



Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale de l'Ontario

October 2, 2020

Ross Smith  
Program and Technical Director  
International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto ON M5V 3H2

Dear Mr. Smith:

Re: EXPOSURE DRAFT 70: PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARD, REVENUE WITH PERFORMANCE OBLIGATIONS – February 2020

Thank you for providing us with the opportunity to comment.

We support IPSASB's initiative to revise the guidance on revenues. Overall, we support the proposals in this exposure draft.

### Responses to Requests for Specific Comments

Our responses to the matters on which you specifically requested comments are set out below.

#### 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?**

Yes, the scope 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.**

Box 105, 15th Floor  
20 Dundas Street West  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105, 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-326-3812

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

We disagree. “Transfer revenues” is a common term in the public sector. We recommend that a definition be included in this or another standard as it allows all those who apply IPSAS to have one common understanding of the term.

**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?**

We agree. In the public sector, there might be instances when a purchaser may act with the intention of both obtaining goods or services and helping the entity achieve its objectives. However, attempts to allocate the transaction price between these two purposes add a layer of complexity that does not result in additional transparency or accountability. Therefore, we agree that the transaction price should be allocated entirely to the good or service provided unless the terms of the binding arrangement clearly specify that only a portion of the consideration is to be returned to the purchaser if the entity does not deliver the promised goods or service.

**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?**

Yes, we agree.

**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.**

Mr. Ross Smith  
Page 3  
October 2, 2020

**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?**

Yes. Financial statements should provide information to users for accountability purposes. The decision to use public resources to provide price concessions or goods and services without compensation should be transparent.

Thank you for the opportunity to comment.

Yours truly,

A handwritten signature in cursive script, appearing to read "Bonnie Lysyk".

Bonnie Lysyk  
Auditor General of Ontario