

**EXPOSURE DRAFT 70,
REVENUE WITH PERFORMANCE OBLIGATIONS**

*The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
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Brasília, Brazil
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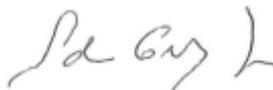
Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB *Exposure Draft 70, Revenue with Performance Obligations*. CFC, alongside with its regional arms - Regional Accounting Councils or *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization that carries out regulatory activities for overseeing the accountancy profession throughout the country.

Our points of view and comments can be found on the Appendix of this document that was prepared by the Brazilian Public Sector Accounting Standards Advisory Board (GA/NBC TSP) of the CFC.

If you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Regards,



Idésio S. Coelho
Technical Vice-President
Conselho Federal de Contabilidade

APPENDIX

1. Context and General Comments

The Brazilian Federation is composed by central, 26 states, the Federal District and 5,569 municipalities governments. These levels of governments are responsible for formulating, implementing, and evaluating public policies in cooperative and/or competitive arrangements.

Overall, our conclusion is that the ED 70 is clear. The adoption of these new accounting policies by governments will be a challenge, given the need to identify the 5 steps for revenue recognition. The practical impact of adopting ED 70 is difficult to measure ex-ante, given the complexity of the public sector. However, the general impression is that this new methodology will fit with public sector transactions.

Principal versus Agent Considerations were discussed only in the Application Guidance section (AG77-AG85). The subcontracting may require general principles where applied in the public sector entities, because it can occur with third parties or within the economic entity. While understanding that the [draft] Standard is clear, our suggestion is to evaluate the inclusion in the core text, for example, of the definition of "principal", "agent", and "subcontractor".

In the next section, we present our comments and answers on the specific matters for comment of the exposure draft.

2. Responses to the Specific Matters for Comment and Preliminary Views

Specific Matter for Comment 1:

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?

Answer:

The GA/CFC agrees that the scope of ED 70 is clear. Binding arrangements are defined as giving rise to enforceable rights and obligations for both parties. ED 70 includes application guidance addressing the enforceability of arrangements.

Specific Matter for Comment 2:

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

Answer:

The GA/CFC agrees with the reasons explained in paragraph BC20-BC22 that it is not necessary to define “transfer revenue” or “transfer revenue with performance obligations” to clarify the mirroring relationship between the exposure drafts.

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?

Answer:

The GA/CFC agrees with the application guidance set out in paragraphs AG69 and AG70.

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?

Answer:

The GA/CFC agrees that the disclosure requirements should be aligned with those in IFRS 15, and there is no public sector-specific reason to remove any of the disclosure requirements.

However, the GA/CFC understands that the disclosure requirements should include presenting obligations that will be satisfied in a subcontracting relationship (as discussed on AG 77 - 85)

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?

Responses to IPSASB Exposure Draft 70: Revenue with Performance Obligations
(February 2020; Comments due: November 1, 2020)

Answer:

The GA/CFC agrees with the proposed disclosure, as it can improve disclosure to users of financial statements interested in this information.