**Purpose:** To guide agencies through the assessment of an agreement to determine the appropriate revenue accounting standard to be applied.

**Background:** AASB 15 Revenue from contracts with a customer and AASB 1058 Income for not-for-profit entities was effective for agencies from 1 July 2019. Agencies must assess all agreements to ascertain the appropriate accounting standard an agreement will fall under when accounting for revenue. This assessment must be undertaken in conjunction with the Treasurer’s Direction – Income and supporting guidance document and Australian accounting standards AASB 15 and AASB 1058.

**Scope:**

Contracts which are outside of the scope of this document: AASB 16 Leases, AASB 17 Insurance Contracts, AASB 9 Financial instruments.

| SECTION 1: CONTRACT INFORMATION | |
| --- | --- |
| Program or project name: | **Parties to the contract:** |
| Total contract value: | **Contract term:** |
| Brief description of contract requirements: | |

| SECTION2: LOW VALUE CONTRACT | | |
| --- | --- | --- |
| Question | Answer | |
| 1. Is the total contract value $50 000 or less (excluding GST)? | Yes  *If yes move to question 2* | No  *If no, move to section 3* |
| 1. If total contract is $50 000 or less (excluding GST), has the agency elected to apply the low value contract exemption? | Yes  *If yes, recognise income on receipt* | No  *If no, move to section 3* |
| Comments: | | |

| SECTION 3: PASS-ON ARRANGEMENT | | | |
| --- | --- | --- | --- |
| Question | Answer | |
| 1. Is the agency acting as a conduit to pass funds in agreement to other entities? | Yes  *If yes, move to question 4* | No  *If no, move to section 4* |
| 1. Are the funds passed on between two Northern Territory Government controlled entities?   *GBD are not permitted to apply this exemption.* | Yes  *If yes, recipient agency must recognise income on receipt and paying agency must record an expense on payment* | No  *If no, agency must account for the receipt of funds and payment through a clearing account* |

| SECTION 4: CONTRACT ASSESSMENT | | |
| --- | --- | --- |
| Question | Answer | |
| 1. Is there an enforceable contract with a customer?   *The following may be an indication that a contract is enforceable:*   * *the agency must provide a refund when obligations are not met* * *there is a right to claim damages* * *the customer has the right to a financial interest in assets purchased or constructed by the agency* * *parties are required to agree to alternative uses of resources provided under the agreement.* | Yes  *If yes, move to question 6* | No  *If no, income is recognised on receipt* |
| Comment: *Insert the basis for the conclusion drawn* | | |
| 1. Are goods or services promised sufficiently specific?   *The agency may consider the following aspects whether implicitly or explicitly specified in the agreement:*   * *nature or type of goods or services* * *cost or value of goods or services* * *quantity of goods or services* * *Period over which the goods or services must be transferred.* | Yes  *If yes, move to question 7* | No  *If no, income is recognised on receipt* |
| Comment: *Insert the basis for the conclusion drawn* | | |
| 7. Does agency transfer goods or services to a customer or third party beneficiary? | Yes  *If yes, revenue is accounted for under AASB 15, move to section 6* | No  *If no, move to section 5* |
| Comment: *Insert the basis for the conclusion drawn* | | |

| SECTION 5: CAPITAL GRANTS | | |
| --- | --- | --- |
| Question | Answer | |
| 8. Is funding a capital grant? | Yes  *If yes, move to question 9* | No  *If no, recognise income on receipt* |
| 9. Is funding provided to acquire an asset | Yes  *If yes, recognise income at the point in time asset is acquired* | No  *If no, move to question 10* |
| 10.Is funding provided to construct an asset | Yes  *If yes, recognise income in direct proportion to the amount of construction work-in-progress completed. Move to section 6* | No  If no, recognise income on receipt |

| SECTION 6: PERFORMANCE OBLIGATIONS | | |
| --- | --- | --- |
| List each performance obligation in contract here.  *More rows can be added if required.* | | |
| Performance obligations | **Allocate transaction price ($)**  *Allocate total funding to each performance obligation in the contract* | **Determine when or how performance obligations will be satisfied** |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
|  |  | Choose an item. |
| Comments: *Agency to include the basis for the assessment of each component in this text box*  *For capital grants relating to construction work-in progress, revenue is recognised overtime, in direct proportion to the amount of construction wok-in-progress completed.* | | |

| SECTION 7: APPROVAL | | | |
| --- | --- | --- | --- |
| Name of preparer: |  | **Approved by:** |  |
| Signature: |  | **Signature:** |  |
| Date: |  | **Date:** |  |