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THE ROLE OF REPORTING SERVICE FRANCHISE ARRANGEMENTS IN IMPROVING THE QUALITY OF FINANCIAL REPORTING

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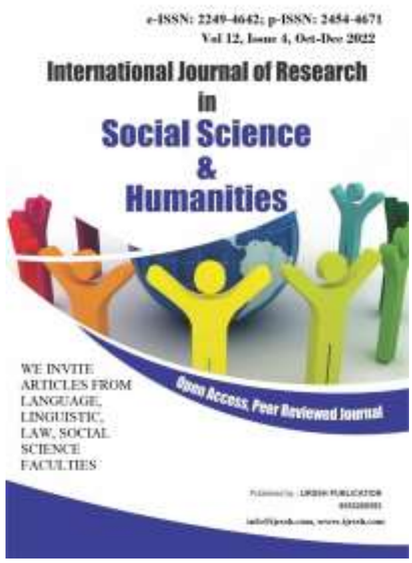

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ABSTRACT

The current research aims to present and analyze the reporting requirements for service privilege arrangements according to interpretation SIC29, IFRIC12 and related standards, and to identify areas of deficiencies in relevant accounting practices in economic units, and to measure the role of reporting on these arrangements on the quality of financial reporting (qualitative characteristics of accounting information). The researchers reached a set of results, the most important of which was the operator's failure to recognize the infrastructure as a component of tangible fixed assets, because the contractual service agreement does not give the operator the right to use the assets, as the operator only has the right to access but does not have the right to use them, and therefore this criterion allows For users of accounting information to better understand who owns the infrastructure, The researcher made a number of recommendations, the most important of which was the need to develop the unified accounting system currently applied in the Iraqi economic units to reflect the appropriate treatments for service privilege arrangements and in line with the accounting concepts and principles adopted in international accounting standards. Seek to adopt international financial reporting standards and related interpretations and adapt them to the requirements of the local environment, especially the instructions of the unified accounting system, in a way that ensures the activation of sound accounting treatments related to service privilege arrangements. Federation, the Accounting Association, auditors and specialized academics in cooperation with international organizations.

Keywords: *service franchise arrangements, IFRIC12, SIC29, quality of financial reporting.*

INTRODUCTION

In some countries, governments have introduced contractual service arrangements to attract private sector participation in the development, financing, operation and maintenance of these infrastructures. These infrastructures may already exist or may be constructed during the service arrangement period. An arrangement that falls within the scope of this interpretation usually involves a private sector entity that constructs or rehabilitates, operates and maintains infrastructure for a specified period of time during which the operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that defines performance standards and mechanisms for adjusting prices and arrangements for settling disputes. Such an arrangement is often described as a public service concession arrangement (build-operate-transfer) and (rehabilitation-operate-transfer) or from public to private.

These contracts are one of the most important methods that governments resort to in implementing development and service projects, as this type is known as partnership contracts between the public and private sectors, as this partnership has become increasingly large, whether for developed countries or developing countries, in order to meet the increasing demand for public services in various sectors and as a result The development created some accounting problems at the professional and academic level, represented in the multiplicity and different accounting treatments in the preparation of financial statements in different countries that use this type of contract and the resulting fundamental differences that cause problems resulting from reporting such contracts. The current unified accounting system developed in 2011 is applied in all economic units aiming for profit in recognition, measurement and reporting of transactions and accounting information and for all beneficiary parties, despite the changes that occurred in the global environment and the resulting change in accounting and reporting practices. However, the accounting treatments in Iraq remained as they are and did not keep pace with developments, which prompted accounting to adopt measurement, recognition and disclosure methods that are misleading to users, which led to weak financial reporting in the unified accounting system.

RESEARCH METHODOLOGY

First: The research problem: The research problem is represented in the failure of the unified accounting system in Iraq to meet the requirements of recognition, measurement and disclosure of these arrangements. Therefore, the researchers are trying to identify the reporting requirements of these arrangements and their role in enhancing the quality of financial reporting through the qualitative characteristics of accounting information (appropriate and honest representation) in addition to the reinforcement characteristics.

Second: The importance of the research: The importance of the research stems from the importance of these contracts in providing services of good quality and high efficiency, as it relies on the private sector in providing resources, modern technologies, and advanced equipment, which required following accounting principles to obtain quality in financial reports.

Third: Research Hypothesis: The research is based on the hypothesis that "the reporting of service concession arrangements in accordance with the requirements of IFRIC 12, SIC29 contributes to enhancing the quality of financial reporting."

Fourth: Research Objective: The current research aims to present and analyze the reporting requirements for service concession arrangements in accordance with the relevant interpretations and international accounting standards, with a statement of the impact of reporting these contracts on the quality of financial reporting.

Service franchise arrangements:

Bosso defines it as "a long-term contractual arrangement between public and private sector units whereby mutual benefits are sought and the private sector ultimately provides management and operation services and/or (b) jeopardizes private financing." The Organization for Economic Co-operation and Development (2008) defined the concept of partnership as It is an agreement between government and one or more private sector partners (which may include operators and financiers) pursuant to which the private partners provide service in such a way that the service delivery objectives are consistent with the profit objectives of the private partners and where the effectiveness of the alignment depends on adequate transfer of risk to the private partner (Hodge & Greve, 2017: 4).

Types of partnership between the public and private sectors: These methods range from service contracts in which the state assumes full responsibility for financing, risks, and implementation investments, to complete privatization or sale, in which the private sector assumes all responsibilities for construction, operation, and management in its entirety. (Faiza and Marwa, 44: 2019), where the types of partnership were classified on the basis of the following: (Sidrah, 86: 2019)

1. Collaborative partnerships:

It revolves around the management and organization of the partnership on the basis of partnership between the public and private sectors. According to this general classification, the cooperative partnership is classified in horizontal relations between the parties to the partnership, and the decision is taken unanimously, whereby all partners participate in performing tasks and duties, and there is no single supervision of any party according to the rules imposed by the contract.

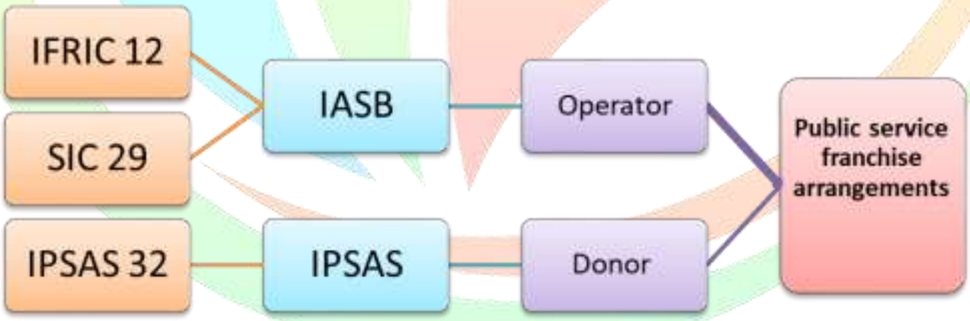
2. Contracting partnership:

It is concerned with the arrangements for the delivery of public services under a contract between two parties, and the relations between the parties to the partnership are vertical and not horizontal, with the presence of one reference body that exercises control and control over the other parties contributing to the partnership. This reference body does not perform the tasks but relies on the other parties contributing to the partnership in performing the partnership tasks, where the contractual partnerships take many forms such as: lease contracts, management contracts, service contracts, concession contracts, and many forms are included in the concession contracts, the most prominent of which is the (BOT) system. It has many branches.

(B.O.T) contracts are defined as "a system concluded between the state or one of its administrative agencies and a foreign private party that usually takes the form of a company or the so-called project company (COMPANY PROJECT) for the purpose of constructing a public utility of an economic nature at the expense of that company and in exchange for that it exploits The facility and obtaining the return of this exploitation throughout the contract period and at the end of that period the company is committed to handing over the facility to the contracting authority without any charge and in good condition (Barakani, 6: 2019)

The current accounting framework for service franchise arrangements:

Service concession arrangements are reported to the operator in accordance with Interpretation IFRIC 12 & SIC 29. As for the granting party, service concession arrangements are reported in accordance with IPSAS 32 for the public sector and according to the following chart that shows the accounting for service concession arrangements for both parties (Kršeková, 2016:112).



Source: prepared by the two researchers.

Many operators have expressed great concerns about the lack of guidance on how to account for the infrastructure that they are building or expropriating for the purpose of service concession arrangements or to which they have had the opportunity to access for the purpose of providing public service. They also wanted to know how to account for other rights and obligations resulting from this type of contract (Lorenzo, 2012:10). In response to these concerns, the

International Accounting Standards Board asked a working group consisting of representatives of standards-setting bodies in Australia, France, Spain and the United Kingdom (the four countries that expressed their concerns) to conduct preliminary research on the subject. Certain of the existing accounting standards (Saudi Organization for Certified Public Accountants, 2014:2064). In November 2006, the International Accounting Standards Board (IASB) through the International Standards Interpretations Committee (IFRIC) issued IFRIC 12 (Mincato, 2011:29) in which the International Financial Reporting Standards Interpretations Committee (IFRIC) developed an interpretation for reporting on public sector partnership projects. The reason is that the partnership between the public and private sectors has become more complex and involves much more tasks than traditional contracts, and this has led to the current rules that are not optimal for reporting accounting operations (Kananen, 2010: 9).

Standing interpretation committee SIC 29.

The Standing Interpretations Committee (SIC) was established in 1997 by the Interagency Standing Committee (IASC). The purpose of this committee is to provide formal interpretations to the IASC on issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance. It provides interpretations within the context of the conceptual framework of IASC and deals with issues of reasonably wide-ranging importance. Interpretations may cover either emerging issues such as unsatisfactory treatment of IAS or emerging issues such as new issues related to existing international accounting standards but were not taken into account when developing international accounting standards (Larson, 2002:83). The Standing Interpretations Committee issued Interpretation No. 29 “Service Privilege Arrangements: Disclosures” on December 31, 2001. This interpretation defines in general terms what a privilege arrangement is and what must be disclosed about it (Caetano, 2013:10).

SCOPE OF IFRIC 12

This interpretation provides guidance on the accounting by operators of public service concession arrangements from general to private and applies if:

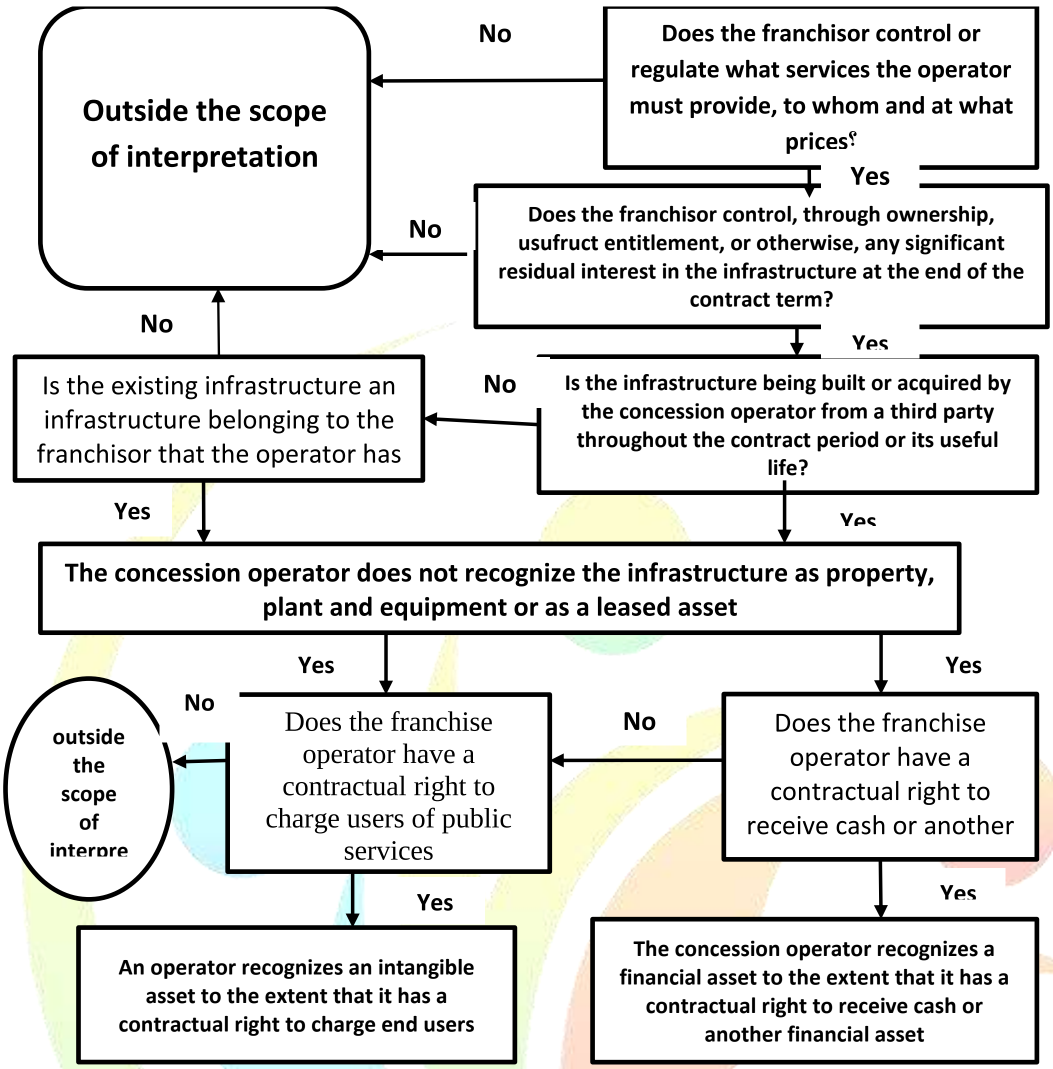


Figure No. (8)

Scope of public service concession arrangements

A- The grantor controls or regulates the services that the operator must provide through the infrastructure, to whom it must provide them, and at what prices.

B- The grantor controls, through ownership, usufruct or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement. (IFRIC 12, 2008)

Addressing operator rights infrastructures: The basic issue in public service franchise arrangements is about which parties the operator (the private sector) or the grantor (the public party) should recognize the tangible assets by including them on the balance sheet, what their assets are and how they will be paid for (4: Hodges, 2013) Legal ownership is not Necessarily the decisive factor for determining the existence of an asset or liability, as accounting under international financial reporting standards was based on the economic essence rather than the legal form of transactions. In partnership transactions between the public and private sectors, legal ownership may remain during the contracting period with any party or even a third party, instead of the issue of legal ownership. In such cases, decisions related to the recognition of assets in accounting are based on the entrance to control (Hodges, 2013: 5). This concept reflects the origin and essence of the changes brought about by Interpretation 12. As it is particularly applicable to operations in which the grantor is the person who controls operations and financial affairs (Rodrigues et al., 2012:109), the IFRS Interpretations Committee chose this approach for consistency with the definition of an asset in the conceptual framework of international standards, under This approach does not give the operator the right to use the infrastructure, but only has access to provide the services specified in the contract (Orellana, 2010:58). In using the asset in line with the provisions of International Accounting Standards IAS 16,17, IFRIC 4 (Gisbert, 2010:152)

Based on the foregoing, the operator cannot recognize the infrastructure as a tangible fixed asset because the operator does not, in fact, have no control over the fixed assets (Lopes & Teixeira Caetano, 2015:87) and the grantor (public sector) must show the assets on its balance sheet where it controls The grantor, in his capacity as the owner or otherwise, of all the remaining amounts at the end of the contract period, and indicated that controlling the remaining value is essential for evaluation for two reasons:

A- Control of the residual value enables the grantor to enjoy a continuous right to use the asset during and after the partnership contract between the public and private sectors and deprives the operator of the opportunity to sell or mortgage the asset during the project period or terminate the contract early and use the asset for another purpose.

B- The accountability link between the asset and its associated services is strengthened through the control of the residual value. (Schuler et al., 2009:36) There are many ways in which the donor can control the residual interest in infrastructures, as Cabot indicated three of them first. When the donor is the owner of the infrastructure, i.e., when it acquires it and grants the operator access to it to provide a service during the contract period. Second: When the operator finances and builds the infrastructures, but the grantor controls the remaining interest by requiring the grantor to hand over the infrastructures at the end of the contract period. . Third: There is an option that grants the right to purchase the infrastructure at the end of the concession period, which allows the grantor to prevent the operator from selling the asset or transferring it to another person (Cabot et al, 2012:17). Responsibility for the performance of the service to the operating party of the concession, and it did not transfer control, legal ownership, and the unlimited right to use its assets, and therefore the operator has no right to recognize the assets of the service concession arrangements as fixed assets in its balance sheet.

Evidence and measurement of arrangement compensation: In the service concession agreement, the operator acts as a service provider on behalf of the public sector (the grantor) and the services provided by the operator are: (65: Campra et al, 2014)

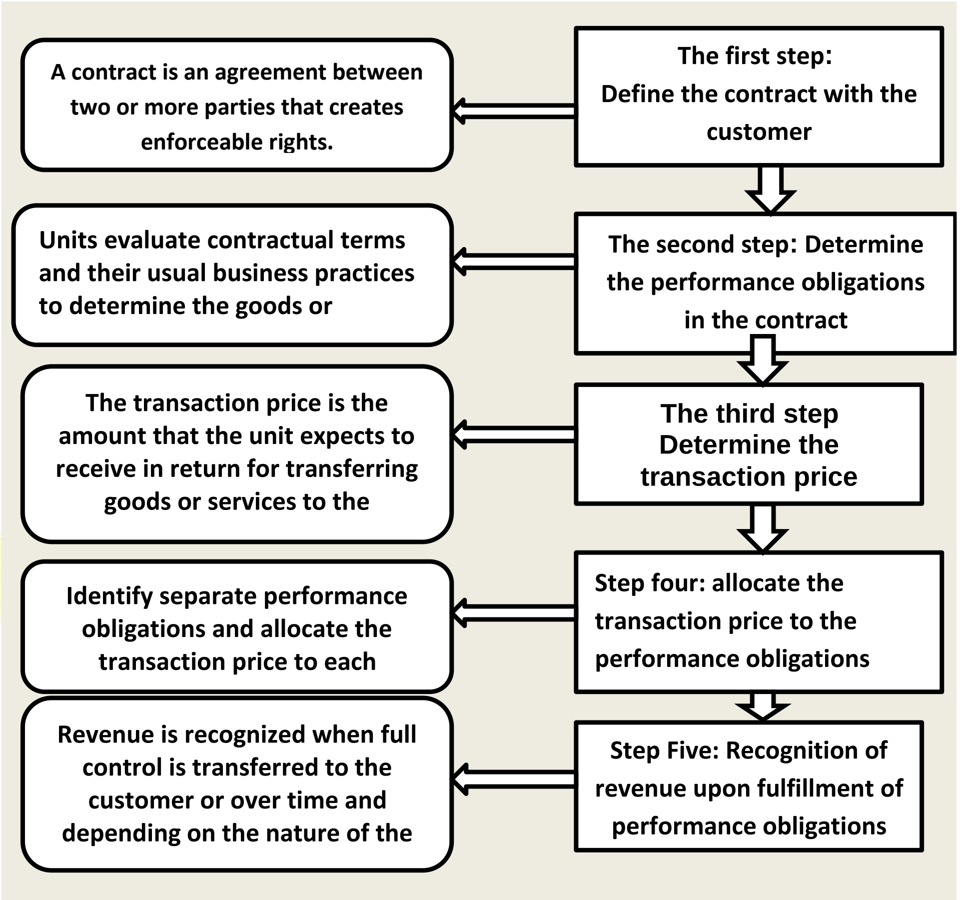
1. Construction or improvement services: When the operator creates or improves the infrastructure to provide the services specified in the concession.
2. Operation services: Refers to the management, operation and maintenance of the infrastructure used by the operator to provide a public service.

Scheven (2011) identified two types of franchise agreements that depend on demand risk as a criterion for determining accounting models that fall under IFRIC 12 (Schevin, 2011:25).

1. A multi-service agreement: Under this agreement, the operator performs a series of services on behalf of the grantor (construction, operation, maintenance, renewal), and in return the grantor pays compensation for these services, and this compensation is independent of the use of the infrastructure by the users, as the grantor bears the risks of the request and applies Franchise owner financial assets model.
2. Exchange Agreement: According to this agreement, the construction service is exchanged by the

operator for the right to operate the infrastructures by the donor, and in this case we can consider that the operator has several customers: the grantor with regard to the infrastructure construction service, which is paid in exchange for it through an intangible asset (equivalent to license), used in connection with the operation of the infrastructure and in this case the operator bears the risk of the request and this leads to the application of the intangible assets model.

International Interpretation No. 12 indicated in Paragraph (14) that the operator must account for construction or upgrade services in accordance with International Financial Reporting Standard No. (15) (Hamidat, 668: 2019) and includes the basic principle of Financial Reporting Standard No. (15) in that the economic unit recognizes With revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the compensation that the economic unit expects to receive in exchange for those goods or services (Muhammad, 35:2020). The standard also specified the main objective of recognizing revenue through five steps, as shown in Figure (9), as it should be used by establishments to ensure that revenue is measured and reported correctly, and the basis of this process is the principle of revenue recognition in the accounting period when performance obligations are fulfilled. Farid, 32: 2018) Figure No. (9) Revenue recognition steps according to the requirements of International Financial Reporting Standard No. (15).



Source: Kieso, D. E., Weygandt, J. J., Warfield, T. D., Wiecek, I. M., & McConomy, B. J. (2019). Intermediate Accounting, Volume 2. John Wiley & Sons, usa,p982.

Accounting models:

Respondents to the draft interpretations argued that determining the accounting model to be applied by looking at the party that bears the primary responsibility to compensate the operator for services regardless of who bears the risk of the order and this application may result in an accounting treatment that does not reflect the economic essence of the arrangement (IFRIC 12,2020: (28) Interpretation No. 12 stipulates that "if the operator provides construction or upgrade services, the consideration received or due by the operator must be recognized at its fair value, and the consideration can be in the following forms: (Khabibullina, 2015:157)

FINANCIAL ASSETS MODEL:

1. The operator shall recognize the financial asset to the extent that it has an unconditional contractual right to receive cash or other financial asset in connection with building, construction, rehabilitation and development services. The grantor will rarely

avoid paying the operator. The operator has an unconditional right to receive cash if the grantor, in accordance with the contract, grants payment to the operator in the following cases: A- Specific or determinable amounts, B- A deficit, if any, between the amount received from the users and the specified amounts. And the definition of a financial asset in the International Accounting Standard (IAS 32) is any asset that is: (Hamidat, 466: 2019) cash.

2. Equity instrument of another entity.
3. A contractual right.

   A- To receive cash or another financial asset from another facility.

   B- To exchange another financial asset from another entity or a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are likely to be favorable.
4. A contract that will or may be settled through the entity's own equity instruments. These contracts include:

   A- Derivative contracts that will be settled by the issuer in any way, except for the exchange of a specified cash value or a specific financial asset for a specified number of equity instruments of the entity.

   B- Non-derivative contracts that include a contractual obligation for the exporting entity to receive a variable number of its equity instruments.

INTANGABLE ASSETS MODEL:

The text of International Interpretation No. 12 "The operator must prove an intangible asset to the extent that he obtains the right (license) to charge fees for users of public services," as the right to charge users of public services is an unconditional right to receive cash, given that the amounts are conditional The extent to which the public uses the service (IFRIC 12, PARA 4), If the operator obtains the right to charge fees for the construction services provided, he must bear the risk of the request in that the grantor will not guarantee the financial flows to the operator, which depend on the actual use of the infrastructures where the service is provided as a concession and is recognized as an intangible asset and therefore the operator engages in An exchange of intangible assets because in exchange for the infrastructure construction services he gets the right to charge the user (Campra et al, 2014:68)).The intangible assets model applies when the operator is paid by the users or when the franchisor does not provide a contractual guarantee regarding the recoverable amount, an intangible asset corresponds to the right granted by the grantor to the operator to charge users of a public service for the concession services provided by the operator under the concession arrangement. Financial assets resulting from the application of IFRIC 12 are recorded in the statement of financial position under the heading "Franchise Intangible Assets" Franchise Intangible Assets Intangible assets correspond to the right of the concessionaire to bill public service users for construction services it provides to the franchisor under contracts public service and in accordance with IFRIC 12, service concession arrangements. This right of the concessionaire is equal to the fair value of the construction of the concession infrastructure plus borrowing costs recognized during the construction period and amortized over the term of the contract according to an appropriate method that reflects the rate of consumption of the economic benefits of the concession asset as of the date of commissioning of the infrastructure. (Giornetti, 2014: 46)

Borrowing costs: Text of International Interpretation No. (12) "Borrowing costs that are attributable to the arrangement must be recognized as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset, in which case the borrowing costs that are attributable to the arrangement must be capitalized to the arrangement during the construction phase of the arrangement according to International Accounting Standard No. (23)

Standard IAS 23 defines borrowing costs, "It is the interest expense and other expenses that the company incurs as a result of borrowing money from others (Farhan et al., 634: 2018), while Dergham and Al-Absi (2012) define it as "the cost of interest incurred by the company in connection with borrowing money" (Dergham and Al-Absi: 2012, 70), and borrowing costs include the following (Muthupandian, 2009: 2):

1. Interest on overdrafts and short- and long-term loans.
2. Amortization of discounts or installments related to loans.
3. Amortization of additional costs incurred in connection with arranging loans.
4. Finance expenses related to finance lease contracts recognized in accordance with International

Accounting Standard No. 17 Lease Contracts.

5. Exchange differences resulting from borrowing in foreign currencies to the extent that it is considered an adjustment to interest costs.

Borrowing costs must be recognized by capitalizing borrowing costs that can be directly attributed to the acquisition, construction or manufacture of a qualifying asset that is capitalized as part of the cost of that asset.

The researchers believe that if the service concession arrangements stipulate that the operator recognizes a financial asset in exchange for the services provided to the donor, then the financial asset is considered an unqualified asset, and therefore the borrowing costs are recognized as expenses, but if the operator recognizes an intangible asset in return for the services provided to the donor, then the intangible asset It is considered a qualifying asset and therefore borrowing costs are capitalized.

Disclosure of service concession arrangements in accordance with SIC 29:

Where the interpretation of the International Interpretations Committee SIC 29 indicated what information should be disclosed within the clarifications contained in the financial statements of the operator and the grantor, as some international standards dealt with certain aspects and disclosures related to some service concession arrangements, such as International Accounting Standard No. 38 on the acquisition of intangible assets, as the standard dealt with IFRS 7 Disclosure of Financial Assets, therefore, this interpretation deals with additional disclosures for public service privilege arrangements, where all aspects of the arrangement must be taken into account in disclosing the following (ASC 29: PARA 6):

A- Description of the arrangement

B- The important terms of the arrangement that may affect the amount, timing and certainty of future cash flows (such as the concession period, re-pricing dates and the basis on which re-pricing or renegotiation is determined).

C- The nature and extent (e.g., quantity, time period, or amount as appropriate):

1. Rights to use specific assets.
2. Obligations to provide or rights to provide services.
3. Obligations to acquire or construct items of real estate, plant and equipment.

4. Obligations to deliver or rights to receive specific assets at the end of the concession period.
5. Renewal and termination options.
6. Other rights and obligations (such as major repairs).

D- Changes in the ranking that occur during the period.

E- How the service arrangement was classified.

The operator must also disclose the amount of revenue, profits, and losses that have been recognized in the period when exchanging construction services for a financial asset or an intangible asset, as these disclosures are provided individually for each service concession arrangement or in aggregate for each category of service concession arrangements (ASC 29: Para 7).

Quality of financial reporting:

According to the conceptual framework of the International Accounting Standards Board (IASB), a prerequisite for quality in financial reporting is adherence to the objective and qualitative characteristics of financial reporting information (IASB 2008). Qualitative characteristics are the attributes that make financial information useful and consist of relevance, faithful representation, comparability, verifiability, timeliness, and understandability. (Tasios & Bekiaris, 2012:58). In order to enhance the quality of financial reporting, both boards proposed (FASB & IASB) the joint project to approximate international financial reporting standards based on generally accepted accounting standards and standards based on rules. In 2008, the two boards published a draft presentation. Which in turn should lead to the preparation of high-quality financial reports and be useful for decision-making. (Ferdy et al, 2009:5)

Qualitative Characteristics Activation Model:

Financial reporting is an accounting activity that aims to provide information to decision makers, and accounting information must enjoy a high degree of quality through its honest and fair representation and its absence from fundamental errors. (ALsaffar & Hussein, 2020:72) As for (AL-dmour et al, 2018:6 He made it clear that the information included in the financial reports must be appropriate and reliable in order to be useful in decision-making. Where the relevant information must be collected and presented in a timely manner, in addition, the information must be predictable and contain feedback, as (40): Indriasih, 2014) indicated that the dimensions of the quality of financial reporting through the main qualitative characteristics (appropriateness and honest representation) and augmentative properties (understandability and comparability).

The researchers believe that the quality of financial reporting can be measured by more than one model. In this research, the researcher will adopt the qualitative characteristics model to identify the quality of measurement and disclosure under international accounting standards related to service concession arrangements.

He adds (Habib et al, 2019:498) that the adoption of one set of reporting standards eliminates or reduces the costs of developing national accounting standards as well as improves the comparability of financial statements and reduces information asymmetry and the cost of capital. (Al-Taha, 1994: 120) also indicated that the application of international accounting standards after adapting or modifying them to work in the local environment or local standards that may not relate to international accounting standards will raise the credibility of the financial statements prepared according to those standards and increase their credibility and comparability. One of the benefits of applying international financial reporting standards is the coordination of accounting practices across adopting countries. Which in turn leads to an increase in comparability, lower transaction costs and the promotion of international investment, and IFRS also helps investors in making informed financial decisions and predictions of the future financial performance of the company (Iatridis, 2010:194)

Therefore, the focus of the interpretation on the true economic essence of financial events instead of focusing on the apparent form of these events, its application may lead to access to financial statements that are more transparent and of high quality, which increases the quality of the qualitative characteristics of accounting information, as follows (Rutledge et al , 2016: 44):

First: Improving the fit feature:

Considering (Hendriksen, 1982, 129) it is necessary for users of accounting information to obtain appropriate information for their expectations and decisions, in addition to the latest information that investors and creditors use when preparing expectations and decisions. The researchers believe that through the application of interpretations and criteria related to service acquisition arrangements, it improves the suitability characteristic by providing more forwardlooking information about service franchise arrangements in terms of being guided by standards based on principles and the use of fair value in measuring assets. In addition, the disclosure of additional information will help Investors and creditors evaluate past, present and future events.

Second: Improving the characteristic of honest representation

As stated in the goal of the interpretation in order to achieve useful information for users of financial reports about the nature of assets arising from service privilege arrangements in addition to measuring and disclosing them, the success of this interpretation depends on the compatibility between the requirements of the interpretation and the conceptual framework, especially the definition of assets and in line with the data contained in the financial statements In what it honestly expresses the reality of the economic events that actually took place, as following the control approach leads to recognizing the assets in an organized manner and relying on the concepts and principles that explain the real economic phenomena of the service privilege arrangements (Aydin & Akdogan, 2018: 530). It is clear from the above that the application of the international interpretation contributes to improving the quality of financial reporting, and this is its impact on the characteristic of honest representation, as the lack of recognition of tangible assets in the financial statements of the operator is supposed to contribute to supporting the honest representation of the financial position of the enterprise, as well as achieving more about financial information such as operating leverage and volume Invested capital, which may assist investors and financial analysts in better evaluating the partnership's performance and financial position.

Third: improving the comparability feature

(mohrabanpour, 2020: 621) He explained that the application of international accounting standards will increase the quality and quantity of financial information for external users and thus can reduce the cost of obtaining information and the cost of capital. According to the signal theory, investors and creditors rarely trust companies that have asymmetry. In information and demand high returns on their funding, therefore, comparability reduces information asymmetry and increases users' ability to identify suitable companies for investment. Based on the foregoing, the researchers believe that the interpretations and standards related to the service concession arrangements lead to a significant improvement in the comparability of the financial information of the companies, due to what the interpretation requires of the operator not recognizing the assets of the service concession arrangements as tangible fixed assets and recognizing them according to the type of compensation agreed upon between the two parties. In addition, companies measure all assets in the same way, and as a result, the financial statements will reflect the real financial position of the companies. Thus, increasing the degree of comparability at the national and international levels creates an additional source of information for users, which helps them in making investment decisions and increases the usefulness of financial statements.

Fourth: Improving the comprehensibility feature

The researchers believe that the application of interpretations and standards related to service privilege arrangements will improve the comprehensibility feature by tabulating and presenting the financial information related to the assets arising from the arrangements clearly and accurately, making them understandable, as well as removing the complexities resulting from the different treatments of the accounting systems by simplifying the processes of accounting recognition and measurement of assets and revenues. resulting from the arrangements, in addition to that it will help provide financial information about the expected future economic benefits of the assets in a simplified and understandable manner.

CONCLUSIONS AND RECOMMENDATIONS:

Conclusions:

1. Infrastructure projects that are used by the public sector are relatively large projects with a huge cost, and therefore their existence and striving to preserve and develop them is a matter of concern to everyone (all sectors), as the state cannot establish and develop them and provide service through them.
2. The interest of professional organizations and councils at the international level, especially the International Financial Reporting Interpretations Committee for the purpose of enhancing the quality of financial reporting, including interpretations (IFRIC 12, CIC 29), which focused on the recognition, measurement and disclosure of assets and revenues arising from

service concession arrangements and in accordance with the principles and concepts of the conceptual framework .

3. The operator's failure to recognize the infrastructure as a component of tangible fixed assets, because the contractual service agreement does not give the operator the right to use the assets, as the operator only has the right to access, but does not have the right to use them, and therefore this standard allows users of accounting information to better understand who owns Infrastructure.

Recommendations:

1. Unprecedented changes in the economic environment of Iraq required adaptation and response to them, including encouraging the public sector to resort to partnership with the private sector, and this necessarily requires the availability of the legal, political, economic and accounting environment that incubates projects of service concession arrangements.
2. The need to clearly define the areas of partnership and give priority to participation for foreign investment, then the Arab one, then the national one, and this leads to the proper identification of the road map for choosing the appropriate accounting reporting method.

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Conflict of Interest: None

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