



<b>Project:</b>	<b>Post-Implementation Reviews</b>	<b>Meeting:</b>	M198
<b>Topic:</b>	<b>Income of Not-For-Profit Entities – General Matters for Comment</b>	<b>Agenda Item:</b>	8.2.5
		<b>Date:</b>	28 August 2023
<b>Contact(s):</b>	Claire Thomson <a href="mailto:cthomson@asb.gov.au">cthomson@asb.gov.au</a>  Kim Carney <a href="mailto:kcarney@asb.gov.au">kcarney@asb.gov.au</a>	<b>Project Priority:</b>	Medium
		<b>Decision-Making:</b>	Low
		<b>Project Status:</b>	Initial consideration of stakeholder feedback

## Objective of this paper

- The objective of this Staff Paper is for the Board to:
  - consider** the feedback received on the general matters for comment included in ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities* (ITC 50); and
  - discuss** the feedback, staff analysis and preliminary views in relation to these questions. The Board will not be asked to make any decisions at this meeting but rather to provide feedback and suggestions to staff for further analysis. Following the discussion at this meeting staff will develop recommendations for the ITC 50 topics presented at this meeting and ask the Board to decide on possible next steps<sup>1</sup> at the October 2023 meeting.

## Structure

- This paper is structured as follows:
  - Background (paragraphs 3 to 4)
  - Analysis of respondents' feedback (including what the AASB has done so far and staff's preliminary views for other matters raised) (paragraphs 5 to 50)

## Background

- In addition to the specific matters for comment on each topic in ITC 50, the AASB also asked for comments on the following:

---

<sup>1</sup> Subject to the Board decision at the September 2023 meeting, staff plan to use the framework included in Agenda Paper 8.1 *Decision-making process* of this meeting to determine their recommendation on whether, how and when to address the feedback from the PIR.

### **Questions for respondents**

22. Does the application of AASB 1058 and AASB 15 by NFP entities adversely affect any regulatory requirements for NFP entities?
23. Does the application of AASB 1058 and AASB 15 by NFP entities result in major auditing or assurance challenges?
24. Overall, do AASB 1058 and AASB 15 result in financial statements that are more useful to users of NFP entity financial statements?
25. In your view, do the benefits of applying the requirements of AASB 1058 and AASB 15 exceed the implementation and ongoing application costs for NFP entities?
26. Are there any other matters that should be brought to the attention of the AASB as it undertakes this PIR on the accounting for income of NFP entities?

- 4 This Staff Paper is part of the 'feedback and next steps' phase of the PIR process. Agenda Paper 8.1 *Decision-making process* sets out a suggested framework to support the Board in considering stakeholder feedback and determining what action, if any, may be required.

### **Analysis of respondents' feedback**

- 5 The majority of feedback received on the general matters for comment is in line with the feedback received as part of each ITC 50 topic. Overall, feedback indicates:
  - (a) there may be some adverse effects on regulatory requirements, depending on the type of Not-for-Profit (NFP) entity applying AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers Appendix F Australian implementation guidance for not-for-profit entities* (the Standards) and the accounting requirements. Specifically, differences between principal versus agent accounting for ACNC-regulated entities may materially impact their reported revenue and therefore their reporting requirements;
  - (b) to apply the requirements of the Standards, significant judgement is required and there is diversity in application amongst stakeholders, for example, between auditors and preparers. NFP entities may struggle with the judgement required, due to resourcing and available accounting knowledge and this may have placed an additional burden on auditors to review client judgements;
  - (c) the Standards may have increased NFP compliance costs due to the need for support (e.g. advisory services). Audit challenges increased in some cases depending on the accounting topic and the required judgement, which may have also increased audit costs;
  - (d) in some cases, the stakeholders perceived the Standards may not have resulted in financial statements that provide more useful information, and costs may exceed the benefits of application. For example, upfront income recognition applying AASB 1058 may be seen as less useful where activities are still required to be performed over the coming years and related expenses are yet to be incurred. Management reports may be prepared to explain this to those charged with governance;<sup>2</sup> and

---

2 This is outlined in more detail in Agenda Paper 8.2.2 *PIR Income of Not-For-Profit Entities – Differences between management accounts and statutory accounts and alternative revenue recognition models*.

- (e) the clarification of the accounting requirements relating to the ITC 50 topics and development of additional guidance may assist in the application of the significant judgement required.

#### **ITC 50 question 22: Any adverse effects on regulatory requirements?**

- 6 One respondent (Deloitte) noted that the application of the Standards does have flow-on regulatory impacts. As mentioned in their response to question 12, differences between principal versus agent accounting would have flow-on consequences on the reporting requirements for charities reporting under the ACNC. Based on the entities' determination of its role as principal or agent, this would materially change their reported revenue on which ACNC reporting requirements are based.<sup>3</sup>
- 7 One respondent (ACAG) commented that they are not aware that the application of the Standards by NFP entities is adversely affecting any regulatory requirements. Staff consider this perspective may be different to Deloitte's, given ACAG audits NFP public sector entities who may not be required to report to the ACNC.

#### **ITC 50 question 23: Any major audit and assurance challenges?**

- 8 Five respondents (PP, RSM, HoTARAC, Deloitte and ACAG) commented on the significant judgement required to interpret and apply the Standards, and the potential differences between preparers and auditors:
- (a) PP commented that this is especially in circumstances where the NFP entities do not have the skills and resources to make and document such judgements with supporting analysis;
  - (b) RSM commented that additional burden has been placed on auditors, particularly in the assessment of sufficient specificity of performance obligations, where considerable time is often required to review client judgements in line with grant terms and the requirements of the Standards;
  - (c) HoTARAC commented that this aligns with the suggested development of educational materials mentioned in paragraph 8 of [Agenda paper 5.1 \(M183\)](#);
  - (d) Deloitte noted that, in certain key areas that are highly judgemental (for example, sufficiently specific and principal versus agent considerations), this may make obtaining sufficient appropriate audit evidence to support the judgments challenging in practice. However, Deloitte believes that this is commonplace and would not consider any changes purely for the purposes of auditability; and
  - (e) ACAG commented that there are challenges. The major auditing or assurance challenges include those areas where there is a significant amount of judgement and those where there is a lack of guidance. They specifically referred to ITC 50 Topic 1: *Sufficiently specific criterion and the legal interpretation of agreements*, Topic 2: *Capital grants*, Topic 4: *Principal versus agent, including the appropriate recognition of financial liabilities*; Topic 5: *Grants received in arrears*, Topic 6: *Termination for convenience clauses* and Topic 7: *Accounting for research grants*.
- 9 Referring to ITC 50 Topic 1, HoTARAC commented that the eight examples of the assessment of whether obligations of the contract are sufficiently specific (included on pages 9 to 10 of ITC 50) may result in major auditing or assurance challenges.<sup>4</sup>
- 10 RSM believes that the application of AASB 1058 has created an additional financial burden for NFP entities, from fees for accounting advisory services to assist in applying the Standards to increased

---

3 Staff will consider this specifically as part of ITC 50 Topic 4: *Principal versus agent, including the appropriate recognition of financial liabilities* and present it to the Board at a future meeting.

4 This comment has been included and considered as part of Agenda Paper 8.2.3 *PIR Income of Not-For-Profit Entities – Sufficiently specific criterion*.

audit fees in auditing what is often a significant risk area, and sometimes even legal fees in redrafting contracts to avoid undesirable accounting outcomes.

#### **ITC 50 question 24: Do AASB 15 and AASB 1058 result in financial statements more useful to users?**

- 11 PP commented that the usefulness of the Standards is debatable, given the cost required to apply them and the inconsistencies that may result from their application.
- 12 RSM believes that the application of the Standards has, in many cases, resulted in financial statements that are less useful to users, particularly where entities have been forced to recognise grant income on a cash basis. Such treatment is at odds with historic treatment and has, in their experience, led to frustration and misunderstanding for NFP leadership, particularly for non-financially educated persons, due to the incongruity of the timing of funding and expenditure across periods and resulting accounting surplus/deficits which may arise.
- 13 However, HoTARAC commented that:
  - (a) they liaise with jurisdictional regulators, financial statement preparers and members of Parliament. Therefore, HoTARAC has line of sight for a subset of users and their financial information wants or needs. It was noted that financial statements cannot possibly provide all information that various user groups require ([Framework for the Preparation and Presentation of Financial Statements \(Conceptual Framework\)](#)), paragraph OB6);
  - (b) the Standards are consistent with the Conceptual Framework and are useful in presenting a true and fair view of the inflows of benefits to entities; and
  - (c) the application of AASB 1055 *Budgetary Reporting* provides more useful and relevant information than the disclosures required by paragraph 39 of AASB 1058 regarding parliamentary appropriations and other related authorities for expenditure. They commented that, in some jurisdictions, it is the cluster or the Responsible Minister (which are not reporting entities) that receive appropriations and then distributes to the entities under its portfolio. In this case, each entity that receives a portion of the appropriated money (the reporting entity applying AASB 1058) would recognise in its financial statements expenditures related to its portion of appropriation. However, because the appropriations limit applies to the operation of a group of entities on a collective basis, the control over expenditure of each reporting entity is achieved through budgetary measures under AASB 1055.
- 14 Deloitte believes that overall, the Standards do result in financial statements that are more useful to users. They note that, while the current guidance makes sense in principle, it is complex to apply in practice and thus it is important for the Board to issue guidance that is user-friendly and caters to the different terms and conditions commonly seen in NFP agreements.
- 15 ACAG commented:
  - (a) that there is scope to increase consistency by providing additional guidance in key areas; and
  - (b) they understand many preparers with mis-matched revenue and expense recognition believe that having better “matching” would result in more useful financial statements. Staff will consider this specifically as part of ITC 50 Topic 3.

#### **ITC 50 question 25: Whether benefits of applying the requirements of AASB 1058 and AASB 15 exceed the implementation and ongoing application costs**

- 16 In a stakeholder’s view (PP), the cost of applying the Standards have far exceeded any benefits in their application. Further, ongoing complexity exists in relation to new agreements entered into by NFP entities on a regular basis. Little benefit has been achieved, over and above the previous accounting standards, in respect of consistency and comparability of information.
- 17 HoTARAC observed that:

- (a) it is beneficial to have consistency between the Standards and the Conceptual Framework;
  - (b) preparers are most likely to question the benefits of the recently implemented standards; and
  - (c) additional disclosure requirements imposed by newer standards appear contrary to the trend of simplifying financial statements. Disclosure relief targeting disaggregation of income and revenue would be welcomed by preparers.
- 18 HoTARAC further commented that preparers are influenced by the implementation workloads and the highly technical content of the Standards. The brunt of the ongoing application costs is mostly shouldered by preparers and their advisors, as operational staff refer the determinations to finance staff. Operational staff have competing priorities and are unlikely to enhance their understanding of the complexities attached to technical accounting requirements.
- 19 Deloitte commented that, if additional guidance was issued by the Board around the highly judgmental areas, the benefits of applying the requirements of the Standards would exceed the implementation and ongoing application costs for NFP entities.
- 20 ACAG commented similarly that, if the AASB clarifies the accounting relating to the ITC 50 topics and provides more guidance where relevant, this will help reduce the costs of applying the Standards. Also, many preparers with mis-matched revenue and expense recognition believe that having better “matching” would result in reduced costs by better linking to the acquittals process.
- 21 In RSM’s view, they strongly believe any benefits of applying the Standards do not outweigh the associated costs and burden for NFP entities. As noted, RSM’s view is that the standard changes are largely retrograde and significant changes are required.

**Staff analysis and preliminary views on ITC 50 questions 22 to 25**

- 22 Staff will consider the feedback and make any relevant recommendations when reviewing each ITC 50 topic specifically.
- 23 In relation to HoTARAC’s comment in paragraph 13(c), staff observed that, while there appears to be an overlap between the disclosure requirements in AASB 1058 and AASB 1055, there are some differences. Specifically, AASB 1058 requires disclosure of a summary of the recurrent, capital or other major categories of amounts authorised for expenditure, and AASB 1055 does not specify disclosures under such categories and refers to consider the AASB 1055 disclosure requirements as well. Staff’s preliminary view is there is merit in reviewing the requirements in AASB 1055 and AASB 1058 to reduce any duplication, and to assess the best way to disclose information about appropriations and authorised expenditure. Since the Board plans to undertake a PIR of AASB 1055, staff’s preliminary view is to defer consideration of whether any amendments to paragraph 39 of AASB 1058 are needed until the Board considers the feedback received on the PIR of AASB 1055.

**ITC 50 question 26 – Any other matters raised?**

- 24 PP commented that, rather than wholesale changes to the Standards, they consider that, once the IFR4NPO standard has been finalised, the AASB explores the appropriateness of its adoption in full or in part in Australia for all NFP entities, including those applying Tier 1 and Tier 2 Australian Accounting Standards.<sup>5</sup>
- 25 An academic made observations relating to Research Block Grants, restricted assets, donations and bequests and scholarships. No recommendations were made relating to these.<sup>6</sup>
- 26 The table below includes a summary of other matters raised in response to Question 26. The table includes staff analysis of the feedback received and preliminary views on what may be done to

---

<sup>5</sup> Staff have considered this specifically as part of Agenda Paper 8.2.2.

<sup>6</sup> See [submission 6](#) from Dr Mark Shying CA, Swinburne University School of Business, Law and Entrepreneurship in Agenda Paper 8.2.6. Observations will be included as part of specific ITC 50 topics where relevant.

respond to it. Following the Board's consideration and acceptance of the PIR framework to support an objective and consistent decision-making process at this meeting and discussions as part of this topic,<sup>7</sup> staff plan to formalise the recommendations including consideration of the magnitude of the issues identified, likely timeframe of possible actions and their expected benefits and associated costs and present them at a future meeting.

## Other matters raised

### Enforceability of arrangements between government entities under common control

- 27 HoTARAC made the following comments in relation to the enforceability of arrangements between government entities under common control:
- (a) funding arrangements between government entities under common control are not typically formalised through enforceable contracts;
  - (b) it is common for the parties to simply follow what has been agreed on, with the enforcement of those arrangements achieved through project governance and monitoring;
  - (c) in practice there are different views about enforceability of arrangements without a written agreement between two entities under the same government's control, given most arrangements could be revoked (for example, if there is a change of government priority); and
  - (d) although paragraph F13 of AASB 15 states that a formal contract is not always required, it would be helpful to confirm whether, and how, enforceability should apply for arrangements between government entities under common control based on a convention between government entities. This could be contrasted with 'a directive given by a Minister or government department' (per paragraph F14 of AASB 15).

#### **What the AASB has done so far**

- 28 Paragraphs F10 to F18 of AASB 15 Appendix F include implementation guidance relating to enforceability, and Illustrative examples paragraph IE3 includes Example 1 – Enforceable agreements.<sup>8</sup>
- 29 Paragraph F13 of AASB 15 notes that documents such as MOU, Heads of Agreement and Letters of Intent can constitute legally enforceable agreements. The [Key facts: Accounting for Income of Not-for-Profit Entities](#) includes a refund clause, ability to enforce specific performances or claim damages, and the right to take an interest in assets as examples of enforceability. These examples are also included in paragraph F12 of AASB 15. The [Income of not-for-profit entities: AASB 15 and AASB 1058 – AASB staff education session](#) webinar also includes discussion of enforceability and provides these examples as part of the *Principles of the standards* section.<sup>9</sup> The [AASB Staff FAQs](#) includes general discussion about the enforceability of agreement.

#### **Staff analysis and preliminary views**

- 30 Staff consider that the determination of enforceability is a matter of judgement and is dependent on the circumstances, and examples have been provided to assist entities to make these determinations.
- 31 Staff will apply the decision-making process to analyse whether any further action (e.g. additional guidance or an example) would address the feedback effectively, including cost versus benefit considerations, noting that only HoTARAC has raised this matter.

7 Refer to Agenda Paper 8.1.

8 This includes an arrangement with a MOU - given the intention of the parties to rely on it and the actions of the parties, it is considered enforceable despite the MOU saying it is not legally binding and did not have a refund obligation or other enforcement requirements.

9 Stakeholder feedback on enforceability was discussed as the [June 2021](#) and [September 2021](#) meetings and the webinar was developed as a result. At the [August 2022](#) meeting, the Board agreed with the staff recommendation and enforceability was not included as a topic in ITC 50.

## Volunteer services

- 32 HoTARAC and ACAG made comments relating to volunteer services:<sup>10</sup>
- (a) HoTARAC recommends disclosure as a solution to an informational deficit on the significant value, prevalence and benefit of volunteers to entities because:
    - (i) the reliability of measuring the fair value remains questionable. Reliability fails on two points including the ability to measure time donated and the valuation of the time donated;
    - (ii) completeness of data and the ability to independently audit volunteers on the information provided remains challenging and are likely to require investment far beyond the benefit derived; and
    - (iii) in relation to the challenge of assessing whether the services would have been purchased if they had not been donated in the public sector, this can be difficult to assess, because multiple agencies across different levels of government may have a joint/shared responsibility. It is often not clear which entity would have to purchase the services if not donated, and what is each party's share of the acquisition costs. HoTARAC suggested the Board consider providing an example illustrating which party in a shared responsibility scenario would be required to acquire services if not donated.
  - (b) in one ACAG jurisdiction, they found practical challenges in determining whether the services would have been purchased if they have not been donated. For example, some agencies suggested they would provide the service, but at a reduced capacity or would provide the service in a different way (for example, disaster response), and pointed to being reliant on government funding and that this would limit their ability to 'otherwise purchase'. It is unclear how delivering the service via a different way impacts on the recognition of volunteer services. Obtaining evidence to support the above assertions is also challenging. It would be useful if the AASB considered these challenges and provided additional guidance for whether volunteer services should be recognised in these circumstances.
- 33 Swinburne University made the observation that no university elected to recognise volunteer services received as income.

### **What the AASB has done so far**

- 34 As outlined in paragraph BC107 of AASB 1058, the Board decided to carry forward the requirements of AASB 1004 *Contributions* into AASB 1058 as it was concerned that a wide-ranging review of the recognition requirements for volunteer services could take significant time and potentially delay the completion of AASB 1058. The Board noted further consideration and due process would be required to finalise any changes, and finalised the requirements of AASB 1058 as a short-term solution (Paragraph BC111).
- 35 Paragraph BC112 of AASB 1058 includes that the Board expected to consider the accounting requirements for volunteer services as part of a separate future project.
- 36 Paragraph BC110 of AASB 1058 outlines that a lot of the feedback indicated that that the recognition of volunteer services should be optional, primarily for cost-benefit reasons.
- 37 Paragraph BC124 of AASB 1058 includes that the Board considered whether requiring disclosure of an entity's dependency on volunteer services may be seen as pre-empting the outcomes of the Board's project on Reporting Service Performance Information and a possible future project relating to volunteer services. Accordingly, the Board decided to encourage entities to disclose qualitative information about the entity's dependence on volunteer services (recognised and unrecognised).<sup>11</sup>
- 38 As outlined in paragraph 5.153 of the [Discussion Paper – Development of Simplified Accounting Requirements \(Tier 3 Not-for-Profit Private Sector Entities\)](#), the Board proposed to retain the option to permit, but not require, a smaller NFP private sector entity to recognise volunteer services received, or a class of volunteer services, if the fair value of those services can be reliably measured in line with the requirements of AASB 1058.
- 39 Staff note the final amendments to [International Financial Reporting for Non Profit Organisations Exposure Draft 2](#) outlines that donations in-kind includes volunteer time. Entities may elect to depart from the general recognition and measurement requirements by not recognising revenue in respect of any services in-kind, except those that are critical to the entity's mission. Donations in-kind may only be recognised when they can be measured reliably.

10 AASB 1058 paragraphs 18 to 22.

11 AASB 1058 paragraph 27.

Where critical to the entity's mission but cannot be reliably measured, an NPO is required to make additional disclosures.<sup>12</sup>

### **Relevant research**

- 40 Before issuing ITC 50, staff performed a literature review on the topics to be considered as part of the PIR process.<sup>13</sup> Tooley and Hooks (2020)<sup>14</sup> raised concerns about the recognition of volunteer services because the current requirements of the Australian Accounting Standards do not fully recognise volunteer contributions.
- 41 Gilchrist, West and Zhang (2023)<sup>15</sup> outline that all cohorts they spoke to identified that there are material advantages to being able to present information in the financial report related to volunteer time consumed, consistent with Cordery and Narraway (2010)<sup>16</sup>. Preparers and auditors confirmed their view that providing a choice regarding reporting this element reduced comparability but they also felt that the standards provided limited explanatory material and worked examples, both of which might enhance understanding and application. Preparers also confirmed that there would be a cost in that process in that, potentially, new data would need to be collected, though this was downplayed as volunteer numbers and data are already required to be reported via the ACNC's Annual Information Statement. Staff acknowledge that the references to the ACNC requirements may not be relevant to the public sector NFP entities HoTARAC and ACAG's comments relate to. Staff are not aware if similar reporting requirements apply to public sector entities.

### **Staff analysis and preliminary views**

- 42 Staff note there is no project on the AASB Work Plan relating to this.
- 43 Beyond the guidance in relevant accounting standards, stakeholders may currently refer to the Conceptual Framework for assistance with determining what is reliable measurement.
- 44 Staff will apply the decision-making process to determine whether any further action would address the feedback on the accounting for volunteer services, including consideration of the prevalence of volunteer services in the public sector and cost versus benefit of such action, noting that the concept of reliable measurement is not unique to volunteer services. Staff will also consider whether another project, for example Reporting of Service Performance Information could address the feedback effectively.

## **Contracts to provide goods or services**

### *Provision of goods or services*

- 45 Some ACAG jurisdictions have found in practice that people are missing the fact that, to be within the scope of AASB 15, the contract/agreement needs to require provision of goods or services (not cash). ACAG commented that it would be useful if this is made clear in AASB 15 Appendix F. Currently this is only clarified in one example<sup>17</sup> in AASB 1058.

### *Recognition of revenue for Commonwealth grants*

- 46 ACAG commented that there are differences in opinion amongst jurisdictions on the recognition of revenue for Commonwealth grants caused by the 'contract with a customer to provide goods and services criteria';
- (a) in one jurisdiction, the accounting for Commonwealth grants is accounted for depending on whether the Commonwealth has the Constitutional Power to make laws over the related services. Where this is not the case, and funding has been received as financial assistance to the State, the jurisdiction concluded that the Commonwealth is not the customer of the State;
- (b) the Commonwealth's powers are specified in the Australian Constitution. The main grants for which there is divergent practice occurring as a result of this review is the accounting for Activity Based Health Funding. At least two jurisdictions (including the jurisdiction specified above) account for this funding under AASB 1058,

12 Paragraphs G23.34 to G23.38.

13 See [Agenda Item 9.3 NFP domestic PIRs – academic and non-academic literature reviews](#).

14 Tooley, S. & Hooks, J. (2020). Accounting for Volunteers: Enhancing Organizational Accountability and Legitimacy. *Nonprofit and Voluntary Sector Quarterly*, 49(1), 93–112. <https://doi.org/10.1177/0899764019853041>

15 Gilchrist, D.J., West, A. and Zhang, Y. (2023), Barriers to the Usefulness of Non-profit Financial Statements: Perspectives From Key Internal Stakeholders. *Australian Accounting Review*, 33: 188-202. <https://doi.org/10.1111/auar.12401>

16 Cordery, C. and Narraway, G. 2010, 'Valuing Volunteers: Expanding the Relevance and Reliability Debate', *Australian Accounting Review*, 20 (4): 334-42. <https://doi.org/10.1111/j.1835-2561.2010.00105.x>

17 See AASB 1058 paragraph IE3 Example 3A – *Financial instrument (cash scholarships, not goods or services)*.



whereas at least two other jurisdictions account for the funding under AASB 15 because they are considered to be providing services where there are sufficiently specific performance obligations; and

- (c) the IPSASB approach may address this issue (at least resulting in the same treatment, acknowledging that there may still be differences of opinion about whether ED 70 *Revenue with Performance Obligations* or ED 71 *Revenue without Performance Obligations* applies).<sup>18</sup>

### **What the AASB has done so far**

#### *Provision of goods or services*

- 47 As well as the illustrative example included in AASB 1058, Appendix F includes numerous references to the concept of transfer of goods or services, and the [Key facts: Accounting for Income of Not-for-Profit Entities](#) and [AASB Staff FAQs](#) also includes educational material about which standard to apply. AASB 15 paragraph F6 also notes that the provision of goods or services to third-party beneficiaries is a characteristic of the promised transfer of goods or services to the customer.

#### *Recognition of revenue for Commonwealth grants*

- 48 Paragraph F5 outlines that the ‘customer’ is the party that promises consideration in exchange for goods or services that are an output of the entity’s ordinary activities. However, in contracts with customers in any sector, the customer might direct that goods or services are to be provided to third-party beneficiaries (including individuals or the community at large) on the customer’s behalf. In these contracts:
- (a) the customer remains the party that has contracted with the entity for those goods or services and promises consideration in exchange for those goods or services; and
  - (b) the provision of goods or services to third-party beneficiaries is a characteristic of the promised transfer of goods or services to the customer.

### **Staff analysis and preliminary views**

- 49 For both issues raised, staff will apply the decision-making process to analyse whether any further guidance or examples would address the feedback. Staff’s preliminary view is that there are considerable references and guidance on the concept of the transfer of goods or services underpinning requirements AASB 15. ACAG was the only stakeholder to raise these matters and therefore the prevalence of these issues, timeliness and effectiveness of any action including consideration of cost versus benefit will be considered.
- 50 However, staff will also further analyse whether these issues are related to principal versus agent considerations (Topic 4 in ITC 50), and whether any actions addressing Topic 1<sup>19</sup> and Topic 3 (including consideration of IPSAS 47) are relevant.<sup>20</sup>

### **Question to Board members**

- Q1: Do Board members have any questions or comments on the feedback, staff analysis or preliminary views for the feedback received on these questions?

---

18 IPSAS 47 *Revenue* has been issued and introduced two accounting models based on the existence of a binding arrangement, whereas ED 70 and ED 71 proposed different accounting requirements based on whether the revenue transaction has a performance obligation.

19 Agenda Paper 8.2.3.

20 Agenda Paper 8.2.2.