

**Public Sector Accounting
Standards update**
Keeping current

Revenue

Important caveats

- This webcast does not provide official Deloitte interpretive accounting guidance.
- Check with your advisor before taking any action.



Revenue

Project status



Statement of principles

- The Public Sector Accounting Board (PSAB) issued a statement of principles and stakeholder comments were collected in February 2014



Exposure draft

- Exposure draft issued May 2017
- Stakeholder comments were due on August 15, 2017
- Framework similar to IFRS 15, Revenue from Contract with Customers



Next steps

- PSAB to deliberate comments received in December 2017



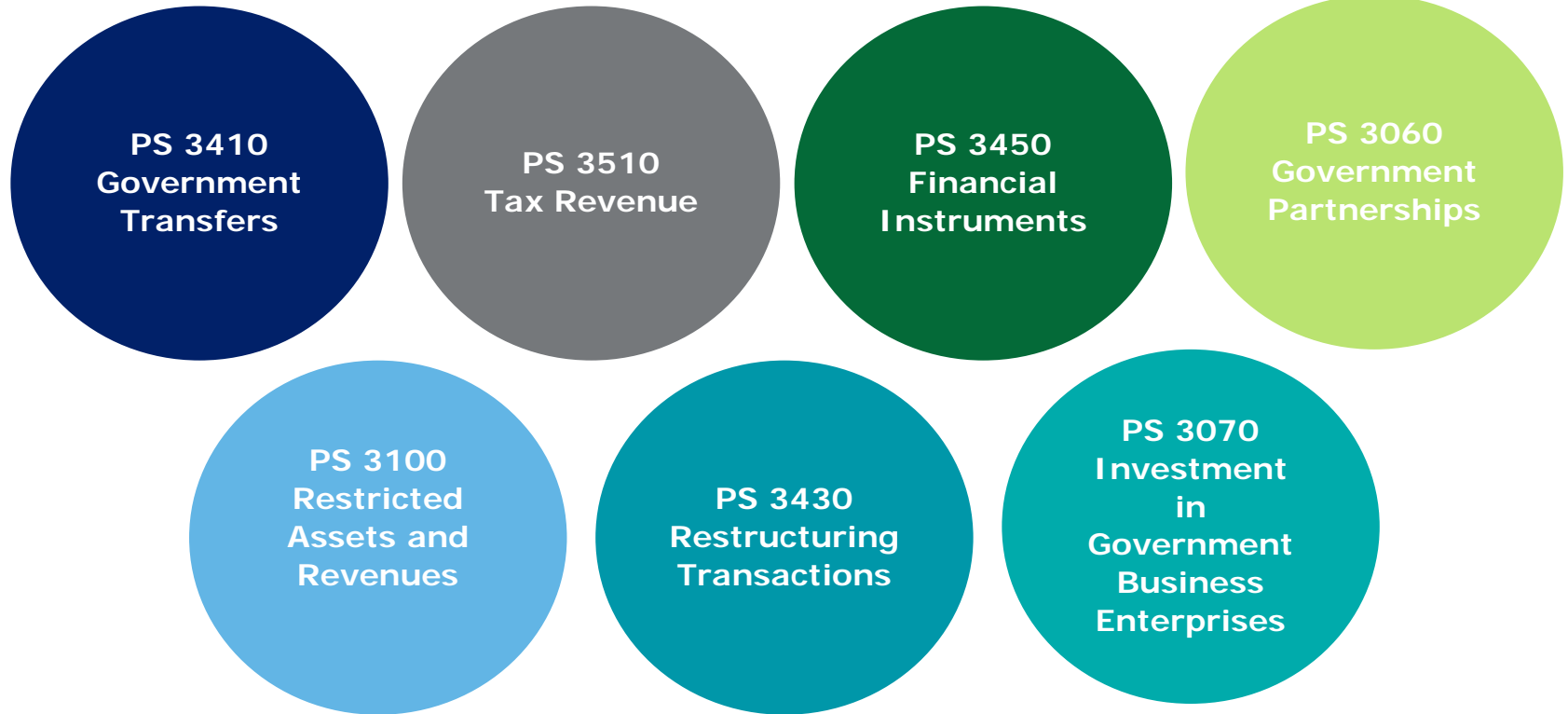
Expected adoption date

- April 1, 2021, with earlier adoption permitted
- Full retroactive adoption required

Existing revenue standards

PSAS standards and types of revenues

PSAS has the following standards, which direct some types of revenues:



However, there is currently no standard for revenue recognition related to Exchange Transactions.

General concepts

Public sector entities generate a variety of non-taxation revenues:

Exchange transactions

- Goods or services, are provided to a payor for consideration.
- Create **performance obligations** for a public sector entity.

Unilateral revenues

- Results in increases in economic resources of a public sector entity without a direct transfer of goods or services to the payor
- No performance obligations are present

Examples of exchange transactions:

- User charges and fees for use of public property
 - Community centre hall rental
 - Transit fares
 - Parking fees
- Utility, development & permit charges
- Tuition fees
- Patient revenues from a hospital
- Sale of goods (text books, garbage bins)

Examples of unilateral transactions:

- Fines
- Tickets
 - Parking
 - Speeding
- Penalties
- Donations

Exchange transactions

Performance obligations

Performance Obligations

- **Enforceable promises** to provide goods or services to a payor as a result of exchange transactions.
- May arise from:
 - A contract negotiated with the payor,
 - Terms set by the public sector entity,
 - Public sector entities' authority to grant rights to a good or service
- Performance obligations that meet the definition of a liability, under PS 3200, are present obligations.

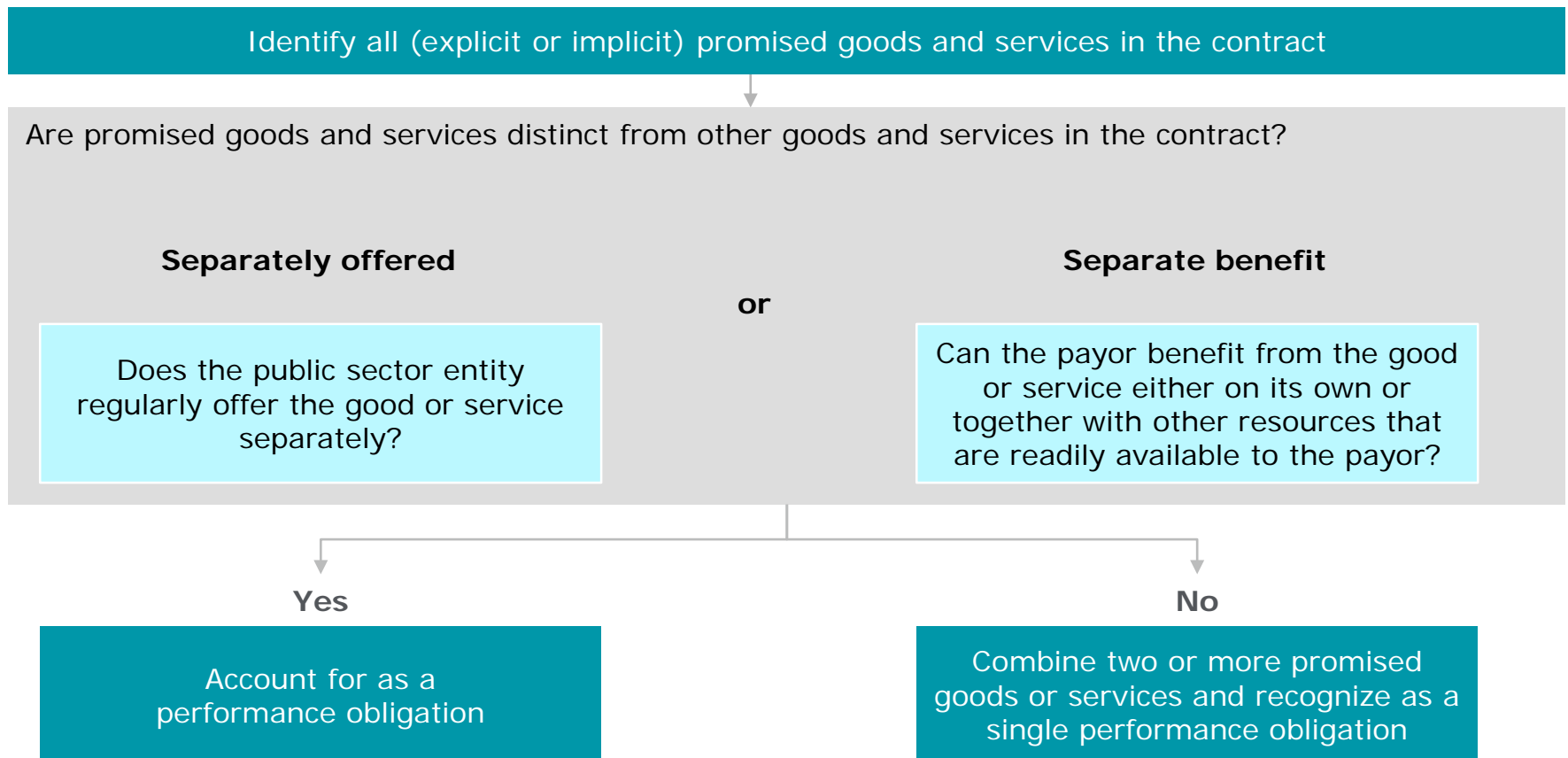
Mission or mandate

- The mandate or mission of a public sector entity does not create performance obligations on its own.

Exchange transactions (cont'd)

Performance obligations

A performance obligation are enforceable promises to provide goods or services to a payor as a result of exchange transactions



Measurement and recognition

Measurement

Exchange Transactions

- Amount of consideration a public sector entity expects to receive in exchange for promised goods or services, while considering the effects of:
 - Multiple performance obligations
 - Variable consideration
 - Existence of significant concessionary terms
 - Non-cash consideration.

Unilateral Revenues

- A public sector entity should recognize unilateral revenues at its realizable value

Recognition

Exchange Transactions

- Revenue is recognized
 - When the portion of the transaction price allocated to the performance obligation is satisfied and
 - Control of the benefits associated with the goods or services has passed to the payor.
- Recognized at a **Point-in-time** or **Over time**

Unilateral Revenues

- Revenue is recognized when:
 - A public sector entity has the authority to claim or retain an inflow of economic resources and
 - A past event gives rise to a claim of economic resources

Disclosures

Enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows.

Disclosures requirements:

Disaggregation of revenue

Typical performance obligations

Methods and policies that apply to recognizing revenue

Nature and amount of continuing performance obligations

Disclosures about significant judgments and estimates

Original amount prior to concessionary terms

Payment enforcement

Other required disclosures

Recurring vs. non-recurring nature



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