
PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 7

Accounting for Sponsorships Received

SB-FRS Guidance Note 7 *Accounting for Sponsorships Received* applies to Statutory Boards from annual periods beginning on or after 1 January 2017. Earlier application is permitted.

Comments to be received by 9 January 2015

This exposure draft guidance note *Accounting for Sponsorships Received* is issued by the Accountant-General's Department Financial & Management Reporting Directorate for comments only and does not necessarily represent the views of the Directorate. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard (SB-FRS).

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explaining the problem and providing a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **9 January 2015** preferably by email to AGD_ASSB_Feedback@agd.gov.sg or addressed to:

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paragraphs

Statutory Board Financial Reporting Standard Guidance Note 7 Accounting for Sponsorships Received

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Proposed Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 7

Accounting for Sponsorships Received

Objective

1. The objective of this Guidance Note is to provide additional illustrative examples on the accounting for sponsorships received by Statutory Boards (SBs).

Scope

2. This Guidance Note applies when a SB receives a sponsorship. A sponsorship arises when a SB receives cash, other assets or services and is expected to provide consideration (e.g. publicity) to the giving party. Sponsorships should be accounted for in accordance with SB-FRS 115 Revenue from Contracts with Customers.
3. Unlike a sponsorship, a donation is generally a non-reciprocal transfer of assets between parties, i.e. consideration is not expected for the transfer of assets. In instances where nominal consideration is provided, the transfer of assets should be recognized as donations received. An acknowledgement of the donor would not be deemed as consideration and should be accounted for as a donation. Guidance for the accounting treatment for donations is separately provided in SB-FRS Guidance Note 2 *Accounting and Disclosure for Donations*.

Accounting for Sponsorships

Measurement at Recognition

4. **Income shall be recognised at the fair value of the sponsorship received or receivable.**
5. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
6. Sponsorships in the form of services may be measured by referring to either the fair value of the services received or the fair value of the asset or the asset enhancement resulting from the services. A possible proxy on the fair value of the services received will be the consideration that would have to be paid by the SB if it had purchased the service.

Obligations Arising from Sponsorships

7. **An expense shall be recognised at recognition of the sponsorship received or receivable. The amount to be recognized should be the best estimate of the expenditure required to settle the present obligation from the sponsorship in accordance with paragraph 6.**

Disclosure of Sponsorships

8. SBs should disclose qualitative and quantitative information about all of the following, as required by paragraph 110 of SB-FRS 115 *Revenue from Contracts with Customers* :
 - i. Its contracts with the sponsors (paragraphs 113-122 of SB-FRS 115)

- ii. Significant judgements, and changes in the judgements, made in applying the SB-FRS to the contracts (paragraphs 123-126 of SB-FRS 115)
- iii. Any assets recognised from the costs to obtain or fulfil a contract with a sponsor (paragraphs 127 and 128 of SB-FRS 115)

Additional Illustrative Examples

9. 3 illustrative examples are provided in the following paragraphs on the accounting for sponsorships received.

Illustrative Example 1 : Cash Sponsorship for Event Organised by Statutory Board

Scenario

10. Statutory Board A organises an event and receives sponsorship of \$5,000 for the event from Company B. It was agreed between Statutory Board A and Company B that in return for the sponsorship, Statutory Board A will print posters advertising that Company B is the sponsor for the event and display these posters prominently at the event venue during the event. Statutory Board A incurs \$200 to print and display the posters.

Assessment

11. Table 1 shows how the revenue recognition model set out in SB-FRS 115 *Revenue from Contracts with Customers* can be applied in this scenario.

Table 1: Application of Revenue Recognition Model

	Step	Application
A.	Identify the contract(s) with the customer.	The sponsorship received by Statutory Board A is akin to a commercial transaction in which Statutory Board A provides publicity for Company B in return for the sponsorship. The rights and payment terms of both Statutory Board A and Company B can be identified. It is probable that the consideration can be collected by Statutory Board A.
B.	Identify the performance obligations in the contract.	The performance obligation of Statutory Board A is to print the posters advertising that Company B is the sponsor of the event, and display these posters prominently at the event venue.
C.	Determine the transaction price.	The transaction price is the \$5,000 received by Statutory Board A from Company B.
D.	Allocate the transaction price to the performance obligations in the contract.	In this scenario, there is only a single performance obligation.
E.	Recognise revenue when (or as) the entity satisfies a performance obligation.	Statutory Board A should recognise the revenue over the period of the event since the performance obligation is to display the posters during the event.

12. Under this scenario, Statutory Board A should recognise the sponsorship received of \$5,000 as revenue, and the cost of \$200 of printing and displaying the posters as expense.

Illustrative Example 2 : Sponsorship-in-kind for Event Organised by Statutory Board

Scenario

13. The facts are the same as Illustrative Example 1, except that Company B has allowed Statutory Board A the use of its function hall as the event venue for free, instead of providing cash sponsorship. Statutory Board A has determined that renting a similar venue for the event would cost \$10,000.

Assessment

14. Para 66 of SB-FRS 115 requires the transaction price for contracts in which the customer promises consideration in a form other than cash, to be measured at fair value. In this scenario, the fair value of the consideration provided by Company B is \$10,000, since it would have cost Statutory Board A \$10,000 to rent a similar venue for the event. Therefore Statutory Board A should recognise revenue of \$10,000 and expense of \$200.

Illustrative Example 3 : Sponsorship Received by Statutory Board without Performance Obligations

Scenario

15. Statutory Board C builds a facility for use by the community and receives from Company D free services to renovate the facility. However, Company D does not require Statutory Board C to carry out any performance obligations in return for the sponsorship.

Assessment

16. As there is no consideration to be provided by Statutory Board C in return for the sponsorship, this transaction should be treated as a donation. SB-FRS Guidance Note 2 provides guidance for the accounting of donations.

Effective Date

17. This Guidance Note is operative for financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted.
18. A SB shall apply this Guidance note only when it applies SB-FRS 115.