4 September, 2013

Exposure Draft ‘Regulatory Deferral Accounts’
International Accounting Standards Board
30 Cannon Street, London EC4M 6XH
United Kingdom

Dear IASB:

Korea Gas Corporation (KOGAS) is pleased to submit its comments on the Exposure Draft ED/2013/5 Regulatory Deferral Accounts.

I would appreciate if you include our comments.

The enclosed comments represent official positions of KOGAS. They have been determined after extensive due process and deliberation.

Please do not hesitate to contact us if you have any inquiry regarding our comments. You may direct your inquiries either to me (isee0204 @kogas.or.kr) or to (carpediem@kogas.or.kr).

[Sign]

Question 1

The Exposure Draft proposes to restrict the scope to those first-time adopters of IFRS that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP.

Is the scope restriction appropriate? Why or why not?

We disagree with the proposed scope above. IFRS is an international standard which is applicable to entities in various jurisdictions. In restricting the use of the interim Standard to first-time adopters only will hinder comparability among the entities. This will give rise to more challenges in providing useful information to financial statement users in different jurisdictions and entities within the same jurisdiction as inconsistent financial information will be provided depending on the timing of IFRS adoption.

Question 2

The Exposure Draft proposes two criteria that must be met for regulatory deferral accounts to be within the scope of the proposed interim Standard. These criteria require that:

(a) an authorised body (the rate regulator) restricts the price that the entity can charge its customers for the goods or services that the entity provides, and that price binds the customers; and
(b) the price established by regulation (the rate) is designed to recover the entity's allowable costs of providing the regulated goods or services (see paragraphs 7.8 and BC33.BC34).

Are the scope criteria for regulatory deferral accounts appropriate? Why or why not?

We agree with the scope above. This is consistent with the existing US GAAP and other standards in that the scope includes only those schemes which are cost recoverable. We believe it would take substantive time to define the application of such recognition on other types of rates at present, and also note that such recognition examples are rare, if any.

The interim Standard is a short-term project and accordingly it is deemed appropriate to establish the interim Standard based on the existing accounting treatment defined.

Question 3

The Exposure Draft proposes that if an entity is eligible to adopt the [draft] interim Standard it is permitted, but not required, to apply it. If an eligible entity chooses to apply it, the entity must apply the requirements to all of the rate-regulated activities and resulting regulatory deferral account balances within the scope. If an eligible entity chooses not to adopt the [draft] interim Standard, it would derecognise any regulatory deferral account balances that would not be permitted to be recognised in accordance with other Standards and the Conceptual Framework (see paragraphs 6, BC11 and BC49).

Do you agree that adoption of the [draft] interim Standard should be optional for entities within its scope? If not, why not?

We disagree with the above that the interim Standard should be optional for entities within the scope. The interim Standard restricts its application to those first-time adopters of IFRS that recognised regulatory account balances in their financial statements in accordance with their previous GAAP. If further options are allowed to a population which has already been restricted, this ultimately provides favorable options to certain parties only and deteriorates fairness in application. Granting this policy option within the interim Standard will produce even more various accounting treatments, again impairing comparability among entities.

Question 4

The Exposure Draft proposes to permit an entity within its scope to continue to apply its previous GAAP accounting policies for the recognition, measurement and impairment of regulatory deferral account balances. An entity that has rate-regulated activities but does not, immediately prior to the application of this [draft] interim Standard, recognize regulatory deferral account balances shall not start to do so (see paragraphs 14.15 and BC47.BC48).

Do you agree that entities that currently do not recognise regulatory deferral account balances should not be permitted to start to do so? If not, why not?

We agree.

Question 5

The Exposure Draft proposes that, in the absence of any specific exemption or exception contained within the [draft] interim Standard, other Standards shall apply to regulatory deferral account balances in the same way as they apply to assets and liabilities that are recognised in accordance with other Standards (see paragraphs 16.17, Appendix B and paragraph BC51).

Is the approach to the general application of other Standards to the regulatory deferral account balances appropriate? Why or why not?

We agree.

Question 6

The Exposure Draft proposes that an entity should apply the requirements of all other Standards before applying the requirements of this [draft] interim Standard. In addition, the Exposure Draft proposes that the incremental amounts that are recognized as regulatory deferral account balances and movements in those balances should then be isolated by presenting them separately from the assets, liabilities, income and expenses that are recognised in accordance with other Standards (see paragraphs 6, 18.21 and BC55.BC62).

Is this separate presentation approach appropriate? Why or why not?

We agree.

Question 7

The Exposure Draft proposes disclosure requirements to enable users of financial statements to understand the nature and financial effects of rate regulation on the entity's activities and to identify and explain the amounts of the regulatory deferral account balances that are recognised in the financial statements (see paragraphs 22–33 and BC65).

Do the proposed disclosure requirements provide decision-useful information? Why or why not? Please identify any disclosure requirements that you think should be removed from, or added to, the [draft] interim Standard.

We agree.

Question 8
The Exposure Draft explicitly refers to materiality and other factors that an entity should consider when deciding how to meet the proposed disclosure requirements (see paragraphs 22.24 and BC63.BC64).

Is this approach appropriate? Why or why not?

We agree.

Question 9
The Exposure Draft does not propose any specific transition requirements because it will initially be applied at the same time as IFRS 1, which sets out the transition requirements and relief available.

Is the transition approach appropriate? Why or why not?

We agree.

Question 10
Do you have any other comments on the proposals in the Exposure Draft?

We believe that in order to enhance the financial statement users' understanding of the nature of the interim Standard, a statement explaining that the standard is to be applied only temporarily until the enactment of the Rate Regulated Activities Standard should be included to clarify the application of the interim Standard.