

STAFF PAPER

May 2019

IASB® meeting

Project	Rate-regulated Activities		
Paper topic	Cover note		
CONTACT(S)	Neal Beauchamp	nbeauchamp@ifrs.org	+44 (0)20 7246 6423
	Umair Shahid	ushahid@ifrs.org	+44 (0)20 7246 6414
	Mariela Isern	misern@ifrs.org	+44 (0)20 7246 6483
	Jane Pike	jpike@ifrs.org	+44 (0)20 7246 6925

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Purpose of the education session

1. The purpose of this session is to summarise the principles of the accounting model being developed to recognise regulatory assets and regulatory liabilities arising when an entity supplies goods or services subject to defined rate regulation.
2. Previous discussions with the Board, particularly those on measurement held in December 2018, highlighted differences in understanding driven by a lack of clarity in the description of the model's principles. This resulted in the expression of mixed views for some of the proposed requirements of the model.
3. We have refined the description of some of the model's principles to make them clearer. This is intended to support the Board in distinguishing the staff recommendations and tentative decisions that apply the principles of the model from those that are exceptions to those principles.
4. In refining the description, we consider that no fundamental changes have been made to the principles used to develop the model and that most tentative decisions made by the Board remain consistent with those principles. However, there are some tentative decisions that we plan to ask the Board to reconsider in light of the refined description of the model's principles or to consider revised recommendations.

5. In this education session, we will discuss the following agenda papers:
 - (a) **Agenda Paper 9A** *Principles of the model: a summary* provides a summary of the refined **principles** underlying the model.
 - (b) **Agenda Paper 9B** *Scope and recognition principles* provides a summary of the refined **scope and recognition principles** of the model, also exploring the evolution of the description of these principles and introducing one new matter (fines) for the Board to consider.
 - (c) **Agenda Paper 9C** *Measurement principles* provides a summary of the refined **measurement principles** of the model and highlights areas where the staff have reconsidered its previous analysis as a result of feedback provided by Board members in December 2018.
6. The following agenda papers are provided for information purposes only:
 - (a) **Agenda Paper 9D** *Summary of tentative decisions made to date* summarises the Board’s tentative decisions to date and outlines staff views on the consistency of those decisions with the refined description of the model in Agenda Papers 9A-9C.
 - (b) **Agenda Paper 9E** *Rate-regulated Activities: principles of the model—how the description has evolved* outlines the refined principles summarised in Agenda Papers 9A-9C using a slide presentation; and
 - (c) **Agenda Paper 9F** *Rate-regulated Activities: examples of the model’s application* contains numerical examples illustrating the application of the model’s principles.
7. Throughout the education session, we will ask the Board for any suggestions to improve the understanding and clarity of the model’s principles. We will also ask the Board whether any further analysis is required from the staff in respect of any of the topics discussed during this session.

Next steps

8. At a future meeting, we will discuss with the Board additional aspects of the model and ask the Board to reconsider some tentative decisions for aspects highlighted in this education session.