

STAFF PAPER

September 2013

IASB Meeting

Project	Rate-regulated Activities		
Paper topic	Cover note		
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1. The IASB's comprehensive Rate-regulated Activities project currently has two distinct components:
 - (a) a research project, which aims to develop a Discussion Paper (the planned DP) to consider whether rate regulation creates assets or liabilities (in addition to those already recognised in accordance with IFRS for non-rate-regulated activities); and
 - (b) an interim IFRS project, which aims to enhance the comparability of financial reporting by developing an interim IFRS that would permit first-time adopters that recognise regulatory balances in their previous GAAP to continue to do so in IFRS financial statements until the remainder of the comprehensive project is completed.
2. At this meeting, we will present the following papers for the IASB to consider:
 - (a) Agenda Paper 9A *Research project: User needs*;
 - (b) Agenda Paper 9B *Research project: Scope issues*; and
 - (c) Agenda Paper 9C *Interim IFRS: Early feedback from comment letters on the Exposure Draft Regulatory Deferral Accounts* (the interim ED).

Agenda Paper 9A: Rate Regulation: User needs

3. In July 2013, the IASB's Rate-regulated Activities Consultative Group¹ met for the first time. One of the topics discussed was what information users of financial statements need to help assess the financial position and performance of rate-regulated entities. The main message that we heard was that users value information that allows them to:
 - (a) predict the timing and certainty of future cash flows; and
 - (b) reconcile the earnings reported in the financial statements both to cash flows and to the 'stabilised' earnings achieved through the rate regulation.
4. Agenda Paper 9A outlines information that we have gathered so far through initial research and informal outreach, as well as a summary of the discussion with Consultative Group.

Agenda Paper 9B: Rate Regulation: Scope issues

5. The Consultative Group also discussed some of the common features of rate regulation in order to identify those features that might be useful to set the scope of the planned DP. The intention was to identify those features that distinguish rate-regulated activities from general commercial activities and have the biggest impact on the timing and certainty of cash flows and 'regulated earnings'.
6. Agenda Paper 9B sets out the staff's proposals for the scope of the planned DP.

Agenda Paper 9C: Interim ED: Early feedback from comment letters

7. The closing date for comments on the Exposure Draft *Regulatory Deferral Accounts*, published in April 2013 (the interim ED), was 4 September 2013.
8. Agenda Paper 9C summarises the responses received up to the closing date. The staff will provide an oral update during the September IASB meeting of further responses received. A more formal analysis of responses will be presented to the IASB at the October 2013 meeting.

¹ Details about the group and the July 2013 meeting can be found on the project page at <http://www.ifrs.org/The-organisation/Advisory-bodies/Working-groups/Consultative-Group-for-Rate-Regulation/Pages/Consultative-Group-for-rate-regulation.aspx>