

January 15, 2018

John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, ON M5V 3H2 Canada


**Re: The comments on the Consultation Paper,  
Accounting for Revenue and Non-exchange Expenses**

Dear Mr. Stanford,

The Government Accounting and Finance Statistics Center (GAFSC) at the Korea Institute of Public Finance (KIPF) welcomes an opportunity to respond to the Consultation Paper *Accounting for Revenue and Non-exchange Expenses* issued by the International Public Sector Accounting Standards Board (IPSASB).

Please feel free to contact us if you have any questions regarding our comments set out in the following pages. You may direct your inquiries to the technical staff of GAFSC, Stella Sunjae Kim ([sjkim@kipf.re.kr](mailto:sjkim@kipf.re.kr)).

Faithfully,

  
Do-Jin Jung

Executive Director  
GAFSC, KIPF

**Preliminary View 1 (following paragraph 3.8)**

The IPSASB considers that it is appropriate to replace IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 11, *Construction Contracts* with an IPSAS primarily based on IFRS 15, *Revenue from Contracts with Customers*. Such an IPSAS will address Category C transactions that:

- (a) Involve the delivery of promised goods or services to customers as defined in IFRS 15; and
- (b) Arise from a contract (or equivalent binding arrangement) with a customer which establishes performance obligations.

Do you agree with the IPSASB's Preliminary View 1? If not, please give your reasons.

[Our comments] [We agree to the IPSASB's view point.](#)

**Preliminary View 2 (following paragraph 3.9)**

Because Category A revenue transactions do not contain any performance obligations or stipulations, the IPSASB considers that these transactions will need to be addressed in an updated IPSAS 23.

Do you agree with the IPSASB's Preliminary View 2? If not, please give your reasons.

[Our comments] [We agree to the IPSASB's view.](#)

**Specific Matter for Comment 1 (following paragraph 3.10)**

Please provide details of the issues that you have encountered in applying IPSAS 23, together with an indication of the additional guidance you believe is needed in an updated IPSAS 23 for:

- (a) Social contributions; and/or
- (b) Taxes with long collections periods.

IF you believe that there are further areas where the IPSASB should consider providing additional guidance in an updated IPSAS 23, please identify these and provide details of the issues that you have encountered, together with an indication of the additional guidance you believe is needed.

[Our comments] [No comments at this point.](#)

**Preliminary View 3 (following paragraph 4.64)**

The IPSASB considers that Category B transactions should be accounted for using the Public Sector

Performance Obligation Approach.

Do you agree with the IPSASB's Preliminary View 3? If not, please give your reasons.

[Our comments] We agree to IPSASB's view. We believe that the PSPOA is a good method by which relevance and reliability of public sector financial information can be improved. However, because it may be very difficult for preparers to identify binding arrangements and performance obligations effectively, the IPSASB may need to come up with an alternative approach in such cases.

### **Specific Matter for Comment 2 (following paragraph 4.64)**

The IPSASB has proposed broadening the requirements in the IFRS 15 five-step approach to facilitate applying a performance obligation approach to Category B transactions for the public sector. These five steps are as follows:

Step 1 – Identify the binding arrangement (paragraph 4.29 – 4.35)

Step 2 – Identify the performance obligation (paragraph 4.36 – 4.46)

Step 3 – Determine the consideration (paragraph 4.47 – 4.50)

Step 4 – Allocate the consideration (paragraph 4.51 – 4.54)

Step 5 – Recognize revenue (paragraph 4.55 – 4.58)

Do you agree with the proposals on how each of the IFRS 15 five-steps could be broadened?

If not, please explain your reasons.

[Our comments] We agree to IPSASB's view.

### **Specific Matter for Comment 3 (following paragraph 4.64)**

If the IPSASB were to implement Approach 1 and update IPSAS 23 for Category B transactions, which option do you favor for modifying IPSAS 23 for transactions with time requirements (but no other stipulations):

- (a) Option (b) – Require enhanced display/disclosure;
- (b) Option (c) – Classify time requirements as a condition;
- (c) Option (d) – Classify transfers with time requirements as other obligations; or
- (d) Option (e) – Recognize transfers with time requirements in net assets/equity and recycle through the statement of financial performance.

Please explain your reasons.

[Our comments] No comments at this point.

**Specific Matter for Comment 4 (following paragraph 4.64)**

Do you consider that the option that you have identified in SMC 3 should be used in combination with Approach 1 Option (a) – Provide additional guidance on making the exchange/non-exchange distinction?

- (a) Yes
- (b) No

Please explain your reasons.

[Our comments] No comments at this point.

**Preliminary View 4 (following paragraph 5.5)**

The IPSASB considers that accounting for capital grants should be explicitly addressed within IPSAS. Do you agree with the IPSASB's Preliminary View 4? If not please give your reasons.

[Our comments] No comments at this point.

**Specific Matter for Comment 5 (following paragraph 5.5)**

- (a) Has the IPSASB identified the main issues with capital grants? If you think that there are other issues with capital grants, please identify them.
- (b) Do you have any proposals for accounting for capital grants that the IPSASB should consider? Please explain your issues and proposals.

[Our comments] No comments at this point.

**Specific Matter for Comment 6 (following paragraph 5.9)**

Do you consider that the IPSASB should:

- (a) Retain the existing requirements for services in-kind, which permit, but do not require recognition of services in-kinds; or
- (b) Modify requirements to require services in-kinds that meet the definition of an asset to be recognized in the financial statements provided that they can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information; or
- (c) An alternative approach.

Please explain your reasons. If you favor an alternative approach please identify that approach and explain it.

[Our comments] No comments at this point.

**Preliminary View 5 (following paragraph 6.37)**

The IPSASB is of the view that non-exchange transactions related to universally accessible services and collective services impose no performance obligations on the resource recipient. These non-exchange transactions should therefore be accounted for under The Extended Obligating Event Approach.

Do you agree with the IPSASB's Preliminary View 5? If not, please give your reasons.

[Our comments] We agree to the IPSASB's view.

**Preliminary View 6 (following paragraph 6.39)**

The IPSASB is of the view that, because there is no obligating event related to non-exchange transactions for universally accessible services and collective services, resources applied for these types of non-exchange transactions should be expensed as services are delivered.

Do you agree with the IPSASB's Preliminary View 6? If not, please give your reasons.

[Our comments] We agree to the IPSASB's view.

**Preliminary View 7 (following paragraph 6.42)**

The IPSASB is of the view that where grants, contributions and other transfers contain either performance obligations or stipulations they should be accounted for using the PSPOA which is the counterpart to the IPSASB's preferred approach for revenue.

Do you agree with the IPSASB's Preliminary View 7? If not, please give your reasons.

[Our comments] We agree to the IPSASB's view. Since the PSPOA is applicable for Category B revenue transactions, we view that it is appropriate to apply the PSPOA for non-exchange expenses with performance obligations. A platform needs to be provided for the exchange of information between resource providers and resource recipients about the results of obligations performed.

**Preliminary View 8 (following paragraph 7.18)**

The Board considers that at initial recognition, non-contractual receivables should be measured at face value (legislated amount) of the transaction(s) with any amount expected to be uncollectible identified as an impairment.

Do you agree with the IPSASB's Preliminary View 8? If not, please give your reasons.

[Our comments] No comments at this point.

**Preliminary View 9 (following paragraph 7.34)**

The IPSASB considers that subsequent measurement of non-contractual receivables should use the fair value approach.

Do you agree with the IPSASB's Preliminary View 9? If not, please give your reasons.

[Our comments] No comments at this point.

**Specific Matter for Comment 7 (following paragraph 7.46)**

For subsequent measurement of non-contractual payables do you support:

- (a) Cost of Fulfillment Approach;
- (b) Amortized Cost Approach;
- (c) Hybrid Approach; or
- (d) IPSAS 19 requirements?

Please explain your reasons.

[Our comments] No comments at this point.