



Revenue – Upfront Non-refundable Fees or Payments

Responses to Exposure Draft

August 2022

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August 8, 2022

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Dear Ms. Christopoulos:

Re: Exposure Draft – Revenue – Upfront Non-refundable Fees or Payments [July 2022]

Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Accounting Standards Board's (the "Board") Exposure Draft *Revenue – Upfront Non-refundable Fees or Payments* (the "ED").

In response to Question 1 of the ED, we agree with the proposed change in effective date for amendments to Section 3400 pertaining to upfront non-refundable fees or payments.

If you wish to discuss our comments or concerns, please contact Katie Quinn (Kathleen.Quinn@ca.gt.com).

Yours sincerely,



Kathleen Quinn, CPA, CA
Partner



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August 10, 2022

Re: AcSB Exposure Draft - Revenue - Upfront Non-refundable Fees or Payments

Dear Ms. Christopoulos,

We have read the above-mentioned Exposure Draft that was issued in July 2022 and are pleased to have the opportunity to provide responses to your specific questions as outlined below.

1. *Do you agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments (see proposed paragraphs 3400.37-37A)? If not, why not?*

We agree with the proposed change in effective date of fiscal years beginning on or after January 1, 2025 for the amendments to Section 3400 pertaining to upfront non-refundable fees or payments.

2. *Other comments*

We agree with the Board's decision, noted in paragraph 21 of the Basis of Conclusion, that the focus of its research should be non-refundable initiation or life membership fees and exclude other types of upfront non-refundable fees or payments such as the issuance of software licences.

Thank you for considering the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please get in touch with me at 782-355-0227 or via email at lvail@bdo.ca.

Yours sincerely,

Lauren Vail, CPA, CA
Senior Manager, National Accounting Standards
BDO Canada LLP

From: Sophie Bureau <SBureau@cpaquebec.ca>

Sent: August 11, 2022 12:27 PM

To: Katharine Christopoulos <kchristopoulos@acsbcanada.ca>

Subject: Our ASPE Technical Working Group answer to the ED « Revenue – Upfront Non-refundable Fees or Payments »

Hi Katharine,

How are you?

Following is the answer of our ASPE Technical Working Group to the Exposure Draft « [Revenue – Upfront Non-refundable Fees or Payments](#) ». We will not send a more formal answer.

QUESTION : 1. Do you agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments (see proposed paragraphs 3400.37-.37A)? If not, why not?

ANSWER : In the current context, the members of the Ordre des CPA du Québec ASPE Technical Working Group are in agreement with the proposed change in the effective date of the amendments to Section 3400 relating to upfront non-refundable fees or payments, i.e., fiscal years beginning on or after January 1, 2025. As future changes in the requirements are not yet known, the views of the members regarding this date may change in the future.

According to paragraph 21 of the Basis for Conclusions of the Exposure Draft, future amendments are not expected to impact entities collecting upfront non-refundable fees such as software licensing fees. The research and potential future amendments will be for entities that charge non-refundable initiation or life membership fees, including for-profit entities and not-for-profit entities. Furthermore, as mentioned in paragraph 19, the AcSB encourages other entities to early adopt the amendments (already published amendments).

NEXT STEPS : As part of your research, we may arrange a meeting with members of our ASPE Technical Working Group if you wish to consult them.

I think this is the shortest answer to an exposure draft I've ever written! I wish you a great end of summer!

Sophie

SOPHIE BUREAU, CPA AUDITRICE

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 **CPA** 100 % des CPA maintenant 100 % CPA

Nos bureaux sont fermés les vendredis après-midi durant la période estivale, soit du 24 juin à la fête du Travail.

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August 11, 2022

SENT ELECTRONICALLY

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Re: Exposure Draft – Revenue – Upfront Non-refundable Fees or Payments (the “ED”)

Dear Katherine Christopoulos,

Thank you for the opportunity to provide input to the Accounting Standards Board (AcSB) on the above noted document.

MNP LLP is one of Canada’s largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as pension plans, credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are positioned well to provide feedback on this ED.

We have reviewed the ED and have provided our comments below. We support the AcSB’s efforts to research the stakeholders’ concerns relating to non-refundable initiation and lifetime membership fees. We generally agree with the proposal.

Our response to the specific question is provided below.

Question 1: Do you agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments? If not, why not?

We agree with the proposed change in effective date of the amendments to Section 3400 pertaining to upfront non-refundable fees or payments to allow the AcSB to research the stakeholders’ concerns relating to non-refundable initiation and lifetime membership fees. We support keeping the guidance in the standard while the research takes place and early adoption for those entities where the above noted stakeholder concerns do not apply. However, since the stakeholders’ concerns relate solely to non-refundable initiation and lifetime membership fees, the AcSB should consider amending the proposed deferral to only apply in situations of non-refundable initiation and lifetime membership fees. Entities with other types of upfront non-refundable fees (e.g., upfront fees in multiple element arrangements for software sales and services) should not defer adoption of the amendments.

We may have comments on the effective date once the proposed modifications (if any) are known.

We would be pleased to offer our assistance to the AcSB for any future proposed changes to accounting standards and in helping to find solutions which meet the needs of the financial statement users.

Yours truly,

MNP LLP

A handwritten signature in blue ink that reads "J MacKenzie". The signature is written in a cursive style with a large initial "J".

Jody MacKenzie, CPA, CA
Director, Assurance Professional Standards

August 15, 2022

Katherine Christopoulos, CPA, CA
Director, Accounting Standards Board
Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2
Canada

Subject: Invitation to Comment – Exposure Draft: Revenue – Upfront Non-refundable Fees or Payments

Dear Ms. Christopoulos,

We thank you for the opportunity to provide comments on the above noted Invitation to Comment (“ITC”) regarding Revenue – Upfront Non-refundable Fees or Payments.

Overall, we acknowledge the concerns raised by the stakeholders and are supportive of the Accounting Standard Board’s proposal to defer the effective date of the amendments to Section 3400, pertaining to upfront non-refundable fees or payments.

Please find attached our comments to the specific questions raised in the above Exposure Draft. If you have any questions, please contact Patrick Ho (patho@deloitte.ca) at 604-640-4907.

Yours truly,



Albert Kokuryo, FCPA, FCA
NPPD Audit Private
Deloitte LLP

Enclosure

Appendix

Revenue – Upfront Non-refundable Fees or Payments

1. Do you agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments (see proposed paragraphs 3400.37-.37A)? If not, why not?

We agree with the proposed change in the effective date of the amendments to Section 3400, relating to upfront non-refundable fees or payments. However, in finalizing the change in the effective date of the amendments, the Board should also consider identifying and communicating potential changes to these amendments that may result from the Board's expected deliberations, to provide clarity on the likely direction of the proposals (e.g. accounting policy choice or exceptions based recognition). Our primary concern is that entities may have already early adopted the amendments, or may plan to do so before January 1, 2025, and any changes to the proposed requirements may result in such entities having to change their accounting policies twice, which will lead to undue work for preparers and also potential confusion for users of financial statements.

We acknowledge most of the concerns raised by stakeholders, as noted in the Basis for conclusions, particularly around the lack of application guidance and illustrative example(s) clarifying when, and how, an entity should recognize revenue pertaining to upfront non-refundable fees or payments - in particular, when and how, the upfront non-refundable fee or payment is recognized for services provided where there is no contractual end date (e.g. lifetime membership).

In our view, the following aspects of the amendments may also be difficult to apply in practice and entail a high degree of subjectivity:

- ascertaining what 'utility to the buyer' entails – we believe the guidance around this should align with the existing principles on identifying separate unit(s) of account; and
- determining the revenue recognition pattern – this should be consistent with the principles underlying the recognition of revenue on long-term contracts (for example, the percentage of completion method for long-term construction contracts), and should possibly permit alternative approaches based on consideration of all relevant facts and circumstances (for example, allowing the use of historical experience or forward-looking projections about the expected length of a buyer's membership in a perpetual service contract).

We encourage the Board to address the above aspects as part of its deliberations and provide application guidance and illustrative examples on these, particularly for contracts involving long durations or contracts with no contractual end date. In our view, having this guidance within the standard itself would reduce judgement that may cause diversity in practice, and would enhance comparability of information regardless of how the upfront non-refundable fees or payments are structured.



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August 15, 2022

Dear Ms. Christopoulos:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Accounting Standards Board ("AcSB") on the July 2022 "Revenue – Upfront Non-refundable Fees or Payments" Exposure Draft (the "Exposure Draft"). Our response to the specific question posed in the Exposure Draft is included below.

Comments on the Specific Question Requested by the AcSB

1. Do you agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments (see proposed paragraphs 3400.37-.37A)? If not, why not?

We agree with the proposed change in effective date of amendments to Section 3400, pertaining to upfront non-refundable fees or payments. We believe that this change would allow for sufficient time for the AcSB to research stakeholders' concerns relating to non-refundable initiation and life membership fees and the underlying contracts.

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Associate Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Laney Doyle, Professional Practice Director, at 416-943-3583 (Laney.Doyle@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

Chartered Professional Accountants
Licensed Public Accountants

From: no-reply@frascanada.ca
Sent: August 18, 2022 17:37
To: info@acsbcanada
Subject: Comment on Document: Revenue – Upfront Non-Refundable Fees or Payments

A comment has been submitted:

Language: English
Board/Council: AcSB
Doc for Comment: Revenue – Upfront Non-Refundable Fees or Payments
Name: Norman Daitchman
Title:
Organization: Norman Daitchman, CPA
Email: norman.daitchman@sympatico.ca
Phone: 514 683-6588
Keep Private: No

Comments:

I fully support the decision to defer the application of the amendments to Section 3400, pertaining to upfront non-refundable fees or payments.