

## Appendix A (Part 1): Service Concession Arrangements: Grantor – Summary of Board Decisions in Draft AASB Standard (For June 2016 Board Meeting)

The table below summarises the changes to be incorporated into AASB XY *Service Concession Arrangements: Grantor* following the Board’s decisions in order of Board meeting dates.

Decision Number	Board decision	Action/Comment	Draft AASB Standard <sup>1</sup>	Reference <sup>2</sup>
1	<b>Control – Principle</b> The Board agreed to retain the requirements of the control concept in paragraph 8 in ED 261 for the final Standard.	No changes to Draft AASB 10XY	Paragraph 8	Dec 2015 AP12.1 Q1(a)
2	<b>Control – Guidance</b> The Board agreed to: <ul style="list-style-type: none"> <li>• structure and refine the application guidance paragraphs relating to the control concept as proposed in AG8A-AG8D; and</li> <li>• include a flow chart that summarises the control and regulation requirements of paragraphs 8 and 9</li> </ul>	<ul style="list-style-type: none"> <li>• Refer “Note to the Board”</li> <li>• Include flow chart</li> </ul>	<ul style="list-style-type: none"> <li>• AG8A-AG8D</li> <li>• Implementation Guidance – Flow chart</li> </ul>	Dec 2015 AP12.1 Q1(b)
3	<b>Control – Broader concept</b> The Board agreed to include a new application guidance paragraph to make explicit the requirement to apply the broader concept of control in other Australian Accounting Standards.	Marked up	<ul style="list-style-type: none"> <li>• AG19A</li> <li>• Amended BC17</li> </ul>	Dec 2015 AP12.1 Q2(a)

<sup>1</sup> Staff retained the existing Application Guidance (AG) paragraph numbers in ED 261 and inserted new AG paragraphs as AG8A, AG8B, etc, as the paragraph numbers in AASB XY will change depending on Board decisions in future meetings.

<sup>2</sup> Reference relates to relevant Board meeting date, Agenda Paper (AP) and related question to the Board in the AP.

Decision Number	Board decision	Action/Comment	Draft AASB Standard <sup>3</sup>	Reference <sup>4</sup>
4	<p><b>Implementation Guidance</b></p> <p>The Board agreed to include a new a table, in a new ‘Implementation Guidance’ section, that sets out the typical types of arrangements for private sector participation in the provision of public sector services with references to the relevant Australian Accounting Standards that may apply to those arrangements.</p>	Included table	Implementation Guidance – Table	Dec 2015 AP12.1 Q2(b)
5	<p><b>Control</b></p> <p>The Board agreed to amend AG9 to clarify that a grantor has control of the service concession asset if the contract to the arrangement:</p> <p>(a) specifies the grantor controls or regulates the price, services and/or to whom the services must provide; or</p> <p>(b) conveys the right to control the use of the asset to the grantor when a third-party regulator regulates the price, services and/or to whom the services must provide.</p>	Marked up	<ul style="list-style-type: none"> <li>• Deleted AG9</li> <li>• AG8A-AG8D</li> </ul>	Dec 2015 AP12.1 Q3(a)
6	<p><b>Control</b></p> <p>The Board agreed to include the staff analysis in paragraph 19 of the Agenda Paper in the Basis for Conclusion paragraph BC15A.</p>	Marked up	BC15A	Dec 2015 AP12.1 Q3(b)
7	<p><b>Long term leases, privatisation and outsourcing arrangements</b></p> <p>The Board agreed to provide guidance on long term arrangements (such as 99 year leases) and privatisations and outsourcing arrangements by:</p> <p>(a) removing the words “(eg outsourcing, service contracts, or privatisation)” from the scope in paragraph 6 of ED 261</p> <p>(b) include new paragraph AG19B clarifying that outsourcing, service or privatisations arrangements may be outside the scope of the Standard if:</p> <p>(i) the arrangement does not meet the control criteria of paragraphs 8 and 9; and</p> <p>(ii) the example where the arrangement conveys the ‘right of access’ to the service concession asset from the public sector entity to the private sector purchaser; and</p> <p>(c) include a table in the Implementation Guidance to address constituents’ request for additional guidance on long term arrangements (such as 99 year leases) and privatisations and outsourcing arrangements that fall outside the scope of the Standard.</p>	Marked up	<ul style="list-style-type: none"> <li>• Amended paragraph 6</li> <li>• AG19B</li> <li>• Implementation Guidance – Table</li> <li>• BC17A</li> </ul>	Dec 2015 AP12.1 Q4(a), (b) and (c)

<sup>3</sup> Staff retained the existing Application Guidance (AG) paragraph numbers in ED 261 and inserted new AG paragraphs as AG8A, AG8B, etc, as the paragraph numbers in AASB XY will change depending on Board decisions in future meetings.

<sup>4</sup> Reference relates to relevant Board meeting date, Agenda Paper (AP) and related question to the Board in the AP.

Decision Number	Board decision	Action/Comment	Draft AASB Standard <sup>5</sup>	Reference <sup>6</sup>
8	<p><b>Regulated public utilities (such as supply of water, sewerage, electricity)</b></p> <p>The Board agreed to include in Basis for Conclusions that regulated public utilities should be treated similar to long term leases, privatisations and outsourcing arrangements.</p>	Marked up	BC17A	Dec 2015 AP12.1 Q5
9	<p><b>Changes in grantor's control of the asset</b></p> <p>The Board agreed to include application guidance AG19C-AG19E that:</p> <p>(a) where there is a change in the grantor's control of the asset, the arrangement should be assessed to determine whether it is still within the scope of the Standard; and</p> <p>(b) where the grantor no longer has control of the asset, as specified in paragraph 8 of the Standard, the grantor assesses whether the asset shall be recognised under another Accounting Standard.</p>	Marked up	<ul style="list-style-type: none"> <li>• AG19C-AG19E</li> <li>• BC17B</li> </ul>	Dec 2015 AP12.1 Q6(a) and (b)
10	<p><b>Significant residual interest, current value and whole-of-life asset</b></p> <p>The Board decided to:</p> <p>(a) amend paragraph AG14 and include a separate section in the Application Guidance for the accounting of residual interest</p> <p>(b) retain the term 'current value' (instead of 'fair value') in the context of determining an asset's residual interest in paragraph AG19G;</p> <p>(c) include the content of the Staff analysis in paragraphs 40 and 42 of AP12.1 in BC17C-BC17E, instead of providing guidance on the term 'significant' and 'current value'; and</p> <p>(d) include application guidance paragraph AG19I to clarify the term whole-of-life asset in relation to the control concept is the entire useful life or the major part of the useful life of the asset.</p>	Marked up	<ul style="list-style-type: none"> <li>• Amended AG14</li> <li>• AG19F-AG19I</li> <li>• BC17C-BC17F</li> </ul>	Dec 2015 AP12.1 Q7(a), (b) and (c)
11	<p><b>Fair value measurement of service concession asset</b></p> <p>The Board agreed to include Application Guidance that the service concession asset is a specialised asset that the grantor uses for its service potential to achieve public service objectives. Consequently, only the cost approach to measuring the fair value of service concession assets is relevant and in this specific instance, that where the operator has been granted the rights to future cash flows, this need not be considered in the valuation.</p>	Marked up	<ul style="list-style-type: none"> <li>• AG40A-AG40E</li> <li>• BC17G-BC17Y</li> <li>• Editorial changes to BC24-BC25</li> </ul>	Feb 2016 AP13.1 Q1-Q6

<sup>5</sup> Staff retained the existing Application Guidance (AG) paragraph numbers in ED 261 and inserted new AG paragraphs as AG8A, AG8B, etc, as the paragraph numbers in AASB XY will change depending on Board decisions in future meetings.

<sup>6</sup> Reference relates to relevant Board meeting date, Agenda Paper (AP) and related question to the Board in the AP.

Decision Number	Board decision	Action/Comment	Draft AASB Standard <sup>7</sup>	Reference <sup>8</sup>
12	<p><b>Rationale for adopting GORTO model</b></p> <p>The Board agreed to include in the Basis for Conclusions that the Board:</p> <p>(a) confirmed the proposal that, under the grant of the right to the operator model, the grantor would recognise revenue, and accordingly reduce the liability, in accordance with the economic substance of the arrangement; and</p> <p>(b) considered the alternative measurement approaches, including applying:</p> <ul style="list-style-type: none"> <li>• AASB 140 <i>Investment Property</i> by analogy;</li> <li>• the licensing Application Guidance in AASB 15 <i>Revenue from Contracts with Customers</i> by analogy; and</li> <li>• the financial liability model to all service concession arrangements.</li> </ul>	Marked up	BC26C-BC26G	Feb 2016 AP13.1 Q7
13	<p><b>Establishing the fair value of a partly constructed asset</b></p> <p>The Board agreed to include in Basis for Conclusions there is sufficient guidance in existing Australian Accounting Standards to account for the fair value of a partly constructed asset that does not warrant additional guidance</p>	Marked up	BC17Z(a)	Apr 2016 AP4.1 Q1
14	<p><b>Initial valuation of an intangible service concession asset</b></p> <p>The Board agreed to include in Basis for Conclusions there is sufficient guidance in ED 261, AASB 13 and AASB 138 for the initial and subsequent measurement of a service concession asset that is an intangible asset that does not warrant additional guidance.</p>	Marked up	BC17Z(b)	Apr 2016 AP4.1 Q2
15	<p><b>Accounting for economic obsolescence in determining the asset's fair value</b></p> <p>The Board agreed to include in Basis for Conclusions there is sufficient guidance in AASB 13 for the accounting of obsolescence in determining the fair value of a service concession asset based on the cost approach that does not warrant additional guidance.</p>	Marked up	BC17Z(c)	Apr 2016 AP4.1 Q3

<sup>7</sup> Staff retained the existing Application Guidance (AG) paragraph numbers in ED 261 and inserted new AG paragraphs as AG8A, AG8B, etc, as the paragraph numbers in AASB XY will change depending on Board decisions in future meetings.

<sup>8</sup> Reference relates to relevant Board meeting date, Agenda Paper (AP) and related question to the Board in the AP.

Decision Number	Board decision	Action/Comment	Draft AASB Standard <sup>9</sup>	Reference <sup>10</sup>
16	<p><b>Accounting for finance charges under the financial liability model</b></p> <p>The Board agreed to amend AG46 and AG47 of ED 261 to state that the finance charge in the financial liability model is to be determined based on the use of rate implicit to the arrangement that is consistent with the use of the effective interest rate in AASB 9 for the reasons outlined in paragraph 42 of SP [refer note]</p>	Marked up	<ul style="list-style-type: none"> <li>• Amended AG46-AG47</li> <li>• BC20A-BC20B</li> <li>• Amended BC21</li> </ul>	Apr 2016 AP4.1 Q4
17	<p><b>Accounting for hybrid arrangements</b></p> <p>The Board agreed to include Application Guidance to state the principles of service concession asset and liability measurement of fair value service concession asset and match corresponding liability. Where fair value of asset recognised under the GORTO model can be determined, the hybrid arrangement is allocated to the GORTO model with the remaining amount allocated to the financial liability.</p>	Marked up	<ul style="list-style-type: none"> <li>• AG54A</li> <li>• BC26H</li> </ul>	Apr 2016 AP4.1 Q5
18	<p><b>Principles-based approach to recognising revenue under GORTO model</b></p> <p>The Board agreed to include in Basis for Conclusions there is sufficient guidance in ED 261 for the recognition of revenue under the GORTO model that does not warrant additional guidance. However, it may be useful for constituents to understand the Board considerations on this issue.</p>	Marked up	BC26A-BC26B	Apr 2016 AP4.1 Q6

<sup>9</sup> Staff retained the existing Application Guidance (AG) paragraph numbers in ED 261 and inserted new AG paragraphs as AG8A, AG8B, etc, as the paragraph numbers in AASB XY will change depending on Board decisions in future meetings.

<sup>10</sup> Reference relates to relevant Board meeting date, Agenda Paper (AP) and related question to the Board in the AP.