

FAQ – What do I do if an arrangement (or part of an arrangement) is out of scope for AASB 1059?

Arrangements that are not within the scope of AASB 1059: Service Concession Arrangements: Grantors (AASB 1059)

If you determine that:

- a contract (or combination of contracts) is not a service concession arrangement; OR
- the service concession asset is not controlled by the grantor (using the AASB 1059 definition of control):

Then other Accounting Standards apply to the contract (or combination of contracts). The hierarchy below can help you work out which accounting standards to apply to the arrangement.

Identifying the contract (or combination of contracts)

A contract is an agreement between two or more parties that creates enforceable rights and obligations. Appendix F of AASB 15 includes guidance on when an agreement creates enforceable rights and obligations.

Two or more contracts are assessed and accounted for as a single contract where:

- They are entered into with the same or related counterparties;
- They are entered into at or near the same time;
- The contracts are negotiated as a package with a single commercial objective;
- The consideration or price of one contract depends on the other contract or contracts;
- The contracts cannot be understood without reference to the other contracts.

For more guidance on combining contracts refer to AASB 16 *Leases* paragraph B2 and AASB 15 *Revenue from Contracts with Customers* paragraph 17.

Components of a service concession arrangement that are not within the scope of AASB 1059

If you determine a service concession arrangement is within the scope of AASB 1059, but that components of the service concession arrangement are not within the scope of AASB 1059, then other accounting standards apply to those components. The hierarchy below can help you to work out which standard to apply to those components.

Identifying the separate components of the contract (or combination of contracts)

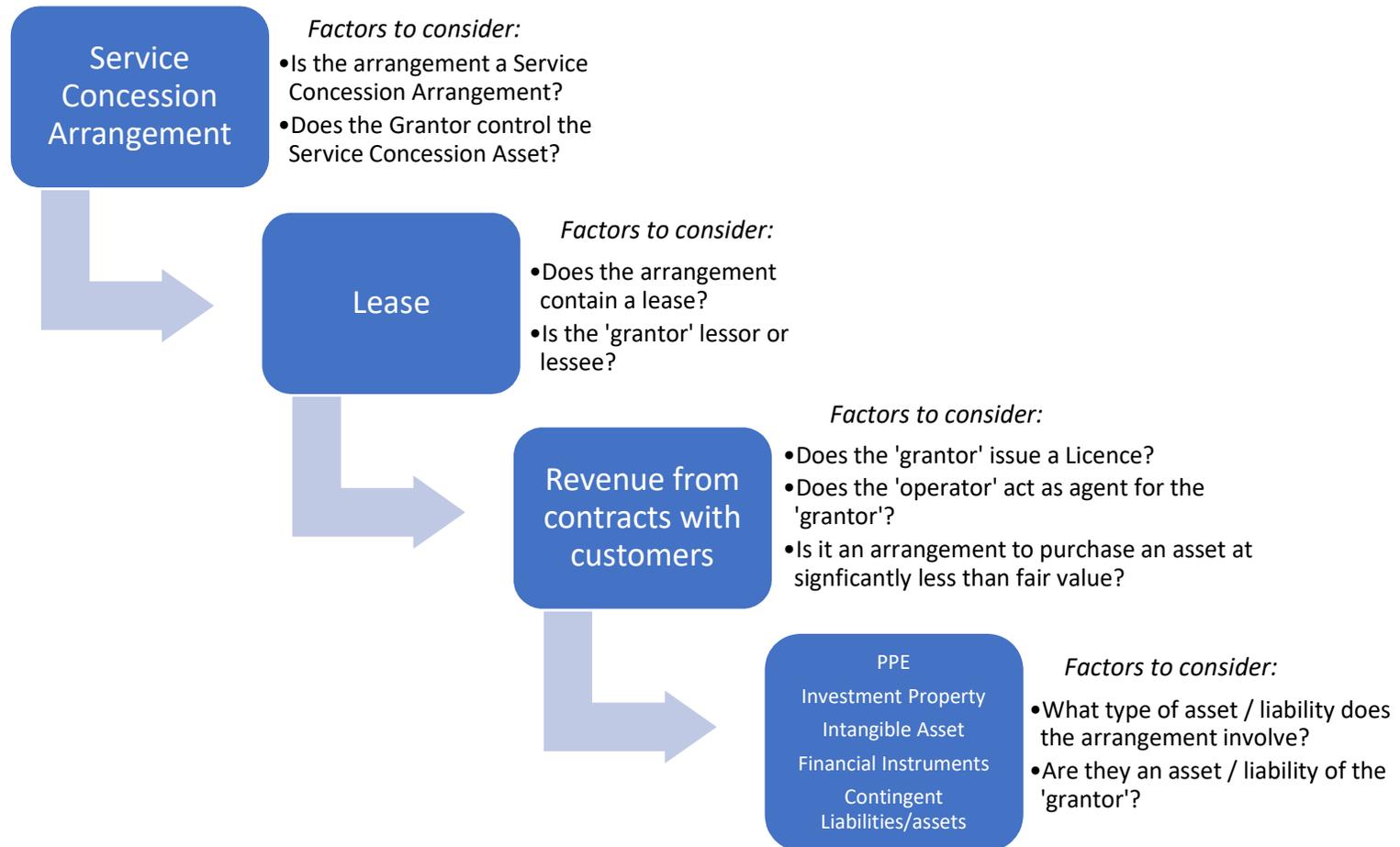
Having identified the contract, it is necessary to identify the relevant components of that contract.

For the purposes of AASB 1059, payments and other consideration required by the arrangement are allocated between consideration for the service concession asset and consideration for other elements of the service concession arrangement (such as maintenance and other operating services), based on their relative fair values.

The other components of the service concession arrangements are accounted for in accordance with other relevant standards. The hierarchy below can help you work out which standard to apply to those components.

For a contract that is, or contains, a lease you should account for each lease component separately from non-lease components. Similarly, for a contract with a customer you must identify each separate performance obligation and account for each performance obligation separately. The hierarchy below can be used to work out which standard to apply to those components.

Hierarchy – what to do when AASB 1059 doesn't apply?



Step	Standard	Summary of scope	Comment
1.	AASB 1059	Applies to Service Concession Arrangements where the grantor controls the Service Concession Asset.	
2.	AASB 16	Applies to all leases except for: <ul style="list-style-type: none"> • Service Concession Arrangements within the scope of AASB 1059 • Service concession arrangements within the scope of Interpretation 12 • Licenses of intellectual properties within the scope of AASB 15 	Therefore, apply AASB 1059 first
3.	AASB 15	Applies to all contracts with customers except: <ul style="list-style-type: none"> • Leases within the scope of AASB 16 <p>For not-for-profit licensors, applies to licenses issued (even where the licences are not contracts with customers), except</p> <ul style="list-style-type: none"> • Licences to which AASB 16 applies • Transactions subject to AASB 1059 	Therefore, apply AASB 16 before AASB 15.
4.	AASB 1058	Applies to transactions where consideration to acquire an asset is significantly less than fair value principally to enable the entity to further objectives, and the receipt of volunteer services, except for: <ul style="list-style-type: none"> • Licenses outside the scope of AASB 15 	Therefore, apply AASB 15 before AASB 1058.
5.	Other	The arrangement, or components of the arrangement, are to be accounted for under other relevant accounting standards.	