

Agenda item 6: Revenue

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IPSASB Meeting
June 23-26, 2015
Toronto, Canada

Objectives

To seek agreement from the IPSASB that:

- A performance obligation approach is a reasonable basis for accounting for some revenue transactions in the public sector; and
- A performance obligation approach would not work for many of the transactions currently within the scope of IPSAS 23, and a separate standard to deal with those transactions would still be required.

Overview of Session

- The Conceptual Framework and IFRS 15
- Work of Other Standard Setters
- GFSM 2014
- Putting it Together
- Next Steps

Conceptual Framework and IFRS 15

- Conceptual Framework
 - Elements
 - Recognition and Measurement
- IFRS 15
 - 5-step model focuses on performance obligations and transfer of control of an asset
 - Broad description of benefits from an asset
 - Unit of account

The two are broadly consistent

Work of Other Standard Setters

- Canada (PSAB) – Statement of Principles (2013)
- South Africa (ASB) – Research Paper (March, 2015)
- Australia (AASB) – Exposure Draft 260 (April, 2015)

Canada (PSAB) Statement of Principles

- Performance obligations
 - distinguishing feature of exchange transactions
 - can arise from contracts and “terms of service”
- Revenue from an exchange transaction: recognize as performance obligation satisfied (IFRS 15 type approach)
- Unilateral revenues (eg fines and penalties): recognize when authority and a past event that gives rise to a claim of economic resources

South Africa (ASB) Research Paper

- Considers impact of adopting IFRS 15 (or parts of it) in South African Standards of GRAP
- Identifies some issues requiring further work if IFRS 15 were adopted
- A single revenue model would be difficult

Australia (AASB) Exposure Draft 260

- Part A: Guidance to help not-for-profit entities applying IFRS 15
 - Enforceable rights and obligations
 - Customers and contracts
 - Sufficiently specific promises
 - Identifying donations
- Part B: IPSAS 23 type standard for revenues such as taxes and donations

GFSM 2014

- No issues identified with current standards
- Monitor consistency as project progresses, especially collectability

Putting it Together

If the IPSASB wants to look at an IFRS 15 type approach for some revenues, there are issues to consider:

<ul style="list-style-type: none">• Contracts with customers	<ul style="list-style-type: none">• Funding may be uncertain
<ul style="list-style-type: none">• Binding arrangements	<ul style="list-style-type: none">• Customers
<ul style="list-style-type: none">• Collaborative arrangements	<ul style="list-style-type: none">• Commercial Substance
<ul style="list-style-type: none">• Goods and services specified in legislation and regulations	<ul style="list-style-type: none">• Multiple Period Funding Agreements
<ul style="list-style-type: none">• Enforceability	<ul style="list-style-type: none">• Collectability
<ul style="list-style-type: none">• Stand-alone selling prices and donations	

Examples

- If two revenue standards, need to decide which transactions fall within the scope of which standard
- Some “non-exchange transactions” have performance obligations

Next Steps

Need to consider:

- Is a performance obligation approach a reasonable basis for accounting for some revenue transactions in the public sector?
- Is a separate standard required to deal with revenue transactions in the public sector where a performance obligation approach would not work?

Next Steps

Need to consider:

- Do staff work on issues with the performance obligation approach for the September IPSASB meeting?
- Do staff work on how to address issues that have been identified with IPSAS 23 for the December IPSASB meeting?
- Will that be enough for the IPSASB to decide in December whether there should be a Consultation Paper?

Questions & Discussion

