

October 19, 2020

Mr John Stanford

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street, 4th floor

Toronto

Ontario M5V 3H2

CANADA

RE: Comments on ED 70, *Revenue with Performance Obligations*

Dear Mr. Stanford,

We welcome the opportunity to comment on Exposure Draft 70, *Revenue with Performance Obligations*. Our responses to the specific questions raised in the ED as well as other comments on the ED are set out in Appendix A.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaïda via email at:

a.alhomaïda.kfa@mof.gov.sa.

Yours sincerely,

Accrual Accounting Center

The Ministry of Finance, Saudi Arabia

Appendix A: Responses to Specific Questions and Other Comments on ED 70

Specific Matter for Comment 1:

This Exposure Draft is based on IFRS 15, Revenue from Contracts with Customers. Because in some jurisdictions public sector entities may not have the power to enter into legal contracts, the IPSASB decided that the scope of this Exposure Draft would be based around binding arrangements. Binding arrangements have been defined as conferring both enforceable rights and obligations on both parties to the arrangement.

Do you agree that the scope of this Exposure Draft is clear? If not, what changes to the scope of the Exposure Draft or the definition of binding arrangements would you make?

[Our Comments] We agree that the scope of this exposure draft is clear.

Specific Matter for Comment 2:

This Exposure Draft has been developed along with [draft] IPSAS [X] (ED 71), Revenue without Performance Obligations, and [draft] IPSAS [X] (ED 72), Transfer Expenses, because there is an interaction between them. Although there is an interaction between the three Exposure Drafts, the

IPSASB decided that even though ED 72 defines transfer expense, ED 70 did not need to define “transfer revenue” or “transfer revenue with performance obligations” to clarify the mirroring relationship between the exposure drafts. The rationale for this decision is set out in paragraphs BC20–BC22.

Do you agree with the IPSASB’s decision not to define “transfer revenue” or “transfer revenue with performance obligations”? If not, why not?

[Our Comments] We agree with the IPSASB’s decision not to define “transfer revenue” or “transfer revenue with performance obligations”.

Specific Matter for Comment 3:

Because the IPSASB decided to develop two revenue standards—this Exposure Draft on revenue with performance obligations and ED 71 on revenue without performance obligations—the IPSASB decided to provide guidance about accounting for transactions with components relating to both exposure drafts. The application guidance is set out in paragraphs AG69 and AG70.

Do you agree with the application guidance? If not, why not?

[Our Comments] The guidance in paragraphs AG69 and AG70 provides a distinguishing feature to classify the portions of the consideration as revenue with performance obligations (in exchange for goods or services) or without performance obligations (for helping the entity achieve its objectives). This guidance would be helpful in particular situations where it is relevant. However, more guidance may be needed in respect of whether, in situations where an entity’s objectives are to provide goods and/or services to the public, government appropriations may be accounted for as binding arrangements with performance obligations.

Specific Matter for Comment 4:

The IPSASB decided that this Exposure Draft should include the disclosure requirements that were in IFRS 15. However, the IPSASB acknowledged that those requirements are greater than existing revenue standards.

Do you agree that the disclosure requirements should be aligned with those in IFRS 15, and that no disclosure requirements should be removed? If not, why not?

[Our Comments] We agree that the disclosure requirements should be aligned with those in IFRS 15 and that no disclosure requirements should be removed.

Specific Matter for Comment 5:

In developing this Exposure Draft, the IPSASB noted that some public sector entities may be compelled to enter into binding arrangements to provide goods or services to parties who do not have the ability or intention to pay. As a result, the IPSASB decided to add a disclosure requirement about such transactions in paragraph 120. The rationale for this decision is set out in paragraphs BC38–BC47.

Do you agree with the decision to add the disclosure requirement in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions? If not, why not?

[Our Comments] We agree with the decision to add the disclosure requirement in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions.

[Other Comments]

Paragraph 8 states, “An entity shall account for a binding arrangement with a purchaser that is within the scope of this [draft] Standard only when all of the following criteria are met: ... (e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the purchaser or third-party beneficiary (paragraphs AG29-AG31 provide additional guidance). ...”. Also, in paragraphs AG10, AG22, AG23, AG91, BC3 and BC58 and the flowchart following paragraph AG22, the reporting entity in this draft Standard is referred to as “the resource recipient”. It is suggested that the Standard should include guidance on whether situations where the consideration is required to be transferred by the reporting entity, or directly paid by the purchaser, into a designated revenue fund (i.e. the treasury) for cash management purposes have any implications for the Principal vs Agent Considerations or any other accounting requirements for revenue with performance obligations.