

Exposure Draft (ED) 70 - Revenue with Performance Obligations

Matters for Comment

SMC 1: The definition of binding arrangement.

CNC: The scope is clear but we may not agree with this concept, as it is not thorough enough to encompass user charges and typical public sector revenues related to the removal of obstacles (e.g. fees) that are not within the scope of ED 71. Moreover, there are several transactions with subsidized prices within the public sector that seem to encompass ED 70. Nevertheless, it is hard to stretch “performance obligations” within certain taxes that serve as entry fees (e.g. within the health sector, for instance).

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.

CNC: We agree, though it should be in ED 71.

SMC 3: The proposed application guidance on the accounting for transactions with components relating to both revenue with performance obligations and revenue without performance obligations.

CNC: We agree with the proposed application guidance, though it is our belief that the disaggregation of the transaction price is nearly impossible.

SMC 4: The alignment of disclosure requirements in ED 70 with those in IFRS 15 without the removal of any items.

CNC: We agree with the alignment, though it is rather hard to evaluate the balance between “too much” or “too little”. Judgement from the preparer is necessary in terms of quantitative and qualitative substance of the materiality of both classes of transactions and account balances in the disclosure.

SMC 5: The proposed disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions.

CNC: We agree, same as SMC 04.

Lisbon, 1st September 2020