



THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

CREATING WORLD CLASS
ACCOUNTANTS

ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

International Federation of Accountants (IFAC)
Accounting and Financial Reporting for Service
Concession Arrangements

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Association of International Accountants

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Company number 00264086. The AIA is a Recognised Qualifying Body for company auditors in the UK.

Introduction

These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank Robert Greenwood of London School of Commerce for his input in this consultation response.

About AIA

AIA is one of six statutorily [Recognised Qualifying Bodies \(RQBs\)](#) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the [European Union](#) and in [other major financial centres](#) around the world.

The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines.

The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

Opening Comments

AIA would like to submit the following comments in response to the IPSASB's Specific Matters for Comment outlined in the consultation document.

Question 1

It is proposed that a grantor report the property underlying an SCA as an asset in its financial statements if it is considered to control the property. Criteria for determining control are proposed in the Consultation Paper. Do you agree with this approach and the control criteria identified? (See Paragraphs 28-104)

Unambiguous control-criterion is fundamental in removing the divergence of instances when the property is neither reported by the grantor or the operator as an asset in their financial statements.

AIA therefore agrees with the approach in paragraphs 28 – 104 if the proposed control-criterion can be clearly interpreted that the grantor is a public sector entity which, through regulating the services of the asset, establishes control over the use of the property as its asset in SCAs and therefore the grantor not the operator will report the property underlying an SCA as an asset in its financial statements.

This clarity is important because under IFRIC 12 the operator is deemed not to have control over the use of the property in SCAs that meet the scope of IFRIC 12 and also clearly distinguishes regulatory control which is not sufficient to meet the control aspect of the definition of an asset (IPSAS 23 and IPSAS 6).

The proposed control-criterion could also be clarified for certain SCAs that IPSASB acknowledge may be whole-of-life arrangements, resulting in a less than significant residual interest in the underlying property. Under the IPSASB proposal whole-of-life SCAs would not satisfy the control-criterion.

Under the proposed control-criterion for regulation and residual interest neither the grantor nor the operator will recognise the property underlying the SCA as an asset in their respective financial statements.

Question 2

It is proposed that the underlying property reported by the grantor as an asset and the related liability (reflecting any obligation to provide compensation to the operator) is initially measured based on the fair value of the property other than in cases where scheduled payments made by the grantor can be separated into a construction element and a service element. In such cases, the present value of the scheduled construction payments should be used if lower than the fair value of the property. Do you agree? (See Paragraphs 105-140)

AIA agrees with this proposed treatment.

Question 3

It is proposed that contractually determined inflows of resources to be received by a grantor from an operator as part of an SCA should be recognized as revenue by the grantor as they are earned over the life of the SCA beginning at the commencement of the concession term, that is, when the underlying property is fully operational. These inflows generally should be considered earned as the grantor provides the operator access to the underlying property, and amounts received in advance of providing a commensurate level of access to the property should be reported as a liability. Do you agree? (See Paragraphs 191-196)

The AIA agrees with this proposed treatment.