

**Meeting:** IPSASB Consultative Advisory Group  
**Meeting Location:** Abu Dhabi, United Arab Emirates  
**Meeting Date:** December 9, 2019

# Agenda Item 7

For:  
☐ Approval  
☒ Discussion  
☒ Information

## REVENUE & TRANSFER EXPENSES – COMMUNICATIONS PLAN

<b>Project summary</b>	<p>The aim of the revenue project is to develop one or more IPSAS covering revenue transactions (exchange and non-exchange) in IPSAS. The scope of this project is to develop new standards-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9, <i>Revenue from Exchange Transactions</i>; IPSAS 11, <i>Construction Contracts</i>; and IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>.</p> <p>The aim of the transfer expenses project is to develop a standard that provides recognition and measurement requirements applicable to providers of transfer expenses, except for social benefits.</p>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Discussion Items</b>	<a href="#">Communications Plan for Revenue and Transfer Expenses</a>	<a href="#">7.1</a>
<b>Other supporting items</b>	<a href="#">Appendix A: IPSASB Due Process Checklist</a>	<a href="#">7.2</a>

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### Communications Plan for Revenue and Transfer Expenses

#### Background

1. In August of 2014, the IPSASB issued Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, in August of 2017 to seek out constituents' views on alignment with IFRS 15, *Revenue from Contracts with Customers*.
2. The CP gave the IPSASB the opportunity to re-evaluate the guidance for non-exchange revenue transactions and whether to retain the exchange/non-exchange classification of revenue in IPSAS 23 or classify revenue transactions based on whether the arrangement contained performance obligations, as defined in IFRS 15.<sup>1</sup>
3. Based on feedback from the CP and subsequent Board discussions, the IPSASB decided the following:
  - (a) Develop an IPSAS, primarily drawn from IFRS 15, to address revenue transactions with performance obligations. Based on the IPSASB's decision, the Staff developed Exposure Draft 70, *Revenue with Performance Obligations* (ED 70), to supersede IPSAS 9 and IPSAS 11.
  - (b) Develop an IPSAS to address revenue transactions without performance obligations. Based on the IPSASB's decision, the Staff developed Exposure Draft 71, *Revenue without Performance Obligations* (ED 71), to replace IPSAS 23.
  - (c) Develop an IPSAS to address expenses arising from grants, contributions and other transfers using a performance obligation approach which mirrors the revenue recognition model in ED 70. Based on the IPSASB's decision, the Staff developed Exposure Draft 72, *Transfer Expenses* (ED 72).
4. ED 70, ED 71, and ED 72 are anticipated to be approved by the IPSASB at their December 2019 meeting. This paper sets out the Staff's communication strategy to enhance stakeholders understanding of the three exposure drafts and the relationship between them.

#### **Issue: Is the Staff's Proposed Communications Plan for Revenue and Transfer Expenses Appropriate and Sufficient to Educate Constituents on the Suite of EDs?**

5. The Staff noted the objectives of the communications accompanying the release of an ED should be as follows:
  - (a) Inform constituents of the release of the ED;
  - (b) Educate constituents in a meaningful way that facilitates their understanding of the requirements of the draft standards; and
  - (c) Solicit constituents' feedback on the proposals within the ED.
6. Given the interconnectivity of the documents being released, the Staff concluded it is important to educate constituents, more than normal, on the requirements of the documents. This education is

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<sup>1</sup> A performance obligation is defined in IFRS 15 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.

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key in order to obtain high quality feedback on the proposals developed. Furthermore, given that the three EDs cover the majority of transactions in the public sector, the guidance on these transactions, and constituents' understanding of this guidance, is of significant importance in getting meaningful feedback on the development and application of the standards.

7. To achieve this objective, the Staff proposes issuing the following materials to support the suite of EDs:

- (a) One press release, announcing the release of ED 70, ED 71, and ED 72:

This press release will notify constituents of the release of the EDs and request constituents to provide their comments on the proposals. The Staff was advised by IFAC's Communications group that issuing a single news release would be consistent with best practices, as it limits communication overload and provides constituents with a single source of information on what was issued;

- (b) Three separate "At a Glance" documents for ED 70, ED 71, and ED 72:

These documents will highlight the objectives of the EDs, the IPSASB's view on the main issues addressed by the EDs, as well as the significant proposals contained in the draft standards. Unlike the press releases, the "At a Glance" documents will provide details on the key requirements and related application guidance in each ED. Therefore, it will be important for ED 70 and ED 71 to each have their own document to provide a summary of the key technical proposals to constituents. The Staff also proposes that each of the ED 70 and ED 71 "At a Glance" documents should contain a section on the key differences between the two draft revenue standards, as well as a summary of how to classify revenue transactions between those with and without performance obligations. As ED 72 deals with expenses, it will have its own "At a Glance" document;

- (c) Four Webcasts: One regarding revenue with performance obligations (ED 70), another on revenue without performance obligations (ED 71), a third on transfer expenses (ED 72), and a fourth webcast specifically on scoping and the interaction between ED 70, ED 71, and ED 72:

In the Staff's view, it will be important for each ED to have its own separate webcast, as these webcasts will include a brief summary of each project to date, as well as detailed technical information on the key proposed requirements and application guidance in each ED. In addition, because the determination of whether a revenue transaction contains performance obligations drives which standard to apply, the Staff proposes to have a separate fourth webcast which explains the scope of the EDs in plain English and walks through the determination of whether a revenue transaction falls within the scope of ED 70 or ED 71. This fourth webcast will also go over the interaction between the revenue exposure drafts and ED 72, as it will be important for constituents to understand both sides of any transactions between different levels of government. The Staff noted that the presentation materials in the above webcasts can also be provided to IPSASB members to assist with any of their outreach activities.

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- (d) Comparison documents: A number of documents can be prepared to support constituents understanding of the principles. The Staff propose developing:

- (i) A document comparing ED 70 and IFRS 15; and
- (ii) A document comparing ED 71 and IPSAS 23.

These two documents have the ability to focus constituents on what is new in the EDs and provide constituents comfort where they are familiar with existing guidance (IFRS 15 or IPSAS 23).

8. The Staff also considered the use of roundtables or field tests, as discussed in the IPSASB's Due Process and Working Procedures, Effective June 2016<sup>2</sup>. However, the Staff noted the following potential issues with these outreach and communication activities:

- (a) **Roundtables.** Compared to written comments, roundtables typically result in higher quality feedback, as any questions raised by constituents during the discussions can be addressed by the IPSASB or Staff on a real-time basis. However, as an international standards setter, the IPSASB's constituents are situated all over the world. Compared to soliciting feedback on the EDs through written responses from constituents, the use of roundtables would be significantly more costly for all parties involved regardless of the locations selected.

Roundtable discussions also typically require significant planning to maximize the likelihood of success. Due to timing constraints, it may not be possible to appropriately plan roundtables prior to the end of the EDs' comment period (expected to be August or September of 2020), given the constituents' need to make available the necessary monetary and human resources. Furthermore, if open invitations were to be published via social media and spaces were granted on a first-come-first-serve basis, there may be difficulties in accommodating all constituents who wish to attend, and the use of any selection criteria may be seen as arbitrary and open to criticism. Hosting multiple regional roundtables will alleviate these space constraints but will lead to a significant increase in costs;

- (b) **Virtual roundtables.** Virtual roundtables would alleviate the cost, space and timing constraints noted above. However, as the face-to-face interactions at an in-person roundtable is a key driver of discussions, a virtual roundtable will not be as effective;
- (c) **Field tests.** Field tests consist of a detailed examination conducted by the Staff with input from selected constituents and focus on issues arising from the selected constituents' application of the EDs. Field tests are expected to provide information of sufficient detail to be useful at this stage of the standard development process. However, the Staff noted that the potential issues of costs and selection of participants will continue to be problematic when using field tests.

9. Based on the potential issues noted above, the Staff is proposing to not undertake the activities outlined in paragraph 8 and to limit the communication activities to the following:

- (a) One press release;
- (b) Three "At a Glance" documents;

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<sup>2</sup> <https://www.ifac.org/system/files/uploads/IPSASB/IPSASB-Due-Process-and-Working-Procedures-June-2016.pdf>

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- (c) Four Webcasts—materials will also be shared with IPSASB members for any ad hoc outreach activities; and
- (d) Two comparison documents.

**CAG Question:**

**What additional information, if any, do CAG members think should be developed and included with the communication to constituents upon the issuance of the exposure drafts?**

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### Appendix A: IPSASB Due Process Checklist (condensed to included portions relevant to the CAG)

**Project:** Revenue and Non-exchange Expenses

#	Due Process Requirement	Yes/No	Comments
<b>A. Project Brief</b>			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the project brief at its March 2015 meeting (see <a href="#">Agenda Item 10</a> ).
A2.	The IPSASB has approved the project in a public meeting.	Yes	See the minutes of the <a href="#">March 2015 IPSASB meeting (section 10)</a> .
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	This step was not in effect for this project at this time.
<b>B. Development of Proposed International Standard</b>			
B1.	The IPSASB has considered whether to issue a consultation paper, or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB issued Consultation Paper, <a href="#">Accounting for Revenue and Non-Exchange Expenses</a> in August 2017.
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	N/A	Yes, the IPSASB received feedback on responses to the consultation paper at the March 2018 meeting.
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	Yes	The IPSASB CAG was consulted in June 2018 and June 2019 on significant issues during the development of the ED. See: <ul style="list-style-type: none"> <li>- June 2018 <a href="#">Agenda Item 5</a>; and</li> <li>- June 2019 <a href="#">Agenda Item 5</a>.</li> </ul>

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#	Due Process Requirement	Yes/No	Comments
			This Agenda Item further seeks CAG's views on significant issues to be addressed in the development of the exposure draft.
<b><i>D. Consideration of Respondents' Comments on an Exposure Draft</i></b>			
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	N/A	
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB CAG the results of the IPSASB's deliberations on those comments received from the CAG.	N/A	