



Clarity in financial reporting

Schools - Accounting for waitlist and enrolment fees under the new revenue standards

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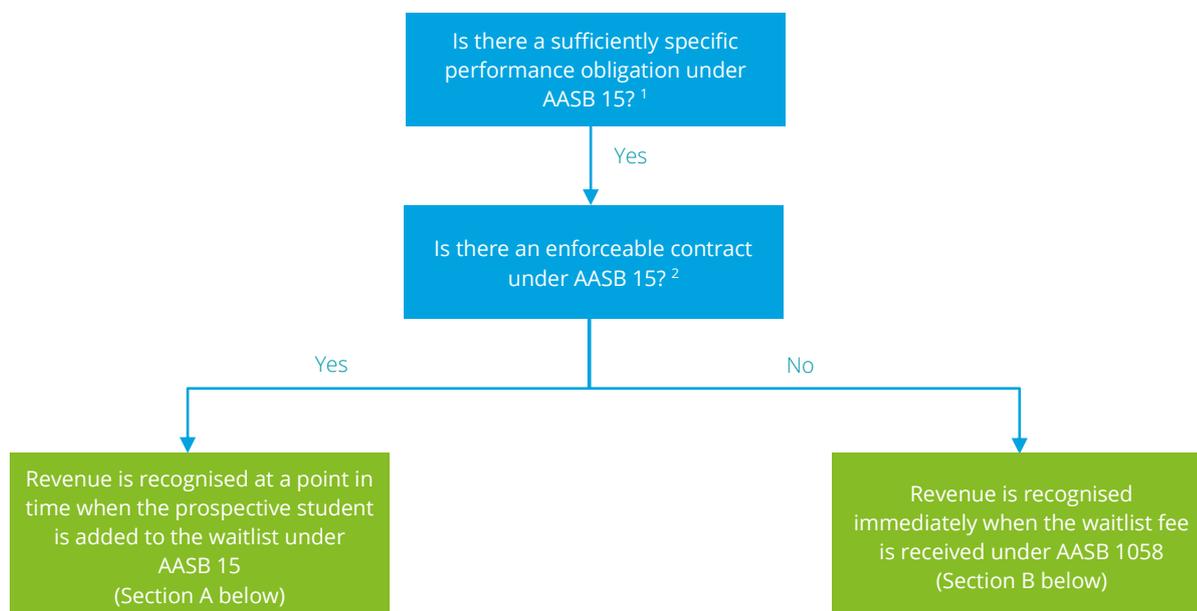
- With the issue of AASB 1058 *Income for Not-for-Profit Entities* (AASB 1058) and AASB 15 *Revenue from Contracts with Customers* (AASB 15), there has been some debate around recognition of waiting list fees and enrolment fees in the schools sector.
- In March 2019, AASB has issued two frequently asked questions (FAQs) addressing this. In this publication, we have summarised these FAQs.
- In most instances we expect the revenue recognition to be:
 - Waiting list fees will be recognised as revenue at the point in time when the fees are received or when the prospective student is added on to the waitlist
 - Enrolment fees will be recognised as revenue over the expected school life of the student.

Summary of FAQ issued by AASB

Waiting list fees

When families apply for enrolment in a school, often they are required to pay a waiting list fee along with the application. Payment of this fee does not guarantee an offer for admission. It is paid to add the prospective student to the waiting list who will then be considered for admission in their desired year. Payment of waiting list fees is generally non-transferrable and non-refundable.

The considerations for revenue recognition under AASB 15 and AASB 1058 and the likely outcomes are shown below:



(1) The performance obligation is to add the prospective student to the waiting list.

(2) Depends on the facts and circumstances of the agreement. Refer to section A below for more details.

A) Revenue recognition under AASB 15

Is it in the scope of AASB 15?

The arrangement will be in the scope of AASB 15 if certain criteria are met. This is assessed below.

Criteria under AASB 15	Is it satisfied here?	Explanation
There must be a customer	Yes	The parent of the prospective student is the customer
There must be an agreement	Yes	The application form is the written agreement
The agreement must create enforceable rights and obligations	Maybe	Depends on facts and circumstances (refer further discussion below)
The performance obligation must be sufficiently specific	Yes	The performance obligation is to add the prospective student to the waiting list

Does the arrangement create enforceable rights and obligations?

To determine if the arrangement creates enforceable rights and obligations, the school will need to consider whether the application form includes sufficiently specific requirements of the parent and the school. Some of the matters to consider are:

- Does the agreement clearly set out the following in respect of the waitlist fees:
 - what services the parent can expect from the school in exchange for paying the waitlist fee, or
 - what services the school must provide and what it can choose not to provide.
- Would the parent be able to demonstrate that the school has not provided the specified service as stated in the form? If so, would there be legal remedies available to the parent?

Revenue recognition

Based on the above analysis, if the school determines that the arrangement does create enforceable rights and obligations, then it is within the scope of AASB 15. The performance obligation of adding the prospective student is fulfilled at a point in time and not over time in accordance with the criteria in paragraph 35 of AASB 15. Revenue is therefore recognised at the point in time when the prospective student is added to the waitlist.

B) Revenue recognition under AASB 1058

If the school determines that the arrangement does not create enforceable rights and obligations, it is not within the scope of AASB 15 and falls within the scope of AASB 1058. As there are no amounts to be recognised in accordance with other accounting standards (related amounts as defined in paragraph 9 of AASB 1058), the school recognises the waitlist fees as income immediately on receipt.



Thinking it through

In practice, it would be difficult to determine the exact point in time when the prospective student is added to the waitlist. We envisage a difference in the revenue recognition in Scenario A and B above only when it can be proven that there is a significant time difference between when the waitlist fee is paid by the parent and when the prospective student is added to the wait list by the school.



Important note

Each school will need to apply judgment when assessing its agreement to understand whether it is in the scope of AASB 15 or not. Schools will also need to consider whether there is a single sufficiently specific performance obligation or, multiple sufficiently specific performance obligations.



Accessing information

Refer Question 7 in Section 3 of the [AASB Staff FAQ](#) for the complete question and answer as issued.

Enrolment fees

Once the school offers the student a place, the prospective student may be required to pay an upfront fee (referred to as enrolment/ acceptance/ entry fees) to confirm acceptance of the offer.

Is it in the scope of AASB 15?

The arrangement will be in the scope of AASB 15 if certain criteria are met. This is assessed below.

Criteria under AASB 15	Is it satisfied here?	Explanation
There must be a customer	Yes	The parent of the prospective student is the customer
There must be an agreement	Yes	The enrolment form is the written agreement
The agreement must create enforceable rights and obligations	Yes	Agreement to provide tuition to the prospective student in the agreed-upon years
The performance obligation must be sufficiently specific	No	Refer further discussion below

Revenue recognition

Acceptance of the student by the school following payment of the enrolment fee maybe viewed as a material right. That is, on payment of tuition fees the student is entitled to receive tuition services. Determining whether the enrolment fee is a material right requires assessment of qualitative and quantitative factors. Comparison of the enrolment fee with the fees for tuition services (which are normally a contract period of one term) could provide an indication of material rights.

Through this material right, the parent in effect pays in advance for access to future tuition services and the school recognizes the enrolment fee revenue when these future tuition services are provided to the student, that is, over the expected school life of the student.



Thinking it through

Schools will need to estimate the expected life of a student at the time of enrolment to determine the period over which enrolment fees have to be recognised as revenue. This is an area of judgement that schools will need to focus on through the implementation of the new revenue standards.



Important note

Schools would need to carefully assess whether the enrolment fees relate to a separate performance obligation distinct from the provision of future tuition services (e.g. provision of uniforms or other equipment that the student controls). If so, the school will need to account for these as separate performance obligations and recognise revenue when (or as) the performance obligation is satisfied.



Accessing information

Refer Question 8 in Section 3 of the [AASB Staff FAQ](#) for the complete question and answer as issued.

Conclusion

Though the issue of these FAQs provides some clarity regarding the possible revenue recognition for waitlist fees and enrolment fees, schools will need to carefully assess their individual arrangements and the related facts and circumstances to determine the appropriate revenue recognition.

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