

## PBE IPSAS 9 Revenue from Exchange Transactions – Differences to NZ IFRS (PBE)

	NZ IAS 18 (PBE)	PBE IPSAS 9	Difference
1	<p>NZ IAS 18 does not distinguish between revenue from exchange and non-exchange transactions.</p>	<p>PBE IPSAS 9 deals only with revenue from exchange transactions.</p> <p>Exchange transactions 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.</p> <p>Examples of exchange transactions are the purchase or sales of goods or services or the lease of equipment at market rates.</p> <p>PBE IPSAS 9 contains some guidance to assist public sector entities to distinguish between exchange and non exchange transactions.</p> <p>PBE IPSAS 9 Objective and 9.5-7</p>	<p>In the PBE suite, revenue is now covered by two separate standards, one for exchange and one for non-exchange.</p> <p>Entities will need to identify whether revenue is from an exchange or non exchange transaction to ensure revenue is accounted for in accordance with the appropriate accounting standard.</p> <p>However, it is not always immediately clear which category a particular transaction falls under so judgement may be required. The substance rather than the form of the transactions should be considered when making that judgement.</p> <p>The requirements in PBE IPSAS 9 are largely consistent with NZ IAS 18 (PBE).</p>

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2	<p>Under NZ IAS 18 (PBE) revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.</p> <p>Under NZ IFRS the definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent.</p> <p>Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity.</p> <p>NZ IAS 18 Objective NZ IAS 18.7 NZ IFRS Framework 74-77</p>	<p>Under the PBE standards the term <i>revenue</i>, encompasses both revenues and gains</p> <p>Under PBE IPSAS 1 <i>Presentation of Financial Statements</i> revenue is the gross inflow of economic benefits or service potential during the reporting period when those flows result in an increase in net assets/equity, other than increases relating to contributions from owners.</p> <p>The PBE Framework (which is drawn from the NZ IFRS Framework) refers to <i>income</i>. The Framework notes that the definition of revenue in PBE IPSAS 1 is equivalent to the term income in the PBE Framework.</p> <p>PBE IPSAS 9 Objective</p>	<p>Under the PBE standards the term revenue has the same meaning as income under NZ IFRS (PBE).</p> <p>Therefore, in comparing NZ IAS 18 (PBE) and PBE IPSAS 9, there is a scope difference in that IPSAS 9 covers both <i>revenue and gains</i> whereas NZ IAS 18 (PBE) is narrower in that it covers only revenue in the course of the ordinary activities of an entity.</p> <p>PBE IPSAS 9 also includes reference to both <i>economic benefits</i> and <i>service potential</i>.</p> <p>While PBE IPSAS 9 has a wider scope compared to NZ IAS 18, we would not expect any significant impact in practice when the PBE standards are considered as a whole.</p>
3	<p>NZ IAS 18 (PBE) contains guidance for the recognition of revenue from the sale of goods, including that the costs incurred in respect of a transaction (including warranties and other costs to be incurred after the shipment of the goods) can be measured reliably.</p> <p>NZ IAS 18.19</p>	<p>PBE IPSAS 9 has the same conditions as NZ IAS 18 (PBE) regarding reliable measure of costs associated with the transaction, but the additional guidance contained in NZ IAS 18.19 on the reliable measurement of costs has not been included in PBE IPSAS 9.</p>	<p>PBE IPSAS 9 excludes some additional guidance contained in NZ IAS 18.19 around the reliable measurement of costs. However this is not expected to have a significant impact.</p>

	NZ IAS 18 (PBE)	PBE IPSAS 9	Difference
4	<p>NZ IAS 18 (PBE) recognises all dividends as revenue and does not distinguish between dividends from pre-acquisition or post-acquisition reserves.</p> <p>NZ IAS 18.30(c)</p>	<p>Under PBE IPSAS 9 when dividends or similar distributions on equity securities are declared from pre-acquisition profits those dividends or similar distributions are deducted from the cost of those securities (and not recognised as revenue).</p> <p>However, under PBE IPSAS 9 if it is difficult to make such an allocation except on an arbitrary basis, then dividends or similar distributions are recognised as revenue unless they clearly represent a recovery of part of the cost of the equity securities.</p> <p>PBE IPSAS 9.36</p>	<p>Dividends (or a portion thereof) received during the year may have to be set off against the cost of an investment if they are paid from pre-acquisition profits.</p> <p>However, there is an explicit exemption in IPSAS 9 from this requirement where such an allocation could only be made on an arbitrary basis and in those cases the dividend is recognised as revenue.</p> <p>This same difference also arises for dividends received by a parent on investments in subsidiaries, jointly controlled companies and associates <u>measured at cost</u> (refer to IPSAS 6 <i>Consolidated and Separate Financial Statements</i>).</p> <p>In our view, the exemption allowing entities not to split pre and post acquisition dividends, where it can only be done on an arbitrary basis (PBE IPSAS 9.36), would equally apply to dividends accounted for under PBE IPSAS 6 (although the exemption is not explicit in PBE IPSAS6).</p>
5	<p>NZ IFRS (PBE) contains the following interpretations associated with NZ IAS 18 (PBE):</p> <p>(a) NZ SIC-31 <i>Revenue-Barter Transactions Involving Advertising Services</i></p> <p>(b) NZ IFRIC 13 <i>Customer Loyalty Programmes</i></p> <p>(c) NZ IFRIC 18 <i>Transfer of Assets from Customers</i></p>	<p>The following interpretations have <u>not</u> been incorporated into PBE IPSAS 9:</p> <p>(a) NZ SIC-31 <i>Revenue-Barter Transactions Involving Advertising Services</i></p> <p>(b) NZ IFRIC 13 <i>Customer Loyalty Programmes</i></p> <p>(c) NZ IFRIC 18 <i>Transfer of Assets from Customers</i></p>	<p>These interpretations deal with issues that do not commonly occur for PBEs within the Government Reporting Entity. Also, we do not expect the absence of such guidance to lead to a change in practice under the NZ Framework (PBE).</p>