

**Urgent Issues Group**

**Interpretation 131**

July 2004

# **Revenue – Barter Transactions Involving Advertising Services**



**Australian Government**

---

**Australian Accounting  
Standards Board**

## Obtaining a Copy of this Interpretation

This Interpretation is available on the AASB website: [www.aasb.com.au](http://www.aasb.com.au).  
Alternatively, printed copies of this Interpretation are available for purchase by contacting:

The Customer Service Officer  
Australian Accounting Standards Board  
Level 3  
530 Collins Street  
Melbourne Victoria 3000  
AUSTRALIA

**Postal address:**  
PO Box 204 Collins St West  
Melbourne Victoria 8007  
AUSTRALIA

Phone: (03) 9617 7637  
Fax: (03) 9617 7608  
E-mail: [publications@aaasb.com.au](mailto:publications@aaasb.com.au)  
Website: [www.aasb.com.au](http://www.aasb.com.au)

Other enquiries:

Phone: (03) 9617 7600  
Fax: (03) 9617 7608  
E-mail: [standard@aaasb.com.au](mailto:standard@aaasb.com.au)

### COPYRIGHT

© 2004 Commonwealth of Australia

This UIG Interpretation contains International Accounting Standards Committee Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The Administration Director, Australian Accounting Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the International Accounting Standards Committee Foundation at [www.iasb.org](http://www.iasb.org).

ISSN 1449-8316

## **PREFACE**

### **Reasons for Issuing UIG Interpretation 131**

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

The same approach applies to UIG pronouncements. This Interpretation is part of the set of Australian equivalents to each International Accounting Standard (IAS), International Financial Reporting Standard (IFRS) and Interpretation of the IASB (collectively defined by the IASB as IFRSs). This set includes UIG Interpretations that correspond to the IASB Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

### **Main Features of this Interpretation**

This Interpretation is applicable to annual reporting periods beginning on or after 1 January 2005. To promote comparability among the financial reports of Australian entities, early adoption of this Interpretation is not permitted.

Application of this Interpretation will begin in the first annual reporting period beginning on or after 1 January 2005 in the context of adopting all Australian equivalents to IFRSs. The requirements of Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, must be observed. AASB 1 requires prior period information, presented as comparative information, to be restated as if the requirements of this Interpretation had always applied. This differs from previous Australian requirements where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period.

Revenue should be measured under AASB 118 *Revenue* at the fair value of the consideration received or receivable. This Interpretation applies when an

entity is seeking to reliably measure the revenue arising from barter transactions involving advertising services. The Interpretation states that a seller cannot reliably measure the revenue from a barter transaction at the fair value of the advertising services that it has *received* from its customer. However, the seller can reliably measure the revenue at the fair value of the advertising services it has *provided* in the barter transaction, by reference only to non-barter advertising transactions that satisfy a number of criteria set out in the Interpretation.

### **Comparison with Superseded Requirements**

There is no substantive difference with the requirements in Australia in UIG Abstract 49 *Revenue – Barter Transactions involving Advertising Services*. Now superseded by this Interpretation, Abstract 49 was based on the requirements of Standing Interpretations Committee Interpretation SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

## **COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS**

UIG Interpretation 131 is equivalent to Standing Interpretations Committee Interpretation SIC-31, issued by the IASB. Paragraphs that have been added to this Interpretation (and do not appear in the text of the equivalent SIC Interpretation) are identified with the prefix “Aus”, followed by the number of the relevant SIC paragraph and decimal numbering.

Entities that comply with Interpretation 131 will simultaneously be in compliance with SIC-31.

International Public Sector Accounting Standards (IPSASs) are issued by the Public Sector Committee of the International Federation of Accountants. IPSAS 9 *Revenue from Exchange Transactions* (June 2001) addresses, like AASB 118, the exchange of goods or services that are of a similar nature and value, but does not address specifically advertising barter transactions.

## URGENT ISSUES GROUP

### INTERPRETATION 131

#### ***REVENUE – BARTER TRANSACTIONS INVOLVING ADVERTISING SERVICES***

#### **ISSUE**

1. An entity (Seller) may enter into a barter transaction to provide advertising services in exchange for receiving advertising services from its customer (Customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium.
2. In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.
3. A Seller that provides advertising services in the course of its ordinary activities recognises revenue under Accounting Standard AASB 118 *Revenue* from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar (AASB 118.12) and the amount of revenue can be measured reliably (AASB 118.20(a)). This Interpretation only applies to an exchange of dissimilar advertising services. An exchange of similar advertising services is not a transaction that generates revenue under AASB 118.
4. The issue is under what circumstances can a Seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

#### **CONSENSUS**

5. **Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a Seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:**
  - (a) **involve advertising similar to the advertising in the barter transaction;**
  - (b) **occur frequently;**

- (c) **represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;**
- (d) **involve cash and/or another form of consideration (e.g., marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and**
- (e) **do not involve the same counterparty as in the barter transaction.**

## **Application**

- Aus5.1 This Interpretation applies when AASB 118 applies.**
- Aus5.2 This Interpretation applies to annual reporting periods beginning on or after 1 January 2005.**
- Aus5.3 This Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.**
- Aus5.4 The requirements specified in this Interpretation apply to the financial report where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**
- Aus5.5 When applicable, this Interpretation supersedes Abstract 49 *Revenue – Barter Transactions involving Advertising Services*, as issued in August 2002.**
- Aus5.6 Abstract 49 remains applicable until superseded by this Interpretation.**

## **DISCUSSION**

- 6. AASB 118.9 requires revenue to be measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash or cash equivalents transferred. AASB 118.26 states that when the outcome of a transaction involving the rendering of services cannot be estimated reliably (e.g., the amount of revenue cannot be measured reliably), revenue should be recognised only to the extent of the expenses recognised that are recoverable. As explained in AASB 118.27, this means that revenue is recognised only to the extent of

costs incurred that are expected to be recoverable and, as the outcome of the transactions cannot be estimated reliably, no profit is recognised.

7. Paragraph 31 of the *Framework for the Preparation and Presentation of Financial Statements* states that information has the quality of reliability when it is free from material error and bias and is representationally faithful. Measuring revenue at the fair value of advertising services received from the Customer in a barter transaction is impracticable, because reliable information not available to the Seller is required to support the measurement. Consequently, revenue from a barter transaction involving advertising services is measured at the fair value of the advertising services provided by the Seller to the Customer.
8. AASB 118.7 defines fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A published price of a service does not constitute reliable evidence of its fair value, unless the price is supported by transactions with knowledgeable and willing parties in an arm's length transaction. For transactions to provide a relevant and reliable basis for support, the services involved are similar, there are many transactions, valuable consideration that can be reliably measured is exchanged, and independent third parties are involved. Consequently, the fair value of advertising services provided in a barter transaction is reliably measurable only when it is supportable by reference to non-barter transactions that have these characteristics.
9. However, a swap of cheques, for example, for equal or substantially equal amounts between the same entities that provide and receive advertising services does not provide reliable evidence of fair value. An exchange of advertising services that also includes only partial cash payment provides reliable evidence of the fair value of the transaction to the extent of the cash component (except when partial cash payments of equal or substantially equal amounts are swapped), but does not provide reliable evidence of the fair value of the entire transaction.
10. Reliable measurement of the fair value of a service also depends on a number of other factors, including the industry, the number of market participants, the nature of the services, and the number of market transactions. In the case of barter transactions involving advertising, the fair value of advertising services is reliably measurable when independent non-barter transactions involving similar advertising provide reliable evidence to substantiate the fair value of the barter exchange.

Date of SIC's Consensus: [Deleted by the UIG]

Effective Date of SIC-31: [Deleted by the UIG]

## **REFERENCES**

### ***Australia***

The Urgent Issues Group discussed Issues Paper UIG/SIC 04/1 "Adoption of Various SIC Interpretations in Australia" in relation to this Interpretation at its meeting on 4 May 2004.

Accounting Standard AASB 118 *Revenue*

*Framework for the Preparation and Presentation of Financial Statements*

### ***International Accounting Standards Board***

International Accounting Standard IAS 18 *Revenue*

Standing Interpretations Committee Interpretation SIC-31 *Revenue – Barter Transactions Involving Advertising Services*

### ***IFAC Public Sector Committee***

International Public Sector Accounting Standard IPSAS 9 *Revenue from Exchange Transactions*