of the recipient entity.
26A	AG In	A	There may be circumstances where this may happen, for example when a public sector entity waives a debt of a controlled entity, the debt

	NAME	VIEW	COMMENT
			forgiveness is akin to an additional subscription to the controlled entity's equity as the action impacts the debt-equity ratio and the resultant share of the financial interest in the net assets/equity of the controlled entity.
28	AG My	A	
29	NZT	B	NZT cannot envisage any circumstance where a contribution from owners would be a non-exchange transaction.
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	B	Swiss Finance cannot think of any circumstances in which contributions from owners could possibly be non-exchange transactions.
33	CG Thai	A	It could be argued that a contribution from owners is a non-exchange transaction, especially in the budget sector where a public sector entity may act as an agent of the government.
34	HM Treasury	C	HM Treasury is of the view that the accounting treatment of a contribution from owners is the same irrespective of whether the transaction is exchange or non-exchange, therefore suggests that there was no necessity to raise this question.
35	FRAB	C	
38	ACAG	A	ACAG is of the view that this may arise where the contribution is made in return for less favorable terms than those that apply to other equity contributors of the same class. However, where the recipient is wholly owned by the contributor, any contribution is unlikely to be a non-exchange transaction as the public sector owner or the supervening government will always be entitled to both distributions of future economic benefits or service potential during the existence of the controlled entity, or distribution of any excess of assets over liabilities in the event of the entity being wound up. In this regard, ACAG is of the view that the public sector owner can readily influence the amount and timing of distributions.
39	GAD Aruba	A	
40	AG Ca	B	AG Ca believes that the definition precludes contributions from owners being non-exchange transactions.

	NAME	VIEW	COMMENT
42	PA Sk	B	
43	AG NZ	B	AG NZ is strongly of the view that there are no circumstances in which a contribution from owners will be a non-exchange transaction.
45	AG SA	C	
46	NAO UK	A	NAO UK acknowledges that there may be such circumstances, but does not see the purpose or relevance of such a distinction for the purposes of the ITC.
48	AC UK	A	AC UK believe that the accounting treatment would be the same for exchange and non-exchange contributions from owners.
49	FEE	A	Given the approach that has been adopted in the ITC FEE does not consider that this issue is particularly significant.
51	Erik Peters	C	Mr. Peters is of the view that unless the definition of “contribution from owners” is reworked, there will continue to be ambiguity on the issue of exchange and non-exchange in relation to contributions.
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	A	IDW is of the opinion that non-exchange transfers from “controlling entities” to public sect entities should either be directly treated as equity movements or be recognized as revenue. In general, as in the private sector, the controlling entity should also have the option of determining the substance of the transaction.
50	INTOSAI	B	
	MOMC	A	
	XX	A	XX agrees, but notes that the examples of contributions from owners in IPSAS 1 do not appear to be non-exchange transactions.
	ACCA	A	ACCA is of the view that in general all such transactions will be non-exchange transactions.

SPECIFIC MATTER FOR COMMENT (d)

The Steering Committee proposed that some components of non-exchange transactions be accounted for in the same manner as exchange transactions. Do you agree with this treatment?

Agree	A	38
Disagree	B	5
No clear view expressed	C	7
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	Agree with the components approach to the extent that the exchange/non-exchange dichotomy is retained, however, do not believe that the exchange/non-exchange dichotomy should be retained.
2	CPA Australia	A	Recognizing that, in substance, a transaction that is presented as a single transaction has two components is implicit in accounting for transactions based on their substance rather than their legal form (IPSAS 1, para 37).
3	ACA	C	
4	CGA Canada	A	CGA Canada qualifies its agreement: any guidance should emphasize materiality in determining the accounting treatment.
7	JICPA	A	
8	ICANZ	B	A consequence of adopting the asset and liability approach is that the distinction between exchange and non-exchange transactions is not important in determining the appropriate accounting treatment. Maintaining the exchange/non-exchange distinction is difficult in practice and unnecessary.
10	SA ASB	A	Agree that a transaction can have an exchange and a non-exchange component. In the case of subsidized transactions, it is not clear in the ITC whether the gross amounts be recognized, including any expense for subsidy, this should be clarified.
11	SAICA	A	If different standards are used to recognize revenue in most instances the amount and timing of revenue recognition would be the same.
12	FAR	A	FAR agree, however making the distinction between exchange and non-exchange becomes

	NAME	VIEW	COMMENT
			very important.
13	UK ASB	A	
15	CIPFA	A	Care should be taken to avoid an artificial division of what is in substance a single transaction.
16	ICAEW	A	This is consistent with a substance over form approach.
17	ICAS	A	In accounting for disaggregated transactions it is important that entities consider the materiality of transactions both individually and in total to minimize the impact on an entity's resources from these requirements.
18	AGA	B	AGA thinks that the transaction should be recognized as a non-exchange transaction in its entirety.
19	HoTARAC	A	As a general rule, HoTARAC believes that non-exchange transactions do not change their character merely because there is some consideration provided. However, HoTARAC acknowledges that within a single transaction there may in substance be two transactions, one exchange, and one non-exchange, and it may be appropriate to separate out the two transactions. It would be a question of fact in each case.
20	CGBC	A	
20A	PCM	A	
21	CGNL	A	
21A	Ontario CPS	A	
22	TBS Canada	A	
23	Québec Finance	A	It is appropriate to distinguish the components of each transaction and recognize them according to appropriate principles. It would have been helpful to provide an illustrative example.
24	CGCR	A	
25	MoF –Cz	A	
26	MEFI	C	MEFI states that whilst this is attractive from a conceptual point of view, its practicality must be assessed on the basis of experience.
26A	AG In	A	AG In does not find this proposition among the SC Views, however, AG In is of the view that exchange components of non-exchange transactions should be accounted for in the same

	NAME	VIEW	COMMENT
			manner as equivalent exchange transactions.
28	AG My	A	
29	NZT	A	NZT agree with the treatment proposed, insofar as the use of an asset and liability approach effectively removes the need for an exchange/non-exchange distinction fro the purposes of recognizing revenues.
30	CG Peru	C	
31	ESV	A	This is important in Sweden for the assessment of VAT.
32	Swiss Finance	A	
33	CG Thai	B	Revenues from non-exchange transaction are different in nature and should be recognized according to their own accounting rules.
34	HM Treasury	A	HM Treasury agree in principle as it the approach adopted in National Accounts, however more guidance is needed on how to distinguish the components.
35	FRAB	C	
38	ACAG	A	ACAG is of the view that non-exchange transactions should be accounted for in the same manner as exchange transactions and the longer term intention to eliminate the distinction between the two is supported.
39	GAD Aruba	A	
40	AG Ca	A	AG Ca believe that the proposed treatment is acceptable provided that the substance of that component is similar to an exchange transaction.
42	PA Sk	A	
43	AG NZ	B	AG NZ is of the view that all transactions must be accounted for in accordance with their substance. If an asset and liability approach is adopted then the distinction between exchange and non-exchange transactions is not necessary for determining the appropriate accounting treatment.
45	AG SA	C	
46	NAO UK	A	NAO UK agrees with such an approach, subject to avoiding artificial divisions within what may in substance be a single transaction.
48	AC UK	A	

	NAME	VIEW	COMMENT
49	FEE	A	FEE considers that materiality should be taken into account when disaggregating transactions.
51	Erik Peters	A	
53	Teng Xianguang	A	
56	ICPSA	C	
5	IDW	A	
50	INTOSAI	C	INTOSAI members had different view on this proposal.
	MOMC	A	
	XX	A	XX supports the proposal, noting that some transactions can be complex.
	ACCA	B	ACCA is of the view that in most cases payments that are made as part of a “non-exchange contract” are more in the nature of a tax than a payment in exchange for goods and services. ACCA do not consider that this aspect of the transaction should be treated as an exchange transaction.

SPECIFIC MATTER FOR COMMENT (e)

Do you agree with the Steering Committee view that some non-exchange transactions can consist of an exchange component and a non-exchange component?

Agree	A	37
Disagree	B	4
No clear view expressed	C	9
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	
2	CPA Australia	A	
3	ACA	C	
4	CGA Canada	A	The line between exchange and non-exchange may be difficult to determine, as may be the distinction of substance over form. This may prove problematic – further examples could be provided.
7	JICPA	A	
8	ICANZ	A	In many cases transactions will comprise exchange and non-exchange components. It is essential that any standard consider such transactions as a whole.
10	SA ASB	A	Agree that some transactions can consist of an exchange and non-exchange component. However, SA ASB believe that one standard on revenue should be developed as it might be difficult to split a transaction due to the volume of transactions and the cost effectiveness to implement systems to account for the split.
11	SAICA	A	SAICA support the proposal to have one IPSAS on revenue in the future dealing with both exchange and non-exchange revenue.
12	FAR	A	
13	UK ASB	C	
15	CIPFA	A	In principle some non-exchange transactions could consist of an exchange and a non-exchange component, however it is difficult to separate the two components, and in any event the separation would not affect the accounting treatment. Therefore, CIPFA is of the view that it is not helpful to base significant disclosure requirements on this distinction.
16	ICAEW	A	

	NAME	VIEW	COMMENT
17	ICAS	A	ICAS considers that example 14 on the purchase of property at a subsidized price (ITC p. 60) to be inconsistent with IPSAS 17. ICAS do not agree that revenue should be recognized as described in example 14.
18	AGA	B	AGA thinks that the transaction should be recognized as a non-exchange transaction in its entirety.
19	HoTARAC	A	See answer to (d) above.
20	CGBC	A	
20A	PCM	A	
21	CGNL	A	As example 14 states, it is possible for Government to purchase an asset from a municipal government at a subsidized price.
21A	Ontario CPS	A	
22	TBS Canada	A	It is possible, although such transactions would likely be exceptions.
23	Québec Finance	A	The ITC should have dealt with this question in more detail so that the meaning was clearer.
24	CGCR	A	
25	MoF –Cz	A	
26	MEFI	C	The practicality of this proposal must be assessed in the light of experience.
26A	AG In	A	
28	AG My	A	
29	NZT	B	Whilst agreeing in principle, NZT state that it is likely to be difficult to isolate the relevant components to some transactions and such attempts are not likely to result in more informative financial statements, therefore the appropriate IPSAS should deal with the transaction as a whole.
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	A	
33	CG Thai	B	In practice a transaction should be recognized as either exchange or non-exchange, not as a combination of both.
34	HM Treasury	A	

	NAME	VIEW	COMMENT
35	FRAB	C	
38	ACAG	A	
39	GAD Aruba	A	
40	AG Ca	A	
42	PA Sk	A	
43	AG NZ	A	AG NZ agrees that there are transactions that have both exchange and non-exchange components (as the terms have been used in the past). AG NZ states that the existence of such transactions reinforces its view that such a distinction is not necessary or helpful. AG NZ is of the view that any future ED about revenue must appropriately address such transactions as a whole.
45	AG SA	C	
46	NAO UK	A	NAO UK is of the view that such situations may exist but notes that it may be difficult to separate out the two elements, and is not sure that to do so will have accounting or disclosure benefits.
48	AC UK	A	
49	FEE	A	
51	Erik Peters	A	
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	A	
50	INTOSAI	C	INTOSAI members presented divergent views.
	MOMC	A	
	XX	A	XX supports the use of the term “complex transactions”.
	ACCA	B	ACCA does not agree with this view of the SC.

SPECIFIC MATTER FOR COMMENT (f)

Do you agree with the Steering Committee View that the taxable event for property taxes is the passing of the date on which taxes are levied, or the period for which the tax is levied, if the tax is levied on a periodic basis? If you do not agree, what do you think the taxable event is?

Agree	A	35
Disagree	B	6
No clear view expressed	C	9
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	B	The distinction between the two scenarios is unclear to the AASB. AASB acknowledge that the taxable even in relation to property taxes may vary between jurisdictions. AASB believe that revenue should be recognized in the period to which the tax applies, even if levied earlier. In relation to the passing of the levy date, the revenue should be recognized on the date to which the levy applies rather than the date the levy is authorized.
2	CPA Australia	A	CPA Australia agree that the “taxable event” for property taxes is the passing of the date on which taxes are levied, or the period for which the tax is levied, if the tax is levied on a periodic basis. This aligns the recognition of revenue with the timing of the authority under which that revenue is collected. Given the divergence of views in this area, CPA Australia recommend that “taxable event” be formally defined based on the description in paragraph 3.6.
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	
8	ICANZ	A	Agree. This treatment will affect the timing of recognition of certain taxes in NZ, where the legal right to collect the tax is established in the period prior to that to which the tax relates. Although the timing of recognition is not intuitively sensible, this should be addressed by legislation, not the accounting standard.
10	SA ASB	A	The difficulty is not in determining the taxable event, but in administering the implications of this principle. To recognize revenue at he time of the taxable event would require significant estimation and one has to be careful to ensure that the cost to

	NAME	VIEW	COMMENT
			implement the systems to generate the information that may be required to ensure compliance with the recognition and measurement principles of the eventual standard, does not outweigh the benefit of reporting the information.
11	SAICA	A	The legislative requirements of different countries will specify when the taxable event occurs. If the law states that taxes will be levied based on the period of occupation, then revenue should be accrued/recognized over the same period.
12	FAR	A	Conceptually, the taxable event is the period for which the tax is levied, however FAR is concerned about whether this is a useful way of accounting for property taxes as revenue.
13	UK ASB	C	
15	CIPFA	A	The tax law in each jurisdiction essentially determines the taxable event. In the UK the main type of property tax would be recognized evenly over the period to which it relates.
16	ICAEW	A	
17	ICAS	A	
18	AGA	A	
19	HoTARAC	A	HoTARAC agrees with this approach subject to the clarification of an ambiguity in the definition. If a tax is levied on a periodic basis, it is not clear whether the SC intends revenue to be recognized at the end of each period or progressively over each period. HoTARAC believes that the latter approach is appropriate. This would mean that tax revenue recognized in a reporting period would relate to two different tax periods where the tax is not levied on a reporting period basis.
20	CGBC	A	
20A	PCM	A	For the most part the taxable event for property taxes should be the period for which the tax is levied. For example, a property tax for the 2004 calendar year may only be levied on July 1, however the revenue should be apportioned to the applicable months. An entity with a June 30 year end would recognize 50% of the 2004 revenue in its 2003-04 fiscal period.
21	CGNL	A	
21A	Ontario CPS	A	

	NAME	VIEW	COMMENT
22	TBS Canada	B	TBS Canada is of the view that the tax is levied for the period and should be recognized progressively over the period rather than on the levy date. TBS Canada disagrees with example 6 on page 65. It is difficult to imagine that, in substance, a government would not have a 'deemed liability' that would require it defer recognition of revenue.
23	Québec Finance	A	Recognition over the period would be contrary to the assets/liabilities approach.
24	CGCR	A	Property taxes should be recognized in the period in which they are levied.
25	MoF –Cz	C	
26	MEFI	A	The taxable event can vary according to tax legislation.
26A	AG In	A	AG In agrees because the Government can enforce its claim on the taxpayer only on or after the passing of the date on which the taxes are levied or after the expiry of the period.
28	AG My	A	
29	NZT	B	In NZ property taxes are levied in the year prior to the period to which they relate. Whilst dissatisfied with the matching concept, NZT is of the view that in relation to property taxes, matching produces an intuitively better result and should be adopted.
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	A	Switzerland's property tax system is based on the passing of a specific date, however Swiss Finance agrees that both alternatives are possible.
33	CG Thai	A	The criteria for collecting taxes varies from country to country and this may affect the recognition of revenue from property taxes.
34	HM Treasury	A	
35	FRAB	C	
38	ACAG	C	The Auditors-General of Queensland and Western Australia are of the view that, as with most other taxes, the recognition point should be the issue of a notice of assessment to the taxpayer. Concomitantly, a provision for doubtful debts can be recognized based on experience of the level of uncollectability. The Auditors-General of New South Wales and

	NAME	VIEW	COMMENT
			Victoria agree with the view of the SC, however are unclear as to why two alternatives are being proposed, except to cover practices in different jurisdictions.
39	GAD Aruba	A	
40	AG Ca	A	
42	PA Sk	A	
43	AG NZ	A	AG NZ is concerned about the impact on recognition of property taxes by NZ local authorities. In NZ local authorities prepare GPFS for financial years ending 30 June. Legislation requires local authorities to set taxes for the next financial year by 30 June of the current financial year. Once rates are set there is a legal right to collect them. Therefore, if the setting of rates is the obligating event, rates levied for the following financial year will be recognized as revenue in the current financial year.
45	AG SA	C	
46	NAO UK	A	
48	AC UK	A	
49	FEE	A	FEE is of the view that the taxable event may change from jurisdiction to jurisdiction, depending on the law of the particular jurisdiction.
51	Erik Peters	A	
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	A	IDW agree, however, it urges the PSC to keep in mind that there are significant changes in the law from jurisdiction to jurisdiction.
50	INTOSAI	A	
	MOMC	A	
	XX	A	XX is of the view that the taxable event is established in legislation and that the legislation should drive the recognition point.
	ACCA	B	ACCA is of the view that the past event for taxation revenue is the date on which the tax becomes due for payment. In the case of property taxes, this may be very similar to the taxable event outlined in the ITC.

SPECIFIC MATTER FOR COMMENT (g)

Do you agree with the proposal that disclosures about the “tax gap” should be made in the notes to the general purpose financial report when they can be reliably estimated? The Steering Committee has not made a formal statement that such disclosures should be made, however, the PSC would be interested to receive comments from respondents about whether it is possible to make reliable estimates of the tax gap. Where it is not possible to reliably estimate the tax gap, do you think disclosures about the nature of the tax gap should be made in general purpose financial statements without including any numerical estimates of the amounts involved?

Agree	A	18
Disagree	B	27
No clear view expressed	C	5
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB agree that disclosures about the “tax gap” should be made in the notes to GPFS – in numerical terms where it can be reliably determined, in narrative terms otherwise.
2	CPA Australia	B	CPA Australia have concerns about any requirement to disclose information about the tax gap. CPA Australia doubt that the tax gap can be reliably measured, and would expect that any disclosures would include information about how the government plans to address the gap. Such disclosures may have the effect of assisting tax evaders to continue their evasion and therefore should only be made when the responsible government is in a position to effectively address a specific aspect of the tax gap.
3	ACA	C	
4	CGA Canada	A	Disclosure by way of notes would be an interim position. The activities of government can substantially influence compliance in voluntary tax reporting regimes, and compliance is an issue with taxpayers. This would argue for reporting of revenue and tax gap as a cost.
7	JICPA	A	The “tax gap” is considered to be useful information, but it is impossible to be reliably measured in Japan. JICPA wonder whether this kind of information is in the scope of the GPFS or not. Thus JICPA consider that it should be reported in comprehensive annual reports as the results of government operations.

	NAME	VIEW	COMMENT
8	ICANZ	B	Information about the tax gap is not a revenue recognition issue and should not be included in an ED dealing with revenue recognition. Similar disclosures are not required for profit oriented entities, e.g. a retailing business is not required to disclose “inventory shrinkage”. It is also easy for government to avoid disclosure of the tax gap by stating that measurement is not reliable. Information about the tax gap may be useful, but should be reported by a government’s revenue collection agency.
10	SA ASB	B	SA ASB believes that information about the tax gap should not be disclosed in the notes to the GPFS, but should be disclosed elsewhere in the annual report. It may be possible to make reliable estimates of the tax gap if the entity has reliable information databases.
11	SAICA	B	Disagree that the definition of tax gap includes the notion of “error” which is dealt with in IPSAS 3. SAICA is of the view that “tax gap” information is a performance issue and should be disclosed outside of the financial statements. Support that where it is not possible to reliably estimate the tax gap, a disclosure should be made in the annual report, not the GPFS, noting the existence of a tax gap, the inability to measure it, reasons why it arises, and the initiatives being put in place to reduce the tax gap.
12	FAR	A	
13	UK ASB	B	While the disclosure of information about the nature and extent of the tax gap may be helpful to users, this would need careful presentation to clarify the limitations of the estimates used and therefore it may not be appropriate to include this as a note to the financial statements.
15	CIPFA	A	Agree in principle to making disclosures. If the tax gap includes evasion and fraud, it would be difficult to make estimates that would be sufficiently reliable to get an unqualified audit opinion. Such information may be better presented in supplementary information outside the GPFS. CIPFA sees little value in disclosure that have no numerical information.
16	ICAEW	B	ICAEW do not believe that the discussion of the tax gap in the ITC is sufficient to support the proposed approach. ICAEW is not convinced that

	NAME	VIEW	COMMENT
			the proposed approach is conceptually rigorous. ICAEW believe that this issue needs to be more rigorously developed in a future ITC or ED. ICAEW agree that disclosure about the nature of the tax gap is desirable in GPFS.
17	ICAS	B	Agree that disclosures about the “tax gap”, with numerical estimates may be of interest to the users of the financial statements. However, a clearer definition of the “tax gap” would be required if it is to be measured reliably. Disclosures should be restricted to information published with the financial statements but not covered by “resents fairly” or “true and fair” and would therefore fall outside the scope of any IPSAS.
18	AGA	A	
19	HoTARAC	A	HoTARAC is of the view that the “tax gap” does not meet the definition of an asset. HoTARAC believes that any attempt to measure the tax gap will be heavily dependent on the collection of relevant data and sophisticated statistical analysis. HoTARAC doubts that any meaningful disclosure could be included in the GPFS. If there is to be a discussion of the tax gap it would be better done in the body of the annual report of the tax collecting authority and should be accompanied by statements such as the actions proposed to close the tax gap.
20	CGBC	B	The purpose of GPFS is to report on the financial activities of the government. The tax gap is unrelated to the financial activities of the government, it relates to the effectiveness of the tax collecting departments and entities of government. These departments and entities issue their own annual reports. Information about the tax gap is more appropriately included in the tax collecting department and entity reports.
20A	PCM	B	PCM is of the view that the tax gap should not be reflected in the financial statements and questions the value of making any disclosures at all. Disclosure should not be required unless information is readily available.
21	CGNL	B	CGNL is of the view that disclosures about the tax gap should not be made in the notes to the GPFS. An estimate of the tax gap would be difficult to make and such a disclosure would not add value to the financial statements since these taxes are not

	NAME	VIEW	COMMENT
			economic resources available to Government.
21A	Ontario CPS	A	Disclosure of the tax gap in the notes should be made when it can be reasonably estimated as long as the information does not distort the statement of financial performance. If it is not possible to reliably estimate the tax gap, disclosures about the nature of the tax gap in GPFS will inform the reader as to the possible impact and nature of the risk.
22	TBS Canada	B	An estimate of the tax gap should not be disclosed. It is the experience of TBS Canada that the tax gap cannot be estimated reliably and auditing such numbers would create significant difficulties. TBS Canada agrees that the disclosure of the nature of the tax gap is useful, but without including any numerical estimates. <i>[TBS Canada have provided an example of such a disclosure from Canada Revenue Agency, which is at page 116 in the book of submissions.]</i>
23	Québec Finance	B	In view of its nature, Québec Finance considers that disclosure of the tax gap would be contrary to the principle of prudence. It is difficult to reliably measure because it is based on taxable events that are difficult to detect.
24	CGCR	A	Note disclosure of estimates of the tax gap could be made if a reputable entity has made the estimate. In Costa Rica the Office of the Comptroller General has made estimates of evasion of VAT, which could be taken as an estimate of the tax gap.
25	MoF –Cz	A	The tax gap, if reliably estimable, may be a contingent asset. It should be disclosed in the notes to the GPFS.
26	MEFI	B	The tax gap does not satisfy the definition of an asset and must not, therefore be recognized in the GPFS. The tax gap is difficult to measure reliably and in the absence of reliable measurement, uncosted data on the tax gap appears to have little relevance in the notes of the GPFS.
26A	AG In	B	AG In argues that the full amount of legally due taxes should be recognized as revenue and an expense recognized for the amount of evaded taxes. AG In argues that this would provide more useful information, and would base recognition on the occurrence of taxable events.

	NAME	VIEW	COMMENT
28	AG My	A	AG My believes that it would be difficult to reliably measure the tax gap, however disclosure of the general nature of the tax gap should be made in the notes.
29	NZT	B	NZT state that the tax gap does not meet the definition of an asset and should not be recognized in the financial statements. NZT also disagree with the idea of making disclosures about the tax gap in the GPFS, any data would be unreliable and expensive to produce, and would not pass a cost/benefit test.
30	CG Peru	C	
31	ESV	B	Disagree that disclosures about the tax gap should be made in the notes to the GPFS. The cost for gathering the information would outweigh the benefit obtained. This is a politically sensitive issue that does not belong in GPFS.
32	Swiss Finance	B	Switzerland's tax gap cannot be estimated reliably at the moment and Swiss Finance considers it important that the GPFS be based on facts rather than often disputed studies. Swiss Finance therefore believes that tax gap estimates, which are always unreliable, should not be part of the GPFS or disclosures.
33	CG Thai	B	The tax gap is not able to be reliably estimated, so numerical information should not be included, however disclosures about the general nature of the tax gap without numerical information could be included.
34	HM Treasury	B	The tax gap is difficult to measure reliably. Although some elements of the gap can be measured relatively accurately, others can only be estimated approximately using macroeconomic data, and for some taxes there is very little, if any, reliable information available on the size of the gap. HM Treasury does not believe that disclosures relating to the tax gap should form part of the audited accounts as the auditors would not be able to give an unqualified opinion on accounts which included estimations of the tax gap. HM Treasury recommends that disclosures be included within other information accompanying the financial statements. In the UK this information is examined by the auditor, who may comment on it, but is not required to give an audit opinion on it.

	NAME	VIEW	COMMENT
35	FRAB	C	
38	ACAG	A	ACAG agree that the “tax gap” should be discussed in the notes to the GPFS,. This disclosure is very important to the users of the GPFS. However, if any estimated values were included in the note, these would have to be very carefully considered and worded to ensure the user clearly understands the level of reliability of the value. Experience suggests that the amount cannot be reliably measured and therefore should not be included. Such an amount would also be very difficult to verify for audit purposes.
39	GAD Aruba	B	GAD Aruba is of the view that the “tax gap” is an estimate that the auditor can not verify, and does not provide information on the performance of the government. No disclosures about the tax gap should be included in the notes to the GPFS.
40	AG Ca	A	AG Ca supports the proposal that the tax gap be disclosed in cases where it can be reliably determined, and agrees that recognition in the GPFS is not appropriate as collection is not probable. AG Ca also agrees that the existence and nature of the tax gap should be explained in the notes even if the reporting entity is not making any numerical estimate of the amounts involved. AG Ca notes that the question of whether it is possible to make reliable estimates of the tax gap is difficult to answer. AG Ca states that in some circumstances, estimates may be reliably made – where the tax base is verifiable through third party information and taxes are easily calculated from this base. In other circumstances estimates may be extremely unreliable. Disclosure becomes complicated when an entity is able to make some tax gap estimates but not all – should an entity disclose those it can, or refrain until it can estimate all reliably?
42	PA Sk	B	PA Sk believes that the cost of preparing this information will likely exceed its limited benefit.
43	AG NZ	B	AG NZ is concerned about the reliability of estimates of the tax gap. AG NZ believes that information about the tax gap is of interest to users of GPFS, but does not think that an IPSAS on revenue is the right vehicle for requiring disclosures about the tax gap.

	NAME	VIEW	COMMENT
45	AG SA	C	
46	NAO UK	A	NAO UK agrees in principle that disclosures regarding the tax gap should be made, so that the full amount of tax that should be legally due should be disclosed. However, there may be difficulties in determining what to include in the tax gap. NAO UK notes that it may be very difficult to estimate the tax gap. It may be appropriate for such disclosures to be included in information accompanying the GPFS rather than the audited GPFS. NAO UK sees little benefit in providing disclosures about the nature of the tax gap without including any numerical estimates of the amounts involved.
48	AC UK	B	AC UK considers that the nature and extent of the “tax gap” is likely to be difficult to estimate with any degree of reliability. AC UK do not believe that disclosures relating to the tax gap should be part of the audited GPFS, but should be included in the information accompanying the GPFS.
49	FEE	A	FEE agrees that disclosures would be useful if they contain numerical information that is reliably measured. The tax gap should be clearly defined. FEE notes that if the tax gap includes taxes avoided as a result of criminal activity, it is unlikely that it will be possible to reliably estimate the tax gap. FEE does not consider that general narrative disclosures about the nature of the tax gap, which are not supported by numerical estimates, will be particularly useful to users.
51	Erik Peters	B	Mr. Peters is of the view that discussion of the tax gap would be useful in the Management Discussion and Analysis. He states that disclosures in the notes to the financial statements would confuse more than enlighten, especially if the gap can be reliably estimated, as that begs the question as to why all the tax revenue is not included in the GPFS. Mr. Peters notes that discussion as to any measurement uncertainty regarding the amount of the accrued revenue receivable should be in the notes to the GPFS.
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	B	IDW is of the view that disclosing non-numerical information about the nature and extent of the tax

	NAME	VIEW	COMMENT
			gap in the notes to the GPFS is practicable.
50	INTOSAI	B	INTOSAI agrees that information about the tax gap is useful, however SAI's were concerned about the ability to make reliable estimates about the tax gap.
	MOMC	A	MOMC is of the view that disclosures about the tax gap should be made irrespective of whether they are capable of being reliably measured.
	XX	B	XX support disclosures of the nature of the tax gap, but not formal estimates of the amount of the tax gap.
	ACCA	A	ACCA considers that information about the tax gap should be provided in the notes to the GPFS to the extent that it can be reliably estimated. ACCA is of the view that the tax gap information that would be relevant would depend on the recognition criteria for tax revenue. ACCA is of the view that the past event for tax revenue is the passing of the due date for payment, which would mean that the tax gap would include amounts that have been assessed and are due, but which are not expected to be collectable.

SPECIFIC MATTER FOR COMMENT (h)

Do you agree with the Steering Committee View that “expenses paid through the tax system” should be recognized separately in the statement of financial performance and that tax revenue should be grossed up in respect of expenses paid through the tax system? If you do not agree with the Steering Committee View, do you agree with the minority view that taxation revenues should be reported net of expenses paid through the tax system to the extent that an individual taxpayer’s tax bill is reduced to zero?

Agree	A	36
Disagree	B	7
No clear view expressed	C	7
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	To reflect the substance of arrangements whereby expenses are paid through the taxation system, and consistent with the principle of not offsetting revenues and expenses in para 56 of IPSAS 1, AASB agree that tax revenue and should be grossed up in respect of such expenses. Accordingly revenue and expenses equal to the “expenses paid through the tax system” should be recognized separately rather than being offset in the statement of financial performance.
2	CPA Australia	A	CPA Australia agree with the Steering Committee View that “expenses paid through the tax system” should be recognized separately from tax revenue in the statement of financial performance and that tax revenue should be grossed up in respect of expenses paid through the tax system. CPA Australia consider that such expenses are separate in nature from any associated tax revenues and the general prohibition against offsetting revenues and expenses in IPSAS 1, para 55 should apply. If it is determined that tax revenue should be presented net of such expenses, CPA Australia recommend that the expenses be disclosed separately in the notes to the financial statements.
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	
8	ICANZ	A	There are a variety of ways in which a government can transfer resources. A government may pay beneficiaries directly, or a government may

	NAME	VIEW	COMMENT
			provide a beneficiary with a tax concession. In substance the effect is the same and ICANZ believes they should be accounted for in the same way. Allowing governments to report net tax revenues rather than gross tax revenues will hinder the ability of users to make informed judgments about government performance.
10	SA ASB	A	SA ASB is of the view that the expenses paid through the tax system represent material amounts and the exception granted in IPSAS 1, para 55 would not apply. Recognizing expenses paid through the tax systems provides information to users to enable them to make informed decisions. SA ASB also agrees with the statement in para 3.23 of the ITC that additional information about the intended or required use of some tax revenues should be disclosed in the notes to the financial statements if such information is necessary for a proper understanding of those statements.
11	SAICA	A	
12	FAR	A	
13	UK ASB	A	UK ASB agrees that these transactions should be recognized as expenses separately from tax revenue in the statement of financial performance, and so tax revenue will be increased in respect of the expense recognized. The reported amount of tax receivable should not however be grossed up in other circumstances such as for allowances available only to tax payers.
15	CIPFA	A	CIPFA agrees on a conceptual basis. To report taxation revenue net of expenses paid through the tax system, although consistent with draft guidance issued by the OECD, distorts both tax revenue and social expenditure as it fails to show both the full amount of taxation due and the expense incurred to provide for a particular social policy. Fuller discussion is needed as to the payment included under this category.
16	ICAEW	A	A fuller discussion is needed in the ITC to deal with the treatment of items such as appeals and refined assessments. ICAEW is of the view that there is an argument that where income is reduced as a result of an important test case the gross amounts should be disclosed.
17	ICAS	A	The minority view in the ITC would result in an

	NAME	VIEW	COMMENT
			understatement of tax revenue and expenses in the statement of financial performance.
18	AGA	B	AGA does not think that “expenses paid through the tax system” should be recognized separately in the statement of financial performance, but rather that taxation revenues should be reported net of expenses paid through the tax system to the extent that an individual tax payer’s tax bill is reduced to zero.
19	HoTARAC	A	HoTARAC agrees with the SC view, noting that “expenses paid through the tax system” only encompasses items that are available to beneficiaries regardless of whether or not they pay taxes and excludes provisions of the tax law that provide taxpayers with concessions that are not available to others.
20	CGBC	B	CGBC believes that tax revenue should be presented net and that entities disclose tax expenditures in the financial statements to the extent that the information is available.
20A	PCM	A	PCM supports the concept of gross accounting for expenses paid through the tax system. PCM does not support the “netting to zero” concept as PCM believes it to be internally inconsistent. PCM states that it would be strange to have the same item treated differently depending on the status of an external body.
21	CGNL	A	Expenses paid through the tax system should be recognized separately from revenue in the financial statements. This is a requirement under Newfoundland and Labrador law.
21A	Ontario CPS	A	The form of the payment should not influence the amount of revenue recognized, therefore revenue should be increased by the amount of the expense and an expense recognized for the same amount, to do otherwise would mean that tax revenues and expenses are not reported accurately and the results in the GPFS would be distorted.
22	TBS Canada	A	The proposed approach is consistent with the accounting policy of the Government of Canada. TBS Canada also agrees with the proposed treatment of tax expenditures.
23	Québec Finance	B	Québec Finance is of the view that the financial statements should reflect the government’s decisions. Accordingly, decisions made within

	NAME	VIEW	COMMENT
			fiscal policies should be shown in the tax revenues that relate to them.
24	CGCR	A	
25	MoF –Cz	C	
26	MEFI	B	Even though the method of payment of a benefit should not, in theory, have any impact on the amount of revenue recognized, it appears difficult to revise certain classes of tax measures because payment can be made in other forms.
26A	AG In	A	
28	AG My	A	
29	NZT	A	As part of any ED, there will need to be a very clear distinction between what is a tax expenditure and what is a tax expense, given tax expenditures are to be (correctly) included in the net tax revenues. NZT understand that the GFS approach is different to that proposed in the ITC.
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	A	
33	CG Thai	A	CG Thai is of the view that expenses paid through the tax system are unrelated to the taxes themselves and should be recognized separately to enable users to assess the magnitude of government spending on particular items.
34	HM Treasury	B	HM Treasury agrees with the minority view expressed in the ITC because the government is obliged to receive the net amount, not the gross.
35	FRAB	C	
38	ACAG	A	ACAG is of the view that expenses paid through the tax system, such as social benefits, are unrelated to the amount of taxes recipients pay, the tax authority is being used by the Government merely as a conduit for making these payments. ACAG is also of the view that all government expenditures are funded wholly or in part from tax revenues, therefore, applying the same logic of the minority view, it can be argued that all government expenditures should be netted off against tax revenues, to the extent that they are funded from these revenues. Netting-off of these expenses against tax revenues is misleading to users of the

	NAME	VIEW	COMMENT
			GPFs because it understates both revenues and expenses.
39	GAD Aruba	A	
40	AG Ca	A	AG Ca is concerned that as a practical matter, it may be difficult for reporting entities to distinguish between tax expenditures and expenses paid through the tax system. AG Ca also believes that disclosure of significant tax expenditures may be useful for readers of GPFs.
42	PA Sk	A	
43	AG NZ	A	
45	AG SA	C	
46	NAO UK	A	NAO UK acknowledges that there are sound arguments supporting both the majority and minority views, however on balance it supports the majority view as it should provide greater transparency to users of the accounts, including better comparability between periods and between different jurisdictions.
48	AC UK	B	<p>AC UK are of the view that where the taxpayer can set off allowances and is liable to the public body only for the net amount, then the tax revenue should be shown net, to the extent that an individual taxpayer's bill is reduced to zero.</p> <p>AC UK considers that it is an important element of accountability for information to be provided on the approach to expenses in the calculation of tax revenues. This is perhaps most important where expenses have the characteristics of allowances which are paid to eligible taxpayers irrespective of whether they are net taxpayers.</p>
49	FEE	A	FEE agrees tax revenues should be grossed-up in respect of expenses paid through the tax system. A failure to do so would lead to an understatement of revenue.
51	Erik Peters	B	In the absence of more precise definitions of "expenses paid through the tax system" Mr. Peters agrees with the OECD guidance as outlined in paragraph 3.28.
53	Teng Xianguang	A	
56	ICPSA	C	
5	IDW	A	IDW does not recognize any characteristic of tax

	NAME	VIEW	COMMENT
			revenue that would require an exception from the concept of gross recognition prescribed in IPSAS 1.
50	INTOSAI	A	One SAI noted that if the expenses were tax refunds, these should be deducted from revenue.
	MOMC	A	
	XX	A	XX does not support the offsetting of revenues and expenses, but does support the proposed treatment of tax expenditures.
	ACCA	A	

SPECIFIC MATTER FOR COMMENT (i)

Do you agree that, where physical assets are transferred to a reporting entity subject to conditions that they be consumed in the provision of goods and services, revenue should be recognized in respect of the transfer as the physical asset is consumed?

Agree	A	35
Disagree	B	7
No clear view expressed	C	8
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB agree with Steering Committee View 17. Conceptually, consistent with the treatment of monetary grants provided under similar circumstances, a liability arises. AASB note that their agreement is predicated on para 4.44(a), which specifies the features that stipulations need to possess (including their monitoring/enforcement) for them to be treated as in substance conditions.
2	CPA Australia	A	CPA Australia is of the view that this is the same principle as enunciated in the IPSAS 9 definition of revenue, and anticipates that in most cases revenue will be recognized as the asset is consumed. CPA Australia would prefer to require that this general principle be applied with a note that the usual effect will be to recognize revenue as the physical assets are consumed.
3	ACA	C	
4	CGA Canada	A	Agree, provided that conditions give rise to liabilities.
7	JICPA	A	
8	ICANZ	A	There is no substantive difference between future economic benefits or service potential represented by monetary assets and those represented by non-monetary assets. To the extent that conditions on a donation of a physical asset create a liability, revenue should be recognized only to the extent that conditions are met.
10	SA ASB	C	The SA ASB is split in its view on this matter, with some members supporting the Steering Committee's view, and others opposing it. Those disagreeing do not believe that the existence of conditions should delay the recognition of revenue

	NAME	VIEW	COMMENT
			(see also the response to (j)).
11	SAICA	A	This forms a good basis for revenue recognition as it reflects the consumption of the asset by the entity. It would be inappropriate to recognize the transfer of a physical asset as revenue on receipt as it is uncertain whether the conditions attached to the physical assets are met. As the conditions are met, revenue should be recognized.
12	FAR	B	The proposals in respect of stipulations do not seem to be more consistent with an income approach than with an assets/liability approach to the recognition of revenue.
13	UK ASB	C	
15	CIPFA	B	If there is no actual requirement to return the asset if the goods or services are not provided, then there is no liability. A provision should not be recognized in respect of the future provision of goods and services as that is against the principle of not providing for ongoing activities, (which is also affirmed in the ITC on SPO, para 3.7). The question appears to pre-suppose a deferred income approach to revenue recognition which, although commonly used at present, is not consistent with the assets/liabilities approach on which the ITC is based.
16	ICAEW	A	
17	ICAS	A	ICAS agrees, however, it considers that example 9 on the transfer to a public sector university with restrictions (ITC, p. 68) is inconsistent with the SC view that revenue should be recognized as the asset is consumed. ICAS do not agree that revenue should be recognized as described in example 9. In the UK SSAP 4 would require a credit to "government grant reserve" rather than revenue.
18	AGA	A	
19	HoTARAC	A	A liability would only be recognized to the extent that the conditions satisfy the definitional and recognition requirements for a liability. A condition by itself should not automatically give rise to a liability.
20	CGBC	A	CGBC does not see a difference between a contribution of cash or of physical assets.
20A	PCM	A	PCM supports the concept of capitalizing transferred assets. Since the receiving entity has no

	NAME	VIEW	COMMENT
			net cost in such a situation, it makes sense that the assets and deferred contributions be amortized in look-step, causing no net impact on the bottom line.
21	CGNL	A	Revenue should be recognized in respect of the transfer as the physical asset is consumed. Because the great majority of government entities are non-revenue generating and 100% of funding is received from Government, revenue should be deferred to match the consumption of the asset.
21A	Ontario CPS	A	
22	TBS Canada	A	Consideration should also be given to ensuring that transactions of different from but similar substance receive similar treatment. E.g. where monetary assets are provided to an entity on the conditions that physical assets be acquired, whether specified or not in the agreement, it is generally implied that these assets are expected to be subsequently used for the purpose for which they are acquired. It would be logical to expect an entity to defer the recognition of revenues associated with such transfers, whether the continuing use of the asset was specified or not.
23	Québec Finance	A	When a beneficiary receives a transfer or a subsidy to acquire a fixed asset, the transfer or subsidy should be capitalized and amortized in respect of the asset concerned. If the entire subsidy were recognized in the first year, the government would obtain a positive result for that year. In subsequent years, the government would need to raise taxes to offset the depreciation expenses.
24	CGCR	A	CGCR considers it reasonable to recognize a liability and amortize it as the physical asset is consumed.
25	MoF –Cz	A	
26	MEFI	A	MEFI do not consider that any distinction should be made between a monetary asset and a physical asset.
26A	AG In	A	
28	AG My	A	Revenue should be recognized on consumption of the asset.
29	NZT	A	
30	CG Peru	C	

	NAME	VIEW	COMMENT
31	ESV	C	
32	Swiss Finance	A	
33	CG Thai	A	CG Thai believes the proposed approach is consistent with accounting statements issued by the IASB.
34	HM Treasury	A	
35	FRAB	C	
38	ACAG	A	ACAG is of the view that the example presented is that of a restriction and that revenue should be recognized immediately. However, ACAG assumes that the example was meant to reflect the SC View 17, in relation to assets transferred subject to conditions and ACAG agrees in principle that revenue should be recognized as the asset is consumed with a concomitant reduction in the associated liability. ACAG is of the view that before a liability is recognized, an outflow of resources must be probably and reliably measurable – in this regard the substance of the stipulation needs to be given more prominence.
39	GAD Aruba	A	
40	AG Ca	B	AG Ca argues that these transactions should be treated as “funding from owner”, that is neither an equity nor a revenue transaction, but something different. AG Ca argues that the funding should be matched to the use of the asset.
42	PA Sk	A	
43	AG NZ	A	AG NZ believes that there is no substantive difference between a transaction involving a physical asset, and if it gives rise to a liability, revenue should be recognized as the liability is discharged. However, AG NZ notes that depending on the conditions, the obligation will not necessarily reduce as the physical asset is consumed.
45	AG SA	C	
46	NAO UK	B	NAO UK states that to only recognize revenue as the asset is consumed would be to imply that there is a liability on the part of the transferee equivalent to the unconsumed element of the asset. In most circumstances, NAO UK does not believe that there will be such a present obligation for the transferee. Whilst deferring revenue recognition

	NAME	VIEW	COMMENT
			may be common practice, it is not consistent with the assets and liabilities approach proposed in the ITC.
48	AC UK	A	
49	FEE	A	
51	Erik Peters	A	
53	Teng Xianguang	B	Ms. Teng is of the view that this proposal is not consistent with the assets/liabilities approach, rather it is consistent with an income approach.
56	ICPSA	C	
5	IDW	B	IDW doubts that the recognition of revenue as the physical asset is consumed reflects the assets and liabilities approach. The question of if, and when, revenue from non-exchange transactions should be recognized only arises when no corresponding liability is to be recognized.
50	INTOSAI	A	
	MOMC	A	
	XX	B	XX disagrees stating that the transfer gives rise to a present obligation for the entity to sacrifice the asset to third parties irrespective of the consumption/depreciation of the asset. XX sees no difference between monetary and non-monetary assets in this respect.
	ACCA	A	ACCA is of the view that in most cases assets should be recognized in the balance sheet as contributions from funders when received. Fixed assets should then be depreciated in the normal way with a balancing item of revenue from the funding body being transferred from the balance sheet to the operating statement in each period.

SPECIFIC MATTER FOR COMMENT (j)

Do you agree with the Steering Committee's conclusions regarding stipulations? That is, do you agree that:

- (i) restrictions do not give rise to liabilities that should be recognized in the statement of financial position;
- (ii) conditions give rise to liabilities that should be recognized in the statement of financial position; and
- (iii) time requirements give rise to deemed liabilities that should be recognized in the statement of financial position?

Agree with all	A	26
Agree with (i) & (ii), but not (iii)	B	8
Disagree with all	C	5
No clear view expressed	D	11
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	B	<p>Agree with (i) and (ii). Restrictions should be disclosed in the notes to the GPFS. In relation to conditions that a matching contribution be obtained, a liability should only be recognized if the recognition criteria for a liability are satisfied.</p> <p>Disagree with (iii). The existence of a restriction on the time of use of a granted asset does not of itself give rise to a liability of the grantee. We do not believe that there is such an item as a "deemed" liability.</p>
2	CPA Australia	B	<p>Support (i) and (ii). CPA Australia has some concerns about the Steering Committee's conclusions in relation to time requirements. CPA Australia does not understand the term "deemed liability". CPA Australia believes that either: (a) there are sanctions such as a mandatory return of the assets, in which case a liability exists, or (b) there are no substantive sanctions and revenue should be recognized on transfer. CPA Australia appreciates that this has the potential to cause bottom line volatility, but would prefer than any volatility is not hidden by structures designed to give preparers the result that they desire rather than the result evidenced by the facts.</p>
3	ACA	D	
4	CGA Canada	A	CGA Canada agree with a slight qualification: to the extent that conditions apply and a liability is

	NAME	VIEW	COMMENT
			recognized, logic would seem to indicate that the transaction is an exchange transaction until such time as the conditions are satisfied (receivable by the donor and a liability by the recipient. In this regard, CGA Canada comments that “time requirement” is just another condition and question whether it needs separate consideration.
7	JICPA	D	JICPA believe that it is not always possible to clearly distinguish restrictions and conditions in the Japanese public sector. JICPA consider that a liability should be recognized whenever the purpose for which transferred assets may be used are specified.
8	ICANZ	C	<p>The definitions of condition and restriction do not adequately reflect the assets and liabilities approach. Both should be defined in terms of the requirement to recognize, or not, a liability.</p> <p>Time requirements do not necessarily create liabilities and are inconsistent with the assets and liabilities approach. Deeming time requirements as creating a liability may override the substance of the transfer. ICANZ recommends that time requirements not be included in the ED, a better solution is to enhance disclosures to ensure users have sufficient information to understand the nature of such revenue.</p> <p>The ITC does not discuss the extent to which conditions or restrictions affect the valuation of an asset. ICANZ recommend that the PSC consider the impact of restrictions and conditions on the value of an asset.</p>
10	SA ASB	D	<p>SA ASB is split on this issue. Board members supporting the SC view do not believe that the liability counterparty needs to be the provider of the resources.</p> <p>SA ASB members that disagree with the SC argue that a present obligation arising from the inflow of resources from a non-exchange transaction should only be recognized as a liability when the definition of a liability and the criteria for the recognition of a liability have been met.</p> <p>SA ASB is of the view that the SC view on time requirements advocates the deferral of income, which contradicts the principles in the IASB framework, and is not, therefore supported.</p>

	NAME	VIEW	COMMENT
11	SAICA	A	After some debate, SAICA agree with the SC View. Some SAICA-PSC members disagree with the time requirements stipulation arguing that it does not meet the definition and recognition criteria of a liability, they argue revenue should be recognized, with disclosure of the time restriction. SAICA recommend that the ED include the accounting treatment of resources that have time restrictions but have not been received on the due dates or time that they are required to be expended. E.g. resources may be due for use in one period, but not received until the next – SAICA are of the view that a receivable should be recognized.
12	FAR	A	
13	UK ASB	A	The SC's definitions of restrictions and conditions are consistent with those being developed for the UK ASB's interpretation of its Statement of Principles. The existence of restrictions does not in itself impact on the initial recognition of incoming resources as revenue. However the existence of conditions might indicated that the receipt of the resources should result in the recognition of a liability until the conditions have been met.
15	CIPFA	B	CIPFA agrees that restrictions do not result in liabilities. CIPFA is of the view that conditions may give rise to liabilities but only if they lead to an outflow of economic benefits: which in practice means if it is probable that conditions requiring return of the assets will be invoked. CIPFA does not agree that time requirements necessarily require an entity to recognize liabilities, as there is only a present obligation if there is a condition which requires the entity to return the asset if it is used before the specified point in time. Time requirements as defined in the ITC appear to be another form of restriction.
16	ICAEW	A	
17	ICAS	B	Agree that restrictions do not give rise to liabilities, but that conditions as defined in the ITC do. ICAS considers that time requirements may be either conditions or restrictions and the accounting treatment will depend on how time requirements are classified for each transaction.
18	AGA	A	
19	HoTARAC	A	HoTARAC agrees noting that conditions must

	NAME	VIEW	COMMENT
			satisfy the definitional and recognition requirements for a liability. The ITC is effectively proposing that time requirements be treated as prepayments, which HoTARAC supports. Ensuring that expenses and revenues are recognized in the year to which they pertain is fundamental to the concept of accrual accounting.
20	CGBC	D	The stipulations as specified in the ITC lack flexibility. Representational faithfulness requires that transactions and events be accounted for in a manner that reflects their substance rather than their legal form.
20A	PCM	A	PCM supports the proposal except where the transfer involves the acquisition/construction of a physical asset. When a recipient receives a transfer or grant to acquire a capitalizable asset, the transfer or grant should be capitalized and amortized in look-step to the related asset. PCM accepts that this may not exactly fit the accounting definition of a liability; to do otherwise creates a perverse result. Governments are measured by their current, not long-term results. If the entire grant were recognized in year 1, government would achieve a positive result for that year (revenue with no related expense) which was undeserved and inappropriate. In the future, the same government will be required to raise taxes to offset the amortization expenses. This is not sensible.
21	CGNL	A	
21A	Ontario CPS	A	
22	TBS Canada	A	This is a logical framework to use as a basis for recognition of the associated revenue. TBS Canada are concerned by the rigidity of the definition of restrictions and conditions. It could very well be an enforceable expectation that assets not used as specified in the agreement be returned without the explicit reference to such return in the agreement.
23	Québec Finance	A	Québec Finance is of the view that where subsidies are received to fund activities in several reporting periods, a time requirement should be implied and the revenue recognized over the periods the subsidy is intended to fund.
24	CGCR	A	

	NAME	VIEW	COMMENT
25	MoF –Cz	D	
26	MEFI	A	The treatment of restrictions, conditions and time requirements appears balanced. MEFI question the relevance of making a distinction between restrictions and conditions. MEFI states that the accounting treatment proposed in the ITC involves identical accounting for assets transferred without restriction and assets transferred with restrictions, which has the effect of limiting the scope of the proposed distinction.
26A	AG In	A	
28	AG My	A	Only time requirements and conditions that give rise to liabilities should be recognized in the financial statements.
29	NZT	B	NZT agree with the SC in respect of (i) and (ii), although in relations to these question whether the definitional focus on the return of assets to the contributor is too narrow. A liability may well exist as a result of other factors than an requirement to return the assets. In relation to time requirements, NZT is of the view that time restrictions in and of themselves are not sufficient to support liability recognition until the time restrictions lapse.
30	CG Peru	D	
31	ESV	C	ESV are not convinced that the distinctions are clear enough. Clear criteria should be established for the recognition of a liability. ESV are not convinced that restrictions never result in the recognition of a liability.
32	Swiss Finance	D	Swiss Finance acknowledges the conclusions made by the SC.
33	CG Thai	A	
34	HM Treasury	A	
35	FRAB	C	
38	ACAG	B	ACAG is of the view that time requirements to not create a present obligation to sacrifice future economic benefits to external parties and therefore fail to meet the criteria for a liability. ACAG is of the view that time requirements are a restriction. ACAG states that although some may see it as preferable to allow the matching of revenues and expenses by permitting the grant recipient to

	NAME	VIEW	COMMENT
			initially recognize a liability and then amortize the liability and recognize revenue as the entity incurs expenses in applying the grant funds, this is not acceptable under the current conceptual framework.
39	GAD Aruba	A	
40	AG Ca	A	AG Ca states that the proposals in the ITC reflect current requirements in North American GAAP. AG Ca is of the view, however, that the accounting treatment proposed in respect of restrictions is problematic in that such transfers are often made with the some expectation of accountability, and AG Ca encourages the PSC to reflect on this in determining its final position.
42	PA Sk	A	PA Sk agrees, however is not clear on the relationship between stipulations and eligibility requirements, and would like to see this clarified in an IPSAS.
43	AG NZ	C	AG NZ does not agree with the SC's conclusions about stipulations. AG NZ is of the view that the asset and liability approach should be adopted and that (i), (ii) and (iii) as presented in the ITC and the matter for comment, are inconsistent with that approach.
45	AG SA	C	
46	NAO UK	B	<p>NAO UK is of the view that for conditions to require the recognition of a liability there must be a significant probability that the right of return will be invoked. NAO UK consider this unlikely practice as the grantors will only usually grant assets to bodies that are either under the control of the grantor, or share its objectives.</p> <p>NAO UK is of the view that time requirements do not meet the criteria for recognition as a liability. NAO UK acknowledges that this may not seem intuitively correct on a matching basis when considering grants given in one tranche but which are intended to cover several years and which are actually employed by the recipient in that way, however it does fit better with the concepts of IAS 37 and best practice for charities accounting in the UK.</p>
48	AC UK	A	
49	FEE	B	FEE considers that time requirements may be

	NAME	VIEW	COMMENT
			either conditions or restrictions and that the accounting treatment will depend on this classification.
51	Erik Peters	A	
53	Teng Xiaguang	C	Ms. Teng is not convinced that the proposed approach is consistent with the assets/liabilities approach and is of the view that conditions do not satisfy the definition of a liability; therefore revenue should be recognized immediately upon recognition of the asset.
56	ICPSA	C	
5	IDW	C	IDW is of the view that if a condition meets the definition and recognition criteria of a liability, a liability should be recognized. Time requirements and restrictions may result in the recognition of an impairment loss, which the PSC should consider, but not a liability.
50	INTOSAI	C	One SAI commented that the effects of stipulations should be assessed without the creation of a supplemental set of criteria. Another SAI believes that the SC's conclusions are inconsistent with the assets/liabilities approach.
	MOMC	A	
	XX	A	XX recommends that disclosures about the nature of restrictions, conditions and time requirements be included in GPFS.
	ACCA	A	ACCA is of the view that, for conditions, a liability should only be recognized to the extent that resources are likely to be repaid. ACCA is of the view that in other cases conditions should be disclosed as a contingent liability unless its crystallization would solely result from decisions taken by the entity itself.

SPECIFIC MATTER FOR COMMENT (k)

Do you agree with the proposition in paragraph 4.38 that liabilities should be reduced and revenue recognized when the conditions have been satisfied? Alternatively, do you believe that entities should decrease liabilities and recognize revenue when it is probable that the conditions will be satisfied?

Recognize revenue when the conditions are satisfied	A	37
Recognize revenue when it is probable that the conditions will be satisfied.	B	3
No clear view expressed	C	10
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB believe that, where conditions are of a type that give rise to the initial recognition of liabilities, liabilities should be recognized as the conditions are satisfied (rather than necessarily when all the conditions are satisfied or when it is probable that the conditions will be satisfied). It is not until those conditions are satisfied that a liability is settled – until then a sacrifice of economic benefits is still required.
2	CPA Australia	A	CPA Australia is sympathetic to the view that a liability should not be recognized if return of the assets is not probable. However, this view ignores the obligation laid on the transferee for specific performance arising from the transfer. Therefore, CPA Australia considers that liabilities should be reduced and revenue recognized when the conditions have been satisfied.
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	
8	ICANZ	A	
10	SA ASB	C	SA ASB has a split view on the distinction between the three categories of stipulations. Despite the different views, SA ASB does agree that to the extent that a valid liability has been recognized, liabilities should be reduced and revenue recognized when the stipulations have been satisfied.
11	SAICA	A	

	NAME	VIEW	COMMENT
12	FAR	A	
13	UK ASB	A	Where the conditions are within the reporting entity's control and it is "virtually certain" that the conditions will be met, inflowing resources should be recognized as a gain. UK ASB believes this is a stricter test than the alternative proposed that revenue is recognized when it is probable that the conditions will be satisfied.
15	CIPFA	C	CIPFA is of the view that the issue here is not revenue recognition, but the existence of a liability, unless the grant is performance related. If this is the case, however, the transaction is in the nature of an exchange one and therefore outside the scope of this ITC.
16	ICAEW	A	Liabilities should be reduced and revenue recognized when compliance with the conditions for the transfer of a monetary asset are virtually certain. The contingent asset should be disclosed when compliance with the conditions, and thus an inflow of economic benefits, is probable.
17	ICAS	A	
18	AGA	A	
19	HoTARAC	B	HoTARAC believes that liabilities should be reduced and revenue recognized when it is probable that the conditions will be satisfied. Sub para 4.44(b) introduces the concept of remoteness which seems to be inconsistent with the SC view in that paragraph that an outflow of resources must be probable for a liability to be recognized. HoTARAC suggest that the ITC should clarify the relationship between "remote" and "probable".
20	CGBC	A	
20A	PCM	A	PCM supports the recognition of revenues when conditions have been satisfied – relying on probabilities creates too much room for subjectivity and manipulation.
21	CGNL	A	
21A	Ontario CPS	A	Probable conditions lead to a contingent liability which is disclosed rather than recognized.
22	TBS Canada	A	
23	Québec Finance	A	
24	CGCR	A	CGCR is not convinced that the entire amount of

	NAME	VIEW	COMMENT
			an appropriation should be recognized as revenue when the appropriation law is passed. CGCR believes that the revenue should be recognized progressively over the appropriation period.
25	MoF –Cz	A	
26	MEFI	A	MEFI takes the view that decreasing a liability when it becomes probable that the conditions will be met, depend on the definition of “probable”, and determination of when it is probable conditions will be met, e.g. it may be probable that a condition will be met, but at a considerably distant point in the future.
26A	AG In	A	There must be substance to the conditions, not merely form.
28	AG My	A	
29	NZT	A	
30	CG Peru	C	
31	ESV	C	ESV state that both propositions may be adopted because varying circumstances may permit recognition of revenue under either scenario.
32	Swiss Finance	A	Swiss Finance agrees provided that there are no other regulations stipulated in the contract (e.g. a proportional reduction over the time of utilization, which is rather common in Switzerland).
33	CG Thai	B	CG Thai believes that if the contributor only requires that the assets are used in the provision of goods and services in line with the primary objectives of the entity, then revenue should be recognized immediately.
34	HM Treasury	A	
35	FRAB	C	
38	ACAG	A	ACAG notes that other liabilities are not decreased when it is merely probable that they will be settled – actual settlement or payment is required to extinguish a liability e.g. repayment of a loan.
39	GAD Aruba	A	
40	AG Ca	A	AG Ca is of the view that the satisfaction of conditions is a question of fact; therefore, the accounting treatment should be based on the fulfillment of those conditions and not the probability of fulfillment.

	NAME	VIEW	COMMENT
42	PA Sk	A	
43	AG NZ	A	
45	AG SA	C	
46	NAO UK	C	NAO UK is not of the view that the presence of conditions will always give rise to liabilities. Deferring revenue recognition until “performance” has occurred suggest that the transaction in question is more in the nature of an exchange transaction.
48	AC UK	A	AC UK would consider it acceptable to recognize revenue when it is “virtually certain” that the conditions will be satisfied and satisfying the conditions is within the power of the reporting entity.
49	FEE	A	
51	Erik Peters	A	
53	Teng Xiaguang	C	Ms. Teng is of the view that revenue should be recognized immediately upon recognition of the asset.
56	ICPSA	C	
5	IDW	A	
50	INTOSAI	A	
	MOMC	A	
	XX	A	
	ACCA	B	

SPECIFIC MATTER FOR COMMENT (I)

Do you agree with the Steering Committee View that voluntary services should not be recognized as assets and revenue in the general purpose financial statements?

Agree	A	33
Disagree	B	11
No clear view expressed	C	6
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	B	In principle, consistent with the Steering Committee View on gifts and donations, AASB believe that voluntary services should be recognized as assets (or expenses) and revenue in the GPFS. However, the practical problems are acknowledged. On balance AASB believe that contributions of services should be recognized when, and only when, the fair value of these services can be reliably determined and the services would have been purchased if they had not been donated. Note disclosure to explain the nature of services provided free of charge and the basis of measurement of services recognized as revenue should be required. If this approach is not accepted, AASB believe that disclosures about voluntary services should be required.
2	CPA Australia	B	From a conceptual viewpoint, CPA Australia considers that voluntary resources should be recognized to enable comparability between entities that rely on voluntary services and those that do not. In practice, CPA Australia would not expect voluntary services revenue to be recognized in the GPFS as it is unlikely that they can be reliably measured. CPA Australia would expect such voluntary services to be recognized where they can be reliably measured. Where reliable measurement is not practicable, CPA Australia supports the disclosure of the nature and extent of voluntary services in the notes to the GPFS.
3	ACA	C	
4	CGA Canada	A	This is a difficult issue. If someone donates cash in lieu of providing a voluntary service with the condition that it be used to buy the service, it is recognized, but if he or she provides the same service on a voluntary basis it is not. There are

	NAME	VIEW	COMMENT
			many instances where services could not be provided in the absence of the contribution of time and effort by volunteers as they are unaffordable, particularly at lower levels of government.
7	JICPA	A	
8	ICANZ	B	ICANZ, believes that in principle all voluntary services should be recognized. However, there are practical considerations that would prevent this. As a practical guide a recipient should recognize the value of contributions of services when: a fair value can be reliably estimated, the services would normally be purchased, and the services would be paid for if not donated.
10	SA ASB	A	Disclosures should be made about voluntary services in the notes to the GPFS. The disclosure should include information on the general nature of the voluntary services and numerical information unless the entity is unable to reliably measure the value of the services. Guidance should be considered on the distinction between voluntary services and services in kind, which are normally recognized at fair value in the GPFS.
11	SAICA	A	Voluntary services do not really fit into the assets/liabilities approach, as voluntary services would be recognized as revenue and expense in the same period, this should be explained in the ED. The PSC should also consider the impact of the development assistance project to ensure that the principles being developed in both projects do not conflict, especially if there are services or goods that will need to be accounted for in terms of the scope of the development assistance project.
12	FAR	A	
13	UK ASB	A	UK ASB is concerned that if services of particular value to the recipient entity to the recipient entity are received voluntarily they would not be recognized. UK ASB recommends that the PSC consider further whether it is desirable to distinguish between services, that if not received voluntarily, would otherwise have had to be purchased and those that would not. Services that would have been purchased would usually be those which the volunteer would ordinarily carry out in the normal course of their usual profession or trade, and for which they would ordinarily charge

	NAME	VIEW	COMMENT
			a fee commensurate with the services provided.
15	CIPFA	B	CIPFA recognizes that currently it is not normal practice to recognize the contributions made by volunteers. However, it is arguable that some organizations receive such substantial voluntary services that their financial statements are misleading, especially where the entity has a legal or moral duty to provide the services, which are volunteered. Some grant applications in the EU require voluntary services to be valued. In CIPFA's view, this is an area where practice is developing and a prohibition as suggested by the SC is neither justified by the conceptual approach adopted, nor desirable in the interests of informative financial reporting.
16	ICAEW	A	
17	ICAS	A	ICAS are not convinced that voluntary services meet the definition of an asset and has doubts as to whether estimates could be reliably measured. Disclosures about voluntary services received in the financial year could be included with information published with the financial statements but not covered by 'presents fairly' or 'true and fair view' and would therefore fall outside the scope of any IPSAS.
18	AGA	A	
19	HoTARAC	B	HoTARAC does not agree with this View. Services contributed without charge should only be recognized as revenue when the fair value of those services can be reliably measured, and those services would have been purchased if not provided free of charge. Not to recognize such services risks understating revenue. Disclosure to explain the nature of services provided free of charge and the basis of measurement of services recognized, as revenue should also be made.
20	CGBC	A	
20A	PCM	A	PCM is of the view that voluntary services are not a financial reporting issue and questions the validity and use of note disclosure of this. PCM states that at most, such disclosures should be voluntary not mandatory.
21	CGNL	A	
21A	Ontario CPS	A	Many voluntary services provided to an entity are

	NAME	VIEW	COMMENT
			not of a type that an entity would acquire if they were not provided voluntarily, so recognizing revenues and expenses in relation to this situation is misleading. The GPFS should recognize as revenue and expense the fair value of those voluntary services when the entity would acquire these services if it did not receive them for free.
22	TBS Canada	A	Recognition should not be required. Note disclosure should only apply when these services are so significant that they become essential to the government's fulfillment of its mission and objectives.
23	Québec Finance	A	
24	CGCR	A	
25	MoF –Cz	A	It is better to make disclosures about voluntary services in the notes, as it is difficult to reliably estimate the value of these items.
26	MEFI	A	The entity does not control assets corresponding to these eventual revenues.
26A	AG In	B	AG In support the recognition of voluntary services as revenue and expense, because to do otherwise would not give a true and fair view of the (sometimes significant) contribution of volunteers to the financial performance of a public sector entity.
28	AG My	A	Voluntary services are difficult to reliably measure and should not be recognized in the financial statements.
29	NZT	A	NZT do not believe that voluntary services satisfy the definition of asset, although it appreciates the revenue and expense argument. NZT agree that an ED should propose disclosure of voluntary services.
30	CG Peru	C	
31	ESV	B	ESV are of the view that voluntary services should be recognized when it is certain that volunteered services are essential for the pursuit of the entity's objectives, and if they were not provided free the entity would purchase the services.
32	Swiss Finance	A	
33	CG Thai	A	
34	HM Treasury	A	

	NAME	VIEW	COMMENT
35	FRAB	C	
38	ACAG	B	ACAG prefers the view in Australian Accounting Standard AAS 29 “Financial Reporting by Government Departments”, para 10.12 – contributions of services must be recognized when and only when the fair value of those services can be reliably determined and the services would have been purchased if they had not been donated.
39	GAD Aruba	A	
40	AG Ca	A	
42	PA Sk	A	
43	AG NZ	B	AG NZ is of the view that voluntary services should be recognized when, and only when, a fair value of the services can be reliably determined, the services would normally be purchased, and the services would be paid for if not donated.
45	AG SA	C	
46	NAO UK	B	NAO UK consider that it is premature to prohibit the recognition of voluntary services, there is ongoing debate on this matter, and voluntary services may make a material contribution to the financial outcomes of an entity. It may also be important to recognize the contributions of volunteers when comparing one entity with another – this is especially true for those bodies providing services that would otherwise be likely to fall to state bodies to provide using paid labor.
48	AC UK	B	AC UK considers that voluntary services can be split between those services that are unavoidable and would otherwise have had to be procured, and those that are avoidable. Unavoidable services should be recognized in the GPFS on the basis of their value to the recipient, if this can be measured with sufficient reliability.
49	FEE	A	FEE has doubts that the provision of voluntary services meets the definition of an asset. In any case FEE has additional doubts over the reliability of measurement of voluntary services.
51	Erik Peters	A	
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	A	

	NAME	VIEW	COMMENT
50	INTOSAI	C	SAIs differ in their view about whether or not voluntary services should be recognized as assets and revenue in the GPFS.
	MOMC	A	
	XX	A	XX is of the view that voluntary services do not meet the recognition requirements of assets and should not be recognized, however XX believes that disclosures about voluntary services should be made.
	ACCA	A	

SPECIFIC MATTER FOR COMMENT (m)

Do you agree with the Steering Committee View that the PSC should develop one IPSAS on revenue that includes both exchange and non-exchange transactions within its scope?

Agree	A	36
Disagree	B	8
No clear view expressed	C	6
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	A	AASB acknowledge that in the interim two separate standards may be warranted. AASB believe that the distinction between exchange and non-exchange transactions should be abolished as soon as possible.
2	CPA Australia	A	CPA Australia considers that the needs of preparers and users of financial statements is best serviced if all revenue recognition and measurement issues are addressed in one IPSAS, rather than requiring the classification of revenue in order to determine which pronouncement should apply.
3	ACA	C	
4	CGA Canada	B	The accounting framework for non-exchange revenue transactions should be considered work in progress and may yet evolve quite significantly, whereas that for exchange transactions is, for lack of a better term “mature” with general acceptance.
7	JICPA	A	
8	ICANZ	A	ICANZ strongly supports the development of a single IPSAS that establishes principles for recognition of all revenues.
10	SA ASB	A	One IPSAS should be issued, however this can only be achieved if the principles for exchange and non-exchange revenue are aligned. The issuance of an IPSAS on non-exchange revenue should not be delayed solely in order to issue one IPSAS.
11	SAICA	B	South Africa is moving to the accrual basis of accounting from a cash basis. As there is no current guidance on accounting for revenue from non-exchange transactions, SAICA support an immediate development and issuance of an IPSAS

	NAME	VIEW	COMMENT
			dealing only with revenue from non-exchange transaction. At a later time, one IPSAS should be developed combining both exchange and non-exchange transactions, this should be developed after the IASB has revised its revenue standard.
12	FAR	A	
13	UK ASB	A	UK ASB supports the proposal to develop one IPSAS on revenue that includes both exchange and non-exchange transactions within its scope. The assets and liabilities approach to revenue recognition should lead to principles equally applicable to exchange and non-exchange transactions alike.
15	CIPFA	A	CIPFA's view is that a more useful distinction would be between taxation, grants and transfers/appropriations and that separate IPSASs on these topics would be the best way forward. If, however, it is decided to proceed on the basis of the more general exchange/non-exchange distinction, both types of transaction should be covered in a single IPSAS as it is likely to prove extremely difficult to reach a consensus as to what is and is not an exchange transaction.
16	ICAEW	A	Developing a single IPSAS on revenue is essential in order to achieve consistency and comprehensiveness.
17	ICAS	A	
18	AGA	A	
19	HoTARAC	A	
20	CGBC	A	Agree provided there continues to be a clear distinction between exchange and non-exchange transactions.
20A	PCM	C	PCM has no opinion on this matter
21	CGNL	A	
21A	Ontario CPS	A	In certain circumstances the definitions will overlap. One IPSAS will simplify the treatment of revenue recognition.
22	TBS Canada	B	Revenues from non-exchange transactions are sufficiently different from traditional commercial or exchange revenues to deserve special attention in accounting standards. There is merit in considering taxes separately from transfers.

	NAME	VIEW	COMMENT
			Separate standards help highlight this difference.
23	Québec Finance	A	
24	CGCR	B	It is preferable to have specific standards for government entities and other institutions that receive their revenue from non-exchange transactions.
25	MoF –Cz	A	In the future there should be one standard, in the interim it may be better to have two.
26	MEFI	B	MEFI consider it preferable to develop an IPSAS on revenue from non-exchange transactions, as these are the principal revenues of governments.
26A	AG In	A	AG In agree provided that development of a single standard does not delay the issuance of guidance on recognition of revenue from non-exchange transactions.
28	AG My	A	
29	NZT	A	
30	CG Peru	C	
31	ESV	C	
32	Swiss Finance	A	The majority of the Swiss Finance committee prefers one standard, although a minority prefers the two standard approach. The majority would favor issuing a separate IPSAS quickly, with a consolidated IPSAS issued when IPSAS 9 is reviewed.
33	CG Thai	B	CG Thai prefers that the PSC issue a separate statement on revenue from non-exchange transactions due to the different nature of these revenues.
34	HM Treasury	A	The approach proposed in the ITC is likely to be consistent with that taken by the IASB in its standard on exchange revenue. In order to avoid conflicts HM Treasury believes that there should be one IPSAS on both exchange and non-exchange transactions. The IPSAS should, however, focus on providing guidance and examples of particularly complex non-exchange transactions, such as taxes with long collection periods.
35	FRAB	C	
38	ACAG	A	
39	GAD Aruba	A	

	NAME	VIEW	COMMENT
40	AG Ca	A	AG Ca states that this objective is an admirable goal, but the difference between these revenue sources suggests separation as two standards is equally acceptable.
42	PA Sk	A	
43	AG NZ	A	AG NZ is strongly of the view that the PSC should develop a single IPSAS on revenue.
45	AG SA	C	
46	NAO UK	A	NAO UK acknowledges that it would be sensible to provide a single revenue IPSAS, however it would also be useful to have separate IPSASs on taxes and on grants/transfers
48	AC UK	A	AC UK is of the view that an IPSAS should make a clear distinction between exchange and non-exchange revenue, provide guidance on accounting for them, and provide guidance in relation to the more complicated non-exchange transactions.
49	FEE	A	The majority of FEE's public sector committee agree with the SC View, a minority have concerns with the definition of assets used by the PSC and the assets and liabilities approach, this view also considers that taxation is significantly different from revenue from exchange transactions and should be dealt with in a separate standard.
51	Erik Peters	A	Mr. Peters is of the view that IPSAS 9 should be incorporated into the new IPSAS, and that provisions on non-exchange revenue should not be an addendum to IPSAS 9.
53	Teng Xianguang	A	
56	ICPSA	B	ICPSA is of the view that a separate IPSAS on taxation revenue should be developed.
5	IDW	A	
50	INTOSAI	A	
	MOMC	A	
	XX	A	
	ACCA	B	ACCA is of the view that non-exchange revenue transactions have fundamentally different characteristics from exchange transactions. ACCA therefore believe that a separate IPSAS should be developed on revenue from non-exchange transactions.

SPECIFIC MATTER FOR COMMENT (n)

Do you believe that an IPSAS on revenue should require separate disclosure of revenue from exchange transactions and revenue from non-exchange transactions?

Require separate Disclosure	A	28
Do not require separate disclosure	B	14
No clear view expressed	C	8
TOTAL		50

	NAME	VIEW	COMMENT
1	AASB	B	<p>Rather than requiring a distinction between revenue from exchange and non-exchange transactions, consistent with para 35 of IAS 18, AASB believe that the amount of each significant category of revenue recognized during the period should be required to be disclosed. Accordingly, categories for a public sector entity might be: taxes, fines, etc.</p> <p>This approach would avoid having to make the distinction between exchange and non-exchange, and therefore avoids the difficulties that would be encountered in applying such a distinction.</p>
2	CPA Australia	A	<p>CPA Australia considers that revenue should be separately disclosed between exchange and non-exchange transactions and by source of revenue within each category, to the extent that each category of revenue is material. This is no more than an extension of the principle that each class of material transaction should be disclosed. CPA Australia notes that the definition of exchange transaction includes the notion that the exchange has to be with “another entity”. This could be interpreted to mean any entity, not just the transferor. Under this interpretation there will be few non-exchange transactions because some (possibly unrelated) entity will always receive value for a transaction. CPA Australia recommends that the definition of exchange transaction be amended to prevent this potential for misinterpretation.</p>
3	ACA	C	
4	CGA Canada	A	
7	JICPA	A	

	NAME	VIEW	COMMENT
8	ICANZ	B	If users have information about the nature of revenues, it is not necessary to distinguish between exchange and non-exchange transactions.
10	SA ASB	A	Until such time as a single IPSAS on exchange and non-exchange revenue is developed, disclosures of material revenue from exchange and non-exchange transactions should be required.
11	SAICA	A	Support separate disclosures, however when a single standard on exchange and non-exchange revenue has been developed, there will be no need for separate disclosures.
12	FAR	A	
13	UK ASB	A	Financial performance is made up of components that exhibit differing characteristics in terms of for example, nature, cause, function, relative continuity or recurrence, stability, risk, predictability and reliability. Information on financial performance needs to be presented in a way that focuses attention on these components and their key characteristics.
15	CIPFA	B	The distinction between exchange and non-exchange transactions is largely theoretical and not helpful to readers of financial statements. CIPFA is of the opinion that requiring separate disclosure could place a significant burden on preparers and would not necessarily provide useful information for users.
16	ICAEW	A	Agree in principle, however as set out in para 1.3 of the ITC, there are difficulties in achieving consistency in the classification of exchange and non-exchange transactions, which may lead to lack of comparability. It will be necessary to weigh this problem against the potential benefits of separate disclosure.
17	ICAS	A	Separate disclosure may be worthwhile, however, as the SC acknowledged in para 1.11, assessing whether a transaction is exchange or non-exchange is not straightforward.
18	AGA	B	AGA does not believe that an IPSAS on revenue should require separate disclosure of revenue from non-exchange transactions.
19	HoTARAC	A	

	NAME	VIEW	COMMENT
20	CGBC	A	CGBC is of the opinion that only disclosure of the different types of revenue category is necessary; it would be impractical to split out the non-exchange and exchange components of individual transactions.
20A	PCM	C	PCM has no opinion on this matter
21	CGNL	B	The cost of separate disclosure is greater than the benefit. Disclosure will not provide any additional information which would be useful to the users in understanding the GPFS.
21A	Ontario CPS	B	Ontario CPS is of the view that readers of GPFS would not be interested in knowing whether revenue arises from an exchange or non-exchange transaction.
22	TBS Canada	B	It is important for readers of governments' financial statements to understand the main types of revenues. However revenues are not referred to as exchange or non-exchange revenues. These terms are relatively new in accounting literature and are not well known and understood by financial statement users in Canada.
23	Québec Finance	B	Québec Finance is of the view that presentation should depend on the nature of the revenue, such as consumption taxes, for example, so that the government's choices regarding the means used to fund its programs are shown in the financial statements.
24	CGCR	A	
25	MoF –Cz	A	
26	MEFI	A	MEFI regard this as fundamental to the approach proposed in the ITC.
26A	AG In	A	AG In state that disclosures should be as uniform as possible between exchange and non-exchange, however there are significant differences between the two that warrant the separate disclosure of revenue from non-exchange transactions.
28	AG My	A	
29	NZT	B	Provided that classes of revenue are disclosed, NZT sees no reason to require an exchange/non-exchange split.
30	CG Peru	C	
31	ESV	C	

	NAME	VIEW	COMMENT
32	Swiss Finance	A	Swiss Finance believe that separate disclosure will be necessary.
33	CG Thai	A	
34	HM Treasury	B	HM Treasury does not believe that separate disclosure of non-exchange revenue is practical, necessary or useful to the general reader. Disclosure of the main sources of revenue recognized by the government would be useful, however HM Treasury does not believe the ITC addressed this issue.
35	FRAB	C	
38	ACAG	A	
39	GAD Aruba	A	
40	AG Ca	A	
42	PA Sk	A	
43	AG NZ	B	AG NZ believes that disclosures should focus on the nature of the revenue, not whether it is exchange or non-exchange.
45	AG SA	C	
46	NAO UK	B	NAO UK considers that the exchange/non-exchange classification is problematic and that revenue should be categorized and disclosed in an informative way linked to sources and objectives, rather than artificially designated as exchange or non-exchange.
48	AC UK	A	AC UK notes that it may be more appropriate to look at the overall disclosure requirements in relation to income reported by a public body, rather than to focus entirely on the split between exchange and non-exchange.
49	FEE	A	
51	Erik Peters	A	
53	Teng Xiaguang	A	
56	ICPSA	C	
5	IDW	B	IDW notes that the ITC in para 1.13 points out that the asset and liability approach can result in eliminating the exchange/non-exchange distinction, and consequently IDW sees no compelling reason to require separate disclosure.
50	INTOSAI	C	

	NAME	VIEW	COMMENT
	MOMC	A	
	XX	B	XX sees no reason for separate disclosure.
	ACCA	A	ACCA is of the view that separate disclosure should be required.

Additional Comments

CGA Canada

Tax Expenditures

CGA Canada believe that the issue of tax expenditures is more complex and requires greater consideration than it is afforded in the ITC. CGA Canada believes that tax expenditures are a legitimate and widely used, if contentious, form of government assistance that should be reported in the general purpose financial statements. CGA Canada suggests that the position proposed in the ITC be adopted as an interim treatment only, and that further work be undertaken with respect to accounting for tax expenditures. Development of and ED should not be delayed, but an ED should note that further work remains to be done.

Appropriations

CGA Canada is concerned as to whether appropriations are appropriate for inclusion in this context as appropriations are the legislative authority (law) which authorizes an entity to incur expenditures. Within the context of legislative authorities, “central authorities/agencies” may apply additional restrictions and controls, further circumscribing the authority granted by Parliament or even withholding that authority until particular conditions are met or events occur. Additionally, program legislation may in itself authorize expenditures.

Appropriations are not the transfer of assets as such, rather they are the granting of commitment and spending authority. It may be appropriate to engage one or more legislative counsel or others with expertise in the area of the granting of business of supply.

Institute of Chartered Accountants of New Zealand

Right to Tax

ICANZ agrees with the Steering Committee that there are difficulties in measuring the right to tax, however that difficulty is not the only reason why it should not be recognized as an asset. If the right to tax were to be recognized as an asset, consideration would also be needed on measuring the obligation of the government to spend that revenue providing future goods and services. More importantly, recognition of the right to tax and the various implications would fundamentally change the reported performance and position of a government and would potentially obscure the performance and position of a government and hinder the ability of its citizens to hold the government to account for its decisions.

Earmarked Taxes

Paragraph 3.20 of the ITC notes that earmarked taxes may require consideration as to whether a liability exists. ICANZ suggest that further explanation is required to make it clear that “earmarking” taxes in itself does not create a liability.

Accounting Standards Board – South Africa

Guidance on Approximately Equal Value

The principle of “approximately equal value” is very important in distinguishing between exchange and non-exchange transactions. The IPSAS that results from this ITC should include guidance on what “approximately equal value” means.

Taxable Event

SC View 6 in chapter 3 sets out the committee's view on the taxable event for specific taxes. SA ASB notes that there are other taxes for which the taxable event was not specified. SA ASB recommends that the list either be elaborated upon, or that it is noted that the list is not exhaustive and that the general principles are to be applied to determine what the taxable event is. Other taxes include donations tax, secondary tax on companies, capital gains tax, excise duty, stamp duty, fuel levy, air passenger tax and skills development tax.

Accrual of Tax Revenues

The ITC sets out criteria for the recognition of tax revenues. SA ASB notes that in most cases information on tax revenues will be sourced from tax returns. SA ASB recommends that guidance be included in the final IPSAS about the necessity to adjust the amount of revenue recognized in prior periods when estimates were based on incorrect information.

Cash Deposit in Bank Accounts Controlled by Recipient

SA ASB does not agree with SC View 13 that the recipient controls cash deposited into its bank account. SA ASB argue that the definition of an asset has not been met, because no future economic benefits or service potential will flow to the recipient. Where cash is deposited into the recipient's bank account, the recipient should disclose in the GPFS both the cash received and the obligation imposed on the recipient by a stipulation attached to the receipt.

IASB Improvements Project

SA ASB recommend that when the PSC develops an ED on non-exchange revenue, it considers the changes being recommended and incorporated by the IASB.

South African Institute of Chartered Accountants

SAICA recommend that the PSC consider the changes being proposed by the IASB in the IFRSs before the ED and IPSAS on "Revenue from Non-Exchange Transactions" is issued, in particular the amendments being proposed in respect of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

Accounting Standards Board – United KingdomThe Right to Tax

UK ASB agrees that the right to tax should not be recognized as an asset.

Measurement

It is unclear from the proposals in the ITC how revenue from taxation or transfers would be measured at fair value as this is generally taken to be the amount for which an asset can be exchanged in an arm's length transaction. The current value of an asset could also be determined by reference to entry value (replacement cost) and value in use (discounted present value of the cash flows expected from continuing use and sale of the asset). UK ASB believes that the most relevant measure of current value for public benefit entities is one that reflects the loss that the entity would suffer if it were deprived of the asset.

Definitions

The definition of revenue used in the ITC includes all gains and does not address the question of whether revenue should be distinguished from other gains. For example, some might take the view that gains that arise from the operating activities of the reporting entity or through the raising of taxes or through an appropriation, grant or

donation should be classified as revenue, whereas other gains, such as those arising from the sale of fixed assets, would not normally be reported as revenue.

Institute of Chartered Accountants in England and Wales

The abolition of merger accounting under IFRSs is likely to have unwelcome consequences for the public sector. Whilst acquisition accounting by public sector entities is sometimes appropriate, true mergers are far more common in the context of public sector entities than in the commercial sector. In many cases the mandatory application of acquisition accounting by public sector entities will provide information of little value to users of GPFS at considerable cost to the reporting entity. The PSC should encourage the IASB to take account of the importance for the public sector of retaining some form of merger accounting when developing its proposals under phase 2 of the international business combinations project.

Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC)

Reliable Measurement – Taxes

The Australian Government, as the major tax-collecting jurisdiction in Australia, notes that, in its experience, it is often not possible to recognize tax revenues when the underlying taxable event occurs. This is due to the difficulty of reliably measuring events of which the taxing authority is not aware until returns are received from taxpayers. While not disputing the concepts advanced in the ITC, the PSC should note that the ability to recognize tax revenues when the taxable event occurs would be severely limited.

Reliable Measurement – Transfers

HoTARAC suggests that the PSC discuss further the inherent difficulty in determining the quantum of specific services purchased and the quantum of services delivered. This is made difficult because most social objectives are delivered in response to the quantity demanded and this cannot be determined in advance. In some instances, this may mean that the inclusion of a condition in this regard is not sufficient for a liability to be recognized.

Control and Administered Assets

Additional guidance is required regarding the concept of “control” to help determine whether a conditional grant gives rise to an asset for the transferee. This is particularly an issue where a government agency is used as a “mailbox” or conduit to transfer monetary or non-monetary assets to third parties. In addition, for individual government departments, taxes, fines and fees collected on behalf of the government may be “administered” rather than controlled by the agency. To clarify this issue, it is suggested that paragraphs 2.14 – 2.15 required clarification.

Unconditional in Stages

For conditional transfers, the ITC only provides examples about the timing of revenue where conditions are met at one point of time (e.g. when a non-monetary asset is transferred to a third party). The ITC does not discuss instances where agreements become unconditional in stages. For example, some agreements are dependent on a series of conditions or milestones, rather than on a single event, and are recognized in increments as each of the conditions are met. This is an area where additional guidance should be provided.

Ministère de l'Economie, des Finances, et de l'Industrie

Treatment of Tax Expenditures

The French accounting standard on tax revenue requires the disclosure of “gross tax” revenue, which is calculated using applicable rates. From this is deducted tax expenditures and tax expenses, to show “net tax” revenue. The PSC could usefully consider this approach to tax expenditures and expenses paid through the tax system.

Relations between the European Union and its Member States

Financial relations between the EU and its member states are complex due to the multiplicity of forms involved. Determination of the substance of these transactions is sometimes difficult, and the ITC does not provide adequate assistance on this point.

In practice, the complexity stems from the method of collecting certain resources, including the contributions based on VAT and GNP which are paid in ten monthly installments with an annual adjustment. At the end of the financial year, the member state has liabilities and claims on these resources, which the EU assumes to be non-controlled, however the ITC would indicate that they are controlled.

Application of the definition of control, as set out in the ITC, does not allow a global judgment as to whether assets and liabilities arise for a member state, and consequently to revenues and expenses.

It would appear judicious to treat transactions between the member states and the EU in a homogeneous manner, and to establish common principles within a framework to be determined. The ITC should at least mention this objective for illustrative purposes.

Link with the Recognition of Social Policy Obligations

MEFI argues that the compulsory nature of both social security schemes and civil service pension schemes supports the view that transactions related to both are non-exchange transactions and that contributions should be treated as non-exchange revenue, and that benefits paid out should be treated as social policy obligations accounted for on an emerging cost basis.

National Financial Management Authority, Sweden

Additional clarification about the timing of revenue recognition is needed, especially where agreements provide for the unconditional future transfer of resources.

The GFSM framework is referred to and paragraph 1.16 notes that the ITC adopts a broader notion of transfers than GFSM 2001. ESV is of the view that there might be a practical problem for reporting entities using one information system to prepare different reports when the definitions are not consistent.

ESV agrees with the disclosure of administered items in the notes of the entity administering the resources, even where that entity does not control the resources.

Controller General of Thailand

The ED/IPSAS should provide more guidance on accounting for administered items. The ITC currently only says that if an item is not controlled it should not be recognized.

Financial Reporting Advisory Board

FRAB is of the view that implementation of accruals accounting for the recognition of revenue from non-exchange transactions may take many years and that the PSC should be cognizant of this in developing the IPSAS.

Australasian Council of Auditors-General

In respect of SC View 22, which proposes that entities recognize revenue in respect of liabilities assumed by another entity. ACAG suggests that in some circumstances, such as the restructuring of administrative arrangements, these should be accounted for as a contribution from owners (not revenue) by the transferor and a withdrawal of equity by the transferee.

ACAG is of the view that for income taxes, goods and services tax, and customs duties the recognition point should be the issue of the assessment notice, and that, for example, amount withheld by employers in respect of income tax, should be recognized as revenue in advance.

ACAG notes that in Australia, appropriations to government departments generally follow an “outputs” model, whereby departments recognize a receivable and liability at the beginning of the period, and as outputs are achieved, the liability is reduced and revenue recognized. Purchaser-provider models may allow the immediate recognition of appropriations immediately.

ACAG is of the view that in Example 7 (grant to another level of government for general purposes), the stipulation that the money be used appropriately is, in substance, a condition because the following year’s grant will be reduced if the money is not used appropriately – effectively repayment. Accordingly, ACAG is of the view that if the criteria for recognition of a liability exist, then a liability should be recognized.

Government Audit Department – Aruba

GAD Aruba would like it clarified whether or not an provision for bad and doubtful debts can be raised in respect of tax receivables.

Auditor General of Canada

The AG Ca is concerned that the distinction between exchange and non-exchange is not as clear as it could be – the ITC proposes allowing preparers considerable use of judgment, leaving open the possibility that entities could treat transactions with similar characteristics differently depending on whether they are classified as exchange or non-exchange.

AG Ca is of the view that the focus on control, as currently described in the definition of an asset, creates too much flexibility for governments in respect of their financial reporting. Specifically, states AG Ca, transactions could be structured to create an environment of control when, in fact, the substance of the transaction is quite different.

AG Ca is of the view that the PSC should require entities to disclose their policies for measuring and estimating tax revenues, and require that these be consistent from year to year. AG Ca is concerned that the flexibility proposed by the ITC may allow entities to defer recognition of taxes until cash is received – AG Ca would prefer to

have the IPSAS note that this would be the exception rather than the rule. AG Ca believes more explanation is required on the measurement of tax revenue generally.

Provincial Auditor of Saskatchewan

PA Sk believes that the PSC should look to develop IPSASs that require symmetry in respect of recognition of transfers from the point of view of both the transferor and transferee. PA Sk acknowledges that this may not be possible in all cases.

Audit Commission – United Kingdom

AC UK is of the view that more work may need to be done on “fair value”. AC UK states that the UK public sector follows UK GAAP and tends to value assets on an existing use basis, (“value to the business” or “deprival value”). Assets are typically recognized at buying prices, however there has been some increase in the use of “fair value” in UK financial reporting in recent years. AC UK would also like to draw the PSC’s attention to the recent proposals of the IVSC for the introduction of “continuing use value” (CUV as a potential new valuation basis to be applied to properties owned and occupied by an entity for its own use. AC UK consider that the IVSC proposals, which will be applied by valuers in interpreting the “fair value” requirements of IFRSs if approved, would ensure that the use of the “fair value” approach does not lead to inappropriate asset valuation across a number of types of entity, including the public sector.

Association of Chartered Certified Accountants

ACCA disagree with the Steering Committee’s view that the past event for taxation revenue is the “taxable event”. ACCA argues that there is insufficient information available to reporting entities to make any meaningful estimates of revenue when the taxable event occurs. ACCA argue that the past event should be the passing of the date on which taxes are due for payment.