

Income from Non-Exchange Transactions:

Extract from Minutes of AASB/FRSB Meeting on 17-18 March 2010

The Boards had before them:

- (a) a memorandum from Jim Paul and Joanne Scott dated 10 March 2010 (Agenda paper B4);
- (b) a copy of submissions on Exposure Draft AASB ED 180/FRSB ED 118 Income from Non-exchange Transactions (Taxes and Transfers) (Agenda paper B4.1);
- (c) a collation of the submissions received on AASB ED 180/FRSB ED 118 (Agenda paper B4.2);
- (d) a strategy paper Options for Moving Forward (Agenda paper B4.3);
- (e) extracts from minutes of previous meetings of the AASB and FRSB (Agenda paper B4.4); and
- (f) a copy of AASB ED 180/FRSB ED 118 (Agenda paper B4.5).

The Boards commenced their review of the submissions on AASB ED 180/FRSB ED 118, focusing particularly on comments received on the timing of income recognition by recipients. The Boards tentatively decided to explore departing from the ED's proposal that a liability (other than an advance receipt) arises from a non-exchange transaction when and only when the transfer gives rise to both a performance obligation and a return obligation (a 'condition on transferred assets'). The Boards decide to explore an approach in which:

- (a) an enforceable performance obligation is of itself sufficient for a liability to exist, and any related return obligation should be treated as an indicator of the enforceability of the performance obligation;
- (b) the principles for identifying an enforceable performance obligation are based on those being developed by the IASB and FASB in their joint project on Revenue Recognition;
- (c) guidance in IPSAS 23 that is consistent with the principles mentioned in (b) is also used;
- (d) when a transferor in a non-exchange transaction imposes an enforceable performance obligation on the transferee, the transferor is regarded as the 'customer'. Staff should explore how the principles referred to in (b) might be applied when, arguably, more than one 'customer' exists (e.g., as may occur in the university sector in Australia); and
- (e) unless a performance obligation exists in relation to transferred assets, the designation of a transfer as relating to a particular time period does not give rise to a present obligation.

The Boards agreed to consider an outline of their plan for exploring an approach in which an enforceable performance obligation is of itself sufficient for a liability to exist before detailed work is undertaken. Once the Boards have considered the implications of this approach (including case study examples of the working draft revised definition of a liability arising from non-exchange transactions), and agree on the direction to be followed, they will activate a joint subcommittee to provide direction to, and feedback on, the staff's work on this new approach. At that time, the Boards will also consider a draft timetable for completing the development of a joint Standard.

At future meetings, the Boards will continue considering the submissions received on their ED, based on a staff analysis of the issues. Once the Boards have completed their redeliberations of the proposals in AASB ED 180/FRSB ED 118 and made further progress on exploring the new approach, the Boards will decide whether re-exposure of their decisions is warranted.

Action:

Staff