



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	5 February 2013
<b>From:</b>	<b>Christina Ng</b>	<b>Agenda Item:</b>	11.1 (M129)
<b>Subject:</b>	<b>Service concession arrangements: Grantor</b>	<b>File:</b>	

## Action

Receive a progress report on the Service Concession Arrangements project from the perspective of a grantor.

## Background

1. At the AASB meeting held on 25-26 July 2012, staff presented a Discussion Paper that sought the Board's views on a number of issues arising from consideration by staff of International Public Sector Accounting Standard 32 *Service Concession Arrangements: Grantor* ("IPSAS 32") and its suitability in an Australian context. The views of the Board were sought to provide AASB staff with direction on how to proceed with the project.
2. The issues raised at the July 2012 Board meeting were:
  - (a) whether IPSAS 32 is clear that the grantor controls the asset used in a service concession arrangement if the asset is controlled or regulated by a party other than the grantor or the operator (Issue 1).
  - (b) whether the grantor should initially recognise a liability (IPSAS 32 requirement) or revenue (a possible IASB and FASB outcome) when it receives the service concession asset in exchange for granting the operator a right (for example, a license) to charge users of the service concession asset (Issue 2); and
  - (c) how the liability (or revenue) should initially be measured (Issue 3).

At this meeting, the Board considered that IPSAS 32 is an appropriate standard for Australia, although it is likely that modifications would need to be made. The Board tentatively agreed for AASB staff to analyse Issues 1, 2 and 3 above.

## Issue 1

The Board deliberated Issue 1 at its September 2012 meeting. The Board tentatively decided not to reconsider the scope of IPSAS 32 and the underlying control model, but decided that there is a need for additional guidance on whether a grantor controls a service concession asset in circumstances in which a third-party regulator is involved. The Board directed AASB staff to prepare the draft wording on the additional guidance for the Board's forthcoming Exposure Draft. AASB staff are

working on the draft wording that will be included in a pre-ballot draft ED for consideration by the Board at a later date.

## Issues 2 and 3

At its September 2012 meeting, the Board agreed that Issues 2 and 3 should not be analysed further until the IASB had progressed its Revenue Recognition project further, as it relates to revenue from licenses.

As at their December 2012 meeting, although the IASB and the FASB completed deliberations on the recognition and measurement aspects of their joint Exposure Draft ED/2011/6 *Revenue from Contracts with Customers*, including matters relating to licenses (see Agenda paper 10.2 of the February 2013 AASB meeting), IASB staff were directed to further clarify the application guidance relating to licenses and to conduct targeted outreach to confirm the operability of that guidance.

The Board received an update on the progress of the IASB and FASB Revenue Recognition project at its December 2012 meeting and requested AASB staff to conduct targeted outreach to determine Australian constituents' views on the IASB tentative decisions in relation to licenses, and in particular, to consider how the tentative model would apply in the context of service concession arrangements from a grantor's perspective.

At the time of writing this memo, AASB staff have reached out to staff of the State Treasury Departments (New South Wales and Victoria) and KPMG (Infrastructure/Financing Advisory). Our discussions to date relate to the general direction of the IASB Revenue Recognition project, including key IASB decisions relating to licenses. Because the IASB outreach on the licenses application guidance is underway and there may be potential drafting changes to the guidance as it is developed further, AASB staff do not intend to provide analyses of the outreach feedback and the application of the tentative model until the IASB Revenue Recognition project, in particular, in relation to licenses, is closer to completion.

## **Next steps**

AASB staff will continue to monitor the progress of the IASB and liaise with IASB staff, in particular, in relation to its outreach on the operability of the tentative guidance relating to licenses. AASB staff will also continue to conduct targeted outreach as the IASB makes further progress on its tentative model.