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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: March 2009, London

Project: Regulatory assets and liabilities (Agenda Paper 4D)

The following wording for tentative decision was published in the November 2008 IFRIC Update:

IAS 37 Provisions, Contingent Liabilities and Contingent Assets/IAS 38 Intangible Assets—Regulatory assets and liabilities

The IFRIC received a request to consider whether regulated entities could or should recognise a liability (or an asset) as a result of rate regulation by regulatory bodies or governments.

At its meeting in November 2008 the IFRIC considered detailed background information, an analysis of the issue and an assessment of the issue against its agenda criteria. The IFRIC noted that:

- rate regulation is widespread and significantly affects the economic environment of regulated entities;
- divergence does not seem to be significant in practice;
- resolving the issue would require interpreting the definitions of assets and liabilities set out in the Framework and their interaction with one or more IFRSs;
- although the issue is not specifically being considered in an active Board project, it relates to more than one active Board project.

The IFRIC concluded that the agenda criteria were not met, mainly because divergence in practice does not seem to be significant. Therefore, the IFRIC [decided] not to add the issue to its agenda.

Two comment letters were received, supporting both the IFRIC agenda decision and a Board project to address the issues. At its December 2008 meeting, the Board decided to add to its agenda a project on rate-regulated activities.

The staff recommends finalising the agenda decision as proposed.

Question for the IFRIC: Do you agree with the staff recommendation?