



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	25 May 2011
<b>From:</b>	<b>Jim Paul</b>	<b>Agenda Item:</b>	16.1
<b>Subject:</b>	<b>Income of Not-for-Profit Entities</b>	<b>File:</b>	

## Actions

- Consider issues arising in drafting a Basis for Conclusions on an ED on Income of Not-for-Profit Entities, and decide whether to confirm the approach to NFP income recognition reflected in that draft Basis
- Note issues remaining to be considered in developing an ED on Income of Not-for-Profit Entities

## Attachment

Agenda Paper 16.2      Income of Not-for-Profit Entities: Draft Exposure Draft—  
Draft Basis for Conclusions

## Overview

The attached draft Basis for Conclusions includes boxed notes to Board members highlighting key aspects of the draft Basis. Staff anticipates that the primary emphasis of Board discussion will mainly be on key draft proposals not previously decided by the Board. The key aspects for discussion are:

- (a) paragraphs BC14 – BC15—consider whether to confirm that the scope of the ED should not be limited to revenue of NFPs;
- (b) paragraphs BC39 – BC40—consider: (1) whether to support the draft additional guidance that, when the stand-alone selling price of the unit of account for performance obligations cannot be measured reliably, performance obligations should be measured as provisions under AASB 137; and (2) whether to support the explanation of the difference between the IASB’s residual technique to measuring some performance obligations, and the residual approach to be proposed for NFPs in the AASB ED; and
- (c) paragraphs BC46 – BC51—consider whether to support the proposed approach for dealing with NFP subsidy arrangements that arguably could be identified as onerous contracts.

## Background

The AASB has redeliberated the proposals in AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)* at its meetings in March, October and December 2010 and February and March 2011 (the October 2010 meeting and both March meetings were joint with the FRSB).

The AASB decided to develop a model for identifying liabilities of NFPs based on the IASB's guidance on performance obligations in its project on Revenue from Contracts with Customers (modified as appropriate for NFP issues), and not to base its treatment of transactions according to whether the transactions are exchange or non-exchange.

The AASB asked staff to prepare a paper articulating its cumulative tentative decisions to date on the recognition and measurement of elements addressed in this project, and the reasons for those decisions. This paper takes the form of a draft Basis for Conclusions.

The draft Basis for Conclusions includes a description of key tentative decisions of the IASB in its project to develop an IFRS on Revenue from Contracts with Customers, updated for the IASB's latest tentative decisions. Some tentative IASB decisions have affected the need for NFP modifications of its proposed guidance—this is reflected (without separate identification) in the proposed modifications discussed in the attached draft Basis for Conclusions.

The FRSB is mentioned in the draft Basis for Conclusions from an historical perspective only. This is due to the present transitional period in New Zealand standard setting arrangements.

## Remaining Issues

Issues remaining to be considered in developing an ED on Income of Not-for-Profit Entities (in no particular order) include:

- (a) disclosures generally, and proposals for the Reduced Disclosure Regime;
- (b) whether to permit, but not require, the recognition of contributions of services;
- (c) whether to require, or encourage, disclosure of the nature and type of major classes of services in-kind received;
- (d) whether to exclude for-profit government departments from the scope of the ED;
- (e) how to deal with aspects of AASB 1004 *Contributions* and Interpretations that may fall outside the scope of the new ED—for example: whether recognition requirements are needed in respect of contributions from owners and distributions to owners generally; requirements for restructures of administrative arrangements; and the role of AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*;
- (f) transitional provisions;
- (g) consequential amendments to propose to other Standards; and
- (h) the nature and content of related guidance/illustrations.