



**AASB 15**  
**AASB 1058**  
Webinar

# Accounting for Research Grants

Kala Kandiah, Technical Director  
Clark Anstis, Technical Principal  
Kathy Xu, Project Manager

AASB

December 2019



**Australian Government**  
**Australian Accounting Standards Board**

Disclaimer This presentation provides personal views of the presenter and does not necessarily represent the views of the AASB or other AASB staff. Its contents are for general information only and do not constitute advice. The AASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this presentation. This presentation is not to be reproduced, distributed or referred to in a public document without the express prior approval of AASB staff.



**Accounting  
for Research  
Grants**  
Webinar

## Agenda

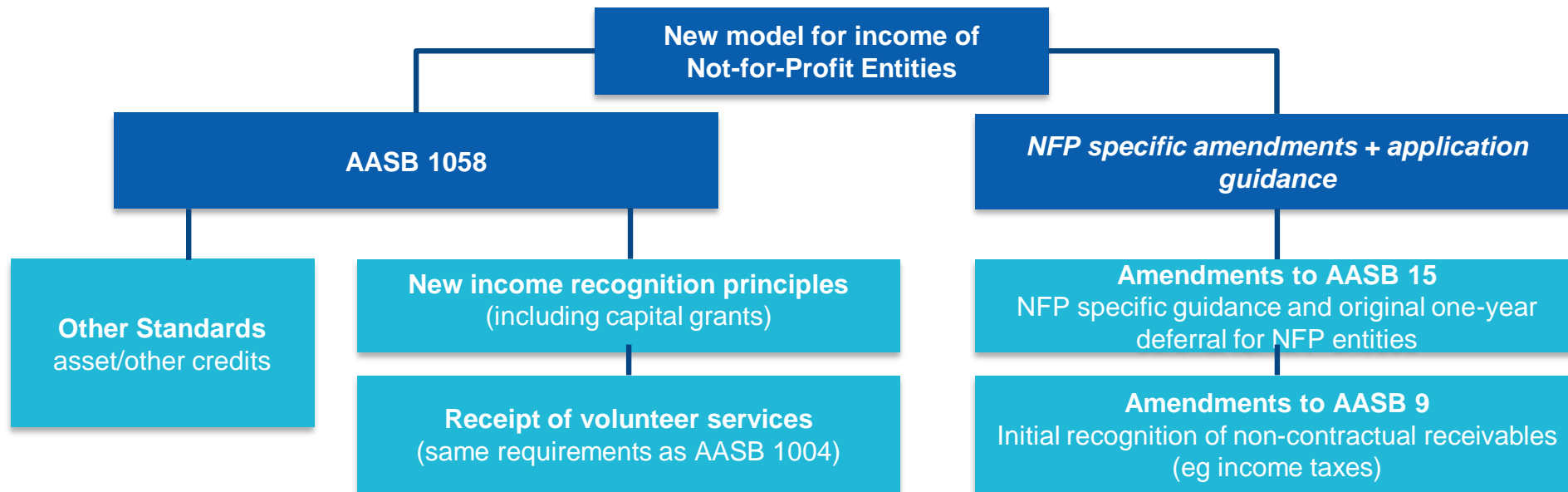
- “New” NFP income model (2016)
- Stakeholder feedback re accounting for research grants
- “Capital grant” accounting not extended to research grants
- Deferral of AASB 15 and AASB 1058 in respect of research grants
- Some key considerations in applying the NFP income model



Australian Government

Australian Accounting Standards Board

# Income of not-for-profit entities



Effective for periods beginning on or after 1 January 2019 – eg 2019 or 2019/20



# Stakeholder Feedback

## Accounting for Research Grants

- Specific concerns on interpretation of AASB 15 requirements, particularly transfer of benefits and revenue recognition
- NFP implementation guidance and Illustrative Examples have been interpreted variously in implementation efforts
- Accounting outcome said to have negative impact on future funding, research and innovation in Australia
- Consider deferring the standards or extending capital grant accounting to research grants



Australian Government

Australian Accounting Standards Board

# Why did the Board decide not to extend “capital grant” accounting to research grants?

- Capital grant accounting specified in AASB 1058 to recognise the underlying recognisable non-financial asset and income as the asset is constructed
- capital grants transfer a tangible non-financial asset but research grants involve intangibles
- Extending the capital grant accounting to research grants would “create ambiguity in the distinction between a service and a good” and “create confusion as to whether this Standard would allow certain intangible assets to be recognised, where their recognition is otherwise prohibited” (AASB 1058 para BC104).

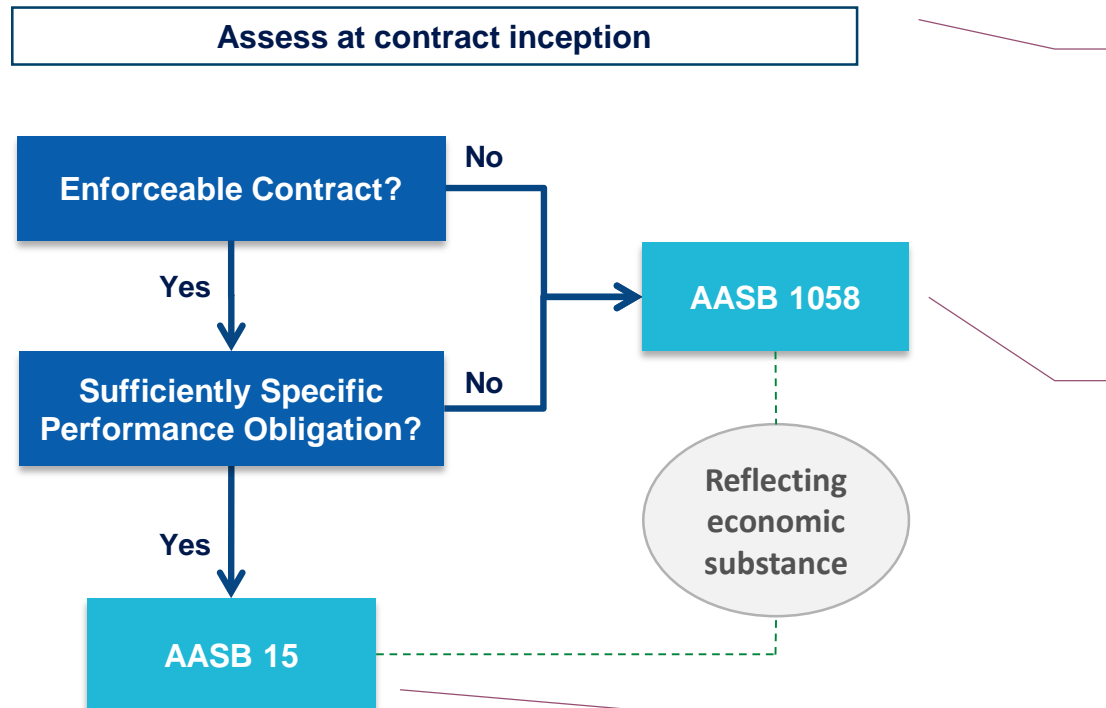


# Deferral of AASB 15 and AASB 1058 in respect of research grants

- Deferral for all NFP entities
- Deferral only for research grants
- Optional deferral for periods beginning on or after 1 January 2019 but before 1 July 2019
- AASB 15 and AASB 1058 still apply for other contracts within scope
- It is NOT a complete deferral for NFP entity with research grants due to:
  - the interaction of AASB 15 with other Standards particularly AASB 16; and
  - no concerns raised regarding other parts of the Standard or other applications of the Standard

# Accounting for Research Grants

Applicable standard – AASB 15 / AASB 1058



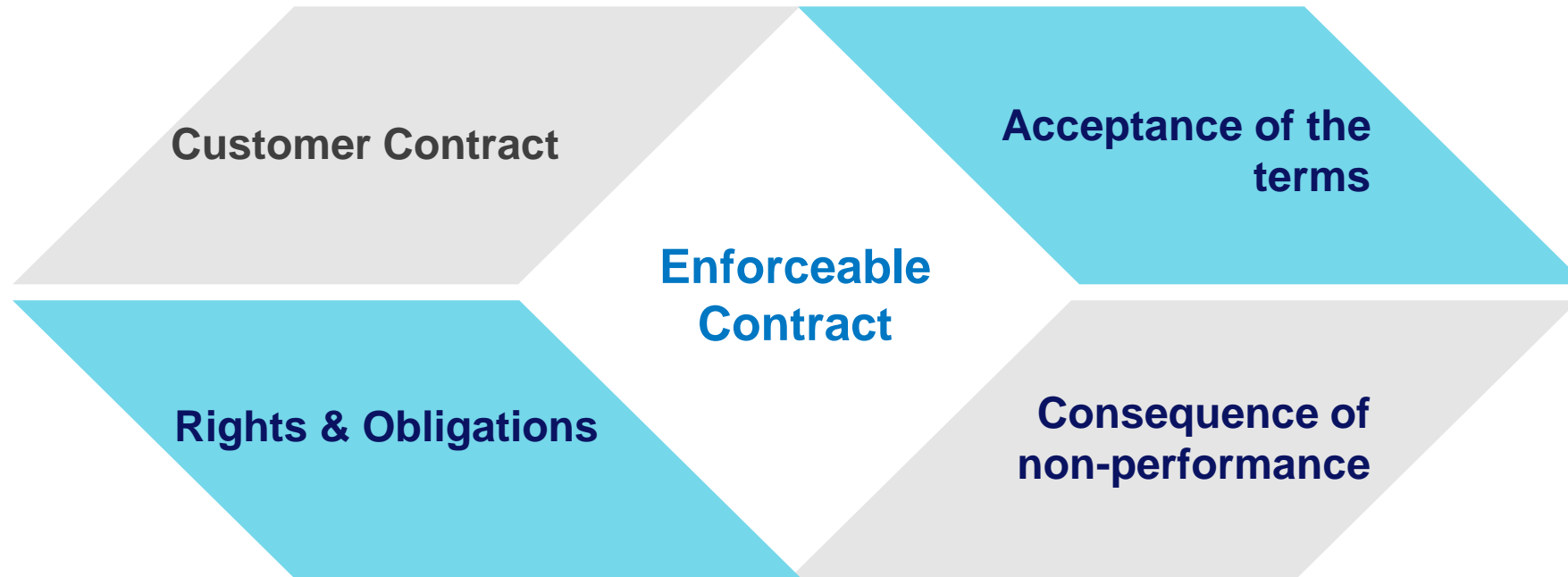
Each contract needs to be assessed

If there is no promised transfer of goods or services to the customer, the contract is accounted for in accordance with AASB 1058

Only when there is a promised transfer of goods or services to the customer, the contract is within scope of AASB 15



# Enforceable Agreements



See Appendix F added to AASB 15 – paragraphs F10 – F18





# Enforceable Contract

## Key Practical Considerations

Contract	<ul style="list-style-type: none"><li>• Contract (or other policies that forms part of the contract)</li></ul>
Rights and obligations	<ul style="list-style-type: none"><li>• Essential terms to hold both parties accountable (eg obligation to perform, payment terms, rights to payment etc)</li><li>• Rights and obligations can be explicitly required (eg by contract clause or direct reference to the relevant police) or implied (eg by past practices that create valid expectation)</li></ul>
Acceptance of the term	<ul style="list-style-type: none"><li>• Contract signed by both parties; or</li><li>• Both parties rely on the contract and start performance</li></ul>
Consequence of failure to perform	<ul style="list-style-type: none"><li>• Refund obligation or other significant penalty</li><li>• Termination</li></ul>

# Sufficiently Specific Performance Obligations



See Appendix F added to AASB 15 – paragraphs F20 – F27



# Sufficiently Specific Performance Obligations

## Transfer of goods and services

### Key Practical Considerations

Benefit	<ul style="list-style-type: none"><li>• Benefit of research activities takes various forms, eg<ul style="list-style-type: none"><li>• intellectual property (IP);</li><li>• licence of IP; or</li><li>• research findings (eg journal publications, publication of research data);</li></ul></li></ul>
Transfer of benefit	<ul style="list-style-type: none"><li>• Benefit can be transferred to the grantor or to 3<sup>rd</sup> parties.</li><li>• Transfer can take form of:<ul style="list-style-type: none"><li>• Physical transfer of IP;</li><li>• Licence of IP;</li><li>• Contemporaneous publication of research findings;</li><li>• Periodical publication of research findings; or</li><li>• Making available the (de-identified) research data.</li></ul></li><li>• Performing research activities without transferring benefit is not a performance obligation;</li><li>• Making available a report which does not contain research findings does not transfer goods/services to the customer;</li></ul>

# Sufficiently Specific Performance Obligations

## Sufficiently Specific

### Key Practical Considerations

#### Sufficiently specific

- A sufficiently specific PO exists if the agreement (or entity's policy that is part of the agreement\*) specifies:
  - nature or type of goods/services (eg publication of research findings)
  - cost or value of the goods/services (eg \$ xxx million of funding)
  - quantity of goods/services (eg periodic/contemporaneous publication of or making available research findings)
  - period over which the goods/services must be transferred to the customer (eg 3-year term)
- ❖ *For a policy to be considered as part of the agreement, it is essential to demonstrate that at the contract inception both parties are aware that this policy is part of the agreement.*

#### Not sufficiently specific

- Broad strategies (eg building research capability, infrastructure and innovative actions) generally do not meet "sufficiently specific" PO because of the lack of specificity;
- Acquittal process often include details that can help to determine the nature, type and quantity of goods or services. However, for a performance obligation to exist, there must be a transfer of goods or services. As a result, provision to the donor of a progress report that does not include research findings is not a sufficiently specific performance obligation.

# Examples

## AASB 15 or AASB 1058?

Example fact patterns:

- 3-year enforceable research grant
- IP not transferred or licensed to the donor
- Transfer of research findings?

### Revised Example 4A

- contemporaneous publication of research data as research is carried out

AASB 15

### Revised Example 4B

- publication of research data at the end of the research

AASB 15

### New Example 4D

- research data made available to donor/ third parties at least annually
- alternative use

AASB 15

### Staff FAQs Scenarios 1A&B

- the grant does not specify whether and when the researcher will publish any research findings

AASB 1058

- Donor/third party right to access data at any time = contemporaneous publication
- Evidence of access is not required
- Existing contract – are access rights included in the agreement (explicit or implied)? If not, consider seeking confirmation from the donor or modifying the contract
- New contract – consider access rights
- Unilateral donor termination clause – consider whether substantive in determining the accounting

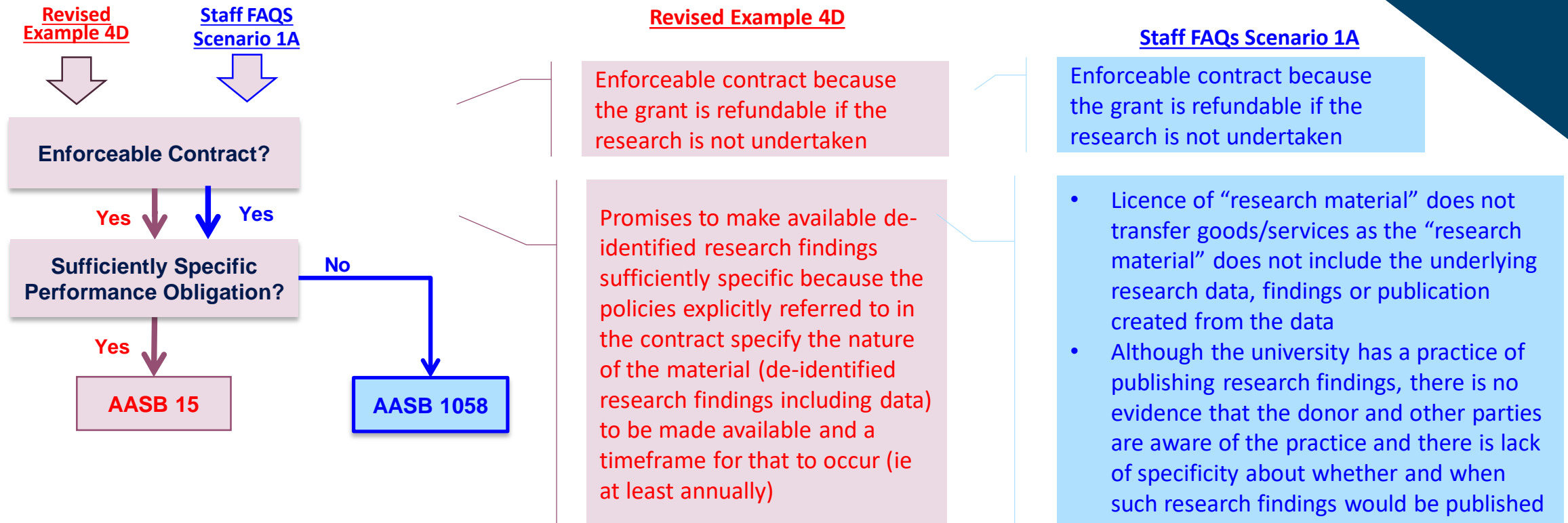


Australian Government

Australian Accounting Standards Board

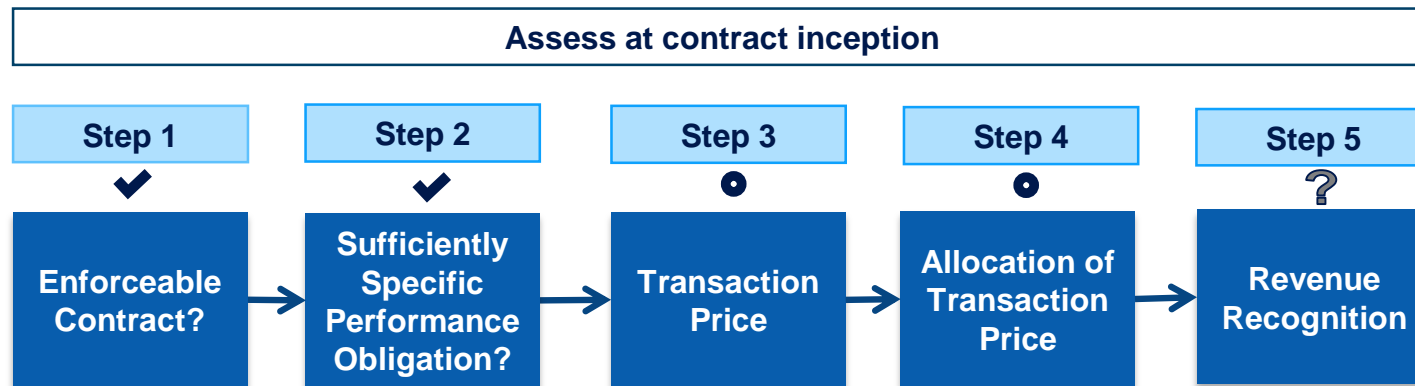
# Examples

Assess at contract inception



# AASB 15

## AASB 15 Five-Step Model



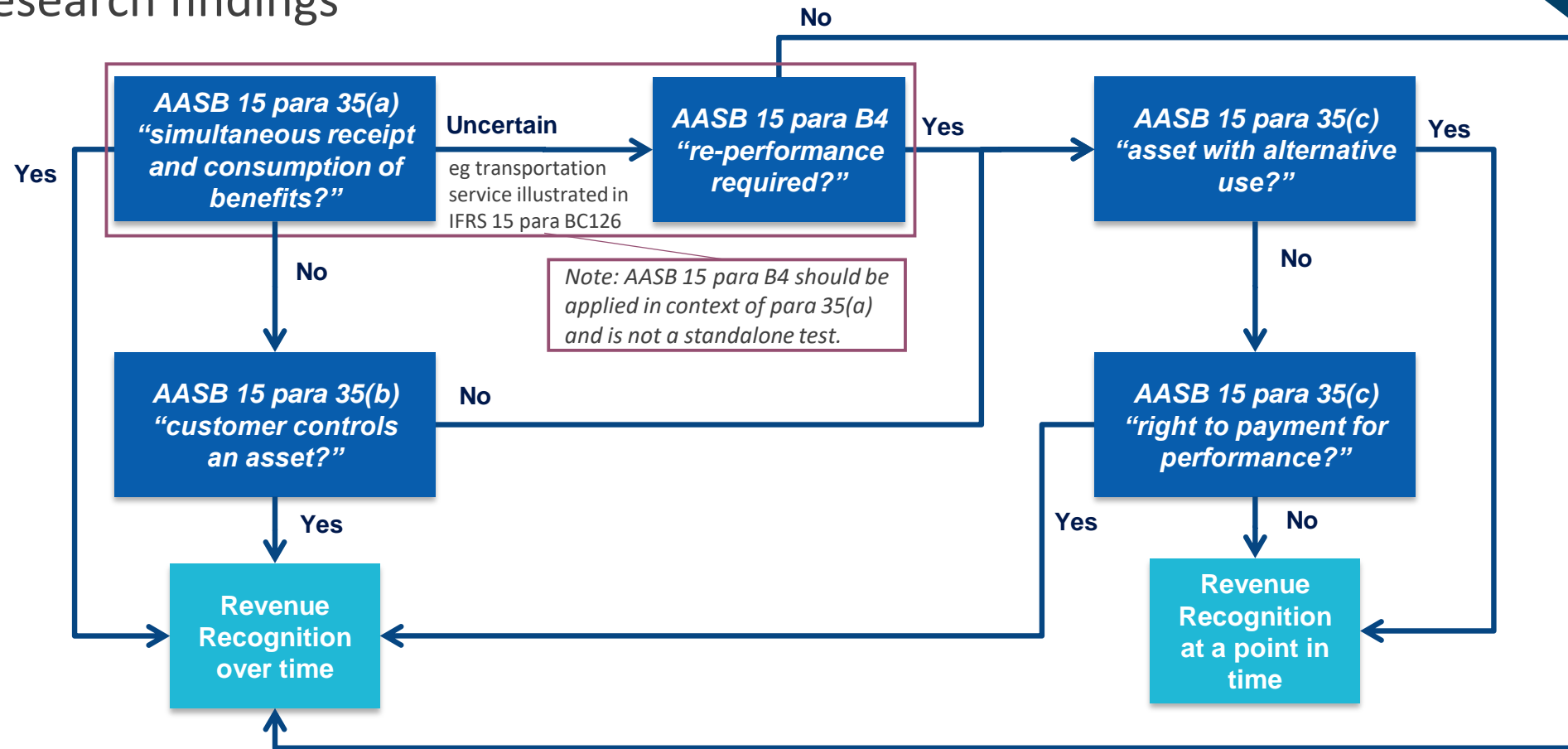
- ✓ Noted in previous slides
- Not the focus of today's webinar

? Covered in the next slides



# AASB 15 – Revenue Recognition

## Research findings





# Examples

## AASB 15 Revenue Recognition

Example fact patterns:

- 3-year enforceable research grant
- IP not transferred or licensed to the donor
- Transfer of research findings?

### Revised Example 4A

- contemporaneous publication of research data as research is carried out

Para 35(a) met  
=>  
Revenue over time

### Revised Example 4B

- publication of research data at the end of the research
- no alternative use
- right to payment for research performed

Para 35(c) met  
=>  
Revenue over time

### Example 4C

- publication of research data at the end of the research
- alternative use
- right to payment for research performed

Para 35 not met  
=>  
Revenue at a point in time

### New Example 4D

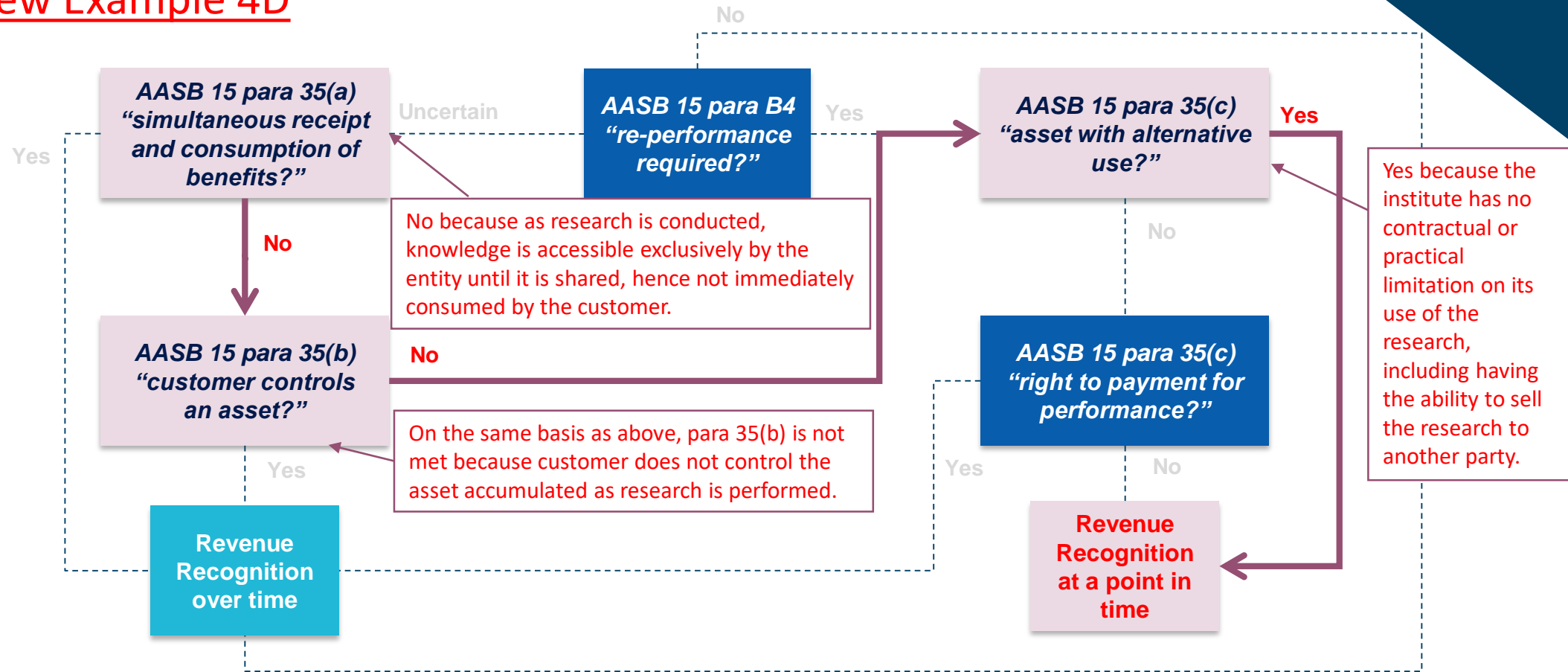
- research data made available to donor/third parties at least annually
- alternative use

Para 35 not met  
=>  
Revenue at points in time



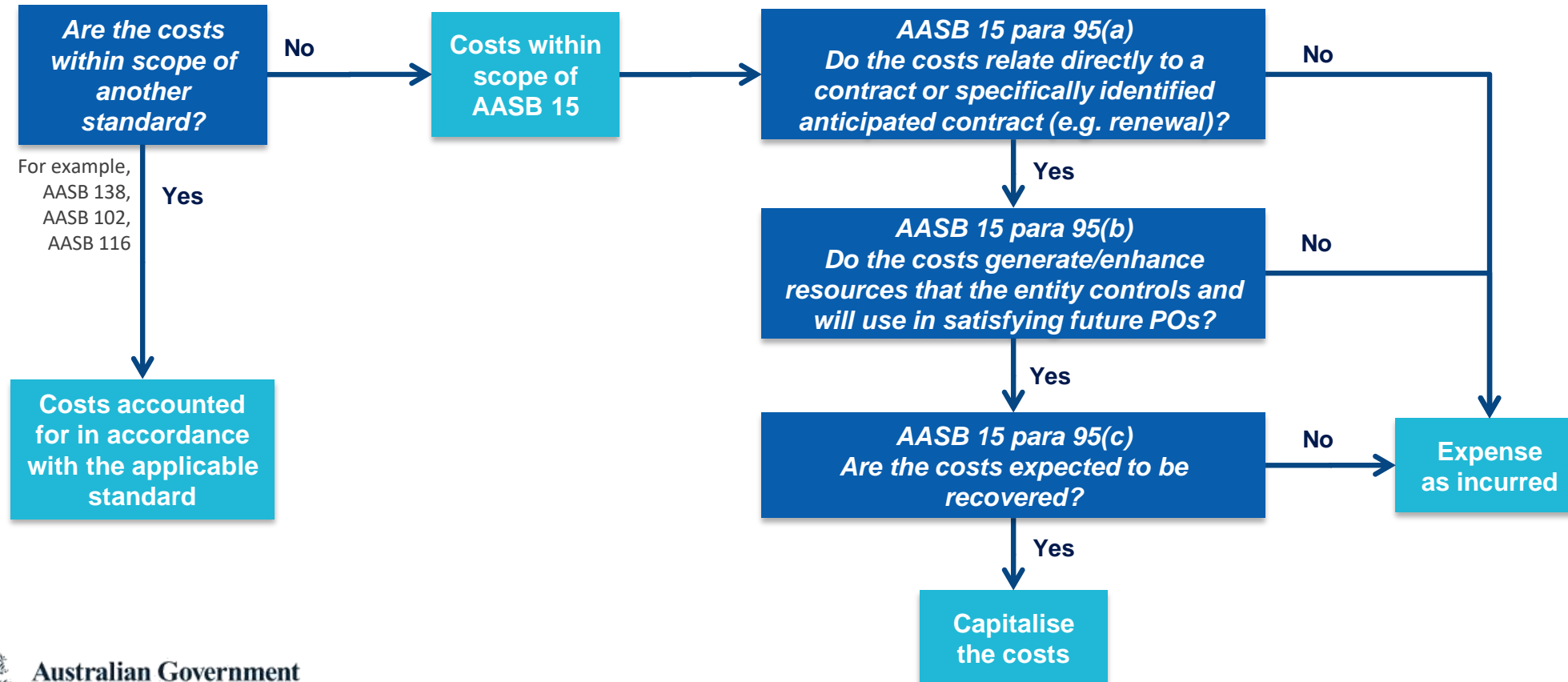
# AASB 15 – Revenue Recognition

## New Example 4D

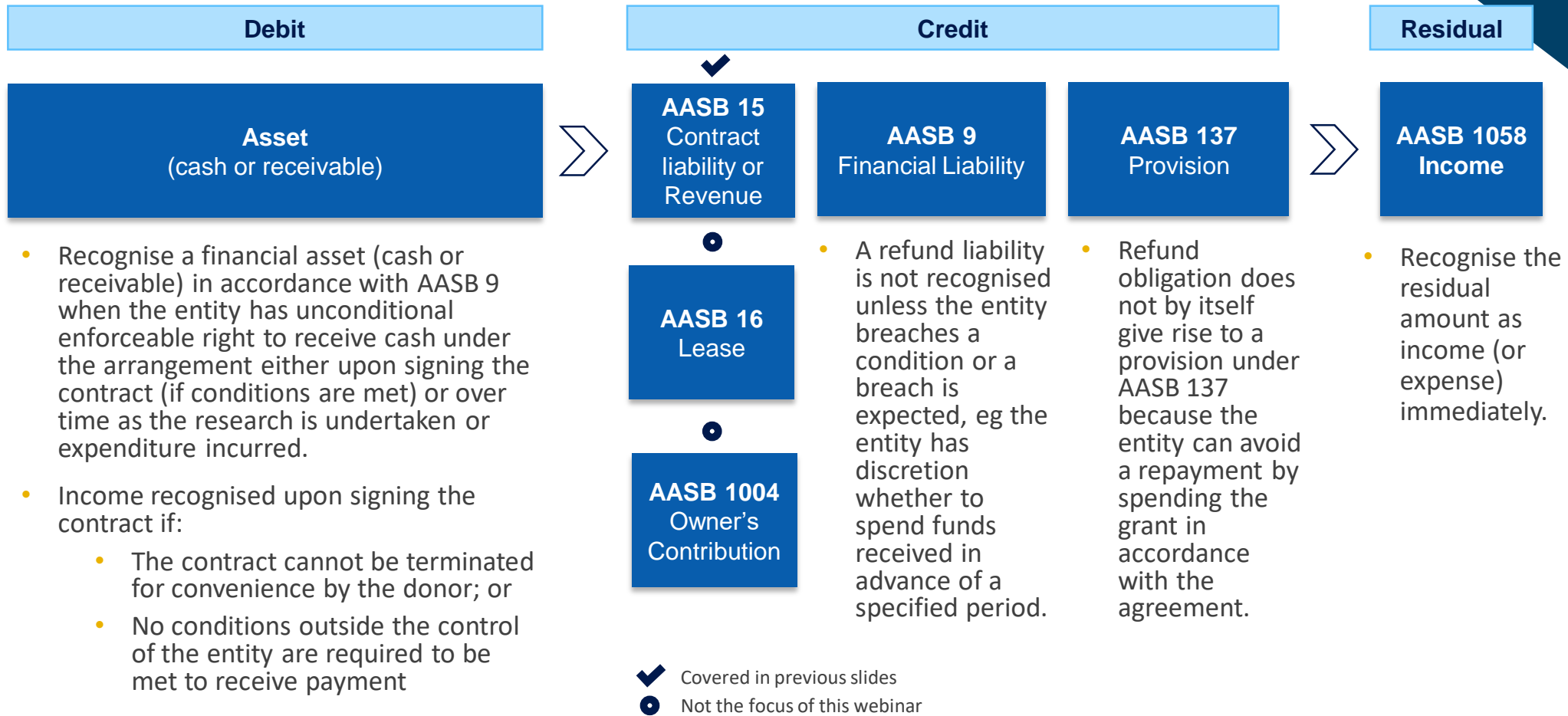


# AASB 15 – Contract Costs

Costs incurred to fulfil a customer contract



# AASB 1058



- Recognise a financial asset (cash or receivable) in accordance with AASB 9 when the entity has unconditional enforceable right to receive cash under the arrangement either upon signing the contract (if conditions are met) or over time as the research is undertaken or expenditure incurred.
- Income recognised upon signing the contract if:
  - The contract cannot be terminated for convenience by the donor; or
  - No conditions outside the control of the entity are required to be met to receive payment

- ✓ Covered in previous slides
- Not the focus of this webinar



# Examples

## AASB 1058

Example fact patterns:

- 3-year enforceable research grant
- IP not transferred or licensed to the donor
- The grant does not specify whether and when the researcher will publish any research findings

### Staff FAQs Scenario 1A

- Cash grant received upfront

Recognise cash, liabilities (if applicable) and the residual as income upon receipt

### Staff FAQs Scenario 1B

- Grant payable per payment schedule reflecting the agreed research milestones.
- Contract can be terminated by donor without cause; or
- Conditions outside entity's control
- Contract cannot be terminated without cause by the donor; and
- No conditions outside the entity's control to receive payments

Recognise cash/receivable, liabilities (if applicable) and the residual as income when grant payments received or expenditure incurred

Recognise receivable, liabilities (if applicable) and the residual as income upon signing the contract



Australian Government

Australian Accounting Standards Board

# RESOURCES

STAY UP TO DATE WITH OUR LATEST NEWS AND PROJECTS

- [Pronouncements](#), so you can identify Standards or Interpretations applicable to a reporting period
- [Staff Papers](#) & [Research Reports](#)
- [Hot Topics](#), including guidance & reference material on the latest Standard developments
- [Outreach Events](#), including roundtables & forums
- [Work Program & Project Summaries](#)
- [Work in Progress](#), such as Exposure Drafts & AASB Submissions
- Sign-up to our [Weekly Update](#) newsletter for all the latest developments!





**AASB 15**  
**AASB 1058**  
Webinar

# Thank You.



Clark Anstis

Kathy Xu



03 9617 7616

03 9617 7631



canstis@asb.gov.au

kxu@asb.gov.au



www.asb.gov.au



You **Tube**

**Linked in**



**Australian Government**  
**Australian Accounting Standards Board**

Disclaimer This presentation provides personal views of the presenter and does not necessarily represent the views of the AASB or other AASB staff. Its contents are for general information only and do not constitute advice. The AASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this presentation. This presentation is not to be reproduced, distributed or referred to in a public document without the express prior approval of AASB staff.