



FINANCIAL REPORTING COUNCIL OF NIGERIA
Federal Ministry of Industry, Trade and Investment

October 26, 2020

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Program & Technical Director
International Public Sector Accounting Standards Board
227 Wellington Street
West Toronto, ON M5V 3H2
Canada

Dear Sir/Madam,

**COMMENTS ON INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS BOARD (IPSASB) EXPOSURE DRAFT (ED) 70 - REVENUE WITH
PERFORMANCE OBLIGATION**

The Financial Reporting Council of Nigeria (FRC) hereby avails its input alongside its constituents in Nigeria on the IPSASB Exposure Draft ED/70 - *Revenue with Performance Obligations*.

In view of the responses received from the constituents in Nigeria, the Council wishes to comment on the exposure draft ED/70 as hereunder:

(1) Specific Matters for Comment 1: The definition of binding arrangement.

We agree that the scope of ED 70 is clear.

(2) Specific Matters for Comment 2: The IPSASB's conclusion that the scopes of ED 70, ED 71, and ED 72 are sufficiently clear, and that the inclusion of the definitions of "Transfer Revenue with Performance Obligations" or "Transfer Revenue" was not necessary to clarify the relationship between the three EDs.

We have a major concern here. The following was stated in Basis for Conclusions (BC) 20 of the ED under review:



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“(a) The IPSASB considered defining Transfer Revenue as a transaction, other than taxes, in which an entity receives a good, service, or other asset from another entity without directly providing any good, service, or other asset in return; and

(b) The IPSASB also considered defining Transfer Revenue with Performance Obligations as revenue earned from the provision of goods or services to third-party beneficiaries.”

Forasmuch as IPSASB acknowledged the accuracy of the proposed definitions (stated above) and the conceptual soundness of the same to highlight the mirroring relationship between transfer revenue and transfer expenses, the reasons stated in BC 22 for omitting these definitions are, in our view, not strong enough to justify the exclusion. The following points are to clarify this view:

- i. ED 70 and ED 71 are extantly different, even though they are closely related and both dovetail into ED 72. Also, each ED is expected to result into a different and distinguishable standard. Thus, defining the revenue that pertains to each in the ED (and consequently the standard) will serve to avoid ambiguity.
- ii. The revenue in (a) and (b) above are clearly not the same despite the fact that their recognition and measurement would have been the same within their respective standards.
- iii. Sequel to ii. above, having to seek and then refer to paragraph AG139 for interpretation/clarification when in doubt seems to add more complexity than that which is sought to be avoided by the omission.
- iv. It should be considered that defining such revenue will help to achieve the need for understanding of the underlying concepts in the accounting framework. Students and other professionals will appreciate this.
- v. Stating each definition, may help address, to an extent, misinterpretation and ambiguity by preparers and users of the financial statements. This will aid, in some measure, the



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- narrowing of the expectations gap in terms of differences in interpretation. It should also aid the satisfaction as regards disclosures and audit evidence.
- vi. Finally, defining each as appropriate will be in the spirit of BC 23 where appropriate words were recognized and included (e.g. “sell” or “sold” were replaced with the terms “provide” and “provided”) and alignment of ED 70 with those in IFRS 15 where no item is removed.

(3) Specific Matters for Comment 3: The proposed application guidance on the accounting for transactions with components relating to both revenue with performance obligations and revenue without performance obligations.

We view the application guidelines for ED 70 as set out in AG 69 and AG 70 as clear enough to define the Transactions with Components within the scope of the draft.

(4) Specific Matters for Comment 5: The proposed disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions.

We view as very appropriate the decision to add the disclosure requirement in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into as justified in paragraphs BC38–BC47.

Accounting is a veritable tool of development. Particularly in the public sector in Nigeria, matters are classed/divided into exclusive, concurrent, and residual lists among the various tiers of government and the performance of each will depend on which tier of government has responsibility for it going by the constitution. Having this disclosure as regards such transactions will assist in ensuring transparency and accountability in the rendition of the financial statements and the understanding and interpretation of same. In the same vein, consolidation of public accounts will be enhanced.



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If you require any further information or clarification, do not hesitate to contact the Head,
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Yours faithfully,

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