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**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**  
**TANZANIA**

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TEL NOS: +255 26 2963318-9  
E-MAIL: info@nbaa.go.tz  
WEBSITE: www.nbaa.go.tz

NATIONAL AUDIT OFFICE "AUDIT HOUSE",  
8<sup>TH</sup> FLOOR, 4 UKAGUZI ROAD,  
P. O. BOX 1271,  
41104 TAMBUKARELI,  
DODOMA, TANZANIA

Date: 30<sup>th</sup> October, 2020

Chief Executive Officer,  
International Federation of Accountants,  
International Public Sector Accounting Standard Board,  
529 5th Avenue  
New York, New York 10017.

Dear Sir/Madam

**RE: COMMENTS ON EXPOSURE DRAFT 71 – REVENUE WITHOUT  
PERFORMANCE OBLIGATIONS**

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft no. 71 – Revenue without Performance Obligations.

In principle, we are supportive with all of the proposals in ED 71, however, with the following issue entailed below additional help is expected to be brought about by the Board:

**Specific Matter for Comment 1: (Paragraphs 14-21)**

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?

**Yes:** We do agree that the examples provided are comprehensive enough to explain the meaning of present obligation.

**Specific Matter for Comment 2: (Paragraph 31)**

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?

**Yes:** We do agree that flowchart clearly illustrate the process.

**Specific Matter for Comment 3: (Paragraph 57-58)**

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?

**Yes:** We do agree that the guidance provided is clear and straight forward.

**Specific Matter for Comment 4: (Paragraphs 80-81)**

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?

**Yes:** We do agree that sufficient guidance exists in this area.

**Specific Matter for Comment 5: (Paragraphs 84-85)**

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?

**Yes:** We do agree because IPSAS 41 provides clear guidance about receivables.

**Specific Matter for Comment 6: (Paragraphs 126-154)**

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?

**Yes:** We do agree with disclosure requirements in this [draft] standard and we consider them as relevant disclosures.

**Specific Matter for Comment 7: (Paragraphs N/A)**

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?

**Yes:** We do agree with the approach taken.

If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,



CPA Angyelile V. Tende

**For: EXECUTIVE DIRECTOR**



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



*All communication to be addressed to the Executive Director NBAA*

NBAA Dar es Salaam Branch: Mhasibu House, Bibi Titi Mohamed Street,  
P. O. Box 5128, Dar Es Salaam, Tanzania Tel: +255 22 2211890-9