

~~FATAL FLAW REVIEW VERSION~~
~~COMMENTS DUE WEDNESDAY 17 JULY 2019~~ **Agenda Paper 8.2: Revised draft**
amending Standard (Amendment section)

Accounting Standard AASB 2019-X

The Australian Accounting Standards Board makes Accounting Standard AASB- 2019-X *Amendments to Australian Accounting Standards – Implementation of AASB 1059* under section 334 of the *Corporations Act 2001*.

Dated ... [date]

Kris Peach
Chair – AASB

Accounting Standard AASB 2019-X Amendments to Australian Accounting Standards – Implementation of AASB 1059

Objective

- 1 This Standard amends AASB 16 *Leases* (February 2016) and AASB 1059 *Service Concession Arrangements: Grantors* (July 2017) to amend transitional relief relating to service concession arrangements and incorporate editorial amendments.

Application

- 2 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 16 and AASB 1059 set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).
- 3 This Standard applies to annual periods beginning on or after 1 January 2020. Earlier application of this Standard is permitted.
- 4 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 16

- 5 Paragraph AusC4.1 is added as follows:
AusC4.1 Notwithstanding paragraphs C3 and C4, a public sector entity is not required to apply this Standard to assets ~~previously accounted for under AASB 117~~ that would be classified as service concession assets in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. The entity shall continue to apply its existing accounting policy to these assets until AASB 1059 is applied.

Amendments to AASB 1059

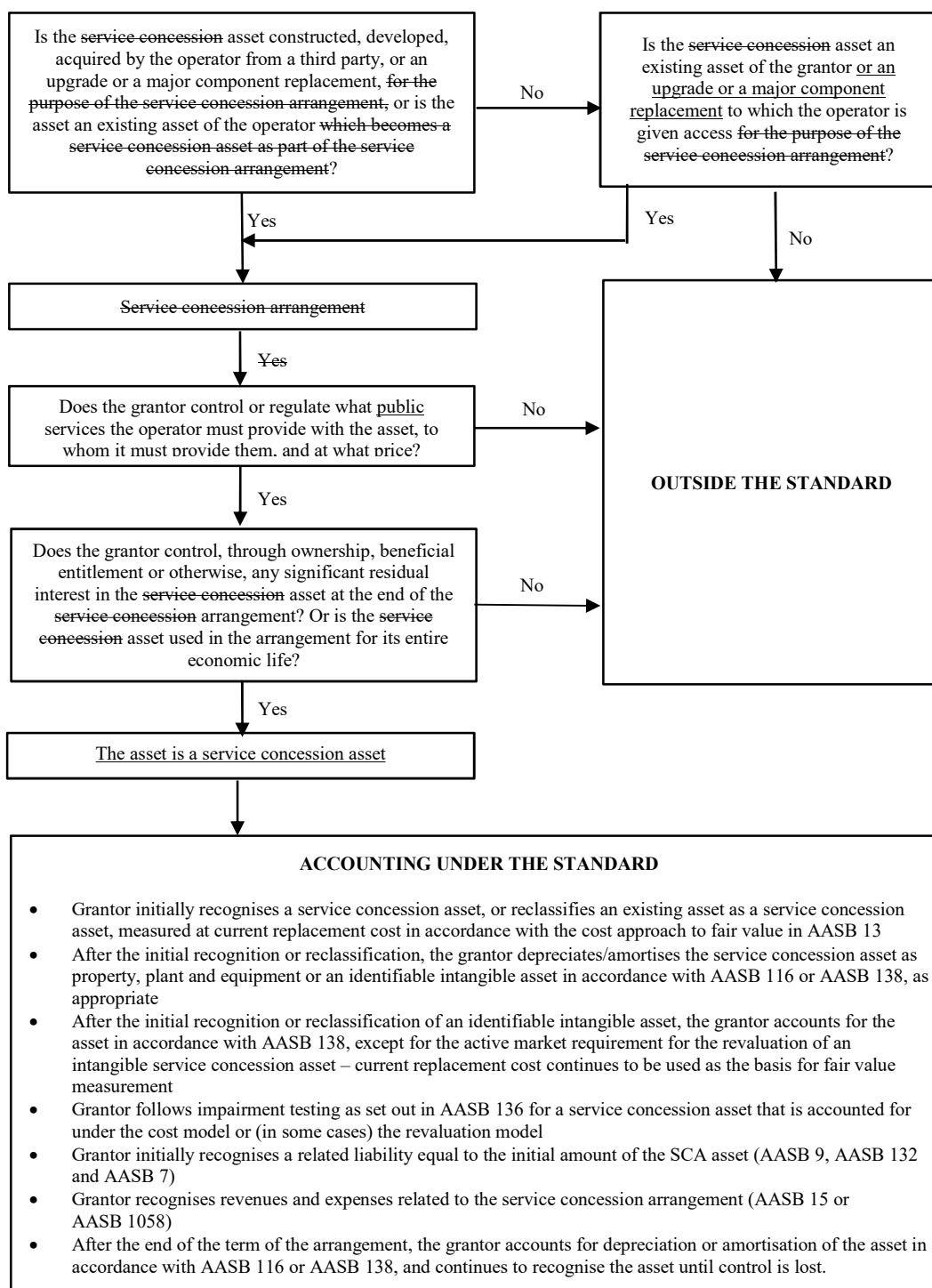
- 6 ~~Paragraph~~Paragraphs B76 and C4, paragraphs IG10 and IG13 in the accompanying implementation guidance and paragraphs IE42–IE43 in the accompanying illustrative examples are amended as follows:
B76 The grantor determines whether financial guarantees provided by the grantor as part of a service concession arrangement meet the definition of a financial guarantee contract. If so, the grantor applies AASB 7, AASB 9 and AASB 132 in accounting for the financial guarantee. Where the guarantee is regarded as an insurance contract, the grantor can elect to apply AASB 4 *Insurance Contracts* or AASB 1023 *General Insurance Contracts* instead if it has previously used accounting applicable to insurance contracts for such guarantees.

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- C4 If a grantor elects to apply this Standard retrospectively in accordance with paragraph C3(b), the grantor shall:
- (a) ...
 - (b) measure a financial liability arising under a service concession arrangement in accordance with this Standard AASB 9 at the date of initial application;
 - (c) measure a liability representing the unearned portion of any revenue arising from the receipt of a service concession asset under the grant of a right to the operator model at the fair value (current replacement cost) of the related service concession asset at the date of initial application, adjusted to reflect the remaining period of the service concession arrangement relative to the ~~remaining economic life of the asset~~ total period of the arrangement, less any related financial liabilities measured in accordance with paragraph (b);
 - ~~(d) ...~~
 - (d) measure a liability representing the unearned portion of any revenue arising from the receipt of additional consideration from the operator for access to an existing asset of the grantor that has been reclassified as a service concession asset at the proceeds received, adjusted to reflect the remaining period of the service concession arrangement relative to the total period of the arrangement;
 - (de) recognise any net adjustments to the amounts of assets and liabilities as an adjustment to the opening balance of accumulated surplus (deficiency) at the date of initial application; and
 - (ef) disclose that it has applied this transition approach and information relating to the measurement of the assets and liabilities in support of the disclosure objective in paragraph 28.
- ...
- IG10 The diagram below summarises the ~~accounting~~ recognition and measurement requirements for assets (other than goodwill) and service concession arrangements in accordance with subject to AASB 1059.

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IG13 The table below compares the key features of various common types of arrangements for private sector participation in the provision of public services. This table presents simple arrangements, however the classification of an arrangement as a construction contract with a service outsourcing contract, lease, service concession arrangement, or sale or privatisation will depend on the specific terms and conditions of the arrangement.

Features	Construction contract with service outsourcing contract ¹	Lease ² (grantor is lessor)	Service concession arrangement ³	Sale/Privatisation ⁴
Determining whether arrangement is within the scope of AASB 1059 (paragraphs 2, IG2)	<i>Conclusion</i> (based on analysis below) – Outside the scope of AASB 1059 and grantor controls the asset.	<i>Conclusion</i> (based on analysis below) – Depending on terms of arrangement, can be outside or within the scope of AASB 1059.	<i>Conclusion</i> (based on analysis below) – Within the scope of AASB 1059 and grantor controls the asset.	<i>Conclusion</i> (based on analysis below) – Outside the scope of AASB 1059 and grantor does not control the asset.
Operator provides public services related to the asset on behalf of the grantor and is responsible for at least some of the management of the asset <u>the management of at least some of the public services</u> (paragraph B10)?	Operator provides construction services; not public services . Operator provides management of asset acts as an agent in providing public services and related services as predetermined by the grantor .	Operator involvement in the management of the asset <u>public services</u> and related services varies , depending on the lease terms (ie operator may have full involvement or be limited to facility management <u>pre-determined by the grantor that is not a significant component of the public services provided by the asset</u>).	Operator involved in management of <u>service concession asset public services provided by the asset</u> that is not predetermined by grantor (ie operator has discretion <u>as to how the asset is managed</u> the public services are provided and managed).	Operator does not provide public services on behalf of the grantor , despite any protective rights of the grantor.
...

Example 10: Transition – measuring the liability under the grant of a right to the operator model at the date of initial application

...

IE42 This example illustrates the approach set out in paragraph C4(c) to measuring a liability under the grant of a right to the operator model at the date of initial application. The liability related to the grant of a right to the operator is required to be measured at the fair value (current replacement cost) of the related service concession asset at the date of initial application, adjusted to reflect the remaining period of the service concession arrangement relative to the ~~remaining economic life of the asset~~ total period of the arrangement, less any related financial liabilities.

IE43 Assuming that the service concession arrangement in this example does not also give rise to a financial liability for the grantor, the information needed for measuring the liability is illustrated in the following table:

Table 10 Estimates at the date of initial application

Parameter	Amount or period
Fair value (current replacement cost) of the service concession asset	CU1,200
Remaining economic life of the asset <u>Total period of the arrangement</u>	20 years
Remaining service concession period	10 years
Apportionment for the liability re grant of rights to the operator	CU1,200 x 10/20 = CU600

Commencement of the legislative instrument

7 For legal purposes, this legislative instrument commences on 31 December 2019.