

Revenue

Joanna Spencer

IPSASB Meeting

March 6 – 9, 2018

New York, USA

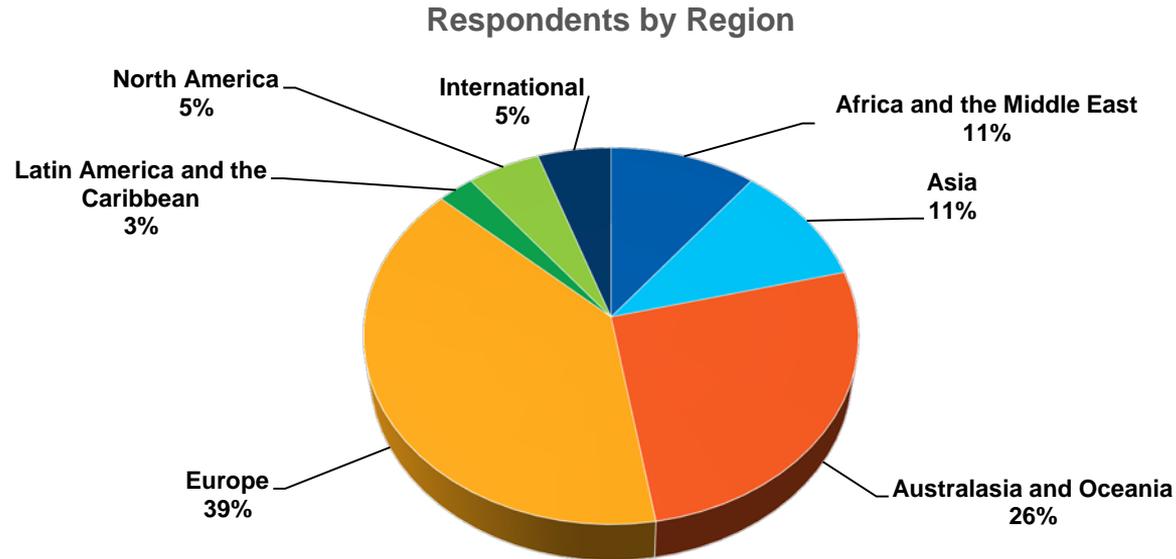
Objective of session

- Review responses to the Consultation Paper *Accounting for Revenue and Non-Exchange Expenses*
- Main decisions required:
 - Standard(s) for Category B & C transactions
 - Revised IPSAS 23 – no performance obligation approach or exchange/non-exchange

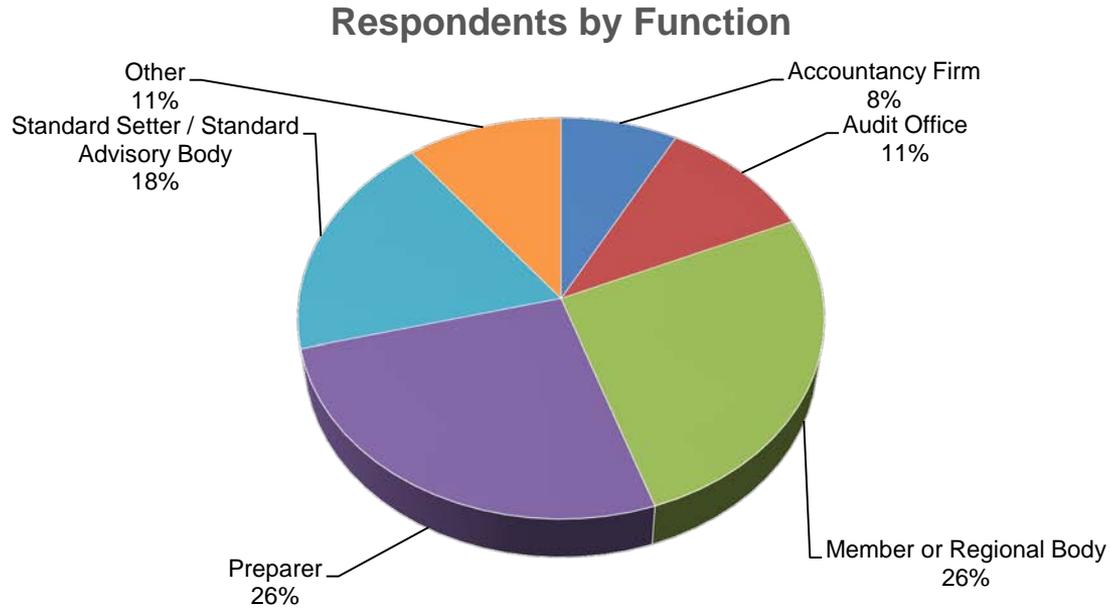
Overview

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

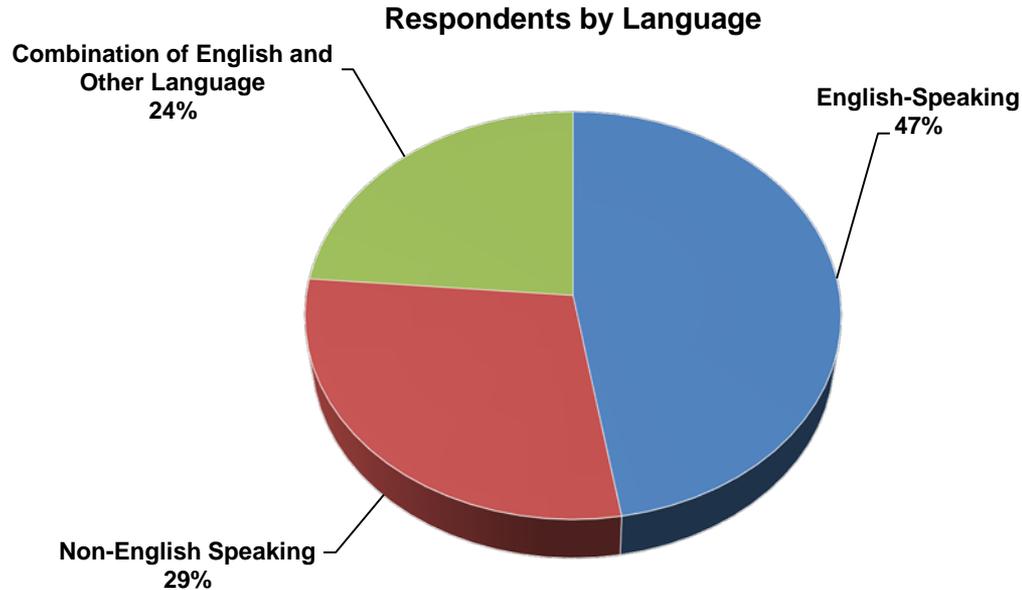
Analysis of Respondents - Region



Analysis of Respondents - Function



Analysis of Respondents - Language



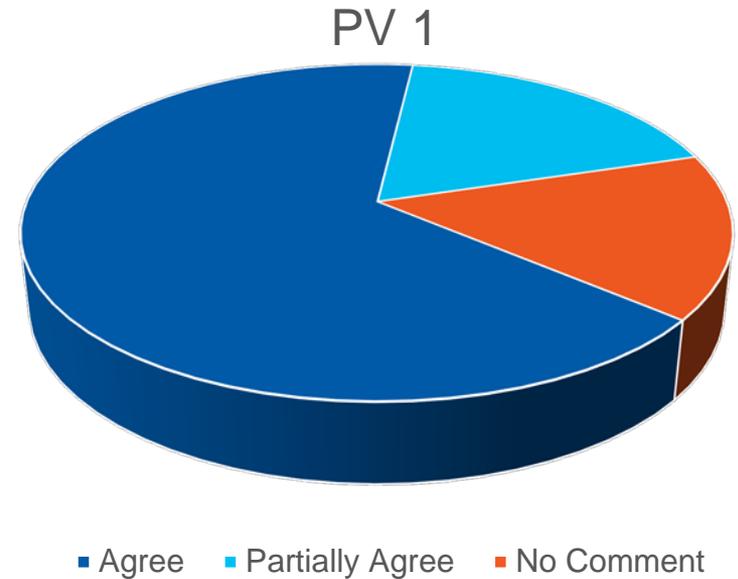
Category C and Category B Transactions

(Agenda Item 10.3.1)

PV 1 – Replace IPSAS 9 & 11 with IFRS 15 equivalent for Category C transactions

Comments:

- No responses disagreeing with proposal
- Convergence should be pursued
- Care to be taken when adapting IFRS 15 for use in the public sector



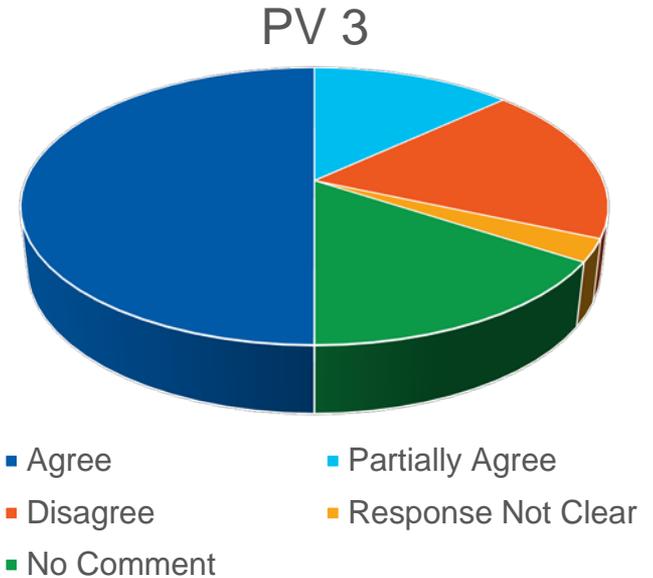
Category C and Category B Transactions cont.

(Agenda Item 10.3.1)

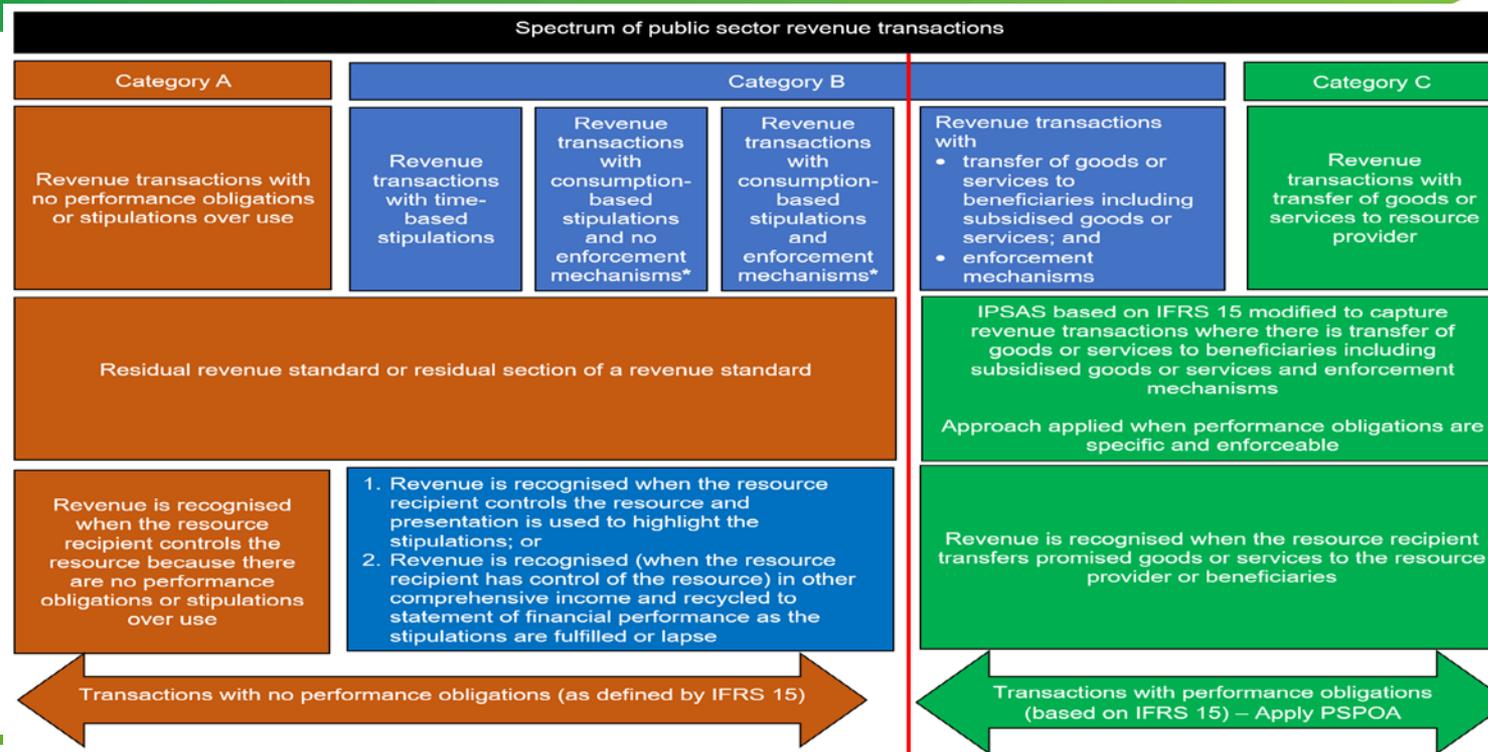
PV 3 – Use PSPOA for Category B Transactions

Comments:

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



XRB proposed model



Category C and Category B Transactions cont.

(Agenda Item 10.3.1)

Questions for the Board

- *Does the Board want staff to explore the idea of only having one standard for both Category B and C transactions?*
- *Any other comments?*

Modifying IFRS 15 five-steps

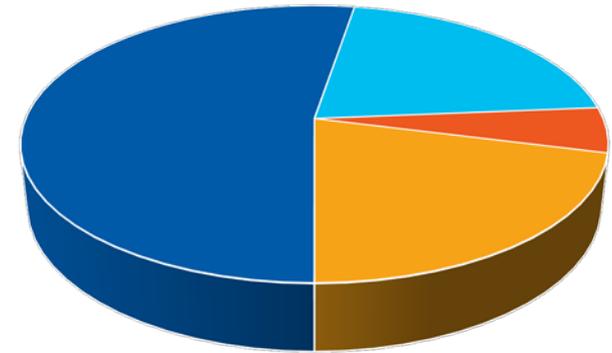
(Agenda Item 10.3.2)

SMC 2 – Proposals for Modifying the IFRS 15 for use in a PSPOA

Comments:

- Areas that will be particularly difficult include:
 - Enforceability
 - Tripartite arrangements
 - Binding arrangements
 - Performance obligations
 - Allocation of consideration

SMC 2



- Agree
- Partially Agree
- Disagree
- No Comment

Modifying IFRS 15 five-steps

(Agenda Item 10.3.2)

Questions for the Board

- *Have staff identified the main issues relating to broadening the five-steps*
- *Any other comments?*

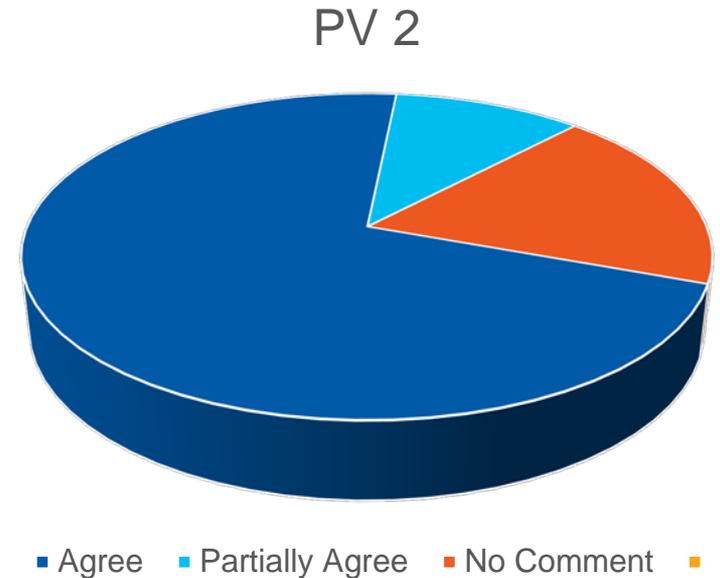
Revised IPSAS 23 – Category A Transactions

(Agenda Item 10.3.3)

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

Comments:

- No responses disagreeing with proposal
- Classify transactions on performance obligation/no performance obligation rather than exchange/non-exchange
- Scope of standards may be problematic



Revised IPSAS 23 – Category A Transactions

(Agenda Item 10.3.3)

Questions for the Board

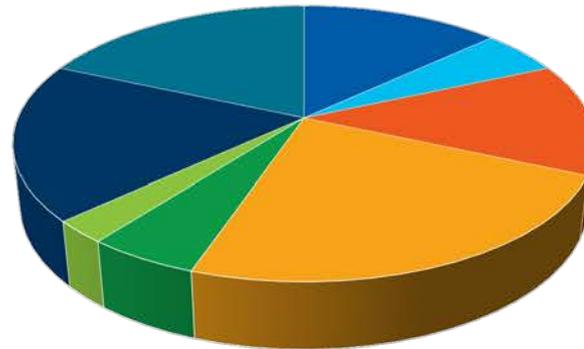
- *If the a performance obligation approach is adopted for Category B and Category C transactions should a revised IPSAS 23 retain an exchange/non-exchange distinction?*
- *Any other comments?*

Time requirements and guidance on exchange/non-exchange

(Agenda Item 10.3.4)

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

SMC 3



- Enhanced display/disclosure
- Classify as a condition
- Classify as an other obligation
- Recognize in net assets/equity and recycle
- Alternative option
- None of the options
- Response not clear
- No comment

Time requirements and guidance on exchange/non-exchange

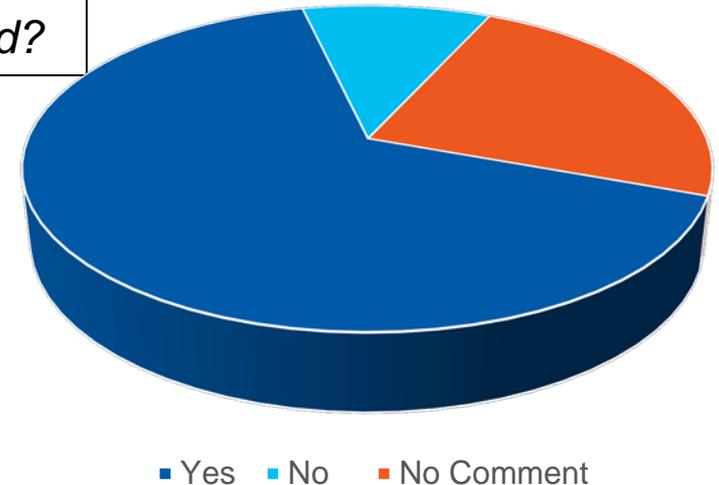
(Agenda Item 10.3.4)

SMC 4 – If an exchange/non-exchange approach is retained for Category B transactions should guidance on making this distinction be provided?

Comments:

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

SMC 4



Time requirements and guidance on exchange/non-exchange

(Agenda Item 10.3.4)

Questions for the Board

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

Capital Grants

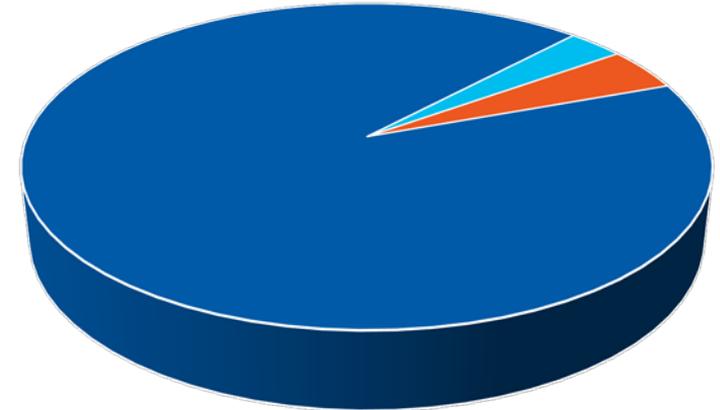
(Agenda Item 10.3.5)

PV 4 – Addressing Capital Grants within IPSAS

Comments:

- Guidance on distinction between grants required
- Capital grants have performance obligations therefore should be Category B transaction
- Refer to work of other standard setters

PV 4



■ Yes ■ No ■ No Comment

Capital Grants

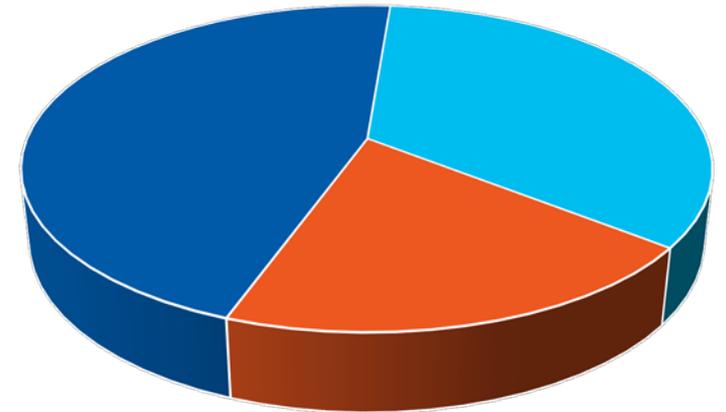
(Agenda Item 10.3.5)

SMC 5 – Have all the issues with capital grants been identified
– Proposals for accounting for capital grants

Comments:

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

SMC 5



■ Yes ■ Other issues identified ■ No Comment

Capital Grants

(Agenda Item 10.3.5)

Questions for the Board

- *Does the Board have any views on how to account for capital grants?*
- *Is there a particular accounting the Board would like staff to explore?*
- *Any comments regarding constituent comments on capital grants?*

Services in-kind

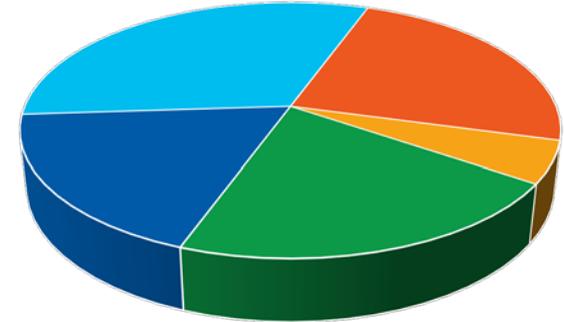
(Agenda Item 10.3.6)

SMC 6 – Options for accounting for services in-kind

Comments on alternative approaches:

- Only recognize services in-kind for traders or professionals
- Disclosure in the notes
- Record services in-kind at nominal value
- Whether or not services would have been purchased is irrelevant

SMC 6



- Retain existing requirements
- Modify requirements
- Alternative approach
- Reponse not clear

Services in-kind

(Agenda Item 10.3.6)

Questions for the Board

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