



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	26 November 2013
<b>From:</b>	<b>Christina Ng &amp; Kala Kandiah</b>	<b>Agenda Item:</b>	11.2
<b>Subject:</b>	<b>Service Concession Arrangements: Grantor - Project Update</b>	<b>File:</b>	

## Action

Receive a progress report on the AASB *Service Concession Arrangements: Grantor* project and consider the draft project plan.

## Overview

### *July 2012 AASB meeting*

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 a third party regulator is involved (Issue 1).
  - (b) whether the grantor should initially recognise a liability (IPSAS 32 requirement) or revenue (a possible IASB and FASB outcome of their Revenue Recognition project) 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 its July 2012 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.

### *September 2012 AASB meeting*

3. 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.

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

#### *December 2012 AASB meeting*

5. 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 the application of the tentative revenue model on 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.
6. 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 revenue model would apply in the context of service concession arrangements from a grantor's perspective.

#### *February 2013 AASB meeting*

7. AASB staff reached out to staff of the State Treasury Departments (New South Wales and Victoria) and KPMG (Infrastructure/Financing Advisory). Those discussions related to the general direction of the IASB and FASB Revenue Recognition project, including key IASB decisions relating to licenses.
8. At that time, in light of the IASB and FASB outreach on the application guidance in relation to licenses and drafting changes to the guidance were expected, the Board directed AASB staff to provide analyses of its targeted outreach feedback and the application of the tentative revenue model when the IASB and FASB Revenue Recognition project is closer to completion.

#### *December 2013 AASB meeting*

9. As at their October 2013 meeting, the IASB and the FASB completed redeliberations on recurring issues of their joint ED/2011/6, including issues relating to the application of the tentative revenue model on licenses. The Board will receive an update on the progress of the IASB and FASB Revenue Recognition project at the December AASB meeting. The IASB Work Plan as at 5 November 2013 indicates the IASB is targeting issuance of the standard by Q1 of 2014.
10. At the time of writing this memo, AASB staff have reached out to staff of targeted entities, such as the Department of Treasury and Finance of Victoria and Big 4 accounting firms, to discuss the potential implications of the IASB and FASB tentative revenue model, in particular, in relation to the application guidance of licenses in the context of service

concession arrangements from a grantor’s perspective. AASB staff plan to continue their targeted outreach while the IASB and FASB finalise their revenue standard. AASB staff will provide a technical analysis of their targeted outreach and the application of the tentative revenue model at a future Board meeting once the Revenue Recognition project is closer to completion.

11. The table below outlines a draft 2014 project plan for the Board to consider.

## Service Concession Arrangements: Grantor – Draft Project Plan

	AASB target milestones
Q1 2014	<p><b>12-13 February 2014 meeting<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>Staff provide preliminary issues paper on Issues 2 and 3 (above), including proposed transition requirements</li> <li>AASB form views on key issues for the formulation of an AASB ED</li> </ul> <p><b>Out-of-session (January to March 2014)</b></p> <p>AASB members vote on <i>Revenue from Contracts with Customers</i> standard (dependent on the timing of the IFRS issuance of the standard)</p>
Q2 2014	<p><b>8-9 April 2014 AASB meeting</b></p> <p>Staff to provide sweep issues paper (if any)</p> <p><b>Out-of-session (April to May 2014)</b></p> <ul style="list-style-type: none"> <li>AASB members comment on pre-ballot draft ED (2 weeks)</li> <li>AASB members vote on ballot draft ED (1 week)</li> </ul> <p><b>By end of May 2014</b></p> <p>Issue AASB ED (120 days)</p>
Q3 2014	<p><b>July to August 2014</b></p> <ul style="list-style-type: none"> <li>Staff conduct targeted outreach</li> <li>ED comment period closes by end September</li> <li></li> </ul>
Q4 2014	<p><b>22-23 October 2014 AASB meeting</b></p> <ul style="list-style-type: none"> <li>Staff analysis of comment letters and targeted outreach</li> <li>AASB members consider comments and key issues identified from constituents; and provide direction for development of Australian standard</li> </ul> <p><b>3-4 December 2014 AASB meeting</b></p> <p>Staff provide sweep issues (if any)</p> <p><b>Out-of-session (December 2014)</b></p> <ul style="list-style-type: none"> <li>AASB members comment on pre-ballot draft standard (2 weeks)</li> <li>AASB members vote on ballot draft standard (1 week)</li> </ul> <p><b>By end of December 2014</b></p> <p>Issue Australian standard</p>

### Question for the Board

Do members have any comments on the draft project plan?

<sup>1</sup> Presentation of issues papers at the February 2014 AASB meeting is subject to the availability of the final drafting of the IASB and FASB revenue standard.