



## Revenue, Proposed Section PS 3400

### The Proposal

The Exposure Draft, “Revenue, Proposed Section PS 3400,” proposes a framework describing two categories of revenue — exchange and unilateral. Responses are requested by August 15, 2017.

#### What revenue transactions are impacted by these proposals?

A wide range of revenue transactions are impacted — from the sale of goods or services to fines and penalties. But, these proposals do not take precedence over existing guidance in the CPA Canada Public Sector Accounting Handbook that address specific financial statement items. For example, guidance pertaining to revenue from taxes is addressed in TAX REVENUE, Section PS 3510, and would be excluded from the scope of these proposals.

#### What is the difference between exchange and unilateral transactions?

The key distinction between the two is whether a performance obligation is present. When a performance obligation is present, the payor expects to receive a direct benefit from the good or service promised by the public sector entity. When this occurs, an exchange transaction is entered into. The revenue associated with the transaction would be recognized when the performance obligation is satisfied. If no performance obligation is created, such as when a fine is being paid, the transaction is unilateral. Revenue would be recognized when the public sector entity has the authority to claim or retain the inflow of economic resources and a past event giving rise to the claim occurred.

#### How do you determine whether a performance obligation is satisfied?

Revenue is recognized when a performance obligation is satisfied. Guidance is provided in the Exposure Draft to help determine whether the performance obligation is satisfied at a point in time or over a period of time.

**The Public Sector Accounting Board (PSAB) was created to serve the public interest by establishing accounting standards and providing guidance for financial and other performance information reported by the public sector. Final standards are issued in the CPA Canada Public Sector Accounting Handbook.**

**Adopting these proposals would require an assessment of current accounting policies for revenue.**