

Revenue – Barter Transactions Involving Advertising Services

NOT-FOR-PROFIT (NFP) ENTITIES

This compiled UIG Interpretation applies to annual reporting periods beginning on or after 1 January 2014 but before 1 January 2019. Early application is not permitted. It incorporates relevant amendments made up to and including 20 December 2013.

This Interpretation applies to NFP entities for periods beginning on or after 1 January 2018 but before 1 January 2019, as a result of AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* (December 2016). That amending Standard deferred the effective date of AASB 15 *Revenue from Contracts with Customers*, which supersedes this Interpretation, for NFP entities from 1 January 2018 to 1 January 2019.

FOR-PROFIT (FP) ENTITIES

This compiled Interpretation also applied to FP entities for periods beginning on or after 1 January 2014 but before 1 January 2018. For later periods, it is superseded by AASB 15.

Prepared on 20 March 2018 by the staff of the Australian Accounting Standards Board.



Australian Government

**Australian Accounting
Standards Board**

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Compiled versions of Interpretations, original Interpretations and amending pronouncements (see Compilation Details) are available on the AASB website: www.aasb.gov.au.

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COMPILATION DETAILS

UIG Interpretation 131 Revenue – Barter Transactions Involving Advertising Services as amended

This compiled Interpretation applies to annual reporting periods beginning on or after 1 January 2014 but before 1 January 2019 for not-for-profit entities. It takes into account amendments up to and including 20 December 2013 and was prepared on 20 March 2018 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Interpretation issued by the AASB. Instead, it is a representation of AASB 131 (July 2004) as amended by other pronouncements, which are listed in the Table below.

Table of Pronouncements

Pronouncement	Month issued	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
Interpretation 131	Jul 2004	(beginning) 1 Jan 2005	
AASB 2007-8	Sep 2007	(beginning) 1 Jan 2009	see (a) below
AASB 2011-8	Sep 2011	(beginning) 1 Jan 2013	see (b) below
AASB 2013-9	Dec 2013	Pt A (ending) 20 Dec 2013 Pt B (beginning) 1 Jan 2014	see (c) below see (d) below

- (a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.
- (b) AASB 2011-8 has been amended by AASB 2011-10 (made 5 September 2011) and AASB 2012-6 (made 10 September 2012).
Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013, provided that AASB 13 *Fair Value Measurement* is also applied to such periods.
- (c) Entities may elect to apply Par A of this Standard to annual reporting periods beginning on or after 1 January 2005 that end before 20 December 2013, provided that AASB CF 2013-1 *Amendments to the Australian Conceptual Framework* and AASB 1048 *Interpretation of Standards* (December 2013) are also applied to the such periods.
- (d) Early application of Part B of this Standard is not permitted.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Aus5.4	amended deleted	AASB 2007-8 [8] AASB 2013-9B [37, 38]
7	amended	AASB 2013-9A [35]
8	amended	AASB 2011-8 [126]

COMPARISON WITH SIC-31

UIG Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services* as amended incorporates Standing Interpretations Committee Interpretation SIC-31 *Revenue – Barter Transactions Involving Advertising Services* as amended, issued by the International Accounting Standards Board. Paragraphs that have been added to this Interpretation (and do not appear in the text of SIC-31) are identified with the prefix “Aus”, followed by the number of the preceding SIC paragraph and decimal numbering.

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

INTERPRETATION 131

UIG Interpretation 131 was issued in July 2004.

This compiled version of Interpretation 131 applies to annual reporting periods beginning on or after 1 January 2014 but before 1 January 2019 for not-for-profit entities. It incorporates relevant amendments contained in other AASB pronouncements up to and including 20 December 2013 (see Compilation Details).

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.
[Note: For application dates of paragraphs changed or added by an amending pronouncement, see Compilation Details.]
- Aus5.3 This Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.
- Aus5.4 [Deleted by the AASB]
- 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*¹ 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.² 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.

1 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. References to the *Framework* in this Interpretation are to the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*). Paragraph 31 was superseded by Chapter 3 of the *Framework*.

2 AASB 13 *Fair Value Measurement*, issued in September 2011, defines fair value and contains the requirements for measuring fair value.

- 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*

DELETED SIC-31 TEXT

Deleted SIC Interpretation 31 text is not part of UIG Interpretation 131.

Date of SIC's Consensus

May 2001

Effective Date of SIC-31

This Interpretation becomes effective on 31 December 2001. Changes in accounting policies shall be accounted for in accordance with IAS 8.