

## STAFF PAPER

March 2014

## Accounting Standards Advisory Forum

<b>Project</b>	<b>Rate-regulated Activities: Research project</b>		
<b>Paper topic</b>	<b>Cover note</b>		
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**Introduction**

1. At this meeting, we would like to continue our discussions with ASAF members about the features of rate regulation; specifically the special economic conditions that distinguish rate-regulated activities from general commercial activities. We would also like to discuss how the revenue arising from the activities that are subject to rate regulation might be analysed in the context of the forthcoming IFRS [15] *Revenue from Contracts with Customers*.
2. We held similar discussions with the International Accounting Standards Board (IASB) at its meeting in February 2014. The Accounting Standards Advisory Forum (ASAF) is asked to consider the same papers, as follows:
  - (a) ASAF Agenda Paper 3B/ IASB Agenda Paper 9A *Developing the Discussion Paper*;
  - (b) ASAF Agenda Paper 3C/ IASB Agenda Paper 9B *A revised description of the distinguishing features of rate regulation*;
  - (c) ASAF Agenda Paper 3D/ IASB Agenda Paper 9C *Calculating the allowable revenue*; and
  - (d) ASAF Agenda Paper 3E/ IASB Agenda Paper 9D *A revenue recognition approach to rate regulation*.

## Questions for the ASAF

3. We are seeking the views of the ASAF members specifically on the questions set out below. Consequently, we ask the ASAF members to disregard the questions for the IASB that are contained within each of the IASB Agenda Papers.

### ***The distinguishing features of rate regulation***

4. ASAF Agenda Papers 3C-3D (IASB Agenda Papers AP9B-AP9C) describe what we consider to be the distinguishing features of the type of rate regulation that we have been told creates special economic conditions that are not currently represented faithfully by the established IFRS practice for rate-regulated activities. Although we have not yet established the scope of any potential guidance that may be developed as a result of the Rate-regulated Activities project, we are currently focusing on these distinguishing features as the basis for our analysis.

#### **The distinguishing features of rate regulation**

1. We would appreciate your views on the distinguishing features of the type of rate regulation that gives rise to special economic conditions. For example do you agree with the distinguishing features? Are there other features that we should include?
2. Do you agree that these features should form the main focus of our analysis in developing the Discussion Paper?

### ***A revenue recognition approach***

5. ASAF Agenda Paper 3E (IASB Agenda Paper AP9D) outlines the staff's initial analysis of whether the principles and requirements contained in the forthcoming IFRS [15] *Revenue from Contracts with Customers* might provide a suitable framework for recognising revenue for rate-regulated activities.

#### **A revenue recognition approach**

1. Do you have any questions on proposed approach to adapt the

principles and requirements of the forthcoming IFRS [15] to develop a revenue recognition model for the type of rate-regulated activities that we are currently focusing on in the project?

2. Do you agree with the proposed revenue focused approach?
3. If you agree that the revenue model contained in the forthcoming IFRS [15] might provide a suitable framework for recognising revenue for rate-regulated activities, do you have any advice for staff as to how the model could be adapted?
4. Do you have any other comments or advice for the staff on the issues raised in ASAF AP3E (IASB AP9D), in particular, the identification of 'performance' as outlined in paragraphs 14-20?