



## THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

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OUR REF: ICAG/TRD/ED 2020/Q3/01

YOUR REF:

28<sup>th</sup> October, 2020

**The Technical Director  
International Public Sector Accounting Standards Board (IPSASB)  
New York**

Dear Sir,

**Comments on Exposure Draft (ED) 70: Revenue with Performance Obligations**

We are grateful to the IPSASB for the opportunity given us to comment on the Exposure Draft (ED) 70; Revenue with Performance Obligations. We welcome the initiative of the IPSASB to come out with this Draft which stipulates how to measure, recognize and disclose revenues with performance obligations. The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about revenue with performance obligations.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

**Specific Matter for Comment 1:** This Exposure Draft is based on IFRS 15, Revenue from Contracts with Customers. Because in some jurisdictions public sector entities may not have the power to enter into legal contracts, the IPSASB decided that the scope of this Exposure Draft would be based around binding arrangements. Binding arrangements have been defined as conferring both enforceable rights and obligations on both parties to the arrangement.

Do you agree that the scope of this Exposure Draft is clear? If not, what changes to the scope of the Exposure Draft or the definition of binding arrangements would you make?

*The scope of this Exposure Draft is clear. The draft is tailored around binding obligations for jurisdictions where public sector entities are allowed to enter into binding contracts. The definition of binding contract is clear and succinct and in line with IFRS 15, i.e. conferring both enforceable rights and obligations on both parties to the arrangement.*

**Specific Matter for Comment 2:** This Exposure Draft has been developed along with [draft] IPSAS [X] (ED 71), Revenue without Performance Obligations, and [draft] IPSAS [X] (ED 72), Transfer Expenses, because there is an interaction between them.



Although there is an interaction between the three Exposure Drafts, the IPSASB decided that even though ED 72 defines transfer expense, ED 70 did not need to define “transfer revenue” or “transfer revenue with performance obligations” to clarify the mirroring relationship between the exposure drafts. The rationale for this decision is set out in paragraphs BC20–BC22.

Do you agree with the IPSASB’s decision not to define “transfer revenue” or “transfer revenue with performance obligations”? If not, why not?

*We agree to the decision not to define transfer revenue or transfer revenue with performance obligations. Transfer revenue with performance obligations would have been a subset of revenue within the scope of [draft] IPSAS [X] (ED 70), while transfer revenue would have been a subset of revenue within the scope of [draft] IPSAS [X] (ED 71). Separately defining these terms when their recognition and measurement would have been the same as other types of revenue within their respective standards seems to be adding an unneeded level of complexity. The reader or preparer of financial statements must not be confused with meanings of revenues in different standards.*

**Specific Matter for Comment 3:** Because the IPSASB decided to develop two revenue standards—this Exposure Draft on revenue with performance obligations and ED 71 on revenue without performance obligations—the IPSASB decided to provide guidance about accounting for transactions with components relating to both exposure drafts. The application guidance is set out in paragraphs AG69 and AG70. Do you agree with the application guidance? If not, why not?

*We agree with the application guidance. The application guidance explains how to treat a transaction which comprises the two Standards. If a purchaser enters into a binding arrangement with an entity with a dual purpose of obtaining goods or services and to help the entity achieve its objectives part of the agreement will be paid whilst the other part is not intended to be paid for because it was done to certify the objective of the entity. The entity has to disaggregate the transaction price and account for the component that relates to the transfer of promised goods or services in accordance with this [draft] Standard (ED 70). The remainder of the transaction price which is not intended to be paid for, shall be accounted for in accordance with [draft] IPSAS [X] (ED 71), Revenue without Performance Obligations.*

**Specific Matter for Comment 4:** The IPSASB decided that this Exposure Draft should include the disclosure requirements that were in IFRS 15. However, the IPSASB acknowledged that those requirements are greater than existing revenue standards.

Do you agree that the disclosure requirements should be aligned with those in IFRS 15, and that no disclosure requirements should be removed? If not, why not?

*We agree that the disclosure requirements of this Standard should be aligned with those in IFRS 15. They should include all the disclosure requirements that were in IFRS 15. However, in presenting financial statements, the entity must select those disclosure requirements in IFRS 15 pertaining to that entity and apply them in accordance with IPSAS, as well as or in addition to the other disclosure requirements pertaining to public sector entities.*

**Specific Matter for Comment 5:** In developing this Exposure Draft, the IPSASB noted that some public sector entities may be compelled to enter into binding arrangements to provide goods or services to parties who do not have the ability or intention to pay. As a result, the IPSASB decided to add a disclosure requirement about such transactions in paragraph 120. The rationale for this decision is set out in paragraphs BC38–BC47.

Do you agree with the decision to add the disclosure requirement in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions? If not, why not?

*We agree with the decision to add the disclosure requirements in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions. This disclosure is important to measure the performance of the entity. The implicit cost or lost revenue for providing the goods or services must be measured and reported on or disclosed in the financial statements of reporting entity. This is good for comparison purposes and to measure the efficiency and effectiveness of the entity.*

We hope the IPSASB finds these comments helpful in further developing its consultations on exposure draft on Revenue with Performance Obligations. In turn, we are committed to helping the IPSASB in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,



**OSEI KWAKU ADJAYE-GYAMFI**  
**DIRECTOR, TECHNICAL AND RESEARCH**