

IPSAS Revenue Recognition Overview



Framework Objective

- **Objective** – Provide an IPSAS compliant framework to classify agreements for revenue recognition and measurement for general purpose financial reporting.

UNSAS vs. IPSAS

UNSAS

Revenue mostly recognized
when cash is received



IPSAS

“Control even though No Cash”
Can recognize revenue earlier
than UNSAS and prior to receipt
of cash in certain instances
(including multi-year)

Key Definitions

- **Non-Exchange** – Entity receives value from another entity without directly giving up approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
- **Exchange** – are transactions in which one entity receives assets or services, or has liabilities extinguished, and **directly gives approximately equal value** (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Pledges

- IPSAS definition of Pledge – no longer sufficient for IPSAS Financial Statement recognition
- IPSAS considers Pledges as unenforceable
- Key concept: No Control - No recognition
- A higher degree of certainty required
- Financial Statement Disclosure possible

Non-Exchange Agreements

Main types
of Non-
Exchange
Agreements:

- Unearmarked (Core/Regular Activities)
- Earmarked – (Specified Programme/Project)
- European Commission – FAFA
- In-Kind
- Junior Professional Officer

Non-Exchange Agreement Recognition

Step 1: Determine if Agreement can be recognized

(i.e. an Asset exists)

- Past Event
- Future Economic Benefit or Service Potential
- Control



Step 2: If Agreement recognized then Revenue or Liability ?

Importance of Control

Control is Key:



Specific clauses in agreements can indicate that control is jeopardized

Agreement Stipulations

Stipulation:

Restriction or Condition ?
(usually found in Earmarked agreements)

Restriction

No return of asset (monies) specified. Once agreement is recognized, Non-exchange revenue is also recognized.

Condition

Return of asset (monies) possible if improperly used. Once agreement is recognized a Liability is also recognized.

Importance of Agreements: illustrative examples

- “A project obligation may be terminated by either party with ninety (90) days written notice to the other party.”
- “....will provide, subject to annual budgetary appropriations by the ...Government....”
- “Ifappropriation is changed by the Parliament....may reduce the Grant or terminate this Arrangement.”

Importance of Agreements: illustrative examples

- “...The next three installments will be released upon receipt of satisfactory reports as mentioned under paragraph....”
- “The donor shall make available an amount of up to 750,000 Euro but not to exceed \$1,024,822 US dollars....”
- “....shall immediately refund....any monies previously paid to it....which have not been utilized by it in connection with the Project....”

Exchange Revenue

- Sale of Goods & Services
- Rental Revenue
- Fee Based Revenue
- Royalties
- Interest



UNSAS vs. IPSAS

UNSAS

- **Presentation:** UNSAS does not specifically mandate how Revenue should be presented
- **Recognition & Reporting:** Revenue recognized generally when cash is received.

IPSAS

- **Presentation:** Segregates between Exchange and Non-exchange revenue
- **Recognition:** Can recognize agreement prior to cash receipt. Control must be demonstrated. IPSAS view of Pledge not sufficient for recognition.
- **Reporting:** IPSAS General Purpose Financial Statements (GPFS). Potential for 'Peaks and Valleys' for multi-year contributions.

Comments or Questions ?

