

Australian Accounting Standards Board

Agenda Decision

Service Concession Arrangements – Public Sector Grantors

(December 2007)

The Issue

The AASB issued Interpretation 12 *Service Concession Arrangements* in February 2007, corresponding with IFRIC Interpretation 12. AASB Interpretation 12 has the same scope as the IFRIC Interpretation and thus applies explicitly only to the accounting by operators for certain public-to-private service concession arrangements.

As Interpretation 12 does not specify the accounting by grantors, the AASB appointed an Interpretation Advisory Panel to consider a number of issues in relation to the accounting by public sector grantors. The AASB received and discussed the report of the Interpretation Advisory Panel at its December 2007 meeting.

The AASB is of the view that, under the hierarchy for selecting accounting policies set out in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB Interpretation 12 does not determine the general accounting by public sector grantors for service concession arrangements within the scope of the Interpretation.

The AASB noted that, in accordance with AASB 108, management of an entity must use its judgement in developing and applying an accounting policy that results in information that is both relevant to the economic decision-making needs of users and reliable, including that the financial statements reflect the economic substance of the transaction or event. In making this judgement, management must refer to, and consider the applicability of, the requirements and guidance in Australian Accounting Standards (including Interpretations) dealing with similar and related issues, and the definitions, recognition criteria and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements*. Therefore, public sector grantors are required to consider Interpretation 12 in developing their accounting policy for service concession arrangements, and can choose to follow the Interpretation even though it does not apply mandatorily.

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The AASB noted that the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) is developing a Consultation Paper on the accounting by public sector grantors for service concession arrangements. The AASB is encouraged by the IPSASB's progress, with the Consultation Paper expected to be published in the first quarter of 2008 for public comment. The AASB agreed to issue an Australian Invitation to Comment on the Consultation Paper following its publication by the IPSASB. The Invitation to Comment will not include any AASB preliminary views. The closing date for submissions to the AASB will be determined once the deadline for submissions to the IPSASB is known.
