IPSASB International Public Sector Accounting Standards Board

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PROJECT HISTORY

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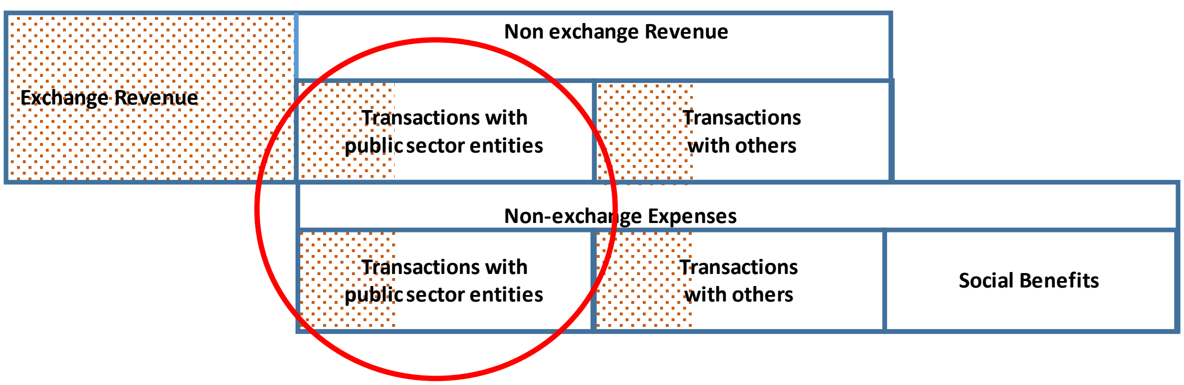
The IPSASB considered a joint paper on the intersection of the projects on revenue and non-exchange expenses. The main area where the projects will intersect is where one public sector entity provides resources to another public sector entity in a non-exchange transaction. This is where the non-exchange expense of one public sector entity becomes the non-exchange revenue of another public sector entity.

Diagram 1 shows the intersection of the two projects. The IPSASB agreed to include social contributions as being the other side of social benefits and acknowledged that there are exchange expenses but they are not within the scope of the projects.

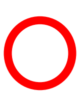
Diagram 1 The Intersection of the Projects



Key to diagram

Groups of transactions. Classifying transactions as exchange or non-exchange can be difficult in practice.

Transactions with some form of performance obligation



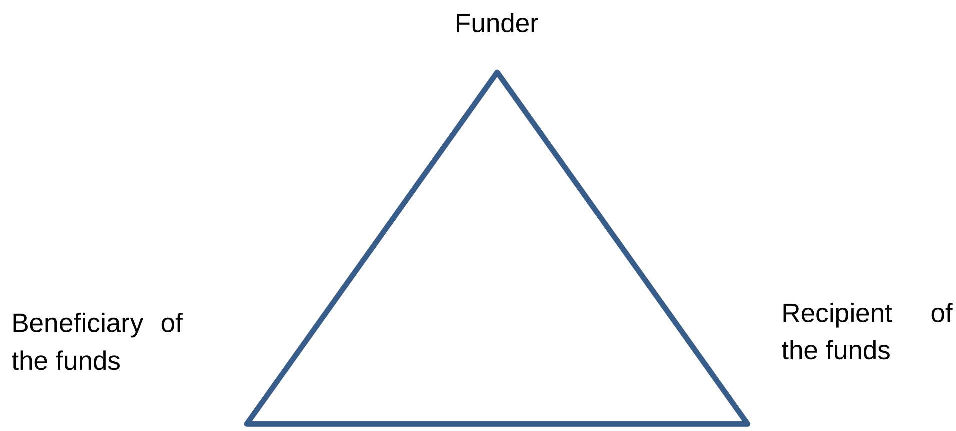
Area where the revenue project and the non-exchange expenses project intersect

The IPSASB discussed the examples in the Issues Paper where there is an intersection between the two projects and raised a number of matters for further consideration.

The IPSASB agreed to explore other factors that affect recognition of non-exchange transactions, such as timing restrictions and appropriation.

The IPSASB considered an Issues Paper about the requirements for revenue from non-exchange transactions. The Issues Paper looked at the main issues that have been raised on non-exchange revenue (being exchange vs non-exchange, interaction between IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* and other standards, services in kind, and capital grants).

The IPSASB agreed a performance obligation approach should be explored, using the definition in IFRS 15, *Revenue from Contracts with Customers* as the starting point with appropriate modifications for the public sector. In the public sector, the person receiving the benefit is not always the same as the person receiving the funds. There is often a three way relationship between funder, recipient of the funds and the beneficiary of the funds.



The IPSASB agreed that the performance obligation approach and IPSAS 23 approach should be applied to examples of transactions, so that each approach could be compared and contrasted. The focus needs to be on the substance of the transactions, the practical challenges and the extent of judgement involved. The resulting analysis should include the benefits of each approach and whether the outcomes under each approach are appropriate.

The IPSASB agreed that services in kind should be re-examined taking into account the IPSASB's Conceptual Framework. There may be circumstances where services in kind should be recognised, such as where there is control of those services and they can be measured reliably. An alternative to recognition in the financial statements is disclosure, or reporting services in kind as part of service performance.

The IPSASB agreed that capital grants should be re-examined under the performance obligation approach. This included considering presentation and disclosure to help address some of the issues. It is about how best to tell the performance story of the entity receiving the capital grant. The IPSASB only wanted "other resources" and "other obligations" to be considered as a last resort.

The IPSASB discussed tax revenue issues and agreed they should be considered in the revenue project. This included whether or not to define tax. The IPSASB also noted that recognition and measurement of tax revenue is an issue. The taxable event is often considered to be the point at which tax revenue should be recognised. However, the tax return and tax assessment often occurs the year following the taxable event. Therefore to recognise tax revenue when the taxable event occurs, requires an estimation, which can have a high error margin. Further, there is an issue around whether to initially recognise tax revenue at face value or fair value.

The revenue project overlaps with the non-exchange expenses project and interacts with existing IPSASB literature. The IPSASB will need to decide which project will deal with certain transactions, such as transfers.

The IPSASB received an update on the outreach to date for the revenue and non-exchange expenses projects. The outreach included preparers and users of public sector accrual financial statements. The main purpose of the outreach was to identify issues that should be considered in the respective projects and to seek feedback on users information needs.

The IPSASB noted that further work would need to be carried out on the alignment of revenue with Government Finance Statistics.