



Licences Issued by Not-for-Profit Public Sector Entities

Project summary

The objective of this project is to establish the accounting for revenue from licences in the public sector, including considering if additional not-for-profit specific guidance is necessary for revenue from licences within the scope of AASB 15.

Project contacts

Kala Kandiah
Technical Director
kkandiah@asb.gov.au

Justine Keenan
Senior Project Manager
jkeenan@asb.gov.au

James Barden
Project Manager
jbarden@asb.gov.au

Project priority: High

Issued consultation documents

- ED 283 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*

AASB outreach

- Targeted outreach with range public sector stakeholders completed Q1 2018.
- ED 283 issued 22 December 2017 - comments due 31 March 2018.

Project status

- ED 283 comment period closed 31 March 2018.
- Board reviewed feedback on ED 283 and decided next steps at May 2018 and June 2018 meetings respectively.
- Expected completion Q4 2018.

Board deliberations

- AASB Action Alert Update and Board Papers

Latest project news

Date	News
14 June 2018	June 2018 Action Alert
10 May 2018	May 2018 Action Alert
12 December 2017	December 2017 Action Alert
10 October 2017	October 2017 Action Alert
15 August 2017	August 2017 Action Alert
28 June 2017	June 2017 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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June 2018

The Board considered the submissions received from stakeholders in response to Exposure Draft ED 283 Amendments to Australian Accounting Standards – Implementation Guidance for Not-for-Profit Public Sector Licensors and made the following decisions:

Apply AASB 15 to non-intellectual property licences

- (a) include a flowchart and expand the examples using the principles of AASB 15 Revenue from Contracts with Customers to illustrate different licensor activities, such as:
 - (i) administration and activities to maintain exclusivity of the contract, which would not be performance obligations
 - (ii) ongoing activities that support or maintain the value of the licence; and
 - (iii) activities that are distinct services to the licensee, separate from the granting of the licence (for example, maintenance activities performed by the licensor that the licensee would otherwise engage a third party to do);

Licences versus taxes

- (b) the definition of a licence in the Australian Government Finance Statistics (GFS) Manual will not be used – the Board noted that:
 - (i) the GFS definition may be difficult to apply in practice as the discerning factor is whether the revenue received is proportionate to the cost of a licensor’s obligations; and
 - (ii) licences are different from taxes in substance and should be accounted for in accordance with AASB 15;

Recognition exemptions for short-term and low-value licences

- (c) define ‘short-term licences’ and include guidance regarding licence renewals in line with the approach to short-term leases in AASB 16 Leases;
- (d) not to define ‘low-value licences’, but to note in the Basis for Conclusions the same principle as described by the IASB for low-value leases in the Basis for Conclusions to IFRS 16 Leases;

IP licences issued by public sector licensors

- (e) research whether there are examples of intellectual property (IP) licences that are unique to the public sector and, if so, consider whether examples should be included in AASB 15;

Examples of whether a licence is distinct from other goods or services in the arrangement

- (f) move the reference to take-or-pay arrangements from the guidance paragraphs to the Basis for Conclusions and include an explanation of these arrangements;

Non-IP licences issued by for-profit public sector entities

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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- (g) not to expand the scope of the implementation guidance to include for-profit public sector licensors;

Licences involving non-identified assets of the licensor

- (h) apply the principles of AASB 15 to non-IP licences involving non-identified assets of not-for-profit public sector licensors;

Variable consideration

- (i) apply the guidance for sales-based or usage-based consideration in AASB 15 (paragraphs B63-B63B) to non-IP licences – subject to further outreach on the magnitude and prevalence of such arrangements;

Statutory arrangements that would otherwise be leases

- (j) undertake further outreach and analysis to consider whether the scope of AASB 16 should be expanded to include leases created by statutory arrangements; and

Additional guidance on terms used

- (k) not to include further guidance or definitions of the terms ‘right to access’, ‘right to use’ or ‘right to perform’, as these are explained sufficiently in AASB 15 and the proposed guidance.

A revised draft of the implementation guidance for NFP public sector licensors (a new appendix to AASB 15) will now be prepared for further consideration by the Board.

4.1 Recommendations on progressing ED 283 Implementation Guidance for NFP Public Sector Licensors

4.2 For noting: Submissions received on ED 283 (Submissions 1-7)

4.3 For noting: *ED 283 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP Public Sector Licensors*

May 2018

The Board noted the feedback received from stakeholders on Exposure Draft ED 283 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors. No decisions were made.

5.1 For noting: Staff paper – Summary of responses to ED 283

5.2 For noting: *ED 283 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP Public Sector Licensors*

5.3 For noting: Submissions received on ED 283 (Submissions 1-7)

December 2017 The Board decided that the Exposure Draft (ED) on accounting for revenue from licences issued by public sector licensors should:

- (a) include a specific matter for comment on whether the scope should be extended to for-profit public sector entities; and
- (b) exclude licensing arrangements involving variable consideration from the recognition exemptions for low-value licences.

The ED will be issued shortly, with comments due 31 March 2018. The AASB will conduct a number of outreach activities during the comment period.

[6.0](#) Cover memo – Revenue from licences in the NFP public sector

[6.1](#) Ballot Draft of ED 28X Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors

October 2017 The Board decided that the scope of the ED on accounting for revenue from licences issued by public sector entities will be limited to not-for-profit (NFP) public sector entities. The Board also decided that the ED should include:

- (a) proposals that would require, for intellectual property (IP) licences, the specific requirements/guidance in AASB 15 Revenue from Contracts with Customers on accounting for revenue from IP licences to apply without amendment;
- (b) proposals that would require revenue from non-IP licences to be accounted for in accordance with the general requirements in AASB 15, including the accounting for variable consideration;
- (c) a specific matter for comment asking whether the specific guidance in AASB 15 on accounting for variable consideration from IP licences should also be made applicable to non-IP licences;
- (d) guidance to help entities determine whether a licence is distinct or not distinct from other goods or services in the arrangement (eg licences for quotas of tangible items such as fish are not distinct);
- (e) clarifications to help entities identify performance obligations in non IP licences issued by the public sector, including clarifying that a ‘promise’ to protect the licensee’s rights (ie exclusivity) is not a performance obligation of the licensor but an attribute of the promised licence;
- (f) a specific matter for comment asking whether the proposed amendments to AASB 15 should include practical expedients, consistent with those in AASB 16 Leases, to allow up-front revenue recognition for low-value and/or short-term licences;
- (g) guidance in relation to identifying a taxation component of a licence fee; and
- (h) implementation examples to help entities apply the proposed guidance.

[3.0](#) Staff paper - Cover Memo Licences

[3.1](#) Staff paper - AASB Exposure Draft ED 28X [PARTIAL DRAFT]

[3.2](#) Staff paper - Options for amendments to AASB 15 for public sector entity licences

August 2017

The Board decided licence arrangements of not-for-profit (NFP) public sector entities in substance have features that distinguish them from other arrangements, such as taxes (as defined in AASB 1058 *Income of Not-for-Profit Entities*). Those features, including that licences are discretionary and create certain kinds of rights for a licensee, are useful for delineating the scope of the project. The Board also clarified the accounting standards 'gap' in respect of licence arrangements by identifying licence types not adequately addressed by current AASB Accounting Standards. Based on examples and analysis of the AASB Standards that could apply, the Board decided that licences that do not fall within AASB 1059 *Service Concession Arrangements: Grantors* or AASB 16 *Leases* should be subject to the principles of AASB 15 *Revenue from Contracts with Customers*, with additional guidance.

An issues paper to be considered by the Board in a future meeting will address application guidance that could accompany AASB 15 for not-for-profit public sector entities. The paper will also consider any practical implications

[5.1](#) Staff issues paper – What are licences

[5.2](#) Staff issues paper – Which AASBs apply to revenue from licences

June 2017

The Board decided accounting for licences issued by NFP public sector entities and whether proceeds received should give rise to immediate recognition of revenue, or deferral and recognition over time, should be addressed. The Board noted the prevalence and magnitude of divergent accounting practices for non-intellectual property licences. The project will consider:

- (a) the nature of the right created by the licence – whether the licence confers the right to use or access an asset, or confers a right to perform an activity, and whether different accounting treatments are appropriate; and
- (b) whether the scope of AASB 15 *Revenue from Contracts with Customers* should be expanded to encompass licences issued under statute and/or licenses not relating to intellectual property.

[8.1](#) Staff issues paper – Not-for-profit public sector entity licences: preliminary project scope

May 2017

The Board considered possible topics where there may be opportunity to improve reporting and decided to add projects to its 2017-2019 work program to clarify the accounting by grantors of public sector licences, including whether they are within the scope of AASB 15 *Revenue from Contracts with Customers*, and if not, whether there is a need to develop specific accounting requirements.

[3.2](#) Staff issues paper – Public sector intangible assets – project plan