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| Project: | Post-Implementation Reviews | Meeting: | M198 |
| Topic: | Income of Not-For-Profit Entities – Overview of the feedback received on ITC 50 by topic | Agenda Item: | 8.2.1 |
| | | Date: | 28 August 2023 |
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| | | Decision-Making: | Low |
| | | Project Status: | Initial consideration of stakeholder feedback |

Objective of this paper

- 1 The objective of this staff paper is for the Board to:
 - (a) **consider** the summary of the feedback received on Invitation to Comment 50 *Post-implementation Review – Income of Not-for-Profit Entities* (ITC 50); and
 - (b) **discuss** the overall feedback received. Agenda Papers 8.2.2, 8.2.3 and 8.2.4 provide staff analysis and preliminary views on the feedback received on ITC 50 Topics 3, Topic 1 and Topic 6 respectively. This paper seeks Board’s preliminary feedback on the summary of the feedback on other topics, where staff have not included preliminary views in this paper. Following this meeting, staff will analyse these ITC 50 topics further to develop recommendations for the Board to decide on possible next steps¹ at future meetings.

Structure of this paper

- 2 Overview of the feedback received on ITC 50 by topic:
 - (a) Topic 1: Sufficiently specific criterion and the legal interpretation of agreements (paragraphs 3 to 8);
 - (b) Topic 2: Capital grants (paragraphs 9 to 12);
 - (c) Topic 3: Difference between management accounts and statutory accounts and alternative revenue recognition models (paragraphs 13 to 19);

¹ Subject to the Board decision at the September 2023 meeting, staff plan to use the framework included in Agenda Paper 8.1 *Decision-making process* for this meeting to determine their recommendation on whether, how and when to address the feedback from the post-implementation review (PIR).

- (d) Topic 4: Principal v agent, including the appropriate recognition of financial liabilities (paragraphs 20 to 26);
- (e) Topic 5: Grants received in arrears (paragraphs 27 to 31);
- (f) Topic 6: Termination for convenience clauses (paragraphs 32 to 36);
- (g) Topic 7: Accounting for research grants (paragraphs 37 to 41);
- (h) Topic 8: Statutory receivables (paragraphs 42 to 46); and
- (i) AASB General Matters for Comment (paragraphs 47 to 51).

Overview of the feedback received on ITC 50 by topic

Topic 1: Sufficiently specific criterion and the legal interpretation of agreements

- 3 When developing ITC 50, feedback from stakeholders suggested that the term sufficiently specific is unclear and there is confusion in practice about how the term should be applied.
- 4 Some stakeholders also expressed concerns that the extent of specificity needed to meet the sufficiently specific criterion for a contract (or part of a contract) to be within the scope of AASB 15 seems to be a much higher threshold than a legal interpretation of when an entity would breach the requirements of an agreement and not satisfy relevant performance obligations.
- 5 Given the differences in application arising in practice, there was some concern that the comparability of not-for-profit (NFP) financial statements may be reduced.
- 6 ITC 50 asked the following questions on the term sufficiently specific:

Questions for respondents

Regarding the term sufficiently specific in AASB 15 Appendix F, do you have any comments about:

1. *the application of the term in practice?*
2. *the extent of specificity needed to meet the sufficiently specific criterion for a contract (or part of a contract) to be within the scope of AASB 15?*
3. *whether differences in application exist?*

If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.

4. *In addition to the existing guidance in AASB 15 Appendix F, is there any other guidance that would help you determine whether a contract (or part of a contract) is sufficiently specific? If so, please provide details of the guidance and explain why you think it would be useful.*

Staff's summary of the feedback

- 7 Of the respondents that answered these questions, almost all² stakeholders expressed concerns about the sufficiently specific criterion. The themes of the feedback received are summarised below:
- (a) Stakeholders agreed with the feedback summarised in ITC 50, that sufficiently specific criterion is open to significant judgement and is not defined adequately in the AASB 15 *Revenue from Contracts with Customers Appendix F Australian implementation guidance for not-for-profit entities*. The interpretation and application of the term sufficiently specific can be time-consuming, confusing, difficult and challenging to apply in practice and, often results in different conclusions being reached. This is despite the NFP implementation guidance in AASB 15 Appendix F, illustrative examples in AASB 15 and AASB 1058 *Income of Not-for-Profit Entities (the Standards)* and educational material³ provided. This impacts comparability between entities.
 - (b) The lack of clarity makes it challenging to resolve differences in opinion (for example, between preparers and auditors). These differences in opinion may be widespread due to the term sufficiently specific and the guidance provided in AASB 15 Appendix F. The guidance has been described as vague and there is uncertainty about how specific a contract needs to be applying the requirements of paragraph F20 of AASB 15. For example, stakeholders noted that for a contract to be sufficiently specific it is not clear whether an agreement needs to outline the nature, cost and quantity of the goods or services and the period over which they must be transferred, or whether only a few of these conditions are required.
 - (c) Amending and clarifying the requirements in the AASB 15 Appendix F may provide better comparability. However, stakeholder views about how to resolve the challenges in application were diverse:
 - (i) There were suggestions that additional illustrative examples or educational material would not be helpful.

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- 2 This staff paper and other staff papers in Agenda item 8 uses the following terms to describe the extent to which particular feedback was provided by respondents:

| Term | Extent of response among respondents |
|-------------|---|
| Almost all | all except a very small minority |
| Most | a large majority, with more than a few exceptions |
| Many | a small majority or large minority |
| Some | a small minority, but more than a few |
| A few | A very small minority |

- 3 Including Staff FAQs and Key facts documents, and educational webinar. The details of these are referred to in more detail in the agenda papers for each ITC 50 topic where relevant.

(ii) Others suggested that examples that considered different scenarios such as goods or services, the substance of an arrangement and other facts and circumstances, would be helpful.

(iii) Some stakeholders also suggested that the existing Staff FAQs and the material in the ITC should be included in the Standard.

(d) Some stakeholders observed that whilst there are differences in application, entities have interpreted and applied the requirements of the Standards to the best of their abilities (with some differences) and therefore, any changes to the requirements of the Standards should be carefully considered to avoid making application more challenging.

8 Staff analysis of the feedback received on this topic is set out in Agenda Paper 8.2.3 *PIR Income of Not-For-Profit Entities – Sufficiently specific criterion*. This includes preliminary views on whether any action could be taken to address the feedback and what may be done to respond to it.

Topic 2: Capital Grants

9 When developing ITC 50, stakeholder feedback suggested that because there is no guidance to explain how specific the identified specifications need to be for a contract to meet the requirement of AASB 1058 paragraph 15(a), there are divergent views about how much detail is required. Further, whether the identified specifications criterion is met affects the accounting and associated revenue recognition for such transactions, with the result that differences in practice in applying the criterion may decrease the comparability of NFP entity financial statements.

10 ITC 50 asked the following questions on capital grants:

Questions for respondents

Regarding the term identified specifications in AASB 1058 paragraph 15(a), do you have any comments about:

5. *the application of the term in practice?*

6. *the extent of specificity needed for a contract to meet the requirements of AASB 1058 paragraph 15(a)?*

7. *whether differences in application exist because of the use of the term identified specifications?*

If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.

8. *In addition to the existing illustrative examples in AASB 1058, is there any other guidance that would help you determine when to recognise revenue following the transfer of a financial asset to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity? If so, please provide details of the guidance and explain why you think it would be useful.*

Staff's summary of the feedback

- 11 Of the respondents that answered these questions, feedback was mixed. The themes of the feedback received are summarised below:
- (a) Significant judgement is required to apply the identified specifications criterion because it is not defined and there are limited examples on how to apply the concept, potentially reducing comparability. Difficulties may be reduced where funding is provided to build assets on an entity's own land.
 - (b) Some stakeholders suggested that the existing Staff FAQs, the table in ITC 50 and some information in the Basis for Conclusions should be included in the AASB 1058.
 - (c) Additional guidance and illustrative examples of fact patterns would be helpful.
 - (d) The analysis included in some examples is not sufficient to explain the revenue recognition pattern (over time or at a point in time) for some of the scenarios.
 - (e) There is ambiguity over whether the requirements are class-dependent for non-financial assets.
- 12 A detailed analysis of the feedback received on this topic and recommendations on possible next steps will be discussed at a future Board meeting.

Topic 3: Differences between management accounts and statutory accounts and alternative revenue recognition models

- 13 When developing ITC 50, feedback from some preparers indicated that recognising income on receipt for some agreements is unhelpful for users of the NFP entity's financial information. For example, where an agreement is not within the scope of AASB 15, entities may be required to recognise income on receipt. However, in some cases, the entity believes activities are still to be performed. Where this is the case, some NFP entities are preparing internal reports based on the activities carried out rather than in accordance with Australian Accounting Standards (i.e. entities are recognising revenue based on when expenses are incurred) because this information is perceived to be what those charged with governance and management of the entity find most useful.
- 14 ITC 50 asked the following questions on differences between management accounts and statutory accounts and alternative revenue recognition models:

Questions for respondents

9. *Do you have any comments regarding the timing of revenue recognition required by AASB 15 and AASB 1058 of NFP entities? If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also helpful.*
10. *Do you have any views on alternative approaches to recognising revenue in the NFP sector? For example, should an NFP entity initially recognise a liability and recognise revenue:*

- (a) based on a common understanding between the entity and the transfer provider of the manner in which the entity is expected to use the inflows of resources;
- (b) where there are terms in law or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity;
- (c) on a systematic basis over the periods in which the entity recognises as expenses the related costs for which a grant is intended to compensate; or
- (d) where the outflows of resources are incurred in accordance with the requirements set out in a binding agreement.

If so, please provide your views on your preferred alternative(s) above or another alternative approach.

Staff's summary of the feedback

- 15 Many stakeholders provided feedback on the preparation of management accounts, with the need for these increasing where income is being recognised upfront and this not necessarily reflecting the reality of the agreement (i.e. activities to be performed in future periods). Some entities may also use financial statement disclosures to communicate what funding is restricted (as encouraged by AASB 1058).
- 16 Of the respondents that answered these ITC 50 questions, some did not think it was necessary to overhaul or redesign the existing revenue recognition model because it is principles-based and a lot of effort went into developing it including public consultation.
- 17 With reference to alternative models:
 - (a) There were mixed views on adopting one of the models suggested in ITC 50 with some respondents preferring a particular model while others provided comments on why adopting it would not be suitable.
 - (b) One stakeholder suggested that focusing on the AASB's NFP Financial Reporting Framework Project should be a priority because when the Tier 3 project is finalised, the number of NFP entities applying AASB 1058 and AASB 15 will likely decrease, and those remaining to apply NFP Tier 1 and Tier 2 will likely have more resources to interpret and apply the existing requirements.
 - (c) Another stakeholder suggested waiting for the IFR4NPO project to be finalised before making wholesale changes to the existing requirements.
- 18 Some refinements and targeted improvements to the Standards were suggested. For example, some stakeholders observed that in their view there is a lack of comparability that could be addressed by more clearly distinguishing between AASB 15 and AASB 1058 or that the revenue recognition requirements of AASB 15 and AASB 1058 for NFP entities should be presented in a single standard for NFP entities.
- 19 A detailed analysis of the feedback received on this topic is set out in Agenda Paper 8.2.2 *PIR Income of Not-For-Profit Entities – Differences between management accounts and statutory accounts and alternative revenue recognition models*. This includes staff analysis and

preliminary views on whether any action could be taken to address the feedback and what may be done to respond to it.

Topic 4: Principal v agent, including the appropriate recognition of financial liabilities

- 20 When developing ITC 50, stakeholder feedback suggested that further clarification is required regarding the accounting treatment of financial instruments under AASB 1058, particularly whether to recognise a financial liability if an entity's only obligation is to transfer funds received to other entities. Stakeholders expressed concerns that the existing illustrative examples may lead to diversity in recognising financial liabilities. Further, stakeholders were concerned that Illustrative Example 3A attached to AASB 1058 does not conclude whether any financial liability is recognised and, if so, what amount should be recognised.
- 21 In January 2022, the AASB issued Exposure Draft ED 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases*, which proposed an amendment to Illustrative Example 3A intending to clarify the accounting requirements. However, most respondents to ED 318 were not supportive of the proposed amendments at that time, preferring that the AASB consider any changes to the example as part of this PIR.
- 22 Stakeholders have suggested that to address the accounting treatment of such transactions, it is necessary first to address whether the NFP entity is considered a principal or an agent and, therefore whether funds received and monies spent should be recognised on a gross or net basis.
- 23 ITC 50 asked the following questions on principal v agent, including the appropriate recognition of financial liabilities:

Questions for respondents

Regarding the recognition of financial liabilities, if an NFP entity's only obligation is to transfer funds received to other entities, do you have any comments on:

11. *the determination of whether the entity is a principal or an agent?*
12. *whether differences in application exist in concluding whether an NFP entity is a principal or an agent? If there are differences in application, do they significantly affect the comparability of financial statements?*

If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.

13. *In relation to determining whether an NFP entity is a principal or an agent, do you have examples of specific scenarios where there are practical challenges and application issues?*

If so, please provide details of the complexities associated with this determination, such as the level of discretion the entity has in determining to whom funds will be passed, and illustrate the relevant circumstances, their significance and the prevalence of any differences in application.

14. Is there any guidance that would help you determine whether an NFP entity is a principal or an agent? If so, please provide details of the guidance and explain why you think it would be useful.

Staff's summary of the feedback

- 24 Of the respondents that answered these questions, almost all feedback suggested that there is limited guidance on this topic and additional guidance is needed. The themes of the feedback received in relation to principal versus agent and revenue recognition are summarised below:
- (a) There is diversity in practice in the application, with significant judgement required, although the application of the principal versus agent concept may also be an issue for for-profit entities.
 - (b) Specific guidance for NFPs would be helpful, particularly examples that:
 - (i) consider the impact of discretion and accountability on the assessment; and
 - (ii) are more complex and, therefore, reflective of the scenarios entities encounter in practice.
 - (c) To assist with application, Illustrative Example 3A could be made clearer.
- 25 Stakeholders also provided feedback about challenges applying the principal versus agent concept when determining whether an item is controlled or administered in the context of AASB 1050 *Administered Items*. Public sector stakeholders suggested that it is not clear how the concept of principal versus agent applies and the relationship of it with AASB 1050 because if the principal versus agent concept is applied for administered items, there is the potential that there are no administered items. Further, AASB 1050 requires the disclosure of information that is useful for users in relation to administered items. However, in some cases, the principal versus agent concept is not being applied and this is problematic because AASB 1050 requires the same accounting policies to be applied in the administered statements and the controlled statements but the concept of principal versus agent appears to be the exception because if the concept was applied there would be no administered items.
- 26 A detailed analysis of the feedback received on this topic and recommendations on possible next steps will be discussed at a future Board meeting.

Topic 5: Grants received in arrears

- 27 When developing ITC 50, stakeholder feedback indicated there are divergent views regarding how to account for grants received in arrears, particularly where some of the work to be funded by the grant is performed before the funding is received. AASB staff released an FAQ that provides guidance and an example illustrating the accounting for a grant received in arrears. However, based on stakeholders' feedback, differences in application still exist.
- 28 ITC 50 noted that the AASB considers the interpretation about the type of asset that may exist where grant funding is received in arrears depends on the facts and circumstances of

the particular agreement. The AASB also notes that determining the type of asset to be recognised is outside the scope of AASB 1058 and may also be outside the scope of AASB 15.

29 ITC 50 asked the following questions on grants received in arrears:

Questions for respondents

Do you have any comments regarding:

- 15. the accounting for grants received in arrears, particularly where some of the work to be funded by the grant is performed before the funding is received? If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful;*
- 16. whether differences in application exist in the accounting for grants received in arrears exists? If so, please provide examples that illustrate the relevant circumstances, their significance and the prevalence of any differences in practice.*

Staff's summary of the feedback

30 Of the respondents that answered these questions, feedback was mixed. The themes of the feedback are summarised below:

- (a) The Board should consider including the term 'contract asset' in AASB 1058 in relation to capital grants, because the term is defined in AASB 15 and the accounting is linked to AASB 15.
- (b) There is ambiguity about whether the grant received in arrears is a receivable or a contract asset.
- (c) In relation to when the grant asset should be recognised, stakeholders suggested that factors to consider include:
 - (i) that the principles of the Conceptual Framework should apply;
 - (ii) whether the enforceability and AASB 9 *Financial Instruments* requirements are met; and
 - (iii) whether there is an unconditional right.
- (d) Stakeholders suggested that more information is needed about what is required to recognise an asset as it is not currently clear. For example, whether claims need to be accepted, or whether there is a need for a high probability that a claim will be accepted or something else.
- (e) The Staff FAQs should be included in the Standard, and more specific and practical examples should be included. For example, the accounting for disaster recovery payments, the roads to recovery programs and grant monies received from special deposit accounts.

- 31 A detailed analysis of the feedback received on this topic and recommendations on possible next steps will be discussed at a future Board meeting.

Topic 6: Termination for convenience (TFC) clauses

- 32 When developing ITC 50, stakeholder feedback indicated that differences exist in practice as to whether a liability for unspent funds should be recognised where a TFC clause exists in a grant agreement.
- 33 The two views existing in practice are that where an agreement is within the scope of AASB 1058, a financial liability should be recognised:
- (a) View (a): for unspent funds when the grant is provided, with income recognised as the funds are spent; or
 - (b) View (b): once the clause has been exercised and there has been a request for repayment, because TFC clauses are inserted only for specific purposes (e.g. a change in government). Under this approach, income is recognised on receipt of the grant, subject to the recognition of other elements per paragraph 9 of AASB 1058.
- 34 ITC 50 asked the following questions in relation to TFC clauses:

Questions for respondents

Regarding accounting for termination for convenience clauses:

17. do you support view (a) or view (b) regarding recognising a liability in relation to unspent funds? Please explain your rationale, including references to Australian Accounting Standards. Examples to illustrate your responses are also most helpful;

18. do you have any other comments? If so, please provide your views, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.

Staff's summary of the feedback

- 35 Of the respondents that answered these questions, feedback was limited and stakeholders did not express significant concerns about the accounting for TFC clauses, although there is diversity in how they are being accounted for. The themes of the feedback are summarised below:
- (a) The Board could consider incorporating the analysis in the November 2020 staff paper in AASB 1058. However, this analysis should be updated for subsequent stakeholder feedback.
 - (b) The Board should consider specifying that in addition to a TFC clause, there also needs to be a specific requirement in the contract for repayment of any funding received.
 - (c) There is a distinction between TFC clauses that are substantive and those that are protective and the accounting should follow the substance of the TFC clause.

- 36 Staff analysis of the feedback received on this topic is set out in Agenda Paper 8.2.4 PIR *Income of Not-For-Profit Entities – Termination for Convenience Clauses*. This includes preliminary views on whether any action could be taken to address the feedback and what may be done to respond to it.

Topic 7: Accounting for research grants

- 37 Whether a research grant is accounted for in accordance with AASB 1058 or AASB 15 depends on the specific terms and conditions of the grant. To determine which Standard applies, an NFP entity considers whether:
- (a) it has promised to transfer goods or services (e.g. outputs from the research) to the donor or other parties on behalf of the donor; and
 - (b) that promise is sufficiently specific to determine when it has satisfied its obligation to transfer those goods or services.
- 38 To support NFP entities in applying the requirements in AASB 15 paragraph 35 (performance obligations satisfied over time), a range of illustrative examples were added to AASB 15 in relation to research activities.
- 39 Although this issue was not explicitly raised again during the development of ITC 50, anecdotal evidence and discussions with stakeholders indicated that the issue of AASB 2019-6 *Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities* has not fully resolved differences in application when accounting for research grants.

Question for respondents

19. Do you have any comments regarding the accounting for research grants (other than termination for convenience clauses, which are covered in Topic 6)?

If so, please provide your views on the requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.

Staff's summary of the feedback

- 40 Of the respondents that answered these questions, feedback was mixed. The themes of the feedback received are summarised below:
- (a) One stakeholder observed that significant work has been performed in relation to research grants already, therefore they were unsure what additional material could be developed to assist with the application of the requirements.
 - (b) Some other stakeholders suggested the following:
 - (i) one stakeholder suggested that additional guidance on the application of specific paragraphs of AASB 1058 would be helpful. One stakeholder suggested that it is not clear when to consider the alternative use criteria, how extensively an entity should look to determine whether there is an alternative use and whether the alternative use must be economically viable. This is particularly relevant in the public sector given public sector objectives may not be financially driven.

- (ii) another stakeholder observed that in practice, research grants are rarely as straightforward or simplistic as the examples included in AASB 1058 so more practical and complex examples would be helpful.
 - (iii) some entities have had difficulties assessing whether costs to fulfil research contracts that are 'point in time' contracts can be capitalised under AASB 15. It was noted that there are differing views about this due to the apparent circularity of how costs to fulfil research contracts should be treated between AASB 15 and AASB 138. This is because AASB 138 *Intangible Assets* specifically prohibits research costs from being capitalised, and whether costs incurred under a contract with a donor to deliver research (that is within the scope of AASB 15) should be captured by AASB 15 given that future economic benefits will flow to the entity. The respondent observed that there are two views and asked the Board to clarify which view is appropriate under the requirements of Australian Accounting Standards.
- (c) A stakeholder also suggested that the existing guidance on research grants should be included in AASB 1058.

41 A detailed analysis of the feedback received on this topic and recommendations on possible next steps will be discussed at a future Board meeting.

Topic 8: Statutory Receivables

42 In developing ITC 50, stakeholder feedback noted that the AASB 9 Appendix C *Australian implementation guidance for not-for-profit entities* requirements for statutory receivables apply only to the initial measurement of such assets but not their subsequent measurement. In the view of some stakeholders, this approach inappropriately permits differences across entities in the subsequent measurement of such assets.

43 When Appendix C was added to AASB 9, the AASB held the view that the initial fair value measurement requirements of AASB 9 are the most appropriate for statutory receivables as the economic substance of contractual receivables and receivables arising from statutory requirements is similar at initial recognition. However, the subsequent measurement of statutory receivables was not addressed at the time as the AASB decided further consideration of the matter would be needed beyond the scope of the income project. The AASB also noted that the International Public Sector Accounting Standards Board (IPSASB) had commenced a project on Public Sector Specific Financial Instruments.

44 Feedback also suggested that the initial measurement of statutory receivables in accordance with AASB 9 added considerably to the workload of preparers and auditors.

Questions for respondents

Do you have any comments regarding:

20. the subsequent accounting treatment of statutory receivables? If so, please provide your views, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful;

21. *whether the initial measurement of statutory receivables in accordance with AASB 9 added considerably to the workload of preparers and auditors – either on implementation of Appendix C to AASB 9 or subsequently? If so, please provide your views on the initial measurement requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.*

Staff's summary of the feedback

- 45 Of the respondents that answered these questions, respondents largely suggested that clarification and guidance on the requirements for the subsequent measurement of statutory receivables is needed. Respondents expressed differing views suggesting AASB 9, AASB 136 *Impairment of Assets* or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* should be considered.
- 46 A detailed analysis of the feedback received on this topic and recommendations on possible next steps will be discussed at a future Board meeting.

AASB General Matters for Comment

- 47 In addition to the specific matters for comment on each topic in ITC 50, the AASB also asked for comments on the following:

Questions for respondents

22. *Does the application of AASB 1058 and AASB 15 by NFP entities adversely affect any regulatory requirements for NFP entities?*
23. *Does the application of AASB 1058 and AASB 15 by NFP entities result in major auditing or assurance challenges?*
24. *Overall, do AASB 1058 and AASB 15 result in financial statements that are more useful to users of NFP entity financial statements?*
25. *In your view, do the benefits of applying the requirements of AASB 1058 and AASB 15 exceed the implementation and ongoing application costs for NFP entities?*
26. *Are there any other matters that should be brought to the attention of the AASB as it undertakes this PIR on the accounting for income of NFP entities?*

Staff's summary of the feedback

- 48 Most of the feedback received on the general matters for comment summarise the feedback received as part of each ITC 50 topic.
- 49 Whilst the Board decided not to include the topic of volunteer services in ITC 50, two stakeholders provided feedback suggesting that it would be useful for the Board to consider challenges faced by public sector entities in relation to volunteer services and provide additional guidance about whether they should be recognised. For example:

- (a) if volunteer services were not available, it was suggested that some entities would provide the service. However, they would do so at reduced capacity or would provide the service in a different way.
 - (b) being reliant on government funding can limit an entity's ability to 'otherwise purchase' volunteer services.
- 50 It is unclear how delivering the service in a different way impacts on the recognition of volunteer services and obtaining evidence to support the assertion can be challenging. One possible solution is that disclosure could be sufficient to meet user needs in relation to an entity's use of volunteer services.
- 51 A detailed analysis of the feedback received on this topic is set out in Agenda Paper 8.2.5 PIR *Income of Not-For-Profit Entities – General Matters for Comment*. This includes staff analysis and preliminary views on whether any action may be required to address the feedback and what may be done to respond to it.

Question to Board members

Q1: Do Board members have any questions or comments on the summary of the feedback provided in this paper for topics not presented in detail at this meeting?