IPSAS 9 – REVENUE FROM EXCHANGE TRANSACTIONS
IPSAS 23 – REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)

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IPSAS 9 – REVENUE FROM EXCHANGE TRANSACTIONS

- This standard prescribes the accounting treatment of revenue arising from exchange transactions and events.

- Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

EXCHANGE TRANSACTIONS

- The rendering of services
- The sale of goods
- The use by others of entity assets yielding interest, royalties and dividends or similar distributions

ISSUE IN ACCOUNTING FOR REVENUE

- Determining when to recognize revenue.
- Revenue is recognized when it is probable that
  a) Future economic benefits or service potential will flow to the entity, and
  b) These benefits can be measured reliably.

RENDERING OF SERVICES

- Involves the performance by the entity of an agreed task over an agreed period of time.

THE SALE OF GOODS

Goods include:

a) Goods produced by the entity for the purpose of sale, such as publications, and

b) Goods purchased for resale.

OTHERS

- Interest – charges for the use of cash or cash equivalents, or amounts due to the entity;
- Royalties – charges for the use of long-term assets of the entity, for example, patents and trademarks; and
- Dividends – distributions of surpluses to holders of equity investments in proportion to their holdings of a particular class of capital.

RECOGNITION

RENDERING OF SERVICES

Revenue is recognized by reference to the stage of completion of the transaction at the reporting date:

a) Surveys of work performed.
b) Services performed to date as a percentage of total services to be performed.
c) The proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date.

- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue may be recognized only to the extent of the expenses recognized that are recoverable.

RECOGNITION

SALE OF GOODS

a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
c) The amount of revenue can be measured reliably.
d) It is probable that the economic benefits associated with the transaction will flow to the entity.

- If the entity retains significant risks of ownership, the transaction does not constitute a sale and revenue is not recognized.

RECOGNITION

OTHERS

a) Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.
b) Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.
c) Dividends re recognized when the shareholder's or entity's right to receive payment is established.

IPSAS 23 – REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)

- This standard prescribe the requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.

- In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

TAXES

- Economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and regulations, established to provide revenue to the government.
- Taxes do not include fines or penalties imposed for breaches of the law.

- Taxation revenue shall be determined at a gross amount.

TRANSFERS

- Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

STIPULATIONS ON TRANSFERRED ASSETS

- They are terms in laws and regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

CONDITIONS ON TRANSFERRED ASSETS

- They are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

RESTRICTIONS ON TRANSFERRED ASSETS

- They are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future benefits or service potential is required to be returned to the transferor if not deployed as specified.

THANK YOU

Any queries?

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