

NOVEMBER 9, 2020

EXPOSURE DRAFT 70, 71 & 72:
REVENUE & TRANSFER EXPENSE SUITE
OF STANDARDS
CONSULTATION RESPONSE



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Manj has over 25 years' experience working in public sector, focusing on implementation of accrual accounting across UK central Govt departments and the Whole of Government Accounts consolidation. She has advised several jurisdictions on implementing accrual accounting.

Manj has particular interest in supporting governments to address the practicalities of implementing IPSASs.



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Dear IPSASB secretariat

Exposure draft 70, 71 & 72: Revenue & Transfer Expense suite of standards

I am delighted to share my comments on the proposed Exposure Drafts on the revenue and transfer expense suite consultations:

- ED 70: Revenue with performance obligations,
- ED 71: Revenue without performance obligations and
- ED 72: Transfer expenses

In general, there are three specific comments in respect of these EDs:

Alignment with IFRS

The proposed standards help meet IPSASB's aims per the IPSASB strategy and workplan 2019-2023 to maintain alignment with new IFRS 15 and other pronouncements. This is extremely helpful especially where the wider public sector may include state owned enterprises or public interest entities that are required to follow IFRS. Greater alignment helps reduce reconciliation issues between IFRS and IPSAS on consolidation at a whole of government level.

Definitions

The EDs are so intertwined that it may be helpful to the reader to include all the definitions in all the proposed standards. This approach would negate the need to refer between the proposed standards.

The concept of performance obligation provides more clarity than IPSAS 23 in respect of transfers, stipulations, conditions, and restrictions which proved to be quite a challenge to interpret and implement. However, I note that the ED does not provide a definition of a present obligation which I think is an omission. In part I have sympathy as drafting a standard that will cater for every type of scenario is extremely difficult if not impossible to develop a universally applicable definition. In this case



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detailed implementation guidance will be helpful to try and provide clarity to the preparer of the financial statements.

Webinars and consultation materials

The suite of exposure drafts are accompanied with comprehensive engaging material in particular the webinars are a great way to make the material more accessible to a wider audience. The IPSASB staff are to be commended for this.

Detailed responses to the specific matters for comment are provided in the Annexes (separated for each ED).

Finally, thank you for the opportunity to comment. If there are any questions, please do not hesitate to contact me.

Yours sincerely,

Manj Kalar

Principal consultant



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Annex 1: Detailed response to the Consultation: ED 70 Revenue with Performance Obligations

In general, I agree with the proposals but make the following observations:

- SMC 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.
The EDs are so interlinked that it would enhance each of the EDs to include all the definitions in each. This will ensure these are stand-alone documents without the need to keep referring back and forth between the EDs to aid full understanding of what is included and that which is covered in a different ED. Also this will ensure greater consistency with proposal in SMC 3 (when referring to application guidance that refers to revenue with performance obligations and revenue without performance obligations).
- SMC 4 & 5: Although there may be concern that the additional public sector specific disclosure requirements could be onerous, these are designed to be helpful to the user of the financial statements. As it is the citizens' / (taxpayers') funds, greater transparency of and accountability for these should be the overarching requirement.
Also, in some instances there may be sensitive information that a jurisdiction may not want to disclose in a note. As a compromise, a similar approach to contingent liabilities may be worth considering.



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Annex 2: Detailed response to the Consultation: ED 71 Revenue without performance obligations

In general, I agree with the proposals but make the following observations:

- There is no definition of present obligation which I think is an omission.
- The EDs are so interlinked that it would enhance each of the EDs to include all the definitions in each. This will ensure these are stand-alone documents without the need to keep referring back and forth between the EDs to aid full understanding of what is included and that which is covered in a different ED. Also this will ensure greater consistency with proposal in SMC 3 (when referring to application guidance that refers to revenue with performance obligations and revenue without performance obligations).
- Although the ED aims to simplify issues around transfers: stipulations, conditions, and restrictions I am not certain that the current proposals do so. More detailed implementation guidance will be required to provide clarity on the correct accounting required for each scenario.
- On a personal note I am pleased to see the accounting for taxes remains the same as per IPSAS 23.



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Annex 3: Detailed response to the Consultation: ED 72 Transfer expenses

In general, I agree with the proposals but make the following observations:

- The EDs are so interlinked that it would enhance each of the EDs to include all the definitions in each. This will ensure these are stand-alone documents without the need to keep referring back and forth between the EDs to aid full understanding of what is included and that which is covered in a different ED. Also this will ensure greater consistency with proposal in SMC 3 (when referring to application guidance that refers to revenue with performance obligations and revenue without performance obligations).
- SMC 1: due to the nature of the ED and desire to mirror the approach in ED 70 and ED 71 (i.e. to remain in alignment with IFRS 15) the scope is wide. As a result, it is complex.
- SMC 3: The requirement that a transfer provider monitor the satisfaction of performance obligations to apply the PSPOA may not be possible/become too onerous. In theory this is a good proposal but the practical implementation of such a requirement may not be possible.
- SMC 4: Where the transfer provider can get an asset back where a performance obligation is not met this should be recognised as an asset.
- SMC 5: Linked to SMC 3, it may not be possible or is too onerous to implement a public sector performance obligation approach. It may be worth commencing with material transfer expenses as processes are developed to gather such information.
- SMC 8: The proposal to ensure there is a link with the transfer expense and budget appropriations is a very welcome.
- SMC 9: The disclosure requirements although aid the overarching requirement to provide greater accountability and transparency may seem onerous to the preparers of financial statements. Therefore, it may be worth making this a best practice recommendation and not a requirement in the first instance.