

30 October 2020

Ref: 010/PDS/10/2020

Ian Carruthers
Chair
International Public Sector Accounting Standards Board
Toronto, Canada

Dear Sir,

RE: ICPAR COMMENTS ON EXPOSURE DRAFT 70 - REVENUE WITH PERFORMANCE OBLIGATIONS

The Institute of Certified Public Accountants of Rwanda (ICPAR) is delighted to submit its comments on the IPSASB Exposure Draft 70: Revenue with Performance Obligations.

Our responses to specific matters are provided below:

1. RESPONSES TO SPECIFIC MATTERS

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?

Response:

We agree that the scope of the 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 4 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?

Response:

We agree with the IPSASB’s decision not to define “transfer revenue” or “transfer revenue with performance obligations” in a bid to avoid confusion and unnecessary complexity for users.

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?

Response:

We agree with the application guidance above, however, we noted that it will bring a level of complexity in interpretation and differentiating components of revenue under ED 70 and ED 71. We recommend IPSASB to provide more scenarios and examples covering different situations to make it more understandable and lower the complexity.

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?

Response:

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?

Response:

We agree with IPSASB 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. However, we recommend that IPSASB provides more examples and scenarios to make the requirement more understandable for users.

Yours Sincerely,



Felicien Muvunyi
Chair – ICPAR Professional Standards Committee

CC: - ICPAR CEO
- ICPAR President