**Questionnaire: Assessment of Grants and other revenue agreements under AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities**

**Purpose of this document**

NSW Office of Local Government (OLG) has provided this questionnaire to assist councils in documenting their analysis of revenue contracts in the initial and ongoing implementation of AASB 15 and AASB 1058.

The questionnaire is not a mandatory document and is provided as guidance material.

**A. Scope**

This questionnaire aims to distinguish accounting for agreements under AASB 15 and AASB 1058. Agreements covered by other standards should be accounted for under those standards, e.g. rentals from leases (AASB 16), interest (AASB 9).

|  |  |
| --- | --- |
| **Out-of-scope grants for this questionnaire** | **Reason** |
| 1. Contributions without any deliverables or key performance indicators other than the general achievement of the entity’s objectives (e.g. financial assistance grants). N.B. Providing update or acquittal reports is not considered a deliverable under the standards. | AASB 1058 Income of Not-for-Profit Entities applies to these grants because they do not meet the sufficiently specific criteria under AASB 15 (refer AASB 15.F24-F25).  While these arrangements are part of the standards being considered in this questionnaire, because there are no deliverables or key performance indicators, no further analysis is required as the revenue is recognised on receipt of the funds (or receivable if earlier). |
| 1. Grants where funding is received and spent and all obligations are met within the same financial year | The accounting for these grants is the same regardless of which accounting standard applies.  Note: At year end if the funds have not all been received and / or spent or the work has not actually been fully completed this questionnaire should be completed. |
| 1. Grants that are of a clearly trivial amount | Differences between accounting standards treatment have no material impact for low value grants.  If there are numerous grants which contribute to a material number then a methodology for revenue recognition for these grants should be formulated and applied and discussed with your auditor. |

**B. Grant / other agreement details**

| **Item** | **Details** |
| --- | --- |
| Name of entity providing funding to Council |  |
| Name of other contracting parties (e.g. other parties to the agreement) |  |
| Name of funding program and name of agreement (if different) |  |
| Purpose of funding program |  |
| Name of Project, if this is a sub-element of overall agreement) |  |
| Summary of purpose of project funding |  |
| Date of agreement/s, including head agreement and related agreements (with version numbers if applicable) |  |
| Project Start Date |  |
| Project Completion Date |  |
| Agreement Completion Date |  |

**C. Questionnaire**

|  | **Question** | **Yes / No** | **Clause No.** | **Details** |
| --- | --- | --- | --- | --- |
|  | **Does Council have a contract / agreement?** | | | |
|  | Is a contract (e.g. written, legislative, oral or implied) in place between Council and the grant provider? (AASB 15 (F5) (F8-F9))?  Record where the contract is located - where the contract is not written, provide details of the contract |  |  |  |
|  | * **If yes, go to Q2.** * **If no, go to section D.1** | | | |
|  | **Is the contract enforceable (AASB 15 (F10-F18))?** | | | |
|  | Is there a clause which:   * 1. defines eligible expenditure or something similar? Which clauses? |  |  |  |
|  | * 1. penalises Council if it spends funds on unauthorised purposes (e.g. resulting in a termination of contract)? Which clauses? |  |  |  |
|  | * 1. requires any unspent funds at the completion of the project or termination of the contract to be returned to the grantor or used in a manner specifically approved by the grantor? Which clauses? |  |  |  |
|  | Are there any other enforcement mechanisms? Which clauses? |  |  |  |
|  | * **If yes for any of the above, the contract is enforceable – go to Q3** * **If not enforceable, go to section D.1** | | | |
|  | **Does the contract contain performance obligations for the transfer of goods or services to an external party that are sufficiently specific?**  **This will require an analysis of the promises made under the contract / agreement(s).** | | | |
|  | 1. What are the identified promises? I.e. What are the expected goods / services / deliverables, key performance indicators that Council has promised?  * N.B. Providing progress, acquittal or financial reports is not considered a deliverable under the accounting standards. * These might be summarised in the contract, set out in a detailed schedule, agreed work plan or proposal / tender document.   + Which clauses? |  |  |  |
|  | 1. Can Council easily allocate the funding to the separate deliverables, key performance indicators the entity has promised? (AASB 15 (73-80)) which clauses? |  |  |  |
|  | 1. Can the entity identify its progress in relation to each separate promise? i.e. a measure of performance in achieving the deliverables, key performance indicators (AASB 15 (39-45) (B14-B19))? |  |  |  |
|  | 1. Are there refund obligations if the identified promises, deliverables, key performance indicators are not met? |  |  |  |
|  | Based on the above analysis does the contract contain obligation/s for the entity to transfer specific goods or services to an external party?   * Refer AASB 15.F20-F27 for guidance about whether a contract is sufficiently specific. * A transfer of goods or services to the grantor / customer includes the provision of goods or services to the grantor’s / customer’s clients (e.g. community members) other than the entity itself |  |  |  |
|  | * **If yes, go to section D.2** * **If no (or for any aspect of the contract that is no), go to Q4** | | | |
|  | **Does part (or all) of the contract result in Council acquiring or constructing a non-financial asset that it will control? (i.e. the asset will be capitalised in Council’s balance sheet, such as property, plant or equipment?)** | | | |
|  | Does the contract:  (a) require Council to use the grant funding to acquire or construct a recognisable non-financial asset to identified specifications; and  (b) not require Council to transfer the non-financial asset to the grant provider or other parties   * + Refer AASB 1058.15 |  |  |  |
|  | * **If yes, go to section D.3** * **If no (or for any aspect of the remainder of the contract that is no), go to section D.4** | | | |

**D. Accounting**

**1. Unenforceable contracts (i.e. where a ‘no’ response was provided for Q1 or Q2)**

The agreement is within the scope of AASB 1058 and revenue is recognised on the receipt of cash.

Contract asset (receivables) and contract liability (unearned revenue) are not applicable.

**2. AASB 15 performance obligations (i.e. where a ‘yes’ response was provided for Q3)**

Complete the following table for each performance obligation within the scope of AASB 15.

| No | Performance obligation (each distinct promise to transfer goods or services to an external party) # | | How is control transferred and therefore revenue recognised? ^ | | Contract price allocate to performance obligations \* |
| --- | --- | --- | --- | --- | --- |
| Description | Clause or other reference (e.g. schedule / separate work plan) | Point in time or Over time | Rationale for control transfer assessment |
| 1 |  |  |  |  |  |
| 2 |  |  |  |  |  |
| 3 |  |  |  |  |  |
| 4 |  |  |  |  |  |
| Total under AASB 15 | | | | |  |
| Residual contract price recognised under AASB 1058 | | | | |  |
| **Total contract price** | | | | |  |

# Where an enforceable grant agreement has an AASB 15 component and an AASB 1058 component, only include the AASB 15 component in the above table. The sections below address the accounting for the AASB 1058 components.

^ Revenue is recognised when (point in time) or as (over time) a performance obligation is satisfied by transferring a promised good or service to an external party. Refer to AASB 15.31-38,B2-B13 for determining whether performance obligations are satisfied at a point in time or over time.

\* Guidance for determining the transaction price, and allocating the transaction price to performance obligations:

* + Refer to AASB 15.47-72 for determining the transaction price.
  + Refer to AASB 15.73-86,F28-F32 for allocating the transaction price to performance obligations
  + Ensure that amounts for performance obligations that are not sufficiently specific are excluded – consider whether AASB 1058 applies.

**3. AASB 1058 capital grants (i.e. where a ‘yes’ response was provided for Q4)**

AASB 1058.15-17 prescribes the accounting for capital grants received by entities.

Revenue is recognised when (or as) the entity satisfies its obligations under the grant agreement, generally this would be as Council constructs an asset or at settlement date for an asset acquisition.

If the grant funding is received in advance, contract liability (unearned revenue) is recognised at balance date for any amount that the entity would be obliged to repay if the entity had ceased the grant at balance date.

If grant funding is received in arrears, contract assets (receivables) are recognised for any amount that the entity would be legally entitled to claim from the grant provider as at balance date.

**4. Other enforceable grants (i.e. where a ‘no’ response was provided for Q4)**

Where a grant agreement is enforceable but one or more of the performance obligations is not sufficiently specific and not for the construction or acquisition of a non-financial assets to be controlled by entity, AASB 1058.9-14 usually applies, i.e. the asset (e.g. cash, receivable) is recognised at fair value, related amounts (e.g. provision, financial liability) are recorded and revenue is the residual amount