

By PwC Deutschland | 05 June 2013

Provisions to be taken up by public-private partnerships under normal accounting principles

The finance ministry has issued a decree calling on public-private partnerships to provide for the costs of operating the concession on the accounting principles of the Commercial Code applied to as yet unfulfilled contractual commitments.

Public-private partnership is a term used in Germany to describe an arrangement whereby a contractor completes or renovates an object at his own expense and then operates it for the benefit of the public for a specified period against payments from the public purse and/or from the users (tolls). At the end of the period, the concession expires and the object falls or reverts to public ownership. Examples are to be found in stretches of motorway, tunnels and in public buildings such as schools. The finance ministry has now called upon concession operators in a decree to accrue for the full costs of operating the concession over its term. In this, the provisions of the contract are decisive as to the obligations of the operator and the generally accepted accounting principles of the Commercial Code govern the period in which the cost is taken to expense. The decree gives three specific examples:

- the costs of meeting an obligation to return or surrender an object in a specified condition at the end of the concession term are to be accrued over the term of actual operation
- amounts included in the payments from the public purse for future costs are to be accrued, either as a provision, or as deferred income
- amounts included in the payments from the public purse for current or past costs that have not yet been spent should be accrued as a provision, if the expenditure is contractually required or if there is a repayment obligation in the event the expenditure proves to be unnecessary.

Keywords

concession, contractor, object, private-public partnership