



ED 181 to ED 183

Responses due by 1 October 2020

ACCOUNTING STANDARDS BOARD

OVERVIEW OF ED 181 REVENUE WITH PERFORMANCE OBLIGATIONS, ED 182 REVENUE WITHOUT PERFORMANCE OBLIGATIONS AND ED 183 TRANSFER EXPENSES



Background and objective of these Exposure Drafts

The International Public Sector Accounting Standards Board (IPSASB) has released Exposure Draft (ED) 70 on *Revenue with Performance Obligations*, ED 71 on *Revenue without Performance Obligations* and ED 72 on *Transfer Expenses*. These are issued as ED 181 to ED 183 locally. The three Exposure Drafts are published together to highlight the linkages between the accounting for revenue and transfer expenses. The three Exposure Drafts introduce new approaches for some of the most significant transactions of public sector entities, including inter-governmental transfers and grants for the delivery of key government services to the community. Specifically, the Exposure Drafts introduce:

- A new model for the recognition and measurement of revenue, changing from a classification based on exchange/non-exchange transactions to a model based on whether a transaction has performance obligations. Refer to ED 70 and ED 71.
- Guidance on transfer expenses, which currently does not exist in IPSAS. Refer to ED 72 on *Transfer Expenses*.

Refer to the *Overview of ED 181 to ED 183* provided on page 4.

Due process and timetable

The Board invites comment on the proposals set out in these Exposure Drafts from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, the Board will consider the comment received on these Exposure Drafts. The comment received will be used to formulate comment letters to the IPSASB.

Available materials

The IPSASB has developed an “At-a-Glance” document that outlines the high-level principles and concepts for each of the Exposure Drafts. This can be accessed on the ASB’s website along with the other materials for the concurrent Exposure Drafts.

Webcasts are also available on the IPSASB’s website as follows:

- An overview of the three Exposure Drafts: <https://www.youtube.com/Overview>
- ED 70: <https://www.youtube.com/ED 70>
- ED 71: <https://www.youtube.com/ED 71>
- ED 72: <https://www.youtube.com/ED 72>

Invitation to comment

Comment on these Exposure Drafts is invited by **1 October 2020**. The Board requests that respondents express an overall opinion on whether these Exposure Drafts, in general, are supported and to supplement this opinion with detailed comment, whether supportive or



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critical. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where appropriate.

There are a number of specific matters for comment on which the IPSASB would appreciate feedback. These are outlined in each of the Exposure Drafts.

Overview of ED 181 to ED 183

Key definitions

Performance obligation

A promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary a good or service (or a bundle of goods or services) that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary.

Binding arrangement

An arrangement that confers both enforceable rights and obligations on both parties to the arrangement.

ED 181 (ED 70) Revenue with Performance Obligations

Background

- Public sector has revenue transactions that are similar to the private sector. E.g. revenue from providing goods and services in exchange for consideration.
- New proposed IPSAS aligned with IFRS 15[®] *Revenue from Contracts with Customers*. Extends the revenue recognition approach to address common public sector transactions which include performance obligations, including those where the ultimate beneficiary is a third party.
- Supersedes IPSAS 9 *Revenue from Exchange Transactions* and IPSAS 11 *Construction Contracts*.

Types of transactions

Provision of goods and services in exchange for consideration. E.g.:

- Electricity and water.
- Professional fees paid to regulators.
- Healthcare provided at a public hospital.

Entities affected

Those that receive consideration, and in return agree to transfer goods or services to the purchaser, or third-party beneficiaries, including:

Public entities, trading entities, municipalities and municipal entities, TVET and CET colleges.

ED 182 (ED 71) Revenue without Performance Obligations

Background

Update IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*, to:

- Address constituents' concerns regarding the application of IPSAS 23.
- Align to ED 181 by categorising revenue based on performance obligations, replacing the current exchange/non-exchange categorisation.

Types of transactions

Transactions typically be in the scope of ED 182 include grants, taxes, fines and donations.

Entities affected

Most, if not all, public sector entities.

The need for consistent principles in accounting for revenue and expenses

As entities in the public sector often transact with one another, there is a need for either party to approach the accounting using consistent principles. E.g. if one level of government is paying money to another level of government, the accounting principles applied for revenue and expenses should be consistent.

ED 183 (ED 72) Transfer expenses

Background

- Limited guidance exists on how to account for transactions known as non-exchange expenses.
- This ED addresses the gap in existing literature.
- Principles compliment the proposed reforms in accounting for revenue.

Types of transactions

Transfer of goods, services or assets to individuals, households or entities with no direct exchange of value between parties. E.g.:

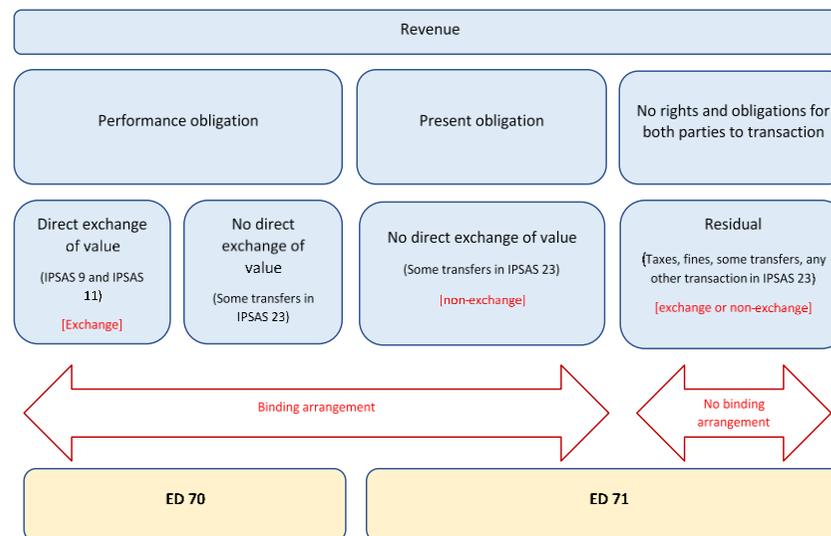
- Transfer or grant from national to provincial, or from provincial to local government.
- Distribution of goods or assets to individuals.

Excludes: Taxes.

Entities affected

Mostly entities in the national and provincial sphere of government.

Current vs proposed model for revenue recognition



Interaction of the three Exposure Drafts

Transactions	ED 70 Revenue with Performance Obligations	ED 71 Revenue without Performance Obligations			ED 72 Transfer Expenses			Outside Scope of ED 72
		With Present Obligations	Without Binding Arrangements	Taxes	With Performance Obligations	With Binding Arrangements (No Performance Obligations)	Without Binding Arrangements	
Entity A purchases goods or services from Entity B for Entity A's own use	✓							✓
Entity A purchases goods or services from Entity B for third-party beneficiaries	✓				✓			
Entity A transfers resources to Entity B to undertake specified activities or incur eligible expenditure		✓				✓		
Entity A transfers resources to Entity B with no specified requirements			✓				✓	
Entity A pays taxes to Entity B				✓				✓

Source: IPSASB