

Donated Goods Amendment Issued

We've previously written on the topic of Opportunity Shops and the potential practical problem created by the new accounting standards and how these require accounting for donated goods. We are now pleased to provide an update.

Being an occasional contributor to and purchaser from Op shops (including being the proud owner of a couple of favourite shirts in my wardrobe) this is an issue close to my heart (well at least my chest!). Our earlier article "[Opportunity Shops | New accounting standards a problem and a pragmatic solution](#)" explained the issue and practical problem.

Essentially while the accounting treatment for donated goods suggested by the new standard is technically correct and theoretically pure, it will often be not cost effective or practically possible when applied in the context of Op shops.

This is because these shops are generally run by volunteer labour and receive donations of a large number of low or sometimes no value donations. Hence having to value all these on receipt rather than at point of sale can be very challenging.

The good news is that the accounting standard setter; the [XRB](#) listened to the concerns raised and proposed an amendment. This was released for comment last year and thanks to this and the submissions received in support issued an amendment on **14 January 2016**.

The amendment to PBE IPSAS 23 Revenue in Non-Exchange Transactions allows the following:

- Entities not to recognise goods-in-kind (donated goods) at the date of acquisition if these donated goods meet the definition of inventories in PBE IPSAS 12 Inventories, and it is not practicable to measure reliably the fair value of those goods at the date of acquisition because the costs of recognising the goods outweigh the benefits;
- If the goods-in-kind are sold, then the entity recognised the revenue when they are sold (the situation in the vast majority of Op shops currently);
- If the goods-in-kind are distributed free of charge then the entity does not recognise revenue.

The effective date for this amendment is for annual financial statements covering periods beginning on or after 1 January 2016. However early adoption is permitted.

Summary

So well done to the [XRB](#) for recognising the issue, listening to concerns, and proposing a practical solution. And so promptly. Well done also to all those constituents who submitted on the Exposure Draft with their support and comments. Practical democracy at work!



About the Author

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