



Memorandum

To:	AASB members	Date:	29 June 2011
From:	Jim Paul	Agenda Item:	14.1
Subject:	Income of Not-for-Profit Entities	File:	

Actions

In the context of developing an ED on Income of Not-For-Profit Entities (NFPs) that is based generally on the expected IFRS on *Revenue from Contracts with Customers*:

- Consider issues affecting whether NFPs should recognise liabilities for onerous long-term service contracts; and, if they should,
- Consider whether any NFP-specific modifications should be made to the IASB's expected requirements on liabilities for onerous long-term service contracts.

Attachment

Agenda Paper 14.2 Staff Issues Paper: Recognising Liabilities for Onerous Contracts

Overview

Staff's main recommendations are that:

- (a) for the purpose of identifying whether a NFP's long-term service contract with a grantor is onerous, a NFP-specific modification should be made to the IASB's criteria for combining contracts as a single unit of account (so that the transaction price includes grant subsidies and related user charges); and
- (b) except for the NFP-specific modification regarding unit of account described in (a), NFPs should conform to the IASB's requirements for recognition of liabilities for onerous long-term service contracts.

Background

The AASB discussed onerous contracts briefly at its June 2011 meeting in the context of considering an initial draft Basis for Conclusions for its forthcoming ED on Income of NFPs. The Board did not make a decision on this topic, but identified issues to be addressed in a staff paper for consideration at a future meeting (see draft minutes). Those issues are discussed in the attached staff issues paper.