
**AASB 15 Revenue from Contracts with Customers and
AASB 1058 Income of Not-for-Profit Entities Transition Elections**

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities will come into effect for not-for-profit entities for financial years beginning on or after 1 January 2019. For for-profit entities, AASB 1058 is not applicable and AASB 15 is effective for financial years beginning on or after 1 January 2018. These standards have a number of elections available, both on transition and more generally. This Circular prescribes the options that agencies are to elect. Agencies must comply with AASB 15 and AASB 1058 (if applicable) in full and should read the standards when applying this guidance.

This Circular applies all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this policy does not apply to universities and their controlled entities, or to their accountable authorities.

Application

This Circular is issued as a mandatory policy. Accordingly, this Circular applicable to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this Circular does not apply to universities and their controlled entities, or to their accountable authorities.

Portfolio approach

AASB 15 para 4 allows entities to apply AASB 15 to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying of AASB 15 to the portfolio would not differ materially from applying it to the individual contracts (or performance obligations) within that portfolio.

Agencies may adopt this expedient.

Significant financing component

AASB 15 para 63 allows entities to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Agencies must adopt this expedient.

Incremental costs of obtaining a contract

AASB 15 para 94 allows entities to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Agencies must adopt this expedient.

Not-for-profit public sector licensors

AASB 15 para Aus8.1 allows entities not to apply the requirements of AASB 15 and accompanying Application Guidance to short-term licences; and licences for which the transaction price is of low value. Agencies must adopt this expedient for both short-term licenses and low-value licenses:

- short-term licenses: licences that have a term of 12 months or less
- low-value licenses: licenses for which the individual transaction price is \$10,000 or under (this excludes those licenses of which the nature is such that the licence is not typically of low value, such as casino licenses). Treasury expects these items to include drivers' licences, fishing licenses, etc.

AASB 15 para Aus8.3 requires entities to recognise the revenue associated with short-term licenses and low-value licences either at the point in time the licence is issued, or on a straight-line basis over the licence term or another systematic basis.

Agencies should retain the current treatment of short-term licenses and low-value licences unless it is not in line with requirements of AASB 15 para Aus8.3.

This expedient is not available to licences that include variable consideration (e.g. a sales-based or usage-based royalty to provide the licensor with additional revenue where the licensee makes a 'super-profit').

Revenue recognition for output method

AASB 15 para B16 allows entities to recognise revenue to which the entity has a right to invoice, in the amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided).

Agencies may adopt this expedient.

Recognition of material rights

According to AASB 15 para B43, if a customer has a material right to acquire future goods or services and those goods or services are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, then an entity may, as a practical alternative to estimating the stand-alone selling price of the option, allocate the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration. Typically, those types of options are for contract renewals.

Agencies must adopt this expedient.

Disclosure expedient

AASB 15 para 121 allows entity not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the entity expects to recognise that amount as revenue for a performance obligation if either of the following conditions is met:

- (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.

Agencies must adopt this expedient.

Volunteer services

AASB 1058 para 18 mandates that local governments, government departments, general government sectors (GGs) and whole of governments shall recognise an inflow of resources in the form of volunteer services as an asset (or an expense, when the definition of an asset is not met) if both of the following conditions are met:

- (a) the fair value of those services can be measured reliably; and
- (b) the services would have been purchased if they had not been donated.

AASB 1058 para 19 allows any not-for-profit entity (including those listed in para 18), as an accounting policy choice, to elect to recognise volunteer services, or a class of volunteer services, if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated.

Government departments, GGs and whole of governments must not adopt the option in AASB 1058 para 19 to recognise volunteer services that can be reliably measured, but would not have been purchased if they had not been donated.

NSW agencies that are not government departments:

- must not adopt the option in AASB 1058 para 19 to recognise volunteer services that can be reliably measured, but would not have been purchased if they had not been donated
- may elect under AASB 1058 para 19 for their standalone financial statements to recognise volunteer services that can be reliably measured, but only where the volunteer services would have been purchased if they had not been donated. i.e. where volunteer services meet both conditions in AASB 1058 para 18
- must recognise volunteer services in their PRIME returns, where volunteer services can be reliably measured and the volunteer services would have been purchased if they had not been donated (i.e. where volunteer services meet both conditions in AASB 1058 para 18). However, this requirement is waived where the total volunteer services that meet both conditions in AASB 1058 para 18 are less than \$5 million (subject to requirement below for agencies controlled by a department).
- Agencies that are controlled by a department in accordance with AASB 10 *Consolidated Financial Statements* must agree in writing whether they need to report to that department, for the purposes of its consolidated financial report, volunteer services that can be reliably measured and the volunteer services would have been purchased if they had not been donated.

Transition options (applicable to not-for-profit entities only)

Agencies are to adopt the modified retrospective option in AASB 15.C3(b) and AASB 1058.C3(b), i.e. apply AASB 15 and AASB 1058 retrospectively with the cumulative effect of initially applying AASB 15 and AASB 1058 recognised at the date of initial application. For 30 June year ends, this means the comparatives for the year ended 30 June 2019 (for not-for-profit entities) shall not be restated.

Further transition elections under the modified retrospective transition approach:

- **Completed contracts**

AASB 15 para C7 and AASB 1058 para C6 allows the practical expedient to not restate completed contracts at the date of initial application date.

Agencies must not adopt this expedient.

* A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (AASB 15.C2), or a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 *Contributions* (AASB 1058.C2) or revenue in combination with a provision in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 15.AusC2.1).

- **Use of hindsight**

AASB 15 para C7A allows the practical expedient to reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

- (i) identifying the satisfied and unsatisfied performance obligations;
- (ii) determining the transaction price; and
- (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

Agencies must adopt these expedients.

- **Assets acquired for significantly less than fair value**

Assets acquired for consideration that was significantly less than fair value principally to enable the entity to further its objectives may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. AASB 1058 para C8 allows the practical expedient not to remeasure such assets at fair value.

Agencies must adopt this expedient.

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