

PROJECT HISTORY

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Structure

The IPSASB reviewed a preliminary and partial draft of the joint Consultation Paper covering both revenue and non-exchange expenses. Members decided on a revised structure with five chapters:

1. **Introduction:** to discuss the 'public interest deficit' – problems in practice with IPSAS 23; no standard on non-exchange expenses; implications of IFRS 15, *Revenue from Contracts with Customers*; consistency of approaches between non-exchange revenue and non-exchange expenses.
2. **Current literature on revenue:** IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*; IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*; revenue transaction categories; consistency of approaches, convergence of IPSAS 9 and IPSAS 11 with IFRS 15,
3. **Revenue recognition:** IPSAS 23 issues; options for non-exchange revenue; extension of the performance obligation approach
4. **Non-exchange expenditure recognition:** types of transactions; potential options including enhanced IPSAS 19 approach; IPSAS 23 reverse approach, performance obligation approach,
5. **Measurement:** initial and subsequent measurement for revenue and expenses

Views of Consultative Advisory Group (CAG)

The CAG Chair reported that the CAG understood the relationships between revenue and non-exchange expenses and supported dealing with them in the same CP, whilst at the same time acknowledging that this adds to the CP's complexity.

Other Points

Other key points arising during the discussion were:

- **Chapter 1 – Introduction:** members agreed that the length of the chapter is right, but that the content needs to be considered in the light of comments on scope and with a caveat that the content would also need to be looked at in the context of any change to the CP structure.
- **Symmetry:** there was some concern over the use of the word 'symmetry' in the context of accounting treatments for revenue and non-exchange expense transactions; members agreed that 'consistency of approach' would a better term.
- **Performance obligation approach:** the CAG Chair noted that the CAG questioned why the discussion of the approach started with exchange transactions (at that time termed category A) when for many public sector entities the most significant revenue transactions in the public sector are taxes and transfers (currently category C). The Board agreed that the discussion should be re-ordered.

- **Chapter 2:** The categories of transactions should not be hard-wired into the project. The categories are simply an analytical tool.
- **Other Resources and Other Obligations:** Several members noted that users (and preparers) had strong views that the recognition of income from multi-year grants in year one, or the recognition of revenue in advance of the year to which it relates, problems with IPSAS 23 implementation and should be addressed. The analysis should take account of the public interest.
- **Statutory Receivables:** The main issues for statutory receivables are initial recognition at fair value and subsequent measurement. In determining fair value there are differences of opinion as to whether tax revenues should be recognised gross at the amount payable with a day one impairment expense to recognise amounts not expected to be collected, or whether tax revenues should be recognised net of amounts that are estimated to be uncollectible. This issue will need to be explored in the CP and consider whether guidance on impairment should be drawn from the financial instruments standards or IPSAS 26, *Impairment of Cash-Generating Assets*. One member noted that the CP will also need to consider risk disclosures and possible links with IPSAS 30, *Financial Instruments: Disclosure*.
- **Expanded IPSAS 19 approach:** Providing specific requirements and guidance on expenses (not just provisions, contingent liabilities and contingent assets) would be a significant scope expansion to an IFRS converged standard, and such an approach will need to be considered carefully.

The IPSASB instructed that an initial version of the Consultation Paper should be brought to the December 2016 meeting.