

## Agenda Item 5: Revenue

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# Project Background

Project added to IPSASB work plan in March 2015

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

CP made proposals to replace current revenue standards

39 Responses received

IPSASB commenced feedback discussions March 2018

## CP - Categorization of Transactions

Category A – transactions without any performance obligations or stipulations

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

Category C – transactions that fit within IFRS 15

# Preliminary Views

PV 1 – Category C transactions should be use an IFRS 15 based standard

- Performance Obligation Approach

PV 3 – Category B transactions should use an expanded version of IFRS 15

- Public Sector Performance Obligation Approach (PSPOA)

PV 2 – Category A transactions should use an updated IPSAS 23 approach

- Residual Standard

# Public Sector Performance Obligation Approach

## Five step approach

- Step 1 – Identify the binding arrangement
- Step 2 – Identify the performance obligations
- Step 3 – Determine the consideration
- Step 4 – Allocate the consideration
- Step 5 – Recognize revenue

## PSPOA cont.

### For

- Fewer scope debates
- Resolve issues with exchange/non-exchange

### Against

- Non-exchange transactions are unique to public sector and should be retained

## PSPOA cont.

### Exchange/Non-Exchange

- Important characteristic but – useful?

### Performance Obligation/No Performance Obligation

- Looks at substance of transaction not the form

## PSPOA - Question for the CAG

Does the CAG agree that it is  
in the Public Interest to  
proceed with a PSPOA for  
Category B transactions?



# Performance Obligations and Capital Grants

Performance Obligation is defined as:

A promise in a contract with a customer to transfer to the customer either:

- (a) A good or service (or a bundle of goods or services) that is distinct; or
- (b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

## Performance Obligations and Capital Grants cont.

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

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

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

- IAS 20, *Government Grants and Disclosure of Government Assistance*
- AASB approach – by analogy
- IFRS for SMEs – performance condition approach
- Broaden definition of performance obligation to include capital grants

## Performance Obligations – Question for the CAG

Is it in the public interest to expand the definition of performance obligation to go beyond a transfer of goods/services so that capital grants could be accounted for under a PSPOA?

# Recognition of Voluntary Services

Services in kind – Services provided by individuals to public sector entities in a non-exchange transaction

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

Identified as an application issue

## Recognition of Voluntary Services cont.

### CP put forward three options

- Retain the existing requirements
- Modify the requirements
- Alternative approaches

No clear direction from respondents

## Recognition of Voluntary Services cont.

### Key issues to consider

Cost/benefit

Usefulness of information

Significance to entity

Potential loss of information

Transparency and comparability

Difficulties in measurement

Difficulty in assessing when an entity has control

## Recognition of Voluntary Services cont.

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



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