

SECTION PS 3400

revenue

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the new CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING.

- .02 Revenues, including gains, are increases in economic resources, either by way of increases of assets or decreases of liabilities, resulting from operations, transactions and events of the accounting period.
- .14 For an economic inflow to be recognized as revenue, the general recognition criteria in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, must be met. A public sector entity recognizes only those future economic benefits it expects to obtain. Revenue is expected when:
 - (a) a transaction or event has occurred; and
 - (b) the public sector entity expects to obtain future economic benefits.
- .27 An unfulfilled performance obligation for a public sector entity has all three of the essential characteristics of a liability. It is a present obligation of a public sector entity to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. There is:
 - (a) a duty or responsibility to others, leaving a public sector entity little or no discretion to avoid settlement of the obligation;
 - (b) a duty or responsibility to others that entails settlement by a future transfer or use of assets, provision of goods or services, or other forms of economic settlement at a specified or predetermined date, on occurrence of a specified event, or on demand; and
 - (c) a transaction or event obligating the public sector entity that has already occurred.
- .65 FINANCIAL STATEMENT CONCEPTS, paragraph PS 1000.55, requires that in order for a transaction to be recognized, a reasonable estimate can be made of the amount involved.
- .66 When a reasonable estimate can be made of the amount involved, the transaction would be recognized. Professional judgment is needed to determine the most relevant and reliable estimated amount given the circumstances. Some methods used to determine a reasonable estimate include applying either:
 - (a) the expected value method — the sum of probability-weighted amounts in a range of possible consideration amounts. This method is often appropriate if a public sector entity has a large number of contracts with similar characteristics; or
 - (b) the most likely amount — the single most likely amount in a range of possible amounts.