

PROJECT HISTORY

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Revenue – IFRS 15 alignment

The IPSASB tentatively approved the core text and authoritative guidance of the [draft] Exposure Draft (ED). The IPSASB changed the title of the [draft] ED, *Revenue from Binding Arrangements with Purchasers* and adopted the working title, *Revenue from Performance Obligations*. The IPSASB clarified that the scope of the draft ED applies to binding arrangements with purchasers that include performance obligations.

In light of this decision, staff will:

- Consider the consequences of removing the definitions of binding arrangement asset and binding arrangement liability from the [draft] ED;
- Consider whether the criterion in paragraph 10(e) that forms part of *Step 1: Identifying the binding arrangement with a purchaser* caters for certain binding arrangements where the collectability of the consideration is not probable; and
- Continue work on the non-authoritative illustrative examples to ensure that these are suitable for the public sector.

Revenue – Enforceability

The IPSASB confirmed that legalisation and reductions in future funding are the two mechanisms to be included in the [draft] ED, *Revenue from Performance Obligations*. The Board also decided that past history of enforcement is required for an enforcement mechanism to be valid. The Board further noted that enforceability in a binding arrangement is a two-way relationship and in the context of revenue, enforcement relates to the purchaser's ability to enforce the fulfilment of performance obligations by the resource recipient.

In light of these decisions, staff will:

- Articulate the principles of enforceability of a binding arrangement and include in the [draft] ED, Legislation and Reduction of Future Funding as possible enforcement mechanisms; and
- Update the [draft] Application Guidance and Basis for Conclusion paragraphs to reflect the decisions made.

Revenue – Performance Obligations

The IPSASB instructed staff to consider alternative terms for 'distinct' in articulating the concepts of 'distinct goods and services' and 'distinct promises' for performance obligations. The Board also noted that there was a difference between a performance obligation and a performance indicator and asked staff to draft text to communicate this difference.

Revenue – Updated IPSAS 23

The IPSASB considered proposals in the Discussion Paper, *Non-exchange Transfers: A Role for Societal Benefit?* issued by the European Financial Reporting Advisory Group (EFRAG) in November 2018 on the accounting treatment on non-exchange transfers. The IPSASB agreed that the proposals should be

included in a literature review on approaches to accounting for capital grants and research grants without performance obligations.

The Board also agreed that, in regards to revenue, the terms 'exchange' and 'non-exchange' should be replaced with terms articulating that a transaction either has or does not have a performance obligation.

The IPSASB instructed staff to develop proposals on:

- Capital grants
- Research grants without performance obligations,
- Transactions that include enforceability mechanisms, but have no performance obligations
- Taxes
- Appropriations
- Presentation
- Unenforceable transactions

for consideration at the June 2019 meeting. The intermediate output will be an ED of a revised IPSAS 23 or an updated IPSAS based on IPSAS 23.