
IFRS 20 Regulatory Assets and Regulatory Liabilities

World Standard-setters Conference 2026
Breakout session

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Agenda

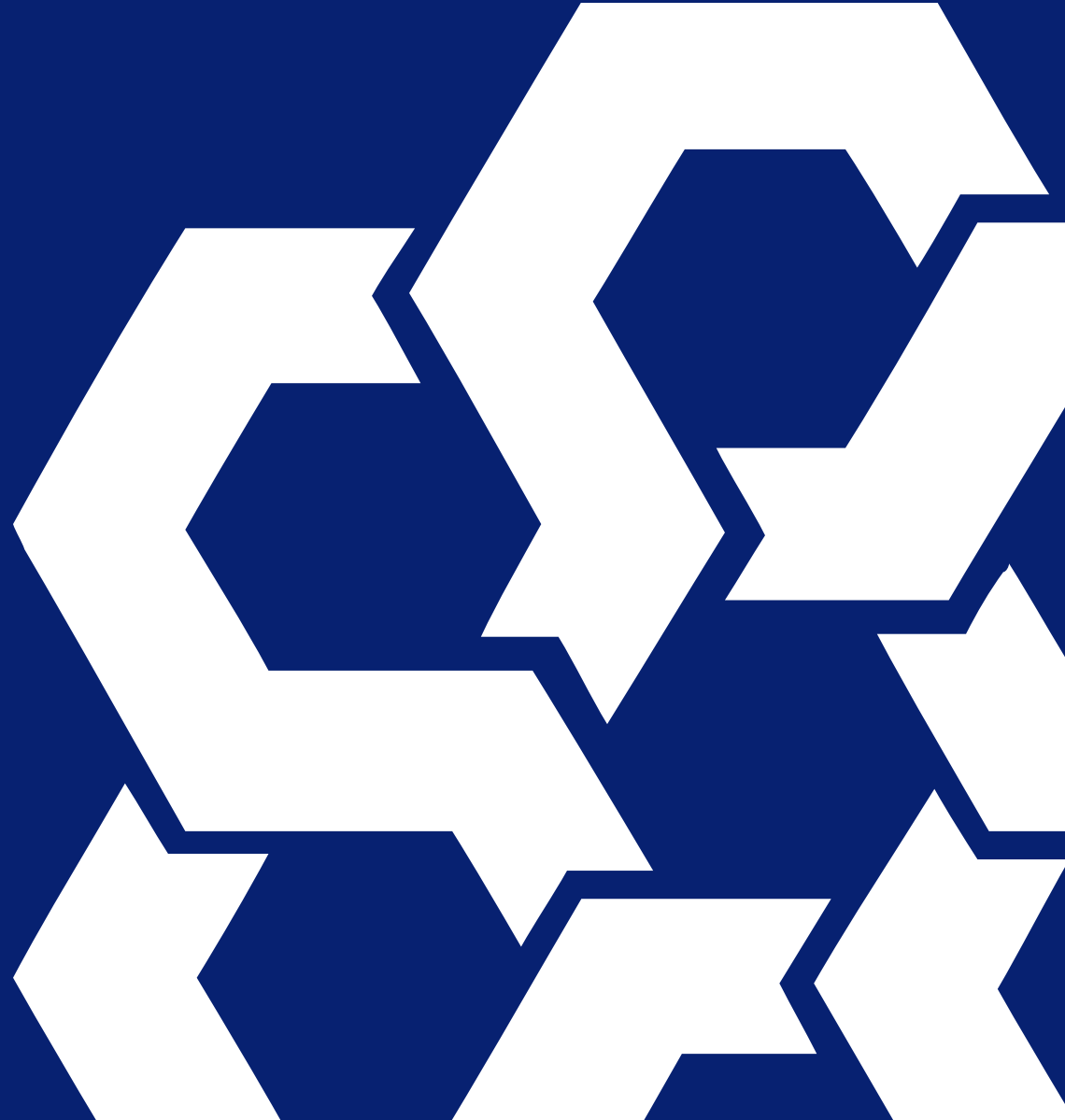
1 Introduction

2 Overview of IFRS 20

3 Resources

4 Q&A

Introduction

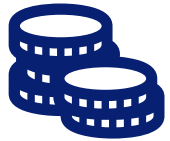


IFRS 20 *Regulatory Assets and Regulatory Liabilities*



- Publication: May 2026
- **Effective date: 1 January 2029**
- Early application permitted
- IFRS 20 replaces IFRS 14 *Regulatory Deferral Accounts*

IFRS 20—main benefits



More **complete information** about the **compensation** to which **companies** are **entitled** for regulatory goods or services supplied in a period.



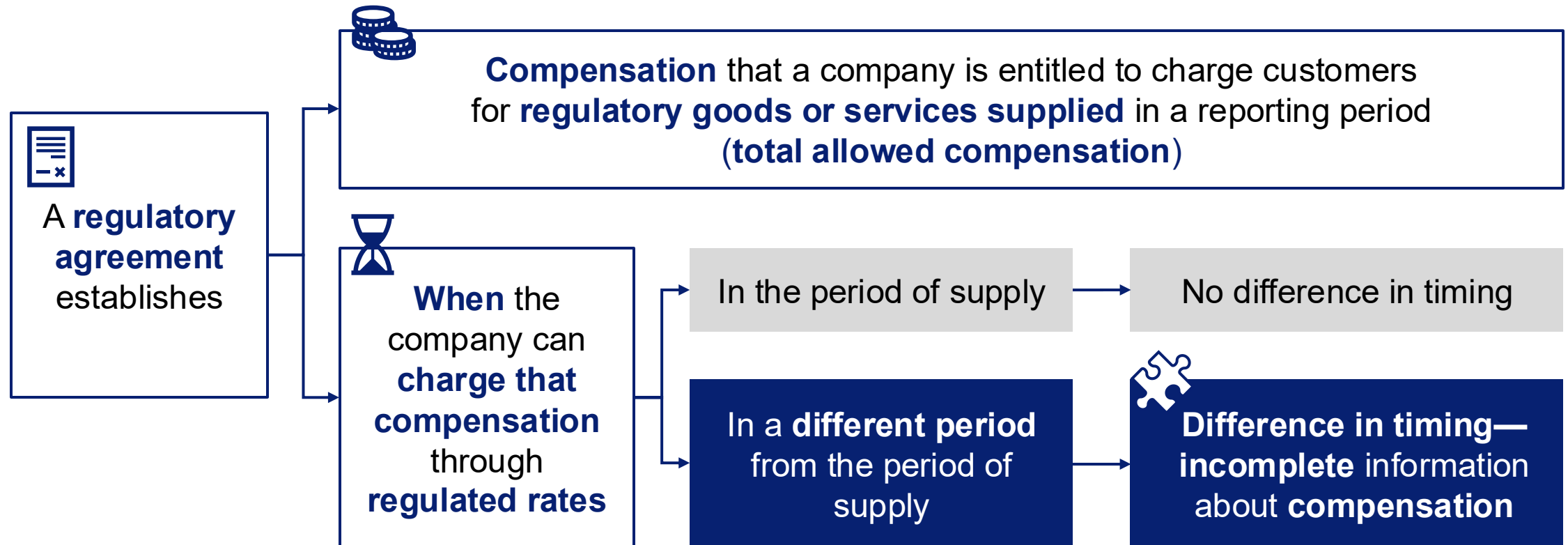
More **transparent and understandable information** about the **effects** of **differences in timing**.



Improved **comparability** of financial information.

The problem and the solution

The problem—incomplete information about compensation for regulatory goods or services



The solution—accounting for differences in timing

Statement of profit or loss <i>In CU*</i>	
IFRS 15 revenue**	
Regulatory income (regulatory expense)	
Total revenue	
Input costs	
Profit (loss)	

Statement of financial position <i>In CU</i>	
Regulatory asset	

Without IFRS 20	
Year 1	Year 2
100	120
-	-
100	120
(120)	(100)
(20)	20

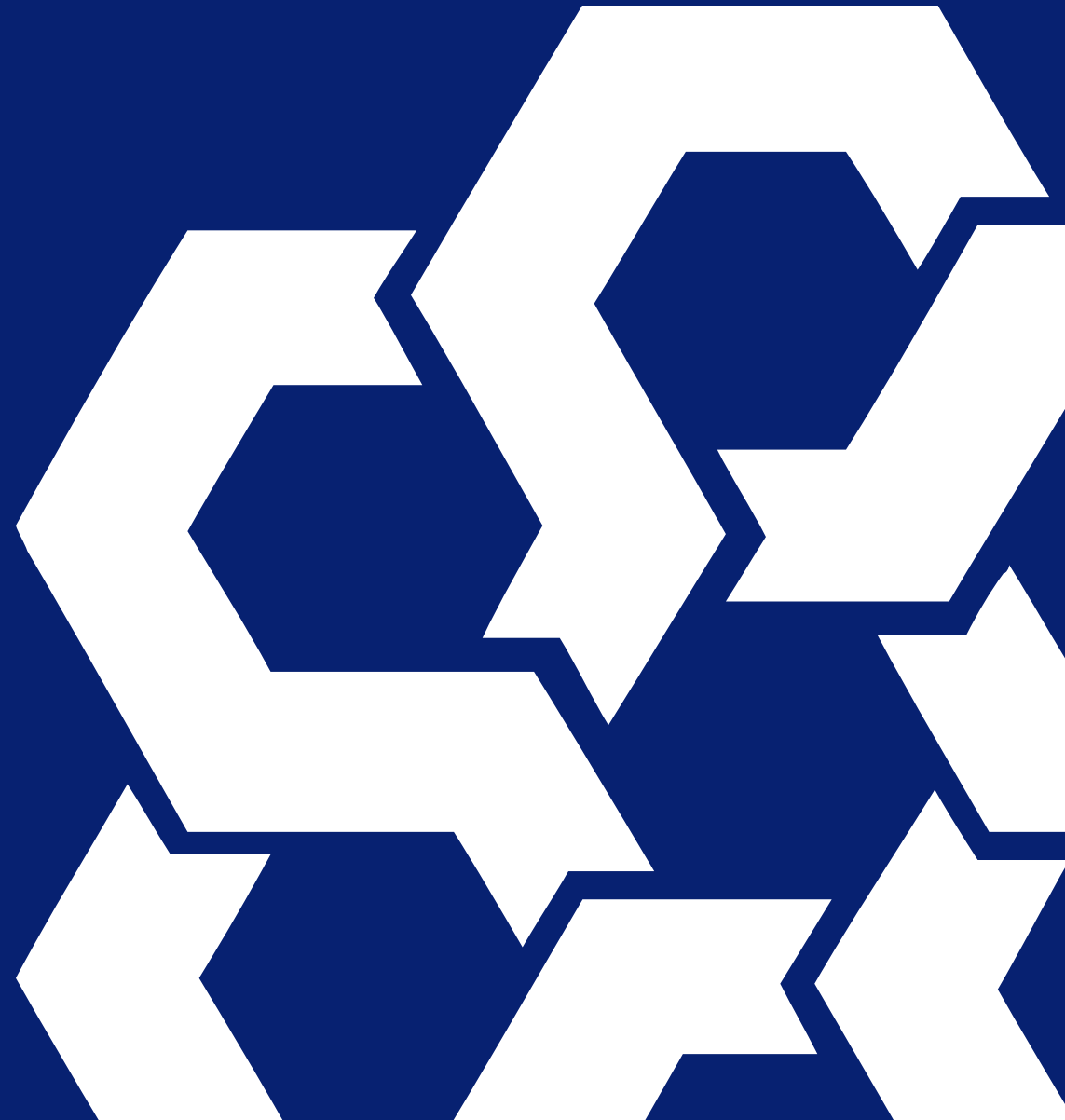
With IFRS 20	
Year 1	Year 2
100	120
20	(20)
120	100
(120)	(100)
-	-
Year 1	Year 2
20	-

**Total allowed
compensation**

* Monetary amounts are denominated in 'currency units' (CU).

** Revenue from contracts with customers.

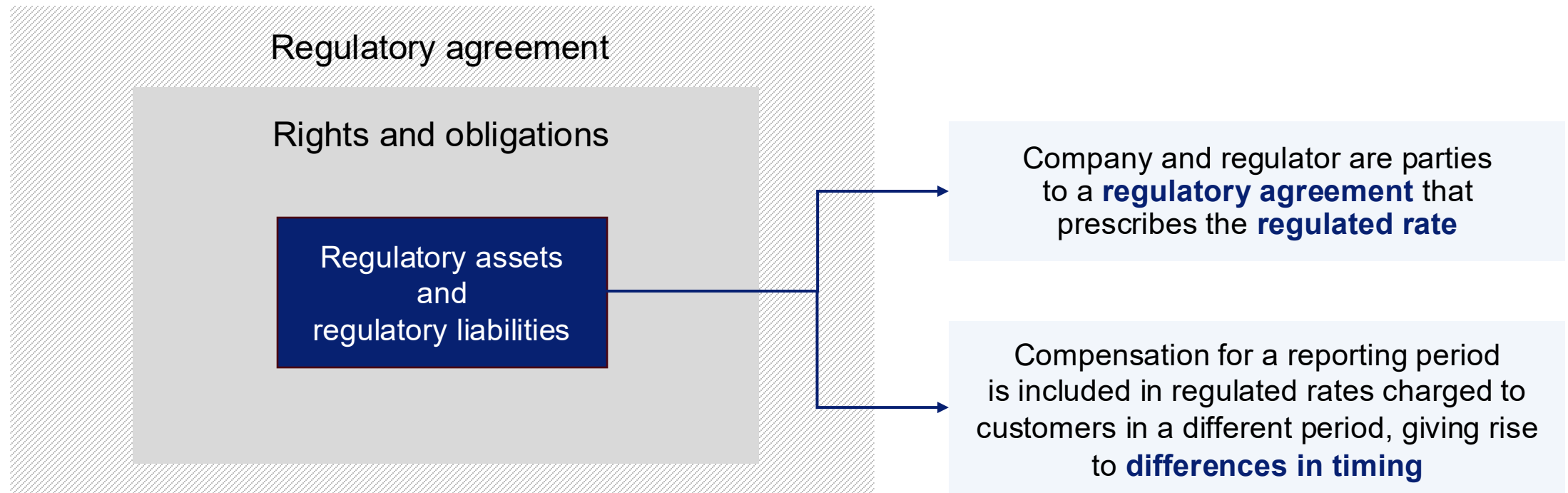
Overview of IFRS 20



Regulatory assets and regulatory liabilities

Which companies does IFRS 20 apply to?

A company applies IFRS 20 to all its **regulatory assets** and all its **regulatory liabilities**



IFRS 20 mainly affects companies in industries such as utilities, energy and transportation

What are regulatory assets and regulatory liabilities?



Regulatory asset

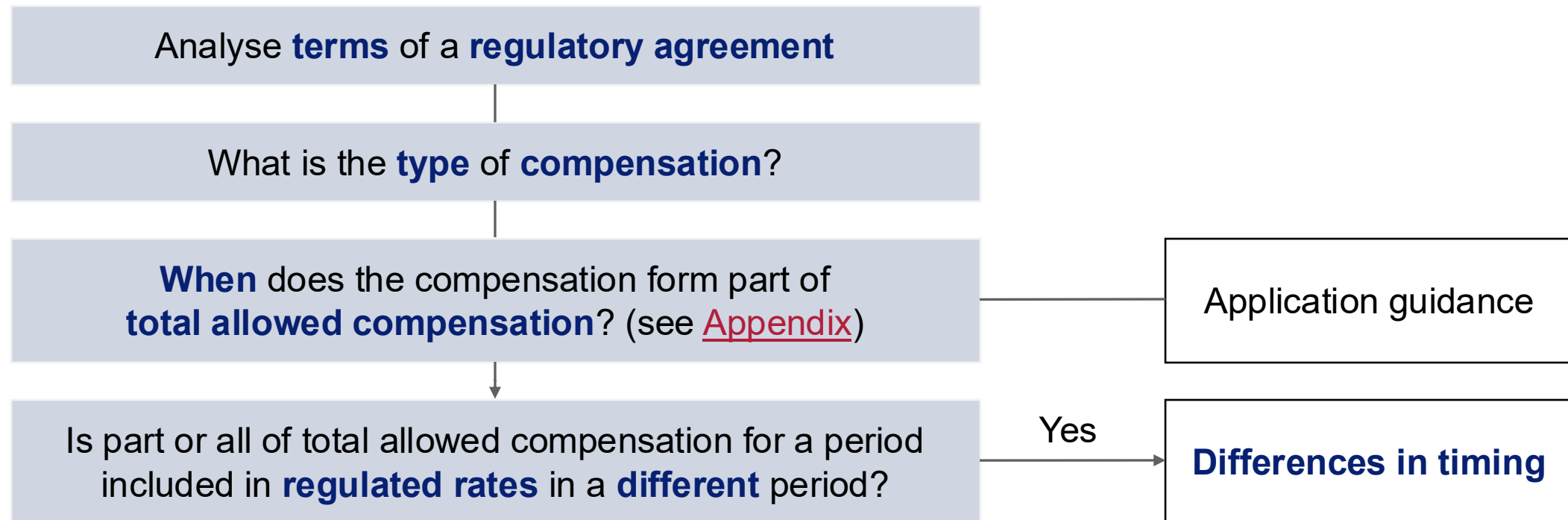
- An **enforceable present right** to **add an amount** to future regulated rates.
- That amount is compensation for regulatory goods or services already supplied that has not yet been included in IFRS 15 revenue.



Regulatory liability

- An **enforceable present obligation** to **deduct an amount** from future regulated rates.
- That amount is compensation for regulatory goods or services to be supplied in the future that has already been included in IFRS 15 revenue.

Total allowed compensation and differences in timing



A company uses its judgement in applying these requirements

Compensation for allowable expenses and deductions for chargeable income

Form part of **total allowed compensation** for the reporting period
in which a company **recognises an allowable expense or chargeable income**
by applying IFRS Accounting Standards

Differences in timing arise if...

Allowable expense or chargeable income
is **recognised** in a period

but

Compensation or deduction is included
in **regulated rates** in a **different** period



For example: **Compensation for depreciation expense**

IFRS useful lives or depreciation method



Regulatory recovery period or pattern

Recognition and measurement

Recognition



A company recognises regulatory assets and regulatory liabilities **existing** at the end of the reporting period.



If there is **existence uncertainty** a company recognises a regulatory asset or regulatory liability if it is **more likely than not** that it exists.



The **recognition** of some regulatory assets and regulatory liabilities is subject to **specified conditions** being met—for example, a direct relationship (see Slides 18–21).

Existence uncertainty

Regulatory asset or regulatory liability = An enforceable present right or obligation



Existence uncertainty might arise from uncertainty about:

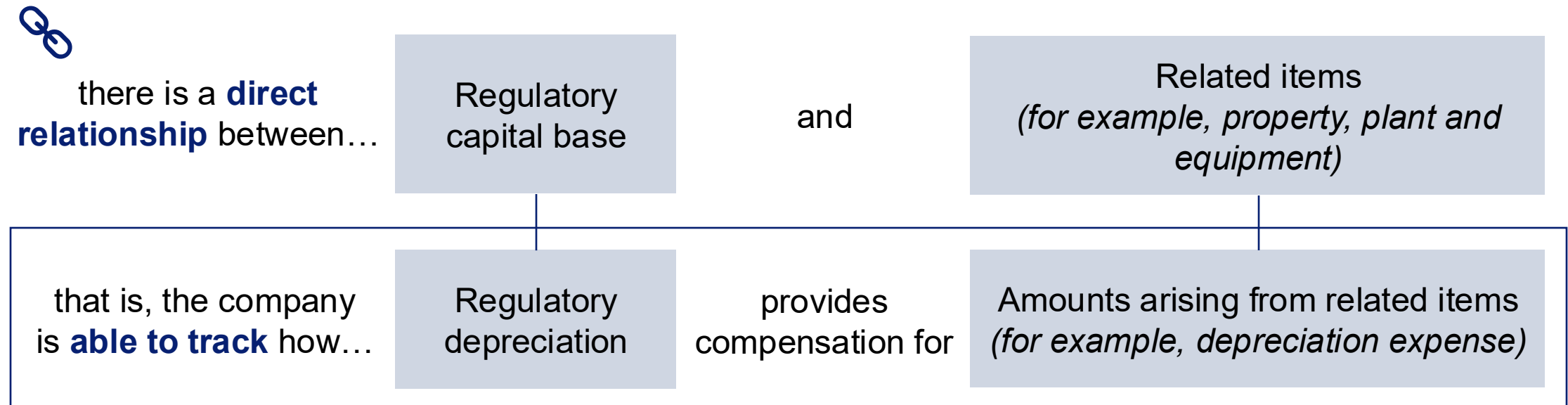
- **Existence**

- **Enforceability**

- Both **existence** and **enforceability**

The 'direct relationship' concept

A company recognises a **regulatory asset** or **regulatory liability** arising from **regulatory depreciation** if...



A company uses its **judgement** and considers **all reasonable and supportable information** that is available without undue cost or effort

Related items—depreciable or amortisable assets

Direct relationship: A company is able to track...



for the **smallest aggregation** of assets



no larger than an **IFRS asset class**

If a company is **able to track** for:



individual assets



a disaggregated part of an IFRS asset class



an IFRS asset class



no IFRS asset class

its regulatory capital base has...

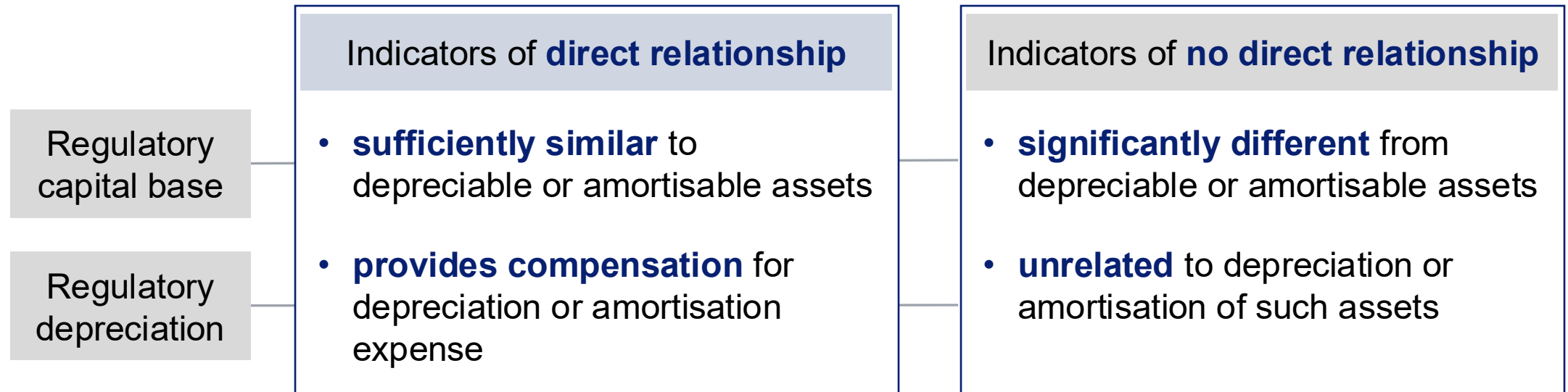
a **direct relationship** with individual assets

a **direct relationship** with the assets in the disaggregated part of the IFRS asset class

a **direct relationship** with the assets in the IFRS asset class

no direct relationship with such assets

Related items—depreciable or amortisable assets (continued)



If **neither indicator** is present, a company is **permitted** to presume **no direct relationship**

Related items other than depreciable or amortisable assets

Indicators of **direct relationship**

- a direct relationship with depreciable or amortisable assets
- compensation for amounts arising from a related item—the regulator monitors it separately from the rest of the regulatory capital base

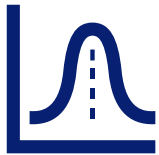
Indicators of **no direct relationship**

- adjustments to the regulatory capital base or regulatory depreciation—a company is unable to allocate them to a related item

Measurement—cash-flow-based technique



A company includes an **up-to-date** estimate of all future cash flows arising from the recovery of a regulatory asset or fulfilment of a regulatory liability.



That estimate reflects **uncertainty** about the **amount** or **timing** of future cash flows.



A company **discounts** those cash flows using the **regulatory interest rate**—and updates that rate only if the regulatory agreement changes it.

Simplified measurement approach

Applies to a regulatory asset or regulatory liability that arises if:

Compensation or deduction for:



allowable expense or chargeable income

is included in regulated rates when...

a company **pays or receives** the related **cash**



credit losses

no reasonable expectation of a company **receiving** the related **cash**

Measurement of the regulatory asset or regulatory liability:

Carrying amount of the
related liability, asset or loss allowance



Any differences (for example, demand risk
affecting the regulatory asset or liability)

Presentation, disclosure and transition

Presentation

Statement of profit or loss*

Regulatory income or regulatory expense

Statement of financial position

Regulatory assets and regulatory liabilities

Statement of profit or loss	
<i>In CU</i>	
	Year 1
Revenue from contracts with customers	440
Regulatory income (regulatory expense)	7
Revenue	447
Other operating income	9
Operating expenses	(300)
Operating profit	156
Investment income	19
Profit before financing and income taxes	175
Interest expense	(14)
Profit before income taxes	161
Income tax expense	(32)
Profit	129

* In some cases, regulatory income or regulatory expense is included in other comprehensive income.

Disclosure



Information about **regulatory income**, **regulatory expense**, **regulatory assets** and **regulatory liabilities**

For example:

- Reconciliations
- Maturity analysis
- Unrecognised regulatory assets and unrecognised regulatory liabilities

Reconciliation of regulatory assets			
<i>In CU</i>	Cost variances	Pension	Total
Opening carrying amount	8	9	17
Profit or loss			
Origination	6	6	12
Recovery	(4)	(2)	(6)
Regulatory interest income	—	1	1
Other comprehensive income (OCI)			
Remeasurement	—	2	2
Changes that do not affect profit or loss or OCI			
Business combination	—	4	4
Closing carrying amount	10	20	30

Regulatory income of CU7



Information about **the relationship between regulatory capital base and related items**

Transition

Retrospective

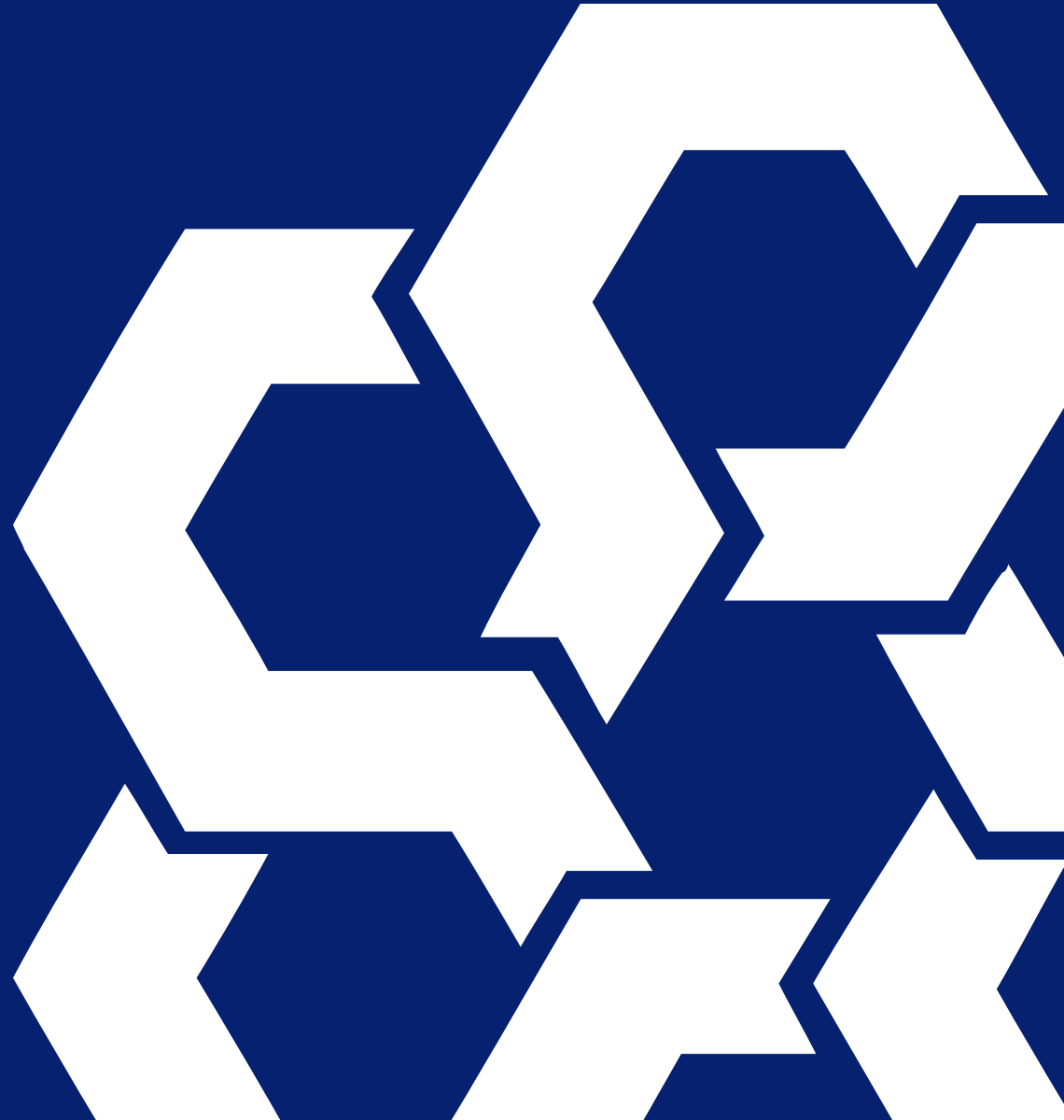
Modified retrospective

Reliefs—for example:
use of hindsight

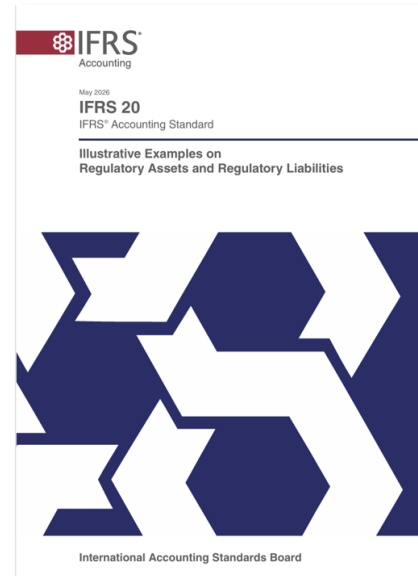
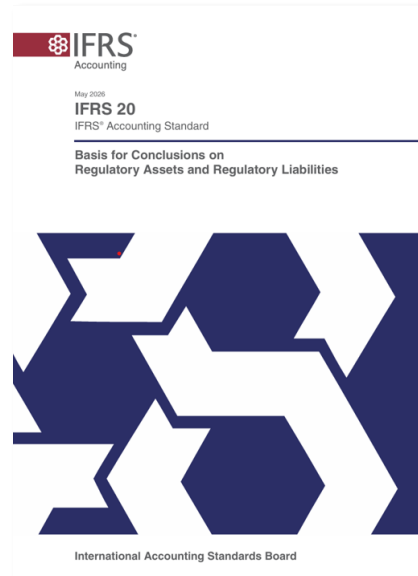
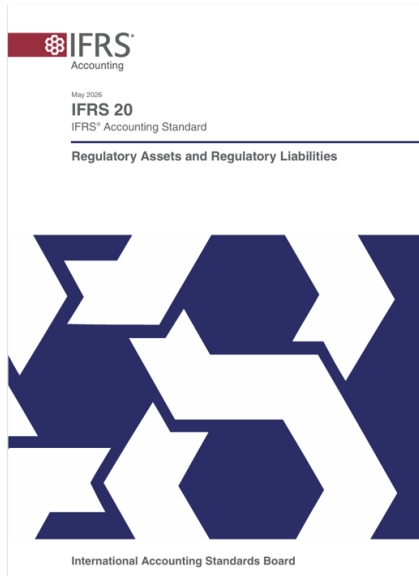
Date of initial application: 1 January 2029

	2028	2027
Adjusted comparative information	✓	Permitted
Disclosures required by IFRS 20	✓	Permitted

Resources



Published materials

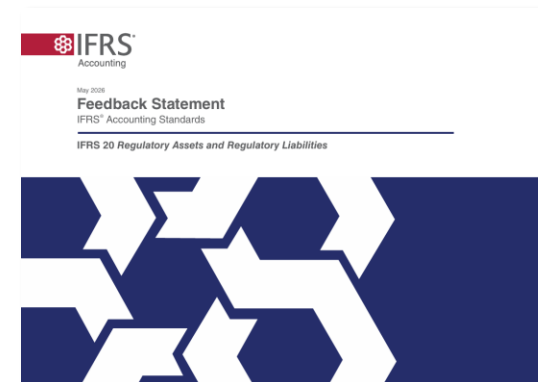


At a glance—IFRS 20 Regulatory Assets and Regulatory Liabilities

What problem is IFRS 20 solving?		How does IFRS 20 solve the problem?																
	A gap in financial reporting caused by a lack of information about differences in timing		Objective Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on a company's financial performance and financial position															
	Differences in timing result in: IFRS 15 revenue recognized in a period $\neq$ revenue earned for regulatory goods or services supplied in that period		Principle Recognize compensation for regulatory goods or services in the period of supply															
What information does a company provide?		How does the company provide the information?																
Compensation for regulatory goods or services supplied <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">IFRS 15 revenue</td></tr> <tr> <td style="text-align: center;">+ Regulatory income</td></tr> <tr> <td> • Origination of regulatory assets • Fulfillment of regulatory liabilities </td></tr> <tr> <td style="text-align: center;">– Regulatory expense</td></tr> <tr> <td> • Origination of regulatory liabilities • Recovery of regulatory assets </td></tr> </table>		IFRS 15 revenue	+ Regulatory income	• Origination of regulatory assets • Fulfillment of regulatory liabilities	– Regulatory expense	• Origination of regulatory liabilities • Recovery of regulatory assets	Recognition • A regulatory asset or regulatory liability exists or is more likely than not to exist! Presentation <table style="width: 100%;"> <tr> <td>Statement of profit or loss</td><td>Year 1</td></tr> <tr> <td>in GDP</td><td></td></tr> <tr> <td>IFRS 15 revenue</td><td style="text-align: right;">120</td></tr> <tr> <td>Regulatory income (regulatory expense)</td><td style="text-align: right;">70</td></tr> <tr> <td>Revenue</td><td style="text-align: right;">190</td></tr> </table> Statement of financial position • Current and non-current regulatory assets • Current and non-current regulatory liabilities		Statement of profit or loss	Year 1	in GDP		IFRS 15 revenue	120	Regulatory income (regulatory expense)	70	Revenue	190
IFRS 15 revenue																		
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Regulatory assets and regulatory liabilities A right to add amounts to, or an obligation to deduct amounts from, future regulated rates. That right or obligation arises from differences in timing.		Measurement • Updated IFRS cash flows • Discounted using regulatory interest rate Disclosure • Reconciliations • Maturity analysis • Unrecognised regulatory assets and unrecognised regulatory liabilities																

1. Recognition of some regulatory goods and regulatory liabilities is subject to specified conditions being met.
2. Monetary amounts are denominated in currency units (CU).





Implementation support activities



Conferences

- IFRS Foundation Conferences
- World Standard-setters Conferences



Outreach events

- Targeted outreach events with stakeholders including:
 - national standard-setters
 - accounting firms



Webcasts

- Focused on specific aspects of the Standard

Follow our implementation support activities at [IFRS - IFRS 20 supporting material](#).

Summary

To summarise



Problem

Investors are unable to understand the **effects** of **differences in timing** on a company's **financial performance** and **financial position**.



Objective

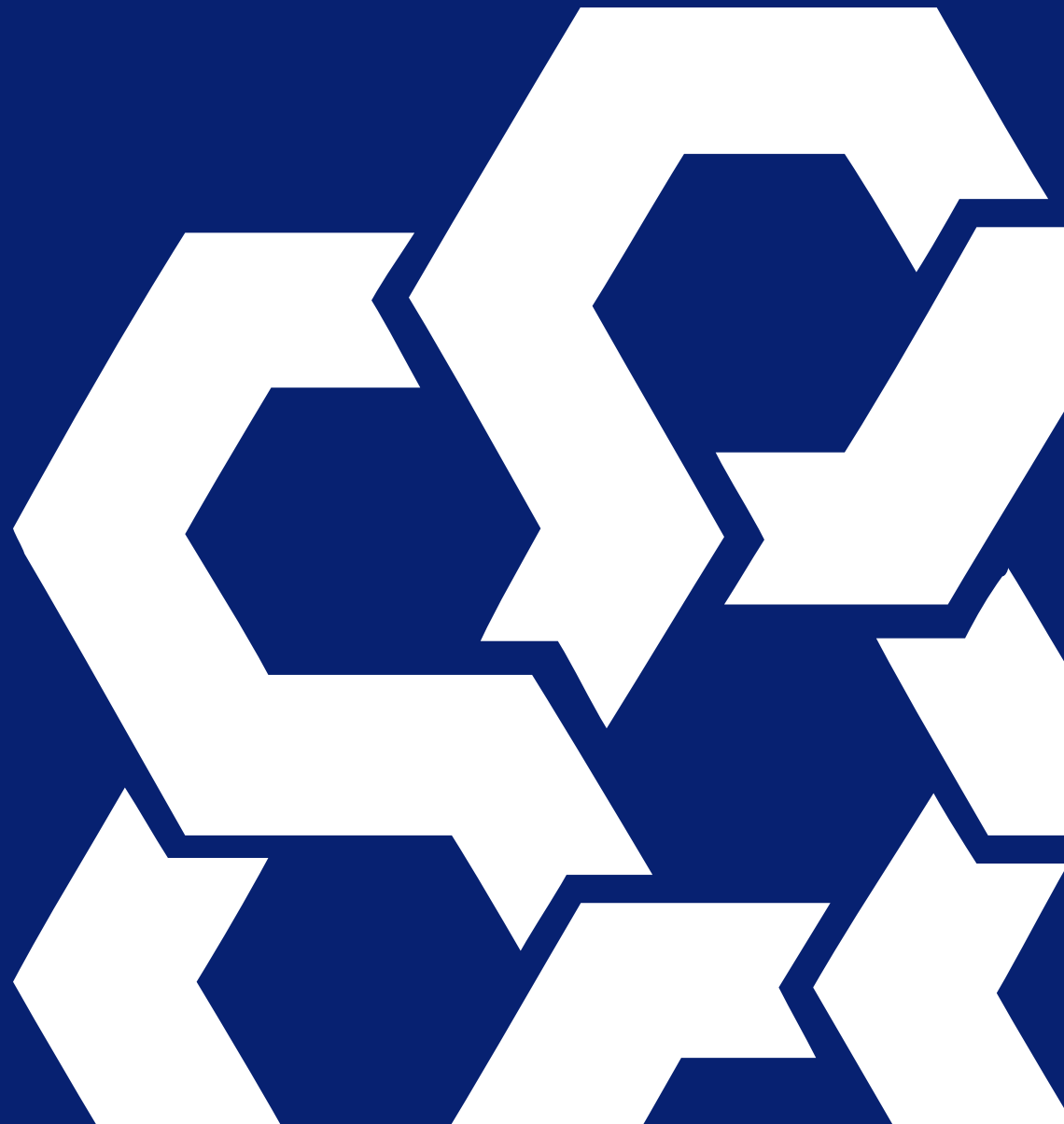
Provide **information** about the **effects** of **regulatory income**, **regulatory expense**, **regulatory assets** and **regulatory liabilities** on a company's **financial performance** and **financial position**.



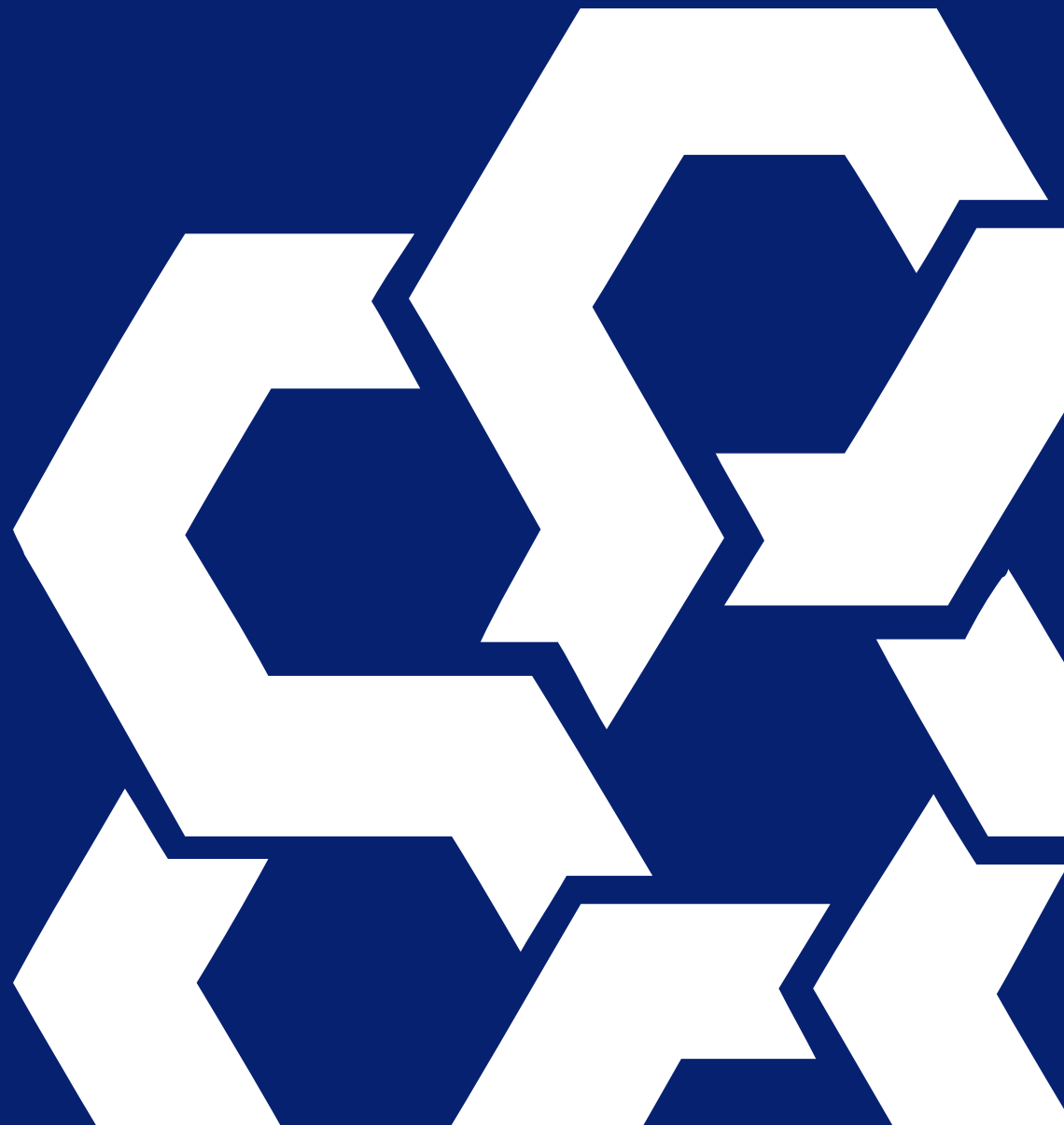
Principle

Reflect **compensation** for **regulatory goods** or **services** supplied in a **reporting period** in a company's **financial performance** for that period.

Q&A



Appendix—total allowed compensation



When does compensation form part of total allowed compensation?

Compensation or deductions for:



allowable expenses or
chargeable income



performance incentives



under-recovery or over-recovery
of allowed revenue*

In the reporting period in which...

...the **expense** or **income** is **recognised**.

...a company's **performance occurs**.

...the **allowed revenue** is **under-recovered** or
over-recovered.

* Allowed revenue is compensation that a regulatory agreement entitles a company to charge customers through regulated rates in a period.

When does compensation form part of total allowed compensation? (continued)

Other types of compensation:

In the reporting period in which...



Regulatory returns

...a **rate of return** is **applied** to a regulatory capital base
(*except in specific circumstances*).



Compensation for inflation*

...the **inflation arises**.

* Compensation is provided separately from regulatory depreciation of a regulatory capital base.

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