



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

13 November 2020

Mr John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
CANADA

Dear John,

**EXPOSURE DRAFT 70 REVENUE WITH PERFORMANCE OBLIGATIONS**

The Malaysian Institute of Accountants (“MIA”) is pleased to provide comments on the International Public Sector Accounting Standards Board (“IPSASB”) Exposure Draft (ED) 70 *Revenue with Performance Obligations* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB’s deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Deputy Executive Director of Digital Economy, Reporting and Risk at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR NURMAZILAH DATO’ MAHZAN**

Chief Executive Officer

## Specific Matter for Comments

## Specific Matter for Comment 1

This Exposure Draft is based on IFRS 15, Revenue from Contracts with Customers. Because in some jurisdictions public sector entities may not have the power to enter into legal contracts, the IPSASB decided that the scope of this Exposure Draft would be based around binding arrangements. Binding arrangements have been defined as conferring both enforceable rights and obligations on both parties to the arrangement.

Do you agree that the scope of this Exposure Draft is clear? If not, what changes to the scope of the Exposure Draft or the definition of binding arrangements would you make?

We agree that the scope of this Exposure Draft is clear. We also agree with the definition of binding arrangements.

As binding arrangements are key element in the ED, we believe that the key characteristics of binding arrangements should be in the body of the ED rather than resided in the Application Guide.

We wish to propose that definition of performance obligation in paragraph 7 of the ED to be amended to include the words 'between parties' as shown below.

"A **performance obligation** is a promise in a binding arrangement between parties with a purchaser to transfer to the purchaser or third-party beneficiary either:

- a) A good or service (or a bundle of goods or services) that is distinct; or
- b) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary".

This would clearly illustrate that there is a buyer – seller relationship in the definition above.

## Specific Matter for Comment 2

This Exposure Draft has been developed along with [draft] IPSAS [X] (ED 71), Revenue without Performance Obligations, and [draft] IPSAS [X] (ED 72), Transfer Expenses, because there is an interaction between them. Although there is an interaction between the three Exposure Drafts, the IPSASB decided that even though ED 72 defines transfer expense, ED 70 did not need to define "transfer revenue" or "transfer revenue with performance obligations" to clarify the mirroring relationship between the exposure drafts. The rationale for this decision is set out in paragraphs BC20–BC22.

Do you agree with the IPSASB's decision not to define "transfer revenue" or "transfer revenue with performance obligations"? If not, why not?

We do not agree with the IPSASB's decision not to define "transfer revenue" or "transfer revenue with performance obligations". As the ED has moved away from the concept of

exchange and non-exchange transfers, it would be beneficial to entities if “transfer revenue”, “transfer revenue with performance obligations” and “transfer expense” are all defined in the ED as well as in ED 71 and ED 72 for better clarity.

Alternatively, we suggest that the IPSASB to include Table 1 in ‘At a Glance’ document in explaining the relationship between revenue with performance obligation, revenue without performance obligation and transfer expense. We believe that such inclusion would give a clear understanding to entities.

### Specific Matter for Comment 3

**Because the IPSASB decided to develop two revenue standards—this Exposure Draft on revenue with performance obligations and ED 71 on revenue without performance obligations—the IPSASB decided to provide guidance about accounting for transactions with components relating to both exposure drafts. The application guidance is set out in paragraphs AG69 and AG70.**

**Do you agree with the application guidance? If not, why not?**

We agree with the application guidance as set out in paragraphs AG69 and AG70. However, we believe that more illustrations should be provided on examples or scenarios where the performance obligations criteria are fully or partially satisfied.

In Malaysia, public sector entities may enter into a binding arrangement with performance obligations but the transaction price is at a nominal consideration. It would be beneficial for a guidance to be included in the draft Standard on how to account for such transaction.

We would also like to propose that paragraphs AG69 and AG70 to be included in the body of the draft Standard as it will give a better understanding to entities in understanding the relationship between ED 70 and ED 71.

### Specific Matter for Comment 4

**The IPSASB decided that this Exposure Draft should include the disclosure requirements that were in IFRS 15. However, the IPSASB acknowledged that those requirements are greater than existing revenue standards.**

**Do you agree that the disclosure requirements should be aligned with those in IFRS 15, and that no disclosure requirements should be removed? If not, why not?**

We agree that the disclosure requirements should be aligned with those in IFRS 15 and we propose that the IPSASB considers the benefits of the disclosures to users and the costs of compiling and reporting such information.

### Specific Matter for Comment 5

**In developing this Exposure Draft, the IPSASB noted that some public sector entities may be compelled to enter into binding arrangements to provide goods or services to parties who do not have the ability or intention to pay. As a result, the IPSASB**

**decided to add a disclosure requirement about such transactions in paragraph 120. The rationale for this decision is set out in paragraphs BC38–BC47.**

**Do you agree with the decision to add the disclosure requirement in paragraph 120 for disclosure of information on transactions which an entity is compelled to enter into by legislation or other governmental policy decisions? If not, why not?**

We agree with the decision to add the disclosure requirement in paragraph 120 for disclosure of information transaction when an entity is compelled to enter into a binding arrangement either by legislation or other governmental policy decisions.