THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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Ms. Deepti Dhiman Chadha
Secretary
Committee on Accounting Standards for Local Bodies
The Institute of Chartered Accountants of India,
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Madam,

Please find attached the suggestions on "Exposure Draft of the Accounting Standards for Local Bodies (ASLBs) 23, 'Revenue from Non-Exchange Transactions (Taxes and Transfers)".

Kindly acknowledge receipt of the same.

Regards,

SJain

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REPRESENTATION ON EXPOSURE DRAFT ACCOUNTING STANDARD FOR LOCAL BODIES (ASLB) 23 REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)

I) Recognition of Revenue from Non-Exchange Transactions

Paragraph 45A Should be inserted to deal with the universally accessible services and Collective Services.

WIRC of ICAI is of the view that non-exchange transactions related to universally accessible services and collective services impose no performance obligations on the resource recipient. These non-exchange transactions should therefore be accounted for under **"The Extended Obligating Event Approach"**.

Further , We are of the view that because there is no obligating event related to non-exchange transactions for universally accessible services and collective services, resources applied for these types of non-exchange transactions should be expensed as services are delivered.

B) The Definition of Non-exchange transactions should be modified as below :-

"Non Exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, government entity either receives value from another entity without directly giving approximately comparable value in exchange, or gives value to another entity without directly receiving approximately comparable value in exchange".

C) PARAGRAPH 18 SHOULD BE REPLACED BY A NEW PARAGRAPH 18

18. Where, as an administrative convenience, a transferred asset, or other future economic benefits or service potential, is effectively returned by deducting the amount to be returned from other assets due to be transferred for other purposes, the reporting budget organization shall recognize the gross amounts in its financial statements.

D) PRESENT OBLIGATIONS RECOGNIZED AS LIABILITIES

Paragraph 50 to be replaced as follows & Two new Paragraphs to be introduced as 50A & 50B:-

50. A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when:

(a) It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the **initial** obligation; and

(b) A reliable estimate can be made of the amount of the **Initial** obligation.

50A. Where an reporting entity accepts resources prior to a taxable event occurring, a liability of an amount equal to the amount of the advance receipt is recognized until the taxable event occurs.

50B. Where a reporting Entity receives resources prior to the existence of a binding transfer arrangement, it recognizes a liability for an advance receipt until such time as the arrangement becomes binding.

E) Bequests

Paragraph 56 to be replace by a new Paragraphs 56 & 56a

56. Bequests which satisfy the definition of an asset are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

56A. Bequests are measured at the fair value of the resources received or receivable. The fair value of bequeathed assets is determine as in Paragraph 97.

F) TRANSITIONAL PROVISIONS

New paragraph 116 to 120 has to be inserted after 115 dealing with transitional provisions

116. Reporting Entity are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue for reporting periods beginning on a date within five years following the date of first adoption of this Standard.

117. Reporting Entity are not required to change their accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, other than taxation revenue, for reporting periods beginning on a date within three years following the date of first adoption of this Standard.

118. Changes in accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions made before the expiration of the five year period permitted in para 116, or the three year period permitted in paragraph 117, shall only be made to better conform to the accounting policies of this Standard. The Reporting Entity may change their accounting policies in respect of revenue from non-exchange transactions on a class by class basis.

119. When a reporting entity takes advantage of the transitional provisions in paragraph 116 or 117 , that fact shall be disclosed. The entity shall also disclose which classes of revenue from non-exchange transactions are recognized in accordance with this Standard, which have been recognized under an accounting policy that is not consistent with the requirements of this Standard, and the entity's progress towards implementation of accounting policies that are consistent with this Standard. The entity shall disclose its plan for implementing accounting policies that are consistent with this Standard

120. When a budget organization takes advantage of the transitional provisions for a second or subsequent reporting period, details of the classes of revenue from non-exchange transactions previously recognized on another basis, but which are now recognized in accordance with this Standard, shall be disclosed