
FASB | IASB Education Meeting

Date	11 October 2024
Project	Rate-regulated Activities
Topic	<i>IFRS X Regulatory Assets and Regulatory Liabilities</i>
Contacts	nmungwe@ifrs.org

This paper has been prepared for discussion at a public education meeting of the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). It is not intended to represent the views of the boards or any individual member of either board or the staff. Comments on the application of IFRS[®] Accounting Standards or US GAAP do not purport to set out acceptable or unacceptable application of IFRS Accounting Standards or US GAAP. Tentative technical decisions are made in public and reported in FASB Action Alert or in IASB Update. Official positions of the FASB or the IASB are determined after extensive due process and deliberations.

Purpose

The purpose of this paper is to provide summarised background information and an update on the status of the IASB' Rate-regulated Activities project.

Rate-regulated Activities—Background

What is the problem?	How will the prospective Standard address it?
<ul style="list-style-type: none">• Some entities are subject to rate regulation that creates differences in timing.• Differences in timing arise when compensation for goods or services supplied in a period is included in regulated rates charged—and hence in revenue—in a different period.• Financial statements do not currently provide information about differences in timing that meet the definitions of assets and liabilities.	<ul style="list-style-type: none">• Provide information about the effects of differences in timing on an entity's financial position and financial performance by recognising regulatory assets, regulatory liabilities, regulatory income and regulatory expense.

Expected publication and effective date



Publication of IFRS X expected in H2 2025.



Effective date: 1 January 2029, earlier application permitted.

Main differences between prospective Standard (IFRS X) and Topic 980

- IFRS X will apply to all of an entity's regulatory assets and regulatory liabilities, regardless of the type of regulatory scheme. Topic 980 was developed considering cost-based regulation.
- IFRS X will require that regulatory assets and regulatory liabilities are measured using a cash-flow-based measurement technique that involves discounting. Topic 980 requires a cost-based measurement that generally prohibits discounting. However, measurement differences between the two Standards are reduced by the fact that IFRS X will require an entity to use the regulatory interest rate as the discount rate and will include exemptions from discounting in some circumstances.
- IFRS X will require that an entity present regulatory income (regulatory expense) as a separate line item classified as revenue—or in other comprehensive income (OCI) to the extent it results from remeasuring the related liability or related asset through OCI. Topic 980 generally results in a 'net' presentation against related expense or revenue line items.
- To accommodate a variety of regulatory schemes, the IASB developed the direct (no direct) relationship concept between an entity's regulatory capital base (RCB) and its property, plant and equipment (PPE). This relationship affects whether some regulatory assets or regulatory liabilities are recognised in some circumstances. Entities reporting using Topic 980 are expected to have RCBs that have a direct relationship with their PPE and so will recognise regulatory assets and regulatory liabilities arising from the compensation entities receive on their RCB.

Our work to date suggests that the application of IFRS X by entities subject to cost-based schemes will not result in significant differences in terms of net assets and net income compared to the application of Topic 980 by these entities.

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)