

# SILIGURI BRANCH OF EIRC -COMMENTS on Consultation paper issued by IPSAS Board on 'Accounting for Revenue and Non-Exchange Expenses'

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To: CASLB-ICAI/TD/IP Marg Delhi <caslb@icai.in>;

Respected Sir / Madam

## **Comments of Siliguri Branch of EIRC of ICAI are as below.**

### **Preliminary View 1 (following paragraph 3.8)**

The IPSASB considers that it is appropriate to replace IPSAS 9, *Revenue from Exchange Transactions*, and IPSAS 11, *Construction Contracts* with an IPSAS primarily based on IFRS 15, *Revenue from Contracts with Customers*. Such an IPSAS will address Category C transactions that:

Involve the delivery of promised goods or services to customers as defined in IFRS 15; and

Arise from a contract (or equivalent binding arrangement) with a customer which establishes performance obligations.

**Response** - agreed with IPSASB's Preliminary View

### **Preliminary View 2 (following paragraph 3.9)**

Because Category A revenue transactions do not contain any performance obligations or stipulations, the IPSASB considers that these transactions will need to be addressed in an updated IPSAS 23.

**Response** - agreed with IPSASB's Preliminary View

### **Preliminary View 3**

The IPSASB considers that Category B transactions should be accounted for using the Public Sector Performance Obligation Approach.

## **Response - agreed with IPSASB's Preliminary View**

### **Specific Matter for Comment 2**

The IPSASB has proposed to broaden the requirements in the IFRS 15 five-step approach to facilitate applying a performance obligation approach to Category B transactions for the public sector. These five steps are as follows:

Step 1 – Identify the binding arrangement (paragraphs 4.29 - 4.35);

Step 2 – Identify the performance obligation (paragraphs 4.36 - 4.46);

Step 3 – Determine the consideration (paragraphs 4.47 – 4.50);

Step 4 – Allocate the consideration (paragraphs 4.51 – 4.54); and

Step 5 – Recognize revenue (paragraphs 4.55 – 4.58).

Do you agree with the proposals on how each of the IFRS 15 five-steps could be broadened?

**Response -** IFRS 15 applies a consistent 5 step approach in matters relating to revenue with performance obligation , hence agreed with IPSASB's View on broadening the 5 steps

### **Specific Matter for Comment 3**

If the IPSASB were to implement Approach 1 and update IPSAS 23 for Category B transactions, which option do you favor for modifying IPSAS 23 for transactions with time requirements (but no other stipulations):

### **Response**

(a) Option (b) – Require enhanced display/disclosure

### **Specific Matter for Comment 4**

Do you consider that the option that you have identified in SMC 3 should be used in combination with

Approach 1 Option (a) – Provide additional guidance on making the exchange/non-exchange distinction?

### **Response**

(a) Yes

## **Preliminary View 4**

The IPSASB considers that accounting for capital grants should be explicitly addressed within IPSAS.

Do you agree with the IPSASB's Preliminary View 4?

**Response**

Yes, as such grants may be material in nature

**Specific Matter for Comment 5**

(a) Has the IPSASB identified the main issues with capital grants?

If you think that there are other issues with capital grants please identify them.

**Response**

Yes, it appears that main issues are identified.

(b) Do you have any proposals for accounting for capital grants that the IPSASB should consider?

**Response - NA**

**Specific Matter for Comment 6**

Do you consider that the IPSASB should:

(a) Retain the existing requirements for services in-kind, which permit, but do not require recognition of services in-kind; or

(b) Modify requirements to require services in-kind that meet the definition of an asset, to be recognized in the financial statements provided that they can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information; or(b)

(c) An alternative approach.

**Response**

(b) Modify requirements to require services in-kind that meet the definition of an asset, to be recognized in the financial statements provided that they can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information

**Preliminary View 5**

The IPSASB 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 nonexchange transactions should therefore be accounted for under The Extended Obligating Event Approach.

Do you agree with the IPSASB's Preliminary View 5?

**Response**

Yes , agreed

**Preliminary View 6**

The IPSASB is 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.

Do you agree with the IPSASB's Preliminary View 6?

**Response**

Yes , agreed

**Preliminary View 7**

The IPSASB is of the view that where grants, contributions and other transfers contain either performance obligations or stipulations, they should be accounted for using the PSPOA which is the counterpart to the IPSASB's preferred approach for revenue.

Do you agree with the IPSASB's Preliminary View 7?

**Response**

Yes , agreed

**Preliminary view 8**

The Board considers that at initial recognition, non-contractual receivables should be measured at face value (legislated amount) of the transaction(s) with any amount expected to be uncollectible identified as an impairment.

Do you agree with the IPSASB's Preliminary View 8?

**Response**

Yes , agreed, as estimated / expected amount uncollectibles are in the nature of impairments

**Preliminary View 9**

The IPSASB considers that subsequent measurement of non-contractual receivables should use the fair value approach.

Do you agree with the IPSASB's Preliminary View 9?

**Response**

Yes, as this is consistent with valuation principles in IFRS in case of subsequent measurement

**Specific Matter for Comment 7**

For subsequent measurement of non-contractual payables do you support:

- (a) Cost of Fulfillment Approach;
- (b) Amortized Cost Approach;
- (c) Hybrid Approach; or
- (d) IPSAS 19 requirements?

**Response**

(c) Hybrid Approach

Thanking You

With Regards

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