



Technical Advisory Group Issue Paper

AGENDA ITEM: TAGFG06-01

25 February 2025 – Online

Revenue

Summary	This paper presents the draft text for Section 23, <i>Revenue</i> , including the updated Implementation Guidance, Illustrative Examples and Basis for Conclusions
Purpose/Objective of the paper	To seek TAG members views on the amendments to the authoritative text as a result of the discussion at the January 2025 meeting, and the updates to the non-authoritative material.
Other supporting items	Agenda Item TAGFG05-01
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Actions for this meeting	Advise on the Secretariat's proposals in respect of: <ul style="list-style-type: none">• Revisions to the authoritative text• Updates to the Implementation Guidance and Illustrative Examples• Basis for Conclusions

Technical Advisory Group

Revenue

1. Introduction

- 1.1 The TAG considered a draft of the authoritative text of Section 23, *Revenue*, at its January 2025 meeting.
- 1.2 This paper presents the revisions to the authoritative text made as a result of the discussions at that meeting. The paper also presents updated drafts of the non-authoritative material – Implementation Guidance, Illustrative Examples and Basis for Conclusions. Clean drafts are contained in a separate annex to this document.

2. Revisions to authoritative text

- 2.1 At the January 2025 meeting, TAG members generally supported the Secretariat's proposals for the authoritative text. The following minor revisions have been made as a result of the discussion at that meeting:
 - In paragraph G23.9, the wording regarding the NPO having discretion over how resources are used has been replaced with the wording used in Section 2, *Concepts and pervasive principles*;
 - The guidance on applying the five-step model to more complex arrangements in paragraph G23.69 has been amended to reflect the wording in paragraph AG23.1, which TAG members considered was easier to follow; and
 - The definition of a delivery obligation in paragraph G23.70 has been amended to include the wording previously proposed for Implementation Guidance.
- 2.2 The revised text is shown in [Appendix A](#).
- 2.3 In addition, minor changes to the disclosure requirements have been made as part of the holistic review of disclosure requirements in INPAG.

Question 1: Do TAG members support the revisions to the authoritative text?

3. Updated Implementation Guidance and Illustrative Examples

- 3.1 This paper presents the updated Implementation Guidance and Illustrative Examples for Section 23. While TAG has not previously considered this guidance explicitly, some elements have been discussed, for example where material has been relocated from authoritative text to Implementation Guidance.

Implementation Guidance

- 3.2 The guidance on determining a low value threshold has been added at paragraphs IG23.6-IG23.17. This reflects the draft guidance previously shared with TAG members.
- 3.3 The diagrams explaining how to apply Parts I and II of Section 23 have been added to the Implementation Guidance, having previously been part of Application Guidance in ED 2. At its January 2025 meeting, some TAG members had commented that an interim step covering commercial discounts, other donations or agreed NPO contributions would improve the readability of the diagram. This has been added, and the revised diagram is shown in [Appendix B](#).
- 3.4 TAG members will be aware that a new working group recently set up is looking at clauses in grant agreements. The initial work identified that the requirements in a grant agreement can be changed, for example where it is no longer possible for the grant recipient to satisfy the original obligations because of weather events or local unrest. As a consequence, additional guidance has been included on renegotiating deliverables in a grant agreement (see paragraphs IG23.30-IG23.33). These paragraphs are included in Appendix C.
- 3.5 Other than these points, while a number of changes have been made to the Implementation Guidance, there is not significant new material. The following changes have been made to the Implementation Guidance since ED 2:
- The text in the Implementation Guidance has been updated to reflect the focus on delivery obligations rather than Enforceable Grant Arrangements.
 - Guidance that was previously in the authoritative text has been relocated to the implementation Guidance. This guidance covers recognising revenue when a transaction without delivery obligations becomes receivable (see paragraphs IG23.4-IG23.5) and enforceability through legal or equivalent means (paragraphs IG23.27-IG23.29).
 - A cross-reference has been added to the guidance on time restrictions, so that it refers to the Implementation Guidance accompanying Section 24 (see paragraph IG23.24).

- Additional guidance has been included on identifying administrative tasks (see paragraphs IG23.34–IG23.36). The need for guidance on the latter issue was discussed at the TAG meeting in September 2024.

Question 2: TAG members are asked for their comments on the revised Implementation Guidance, in particular the revised diagram shown in Appendix B. Do TAG members agree with the new guidance on renegotiating deliverables?

Illustrative Examples

3.6 The text in the Illustrative Examples has also been updated to reflect the focus on delivery obligations rather than Enforceable Grant Arrangements. In addition, the Secretariat has looked at opportunities to combine/reduce examples. Examples have also been reordered to better match the order of the authoritative text. There have been no significant changes to the fact patterns in the examples. The following changes to the examples have been made:

- Examples 1 and 2 presented in ED 2, addressing which part of Section 23 to apply, have been combined into a single example (Example 1 in the revised draft)
- Example 3 in ED 2 (now Example 2 in the revised draft), which covers the existence of rights and obligations has been extended to cover the use of milestones in identifying a revenue transaction. Milestones has previously been covered in Example 4 in ED 2, which has been removed and will be considered for inclusion in Education Material.
- Example 5 in ED 2 (now Example 3 in the revised draft), which covers online donations, has been updated with a cross-reference to Section 36, *Fund Accounting*.
- Example 6 in ED 2 (now Example 9 in the revised draft), which covers match funding, has been relocated to the section covering recognition of revenue with a delivery obligation. The discussion of whether the agreement gives rise to a delivery obligation (EGO in ED 2) has been removed as it duplicated earlier examples and was not necessary to illustrate how match funding affects revenue recognition.
- Example 7 in ED 2 (now Example 4 in the revised draft), which covers gifts in-kind has been updated to include a cross-reference to Section 12, *Fair value measurement*. The title has been updated to note that the example covers the permitted exceptions.

- Example 8 in ED 2 has been replaced by the revised example covering mission critical services, as previously discussed at TAG, with a cross-reference to Section 12, *Fair value measurement* included. This is Example 5 in the revised draft.
- Example 9 in ED 2 (now Example 10 in the revised draft), which covers allocating the transaction consideration to delivery obligations, has been relocated to the section covering recognition of revenue with a delivery obligation. The title of the example has been updated to note that revenue is recognised over time.
- The title to Example 10 in ED 2 (Example 6 in the revised draft) has been updated to note that revenue is recognised over time.
- The titles to Examples 11 and 12 in ED 2 (Examples 7 and 8 in the revised draft) have been simplified to multi-year grants and capital grant respectively.
- Example 13 in ED 2 (now Example 11 in the revised draft), which covers variable consideration, remains largely unchanged.
- Example 14 in ED 2, which covers significant financing components, has been removed as it is not considered this issue will be prevalent for NPOs. The example will be considered for inclusion in education material.

Question 3: TAG members are asked for their comments on the updates made to the Illustrative Examples.

4. Updated Basis for Conclusions

- 4.1 The Basis for Conclusions has been updated to reflect the focus on delivery obligations rather than Enforceable Grant Arrangements. The Basis for Conclusions has also been update to reflect the discussions at the TAG meetings on the following topics:
- Structure of Section 23 (paragraphs BC23.19–BC23.21 and BC23.31).
 - Grant model, adoption of delivery obligations, and consistency of terminology with Part II (paragraphs BC23.42–BC23.47).
 - Guidance on low value items (paragraphs BC23.51 and BC23.52).
 - Guidance on mission-critical services (paragraphs BC23.54–BC23.55).
 - Use of input or output method when measuring performance against a delivery obligation satisfied over time (paragraph BC23.58).
 - Removal of guidance for transactions with a single delivery obligation (paragraphs BC23.59 and BC23.60).

- Disclosure requirements (paragraphs BC23.68 and BC 23.69).
- Removal of guidance for simple contracts with customers (paragraph BC23.71).

Question 4: TAG members are asked for their comments on the revised Basis for Conclusions.

5. Next steps

- 5.1 Subject to the comments made by TAG members in response to this paper, the Secretariat intends to treat the drafts shared alongside this paper as final.
- 5.2 TAG members will next see the updated paragraphs in the full draft of the document that is planned to be circulated in April 2025. This draft will be used to collect final feedback ahead of the version that will be put forward for approval on 3 June 2025.

February 2025

Appendix A – Revisions to authoritative text

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- G23.9 Where, an NPO receives resources to support its provision of services, and:
- it has control of the **economic resources** transferred because it has the present ability to direct the use of the resource~~has discretion over how the resources are utilised without requiring further authorisation from the grant provider~~; and
 - the grant provider does not receive directly cash, a service, good or other asset in return by NPO;
- the economic substance of this transaction means that the NPO applies Part I for accounting for revenue from grants, donations and similar transfers.

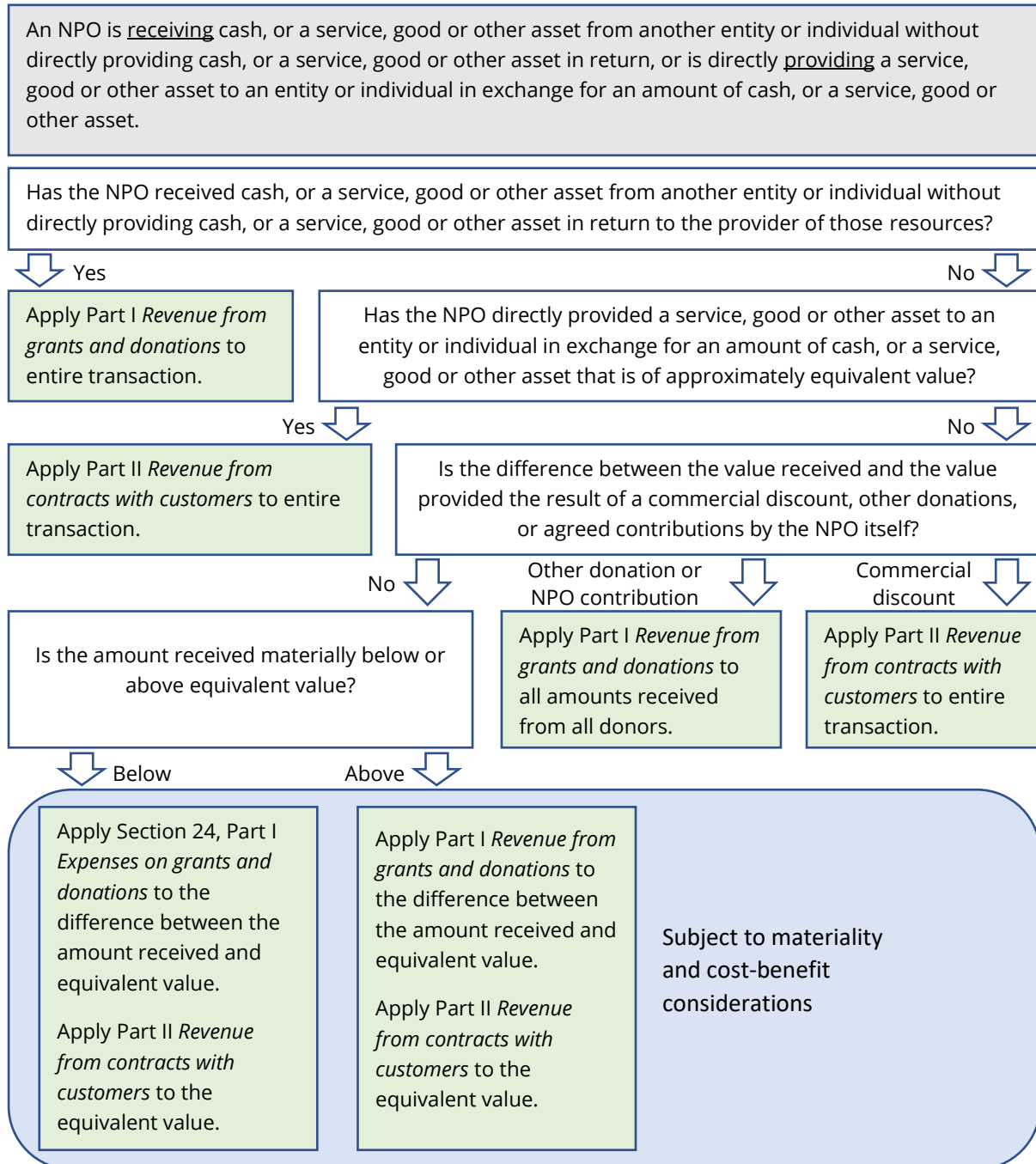
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- G23.69 An NPO shall apply the 5 step model set out in paragraph G23.15.~~Part I provides guidance on common NPO transactions. Part II provides guidance that can be used for more complex, less common transactions~~Part I specifies the requirements for a simplified version of the 5 step model that is expected to apply to most delivery obligations. When a delivery obligation includes more complex arrangements, the NPO shall apply the relevant guidance from Part II. Paragraphs AG23.1–AG23.4 set out how Part II is to be applied.

- G23.70 An NPO will have completed this step by applying paragraphs G23.4-G23.11 to identify a grant agreement and determine that the agreement includes one or more delivery obligations. A delivery obligation is a grant recipient's separately identifiable undertaking in a grant agreement to achieve a specified outcome, to carry out a specified activity, or to use or transfer distinct services, goods or other assets. Delivery obligations specified in the grant agreement must be:
- clearly defined;
 - enforceable (that is, consequences or remedies associated with non-delivery must be enforceable by legal or equivalent means); and
 - capable of being measured (that is, the achievement or progress towards achievement of delivery obligations must be capable of being measured).
- Services, goods or other assets specified as delivery obligations may be used internally for a specified purpose or may be transferred to one or more service recipients.



Appendix B – Revised diagram illustrating application of Parts I and II of Section 23





Appendix C – Implementation Guidance (extract)

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What should an NPO consider if it renegotiates deliverables in a grant agreement?

- IG23.18 It may be common practice with some grant providers to renegotiate the deliverables in a grant arrangement, frequently because of changes in the local environment that has meant that the original deliverables cannot be met.
- IG23.19 Where grant providers re-purpose funds and in practice do not withhold funds if the original deliverable cannot be met, the NPO will need to consider if the substance of the agreement is that it is not enforceable. In this case the NPO would consider that the deliverables in the grant agreement are not delivery obligations.
- IG23.20 If the NPO concludes that the grant agreement is not enforceable at the commencement of the agreement, it should account for the agreement as a grant agreement without delivery obligations. If, however, it has previously accounted for the grant as a grant agreement with delivery obligations, it should reclassify the grant agreement as a grant agreement without delivery obligations, and apply paragraphs **G10.16–G10.27** to determine whether to account for the reclassification as a change in accounting estimates or the correction of a prior period error.
- IG23.21 A grant provider might, however, agree to re-purpose funds and in renegotiating the deliverables, maintain its right to withhold funds if the NPO does not meet the revised delivery obligation(s). This scenario would be a modification of the grant agreement that would not meet the criteria to be accounted for as a separate grant agreement. The NPO would therefore apply paragraph AG23.8 in accounting for the revised agreement.

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