



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

13 November 2020

Mr John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
CANADA

Dear John,

**EXPOSURE DRAFT 71 REVENUE WITHOUT PERFORMANCE OBLIGATIONS**

The Malaysian Institute of Accountants (“MIA”) is pleased to provide comments on the International Public Sector Accounting Standards Board (“IPSASB”) Exposure Draft (ED) 71 *Revenue without Performance Obligations* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB’s deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Deputy Executive Director of Digital Economy, Reporting and Risk at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR NURMAZILAH DATO’ MAHZAN**

Chief Executive Officer

## Specific Matter for Comments

**Specific Matter for Comment 1**

The ED proposes that a present obligation is a binding obligation (legally or by equivalent means), which an entity has little or no realistic alternative to avoid and which results in an outflow of resources. The IPSASB decided that to help ascertain whether a transfer recipient has a present obligation, consideration is given to whether the transfer recipient has an obligation to perform a specified activity or incur eligible expenditure.

**Do you agree with the IPSASB's proposals that for the purposes of this [draft] Standard, Revenue without Performance Obligations, a specified activity and eligible expenditure give rise to present obligations? Are there other examples of present obligations that would be useful to include in the [draft] Standard?**

We agree with the IPSASB's proposal that a specified activity and eligible expenditure give rise to present obligations. We wish to confirm our understanding that the present obligation recognised as liability within the ED is based on the application of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

We believe that a clear distinction between specified activity and eligible expenditure should also be included in the form of illustrative examples.

**Specific Matter for Comment 2**

**The flowchart that follows paragraph 31 of this [draft] Standard illustrates the process a transfer recipient undertakes to determine whether revenue arises and, if so, the relevant paragraphs to apply for such revenue recognition. Do you agree that the flowchart clearly illustrates the process? If not, what clarification is necessary?**

We agree that the flowchart in paragraph 31 clearly illustrates the said process.

**Specific Matter for Comment 3**

**The IPSASB decided that a transfer recipient recognizes revenue without performance obligations but with present obligations when (or as) the transfer recipient satisfies the present obligation.**

**Do you agree that sufficient guidance exists in this [draft] Standard to determine when a present obligation is satisfied and when revenue should be recognized? For example, point in time or over time. If not, what further guidance is necessary to enhance clarity of the principle?**

We do not agree that sufficient guidance exists in this [draft] Standard to determine when a present obligation is satisfied and when revenue should be recognised.

We propose that the IPSASB provides additional guidance and illustrative examples to clearly demonstrate the distinction between performance obligations and present obligations (which includes specified activities and eligible expenses) as mentioned in Specific Matter for Comment 1.

**Specific Matter for Comment 4**

The IPSASB decided that the objective when allocating the transaction price is for a transfer recipient to allocate the transaction price to each present obligation in the arrangement so that it depicts the amount to which the transfer recipient expects to be entitled in satisfying the present obligation. The amount of revenue recognized is a proportionate amount of the resource inflow recognized as an asset, based on the estimated percentage of the total enforceable obligations satisfied.

**Do you agree sufficient guidance exists in this [draft] Standard to identify and determine how to allocate the transaction price between different present obligations? If not, what further guidance is necessary to enhance clarity of the principle?**

We agree that sufficient guidance exists in this [draft] Standard to identify and determine how to allocate the transaction price between different present obligations.

However, we wish to highlight that there are circumstances when the present obligation is greater than the inflow of resources that is recognised as an asset, for instance, when there is a transfer of a physical asset. We propose for the IPSASB to provide guidance on this matter.

**Specific Matter for Comment 5**

**Do you agree with the IPSASB's proposals that receivables within the scope of this [draft] Standard should be subsequently measured in accordance with the requirements of IPSAS 41, Financial Instruments? If not, how do you propose receivables be accounted for?**

We agree with the IPSASB's proposals that receivables within the scope of this [draft] Standard should be subsequently measured in accordance with the requirements of IPSAS 41.

However, we wish to clarify whether non-monetary assets would fall under paragraph 85 of the ED. Hence, we propose that the IPSASB provides more examples on such items.

**Specific Matter for Comment 6**

The disclosure requirements proposed by the IPSASB for revenue transactions without performance obligations are intended to provide users with information useful for decision making, and to demonstrate the accountability of the transfer recipient for the resources entrusted to it.

**Do you agree the disclosure requirements in this [draft] Standard provide users with sufficient, reliable and relevant information about revenue transactions without performance obligations? In particular, (i) what disclosures are relevant; (ii) what disclosures are not relevant; and (iii) what other disclosures, if any, should be required?**

We agree that the disclosure requirements in this [draft] Standard provide users with sufficient, reliable and relevant information about revenue transactions without performance obligations and we propose that the IPSASB considers the benefits of the disclosures to users and the costs of compiling and reporting such information.

**Specific Matter for Comment 7**

**Although much of the material in this [draft] Standard has been taken from IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), the IPSASB decided that the ED should establish broad principles for the recognition of revenue from transactions without performance obligations, and provide guidance on the application of those principles to the major sources of revenue for governments and other public sector entities. The way in which these broad principles and guidance have been set out in the ED are consistent with that of [draft] IPSAS [X] (ED 72), Transfer Expenses.**

**Do you agree with the approach taken in the ED and that the structure and broad principles and guidance are logically set out? If not, what improvements can be made?**

Generally, we agree with the approach taken in the ED and that the structure and broad principles and guidance are logically set out. Please refer to our responses in Specific Matter for Comment 1 and 3.