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| From    | Greater Wellington Regional Council – Financial Accounting Team |
| To      | External Reporting Board  |
| Subject | Feedback on PBE IPSAS 47 Revenue                                |

### **Benefit vs cost consideration (Section D)**

1b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples.

The standard would require a review of all contracts to ensure compliance. This will be time consuming and costly which might not improve the benefits from a Financial Statement reader's perspective.

For example, in the local government sector there will be a lot of grant revenue and expenditure contracts that will need to be reviewed.

### **Key principles for revenue accounting (Section F)**

2. Do the binding arrangement, enforceability and compliance obligation principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?

I would be good for a definition to be included for 'enforceability,' as currently it is judgemental and may result in difference in opinion between an entity and external audit.

### **Disclosures and RDR concessions (Section I)**

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?

The disclosure requirements in PBE IPSAS 47 are significantly more detailed than current disclosure requirements. Whilst materiality can be applied to the disclosure requirements, the disclosures themselves are onerous.

PBE IPSAS 47 requires more complex disclosure due to broader transaction types and judgments around enforceability and compliance obligations. This results in increased need for narrative explanations and reconciliations to ensure transparency and comparability. Additional time and resources will be required to ensure accurate reporting and will add pressure on public benefit entities. The value add to readers of the financial statements might not necessarily justify the costs associated with implementation requirements.

The disclosure requirements will be particularly difficult for mixed groups (groups that have For-Profit and Not-For-Profit entities) due to differences in the disclosure requirements for Tier 1 PBE.

For example, if a Tier1 PBE has a Tier 2 For-Profit subsidiary, the requirements for the Tier 2 For-Profit disclosure would be onerous and costly as requirement will be similar to those of a Tier 1 For-Profit. For-Profit entities might also have commercially sensitive information that they might not want to disclose. What are the requirements in this instance?