International Public Sector Accounting Standards Board
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PROJECT HISTORY

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Revenue – ED 70, *Revenue with Performance Obligations*

The Staff presented an issue paper regarding proposed amendments to the disclosure requirements in ED 70, as well as an update on the Revenue Task Force's activities to the IPSASB.

Disclosures

The IPSASB agreed with the following staff recommendations on disclosures:

- There is no public sector reason to remove any IFRS 15 disclosure requirements;
- The addition of a paragraph regarding materiality and aggregation; and
- The addition of a paragraph on disclosure requirements for the statutorily required provision of goods or services where collection is not probable.

Revenue Task Force Update

The Staff also provided the IPSASB with an update on the Revenue Task Force's activities, which resulted in revisions to the illustrative examples and other minor amendments to ED 70. These changes will be presented to the IPSASB in December 2019.

Revenue – ED 71, *Revenue without Performance Obligations*

Staff present issues papers on, past event, outflow of resources, appropriations, capital grants, and initial and subsequent of non-contractual receivables. Staff also presented a draft ED based on IPSAS 23, Revenue from Non-exchange Transactions (Taxes and Transfers) text. These papers were provided to progress the decisions required to update IPSAS 23 which will form the basis for ED 71, Revenue without Performance Obligations.

The IPSASB decided:

- That all the necessary authoritative text what brought from IPSAS 23;
- The past event from revenue transaction that arises from a binding arrangement is when the parties enter into that arrangement;
- That using resources provided via a binding arrangement to either complete enforceable activities, incur eligible expenditure or repayment in the event of a breach of the arrangement are all considered to be outflows of resources.
- When a transaction arises from a binding arrangement, revenue is recognized as enforceable activities are completed or eligible expenditure is incurred.
- Text on control of an asset should discuss appropriations as one possible indicator of control but the assessment of control may be jurisdictionally specific.
- Capital transfers are to be accounted for in the same manner as other transfers and revenue recognition will be dependent on whether the arrangement is binding or not.

The IPSASB instructed staff to:

Re ED 71

- Ensure text agreed in September 2018 regarding compulsory contributions is included;
- Develop a staff paper (to be completed in advance of the December 2019 meeting) which discusses the overall approach to revenue and expenses and the linkages between EDs 70, 71 and 72. This includes reviewing:
- The scope of all 3 ED's to ensure that there are no 'gaps';
- Consistency of the definitions used;
- Consistency of the used of terminology used;
- Consistency of disclosures (as required); and
- Consistency of illustrative examples (as required).
- Ensure that the additional guidance in paragraph 30 regarding hybrid transactions is consistent with the guidance in ED 70.
- Review paragraphs 34-35 (Recognition of revenue from transactions without performance obligations)
- Review the text in paragraph 36 regarding 'revenue is recognized as the research is conducted and certain milestones are achieved' - reconsider the use of the word 'milestones'.
- Review the comment at the end of paragraph 53 regarding whether that paragraph needs to be amended for enforceable activities and eligible expenditure.
- Revise paragraphs 3(b) and 66 (re types of transfers) to ensure consistency of wording (e.g., use of words such as 'certain').
- Consider the diagram presented at the June 2019 meeting regarding the transfers in each ED.
- Review paragraph 71 regarding the use of the term 'transfer agreement'.
- Map disclosures across EDs 70 and 71 considering their consistency.
- The relevant Basis for Conclusion paragraphs should be brought over from IPSAS 23.
- Consider the appropriateness of the presentation requirements of IPSAS 1 (exchange/non-exchange).
- A table of concordance identifying all text brought over from IPSAS 23 (both authoritative and non-authoritative), and identifying new text should be prepared and included in the ED.
- The material in paragraphs 25-29, is to be condensed to be in line with ED 70.
- Where revenue recognition patters are similar to those in ED 70 ensure the rational for the pattern of recognition is similar.
- Review all IPSAS for consequential amendments.
- Review paragraph 18 (Control of an asset) and revise in light of a performance obligation.

Re Outflow of Resources

- Consider the discussion about 'through who's eyes is there a breach of an agreement' and the consequences of a breach subsequent to the 'completion' of the binding arrangement.
- Include a discussion on binding arrangements that may lead to an onerous contract.

Re Capital Grants

- Use the term transfer not grant.
- Include in the Basis for Conclusions the difference between the accounting in ED 71 and IAS 20.
- Include examples, including when the asset is to be used for a particular purpose subsequent to its acquisition/construction.
- Include a SMC communicating the difference between the approach in IAS 20 and the approach proposed in ED 71 (note other SMCs will be include where required).
- Articular clearly why these transactions are not in ED 70.

Re Initial Measurement of Non-Contractual Receivables

- Bring back to the Board further analysis that considers discounting.
- Develop a diagram which considers the relationships between:
- Nominal tax collected;
- Tax expenditures (allowances);
- Legally collectable taxes;
- What to show on the fact of the financial statements and what to include in the notes.
- Develop a paper illustrating the linkages with IPSAS 41.