
Emerging Economies Group meeting

Date	November 2026
Project	Rate-regulated Activities
Topic	Introduction of IFRS 20 <i>Regulatory Assets and Regulatory Liabilities</i>
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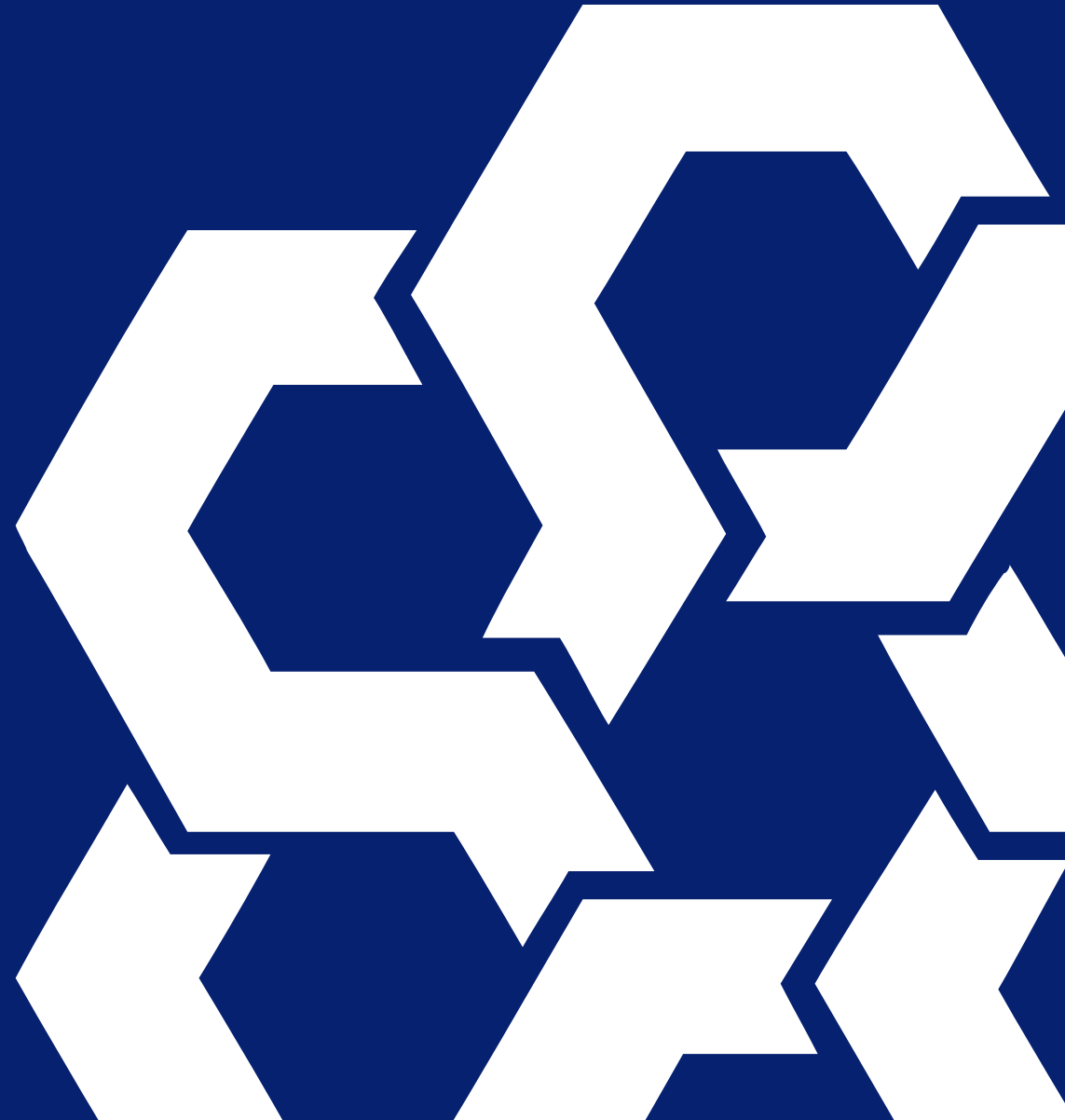
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Agenda

1 Introducing IFRS 20

2 Implementation

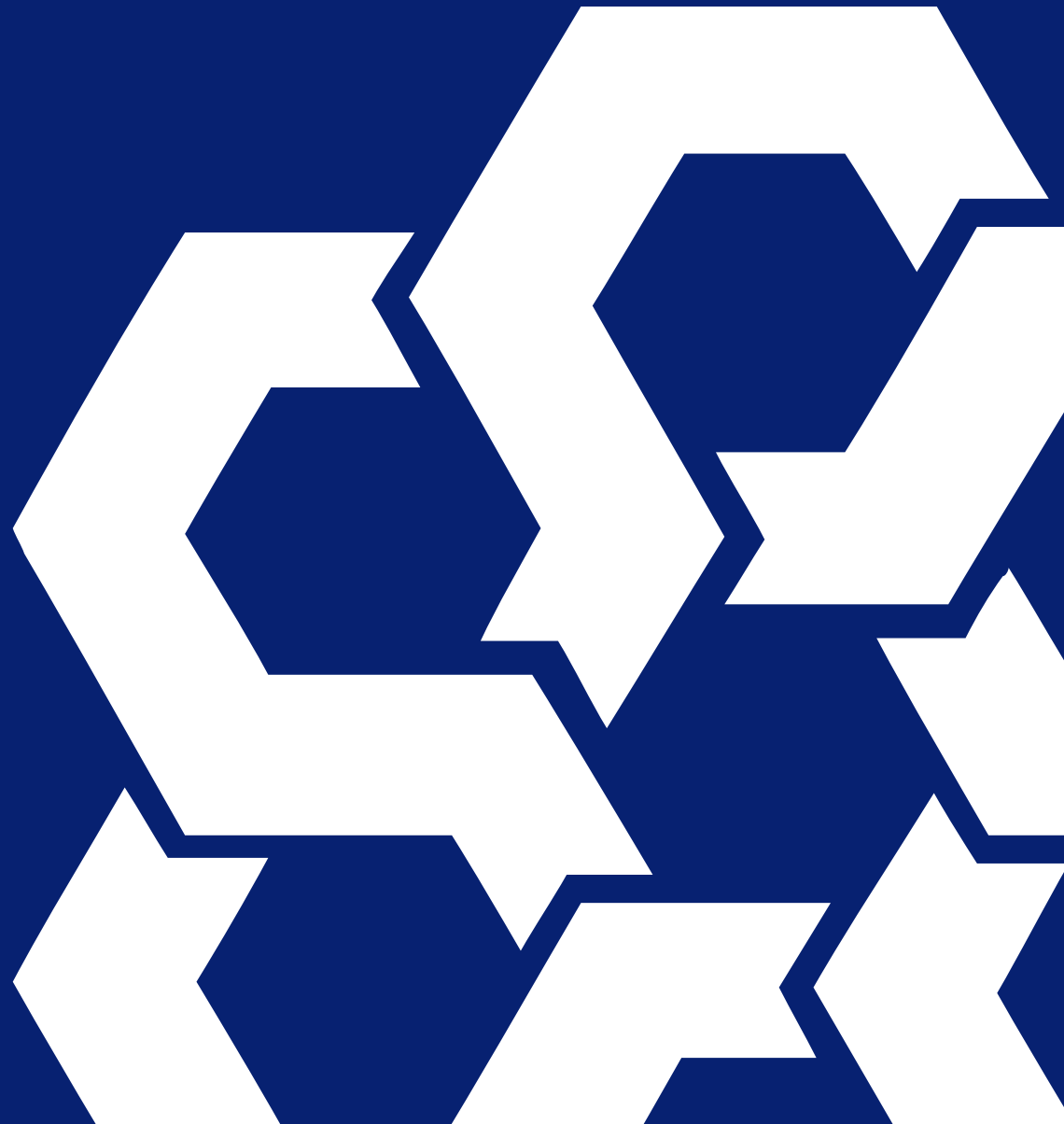
Introducing IFRS 20



Introducing IFRS 20

- 1 Introduction
- 2 The problem and the solution
- 3 Overview of IFRS 20
- 4 Resources
- 5 Q&A

Introduction

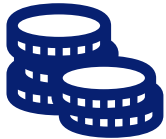


IFRS 20 *Regulatory Assets and Regulatory Liabilities*



- Publication: May 2026
- **Effective date: 1 January 2029**
- Early application permitted
- IFRS 20 replaces IFRS 14 *Regulatory Deferral Accounts*

IFRS 20—main benefits



More **complete information** about the **compensation** to which **companies** are **entitled** for regulatory goods or services supplied in a period.

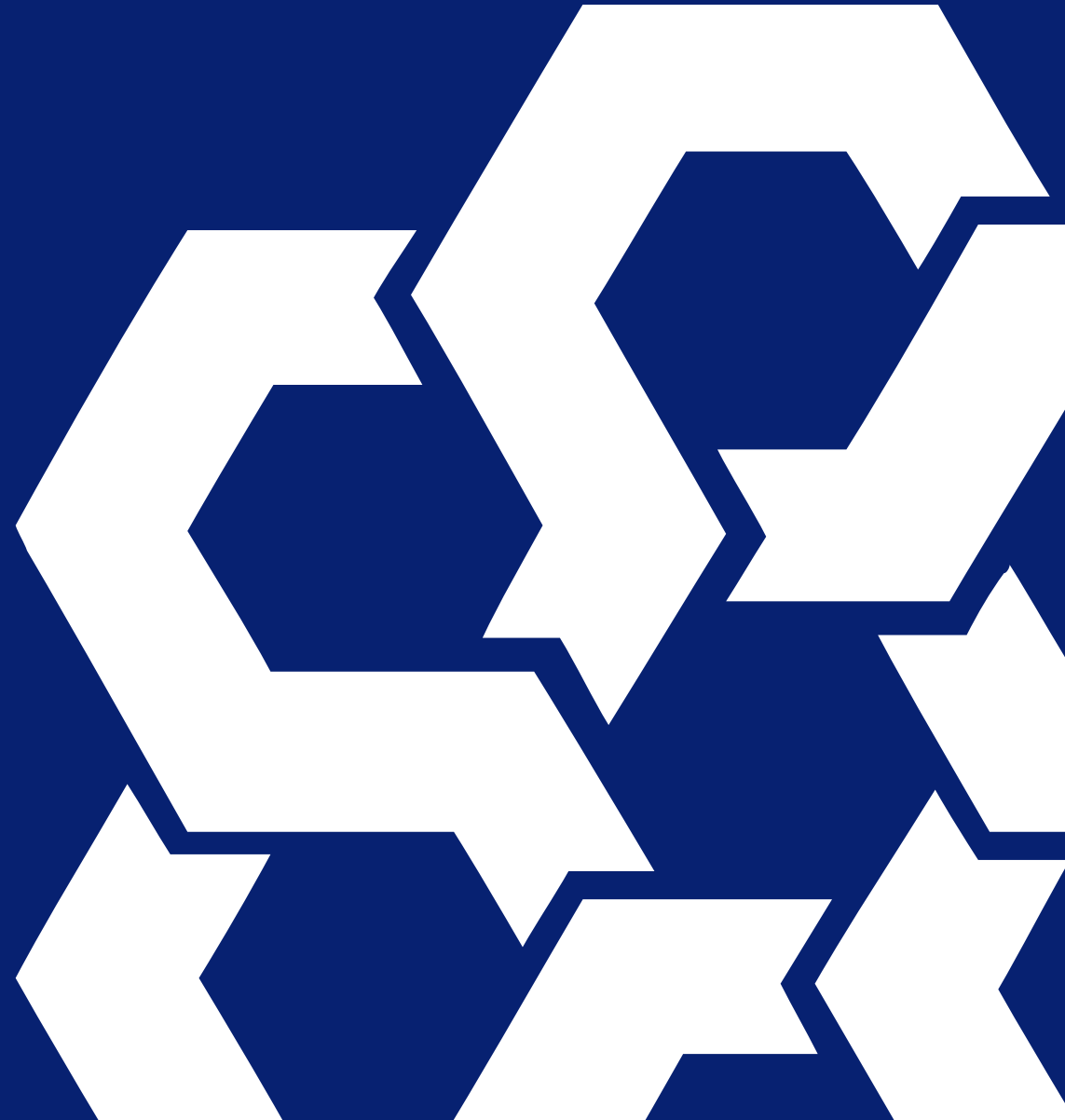


More **transparent and understandable information** about the **effects** of **differences in timing**.

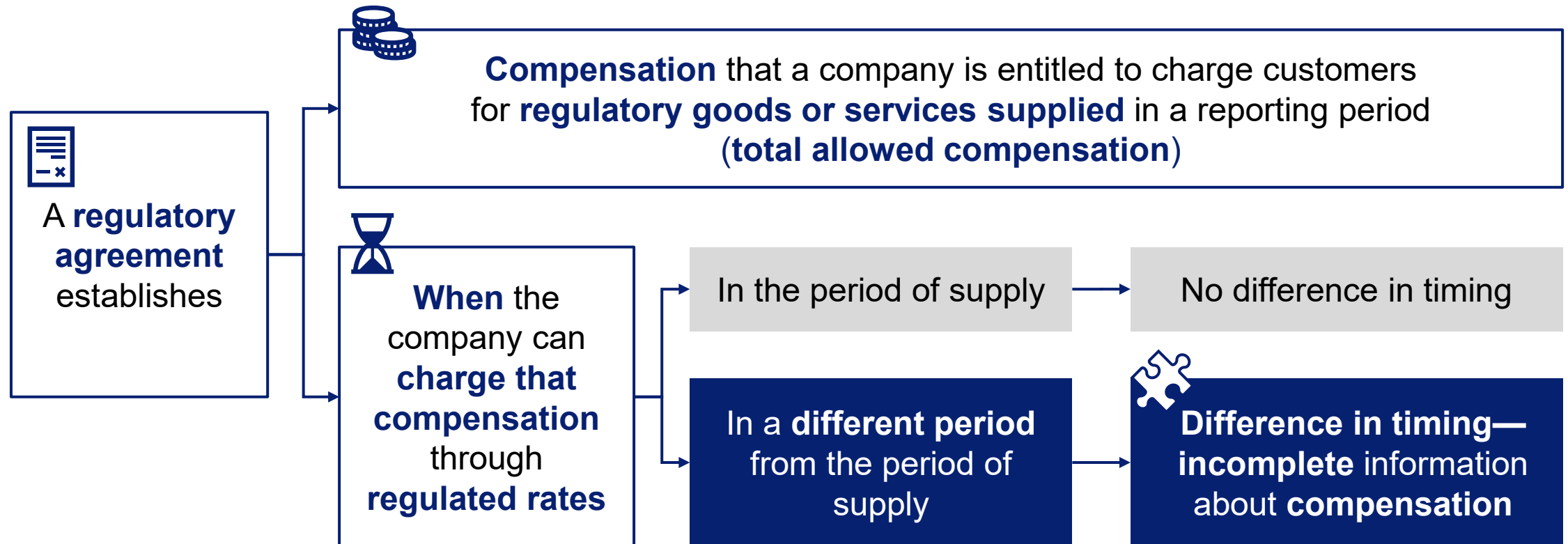


Improved **comparability** of financial information.

The problem and the solution



The problem—incomplete information about compensation for regulatory goods or services



The solution—accounting for differences in timing

Statement of profit or loss <i>In CU*</i>
IFRS 15 revenue**
Regulatory income (regulatory expense)
Total revenue
Input costs
Profit (loss)

Statement of financial position <i>In CU</i>
Regulatory asset

Without IFRS 20	
Year 1	Year 2
100	120
-	-
100	120
(120)	(100)
(20)	20

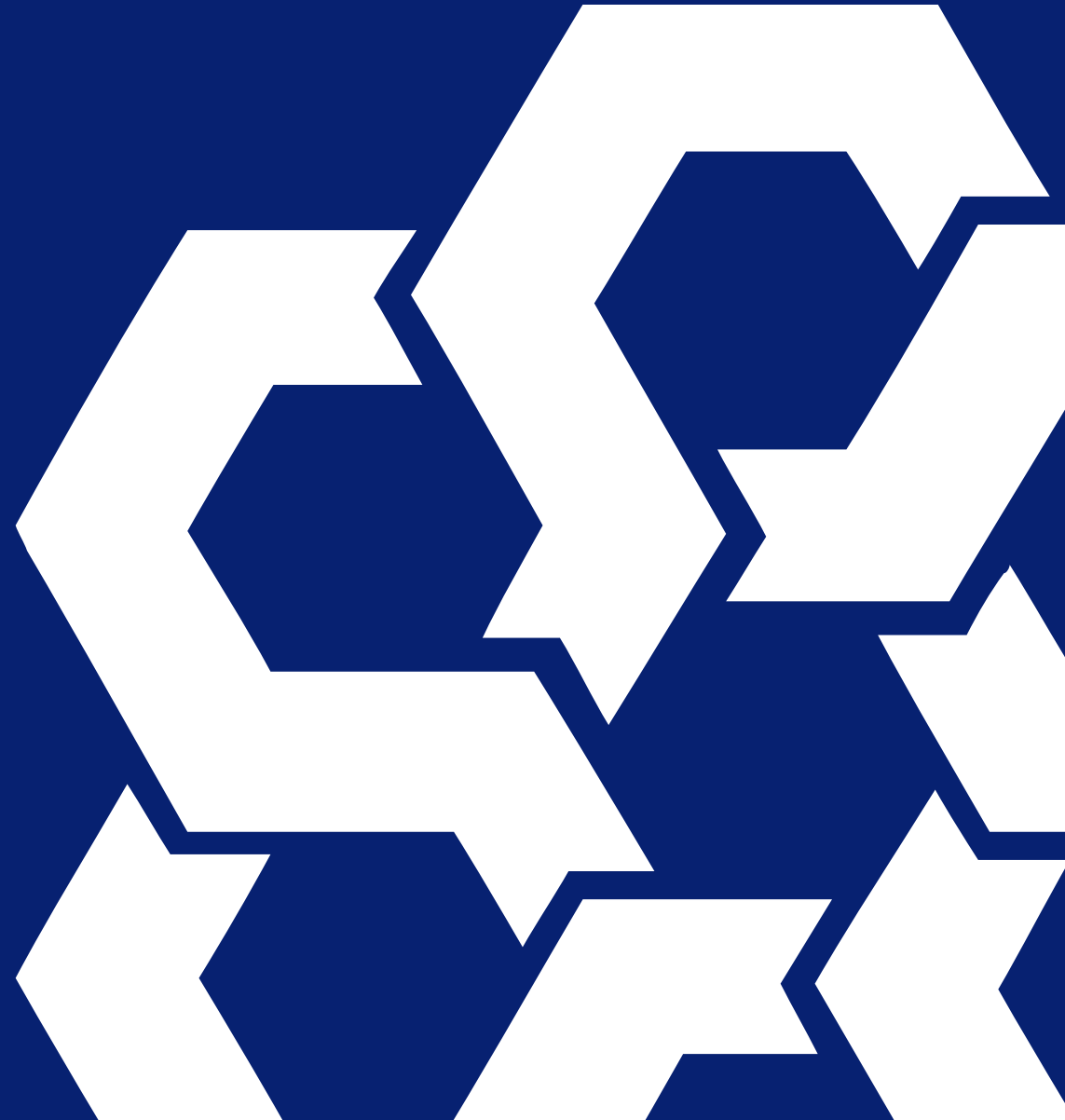
With IFRS 20	
Year 1	Year 2
100	120
20	(20)
120	100
(120)	(100)
-	-
Year 1	Year 2
20	-

Total allowed compensation

* Monetary amounts are denominated in 'currency units' (CU).

** Revenue from contracts with customers.

Overview of IFRS 20



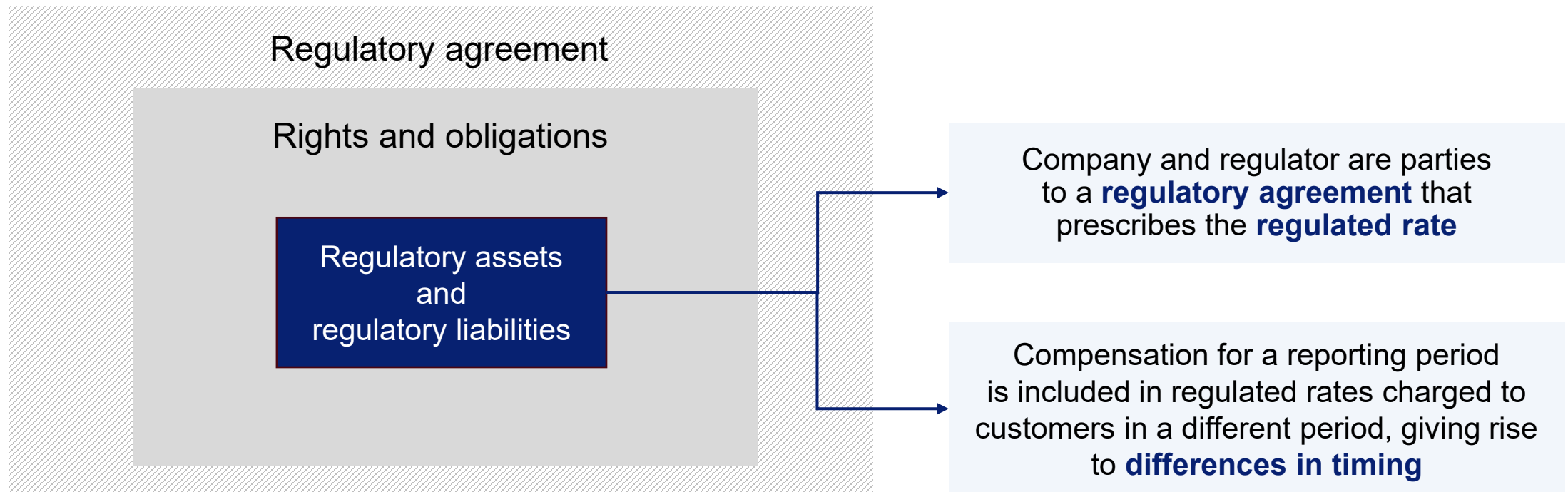
Overview of IFRS 20

- 1 Scope—regulatory assets and regulatory liabilities
- 2 Total allowed compensation and differences in timing
- 3 Recognition
- 4 Measurement
- 5 Applying IFRS 20 with IFRIC 12 *Service Concession Arrangements*
- 6 Presentation, disclosure and transition

Scope—regulatory assets and
regulatory liabilities

Which companies does IFRS 20 apply to?

A company applies IFRS 20 to all its **regulatory assets** and all its **regulatory liabilities**



IFRS 20 mainly affects companies in industries such as utilities, energy and transportation

What are regulatory assets and regulatory liabilities?



Regulatory asset

- An **enforceable present right** to **add an amount** to future regulated rates.
- That amount is compensation for regulatory goods or services already supplied that has not yet been included in IFRS 15 revenue.

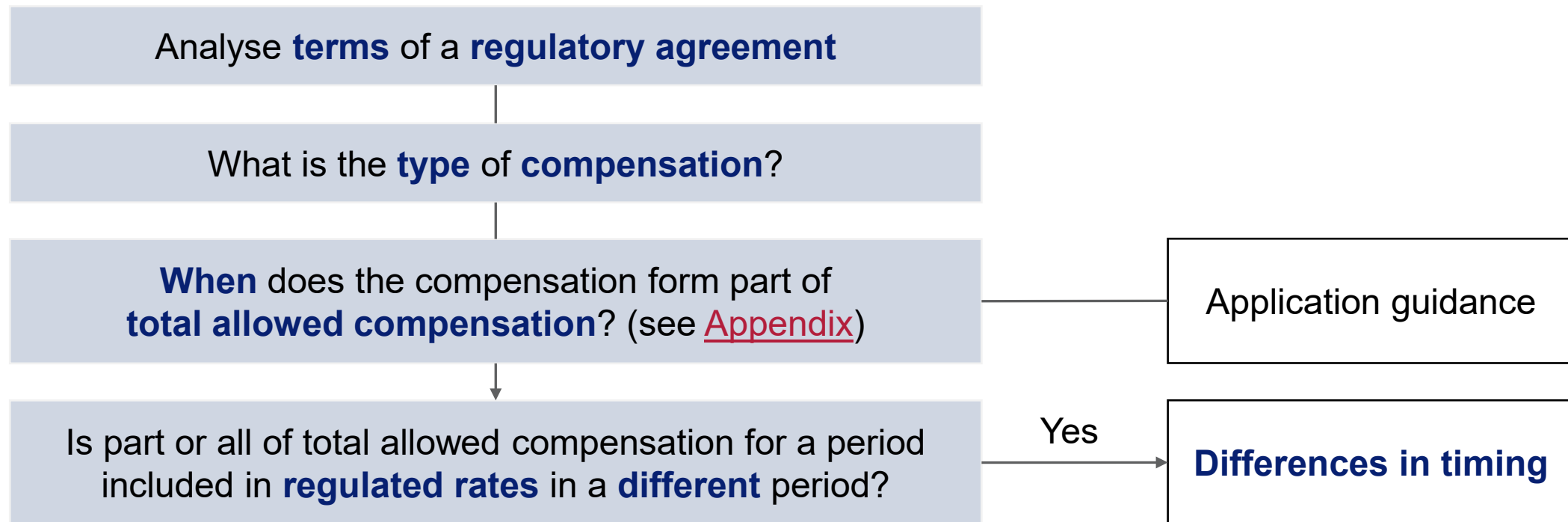


Regulatory liability

- An **enforceable present obligation** to **deduct an amount** from future regulated rates.
- That amount is compensation for regulatory goods or services to be supplied in the future that has already been included in IFRS 15 revenue.

Total allowed compensation and
differences in timing

Total allowed compensation and differences in timing



A company uses its judgement in applying these requirements

Compensation for allowable expenses and deductions for chargeable income

Form part of **total allowed compensation** for the reporting period
in which a company **recognises an allowable expense or chargeable income**
by applying IFRS Accounting Standards

Differences in timing arise if...

Allowable expense or chargeable income
is **recognised** in a period

but

Compensation or deduction is included
in **regulated rates** in a **different** period



Example: **Compensation for depreciation expense**

IFRS useful lives or depreciation method



Regulatory recovery period or pattern

Recognition

Recognition



A company recognises regulatory assets and regulatory liabilities **existing** at the end of the reporting period.



If there is **existence uncertainty** a company recognises a regulatory asset or regulatory liability if it is **more likely than not** that it exists.



The **recognition** of some regulatory assets and regulatory liabilities is subject to **specified conditions** being met—for example, a direct relationship (see Slides 22–24).

Recognition—existence uncertainty

Is an **enforceable** present right or **enforceable** present obligation
more likely than not to **exist**?



Existence uncertainty might
arise from uncertainty about:

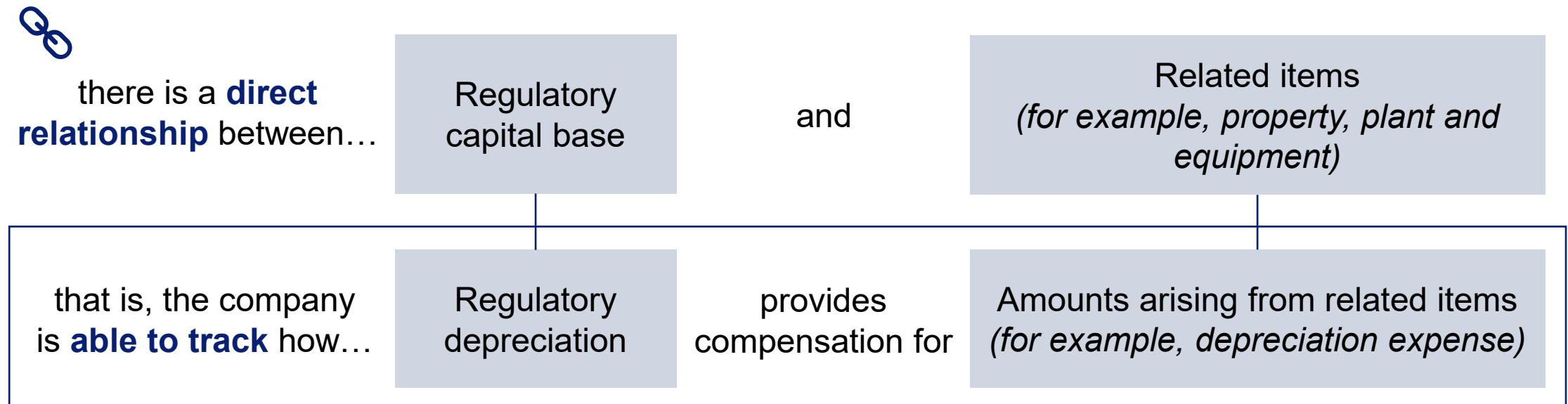
- **Existence**

- **Enforceability**

- Both **existence** and **enforceability**

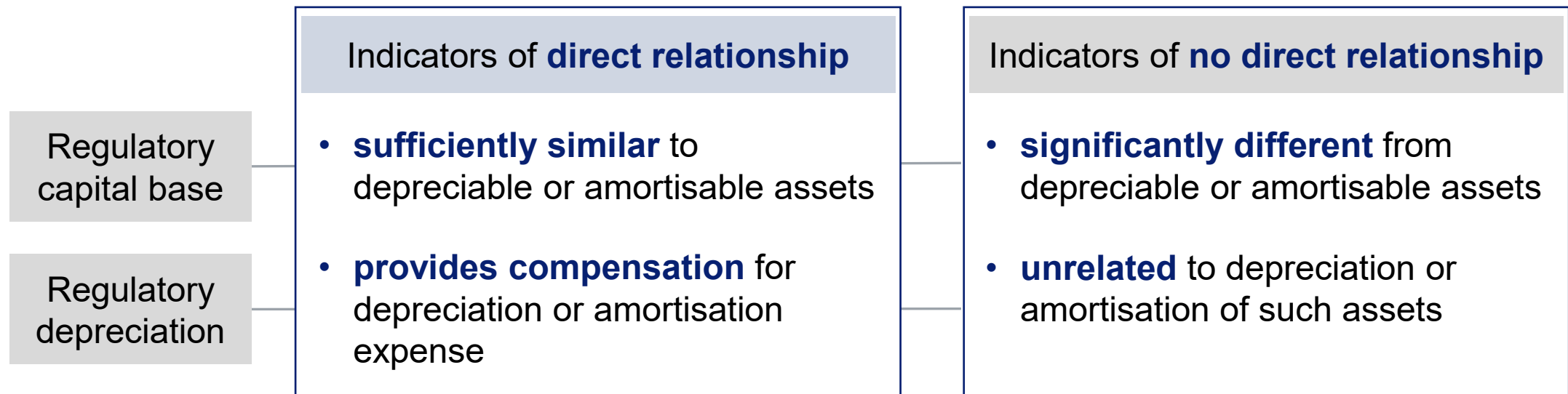
Recognition—the ‘direct relationship’ concept

A company recognises a **regulatory asset** or **regulatory liability** arising from **regulatory depreciation** if...



A company uses its **judgement** and considers **all reasonable and supportable information** that is available without undue cost or effort

Related items—depreciable or amortisable assets



If **neither indicator** is present, a company is **permitted** to presume **no direct relationship**

Related items other than depreciable or amortisable assets

Indicators of **direct relationship**

- a direct relationship with depreciable or amortisable assets
- compensation for amounts arising from a related item—the regulator monitors it separately from the rest of the regulatory capital base

Indicators of **no direct relationship**

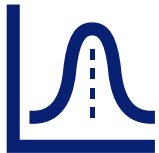
- adjustments to the regulatory capital base or regulatory depreciation—a company is unable to allocate them to a related item

Measurement

Cash-flow-based measurement technique



A company includes an **up-to-date** estimate of all future cash flows arising from the recovery of a regulatory asset or fulfilment of a regulatory liability.



That estimate reflects **uncertainty** about the **amount** or **timing** of future cash flows.



A company **discounts** those cash flows using the **regulatory interest rate**—and updates that rate only if the regulatory agreement changes it.

Regulatory interest rates

The **regulatory interest rate** may be:

- ✓ **specified** by a regulatory agreement—may be nil

- ✓ the **rate of return** applied to the regulatory capital base—for regulatory assets and regulatory liabilities arising from regulatory depreciation

Typically results in an undiscounted amount

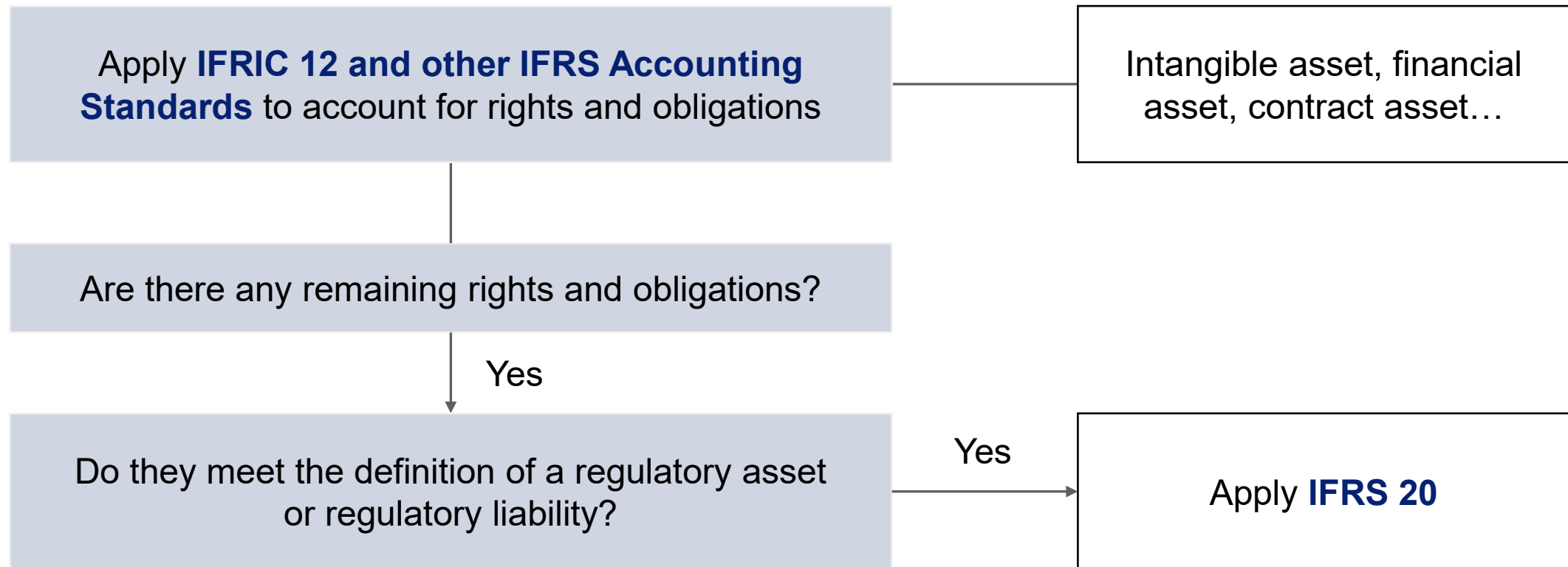
- ✓ **implied** by a regulatory agreement—specific circumstances

Involves discounting calculations

Applying IFRS 20 with IFRIC 12

Service Concession Arrangements

Regulatory agreements in the form of service concession arrangements



Regulatory assets and regulatory liabilities arising from service concession arrangements—examples

Arising separately from regulatory depreciation

Compensation for operation costs recognised in a period is included in **future regulated rates**

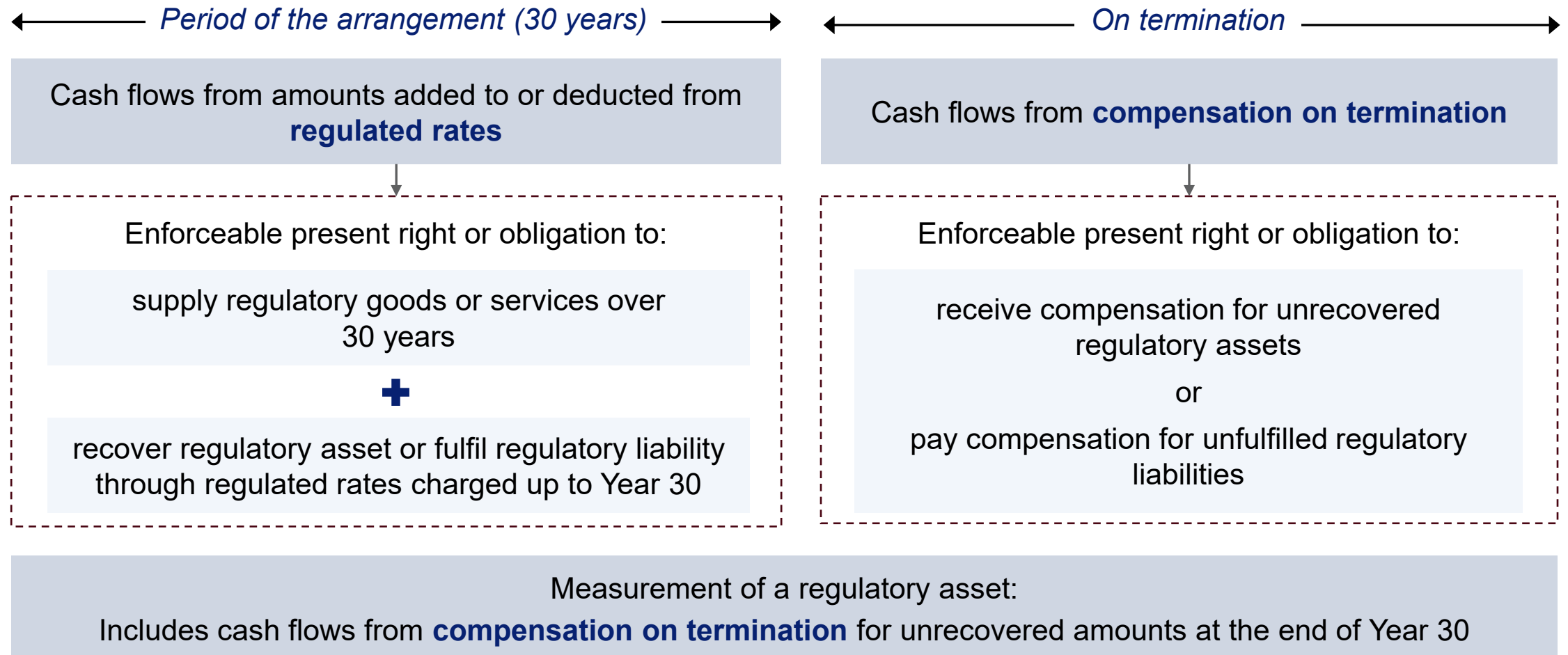
Illustrative Examples 25A and 26 (see Slide [31](#))

Arising from regulatory depreciation

Recovery period of the assets in the regulatory capital base **differs** from **useful life** of the intangible asset

Illustrative Example 24B

IFRIC 12 and the boundary of a regulatory agreement—Illustrative Example 26



Presentation, disclosure and transition

Presentation

Statement of profit or loss*

Regulatory income or regulatory expense

Statement of financial position

Regulatory assets and regulatory liabilities

Statement of profit or loss <i>In CU</i>		Year 1
Revenue from contracts with customers		440
Regulatory income (regulatory expense)		7
Revenue		447
Other operating income		9
Operating expenses		(300)
Operating profit		156
Investment income		19
Profit before financing and income taxes		175
Interest expense		(14)
Profit before income taxes		161
Income tax expense		(32)
Profit		129

* In some cases, regulatory income or regulatory expense is included in other comprehensive income.

Disclosure



Information about **regulatory income**, **regulatory expense**, **regulatory assets** and **regulatory liabilities**

For example:

- Reconciliations
- Maturity analysis
- Unrecognised regulatory assets and unrecognised regulatory liabilities

Reconciliation of regulatory assets In CU	Cost variances	Pension	Total
Opening carrying amount	8	9	17
Profit or loss			
Origination	6	6	12
Recovery	(4)	(2)	(6)
Regulatory interest income	—	1	1
Other comprehensive income (OCI)			
Remeasurement	—	2	2
Changes that do not affect profit or loss or OCI			
Business combination	—	4	4
Closing carrying amount	10	20	30

**Regulatory
income of CU7**



Information about **the relationship between regulatory capital base and related items**

Transition

Retrospective

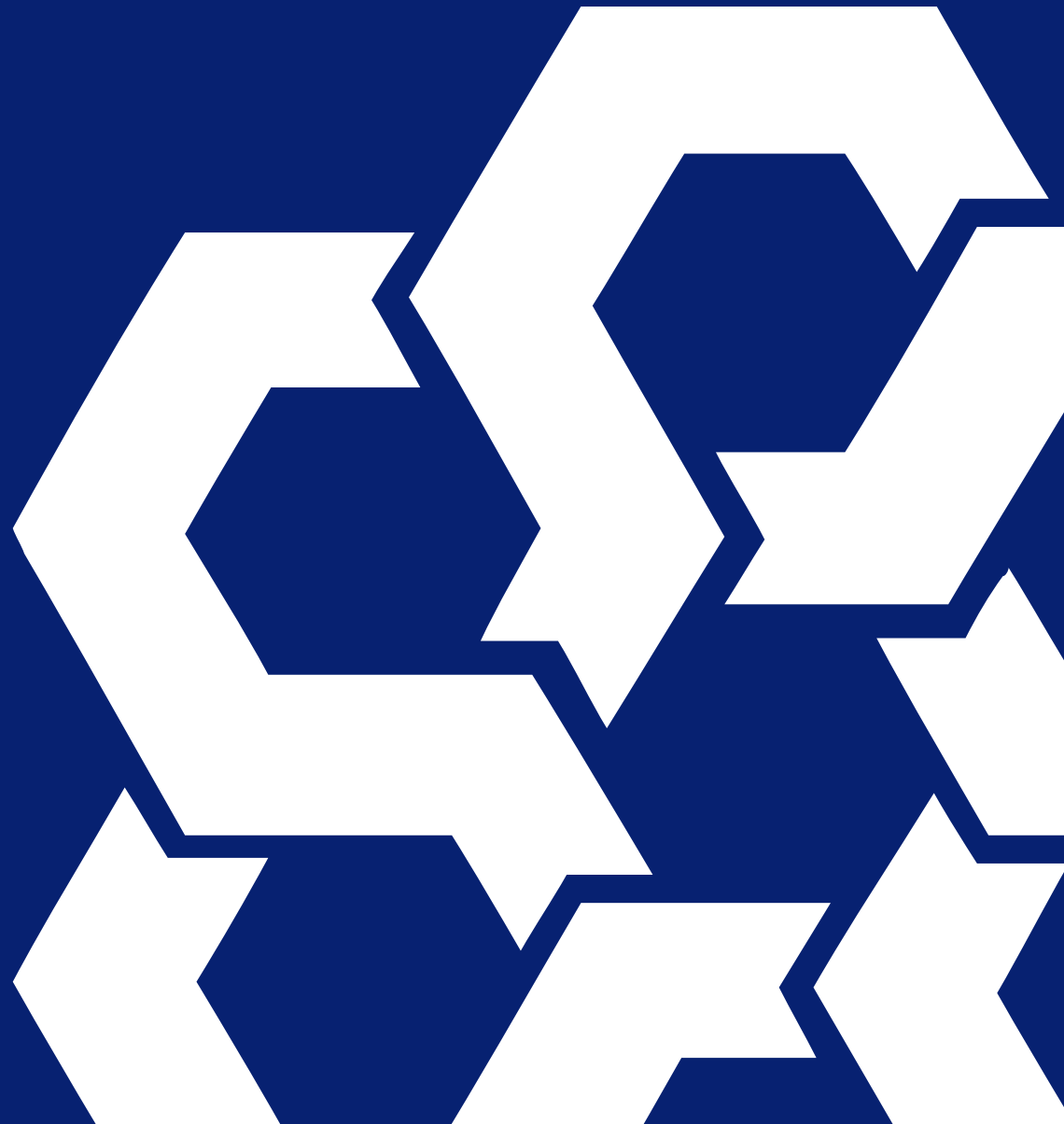
Modified retrospective

Reliefs—for example:
use of hindsight

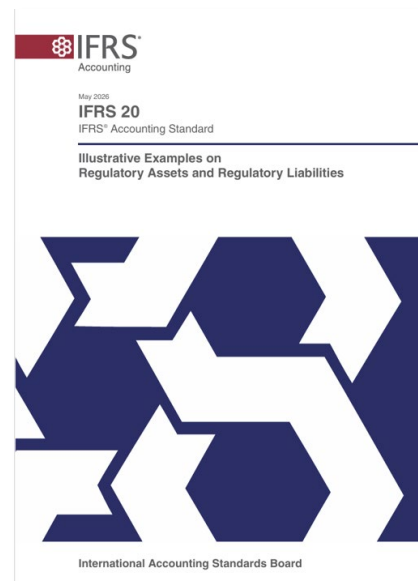
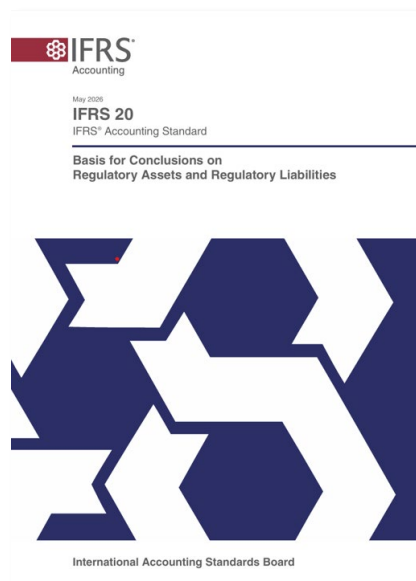
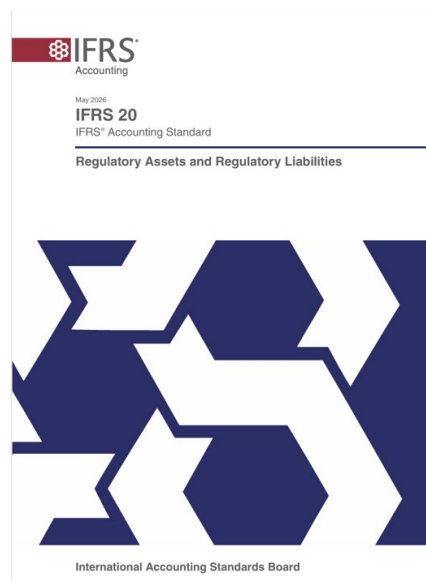
Date of initial application: 1 January 2029

	2028	2027
Adjusted comparative information	✓	Permitted
Disclosures required by IFRS 20	✓	Permitted

Resources



Published materials



At a glance—IFRS 20 *Regulatory Assets and Regulatory Liabilities*

What problem is IFRS 20 solving? ① A gap in financial reporting caused by a lack of information about differences in timing Differences in timing result in: - IFRS 15 revenue recognised in a period - Compensation to which a company is entitled for regulatory goods or services supplied in that period	How does IFRS 20 solve the problem? Objective Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on a company's financial performance and financial position Principle Recognise compensation for regulatory goods or services in the period of supply																
What information does a company provide? Compensation for regulatory goods or services supplied <table border="1"> <tr> <td>IFRS 15 revenue</td> <td>120</td> </tr> <tr> <td>+ Regulatory income</td> <td></td> </tr> <tr> <td>• Origination of regulatory assets</td> <td>• Fulfilment of regulatory liabilities</td> </tr> <tr> <td>- Regulatory expense</td> <td></td> </tr> <tr> <td>• Origination of regulatory liabilities</td> <td>• Recovery of regulatory assets</td> </tr> </table> Regulatory assets and regulatory liabilities A right to add amounts to, or an obligation to deduct amounts from, future regulated rates. That right or obligation arises from differences in timing.	IFRS 15 revenue	120	+ Regulatory income		• Origination of regulatory assets	• Fulfilment of regulatory liabilities	- Regulatory expense		• Origination of regulatory liabilities	• Recovery of regulatory assets	How does the company provide the information? Recognition • A regulatory asset or regulatory liability exists or is more likely than not to exist Measurement • Updated future cash flows • Discounted using regulatory interest rate Presentation Statement of profit or loss In CUP: Year 1 <table border="1"> <tr> <td>IFRS 15 revenue</td> <td>120</td> </tr> <tr> <td>Regulatory income (regulatory expense)</td> <td>70</td> </tr> <tr> <td>Revenue</td> <td>190</td> </tr> </table> Statement of financial position • Current and non-current regulatory assets • Current and non-current regulatory liabilities Disclosure • Reconciliations • Maturity analysis • Unrecognised regulatory assets and unrecognised regulatory liabilities	IFRS 15 revenue	120	Regulatory income (regulatory expense)	70	Revenue	190
IFRS 15 revenue	120																
+ Regulatory income																	
• Origination of regulatory assets	• Fulfilment of regulatory liabilities																
- Regulatory expense																	
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IFRS 15 revenue	120																
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Revenue	190																

1. Recognition of some regulatory assets and regulatory liabilities is subject to specified conditions being met.
2. Monetary amounts are denominated in monetary units (CU).

IFRS Accounting



Implementation support activities



Conferences

- IFRS Foundation Conferences
- World Standard-setters Conferences



Outreach events

- Targeted outreach events with stakeholders including:
 - national standard-setters
 - accounting firms



Webcasts

- Focused on specific aspects of the Standard

Follow our implementation support activities at [IFRS - IFRS 20 supporting material](#).

Summary

To summarise



Problem

Investors are unable to understand the **effects** of **differences in timing** on a company's **financial performance** and **financial position**.



Objective

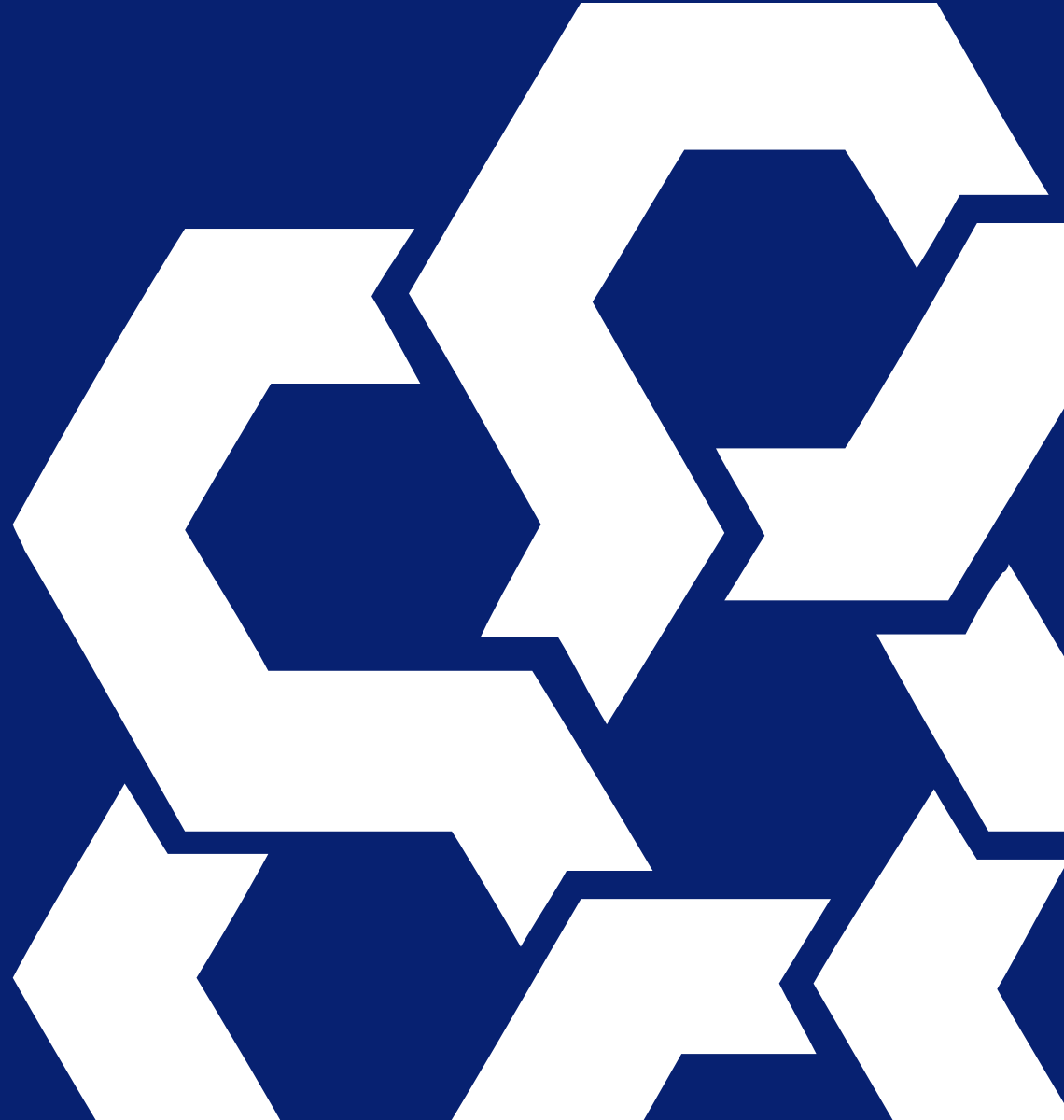
Provide **information** about the **effects** of **regulatory income**, **regulatory expense**, **regulatory assets** and **regulatory liabilities** on a company's **financial performance** and **financial position**.



Principle

Reflect **compensation** for **regulatory goods or services** supplied in a **reporting period** in a company's **financial performance** for that period.

Q&A

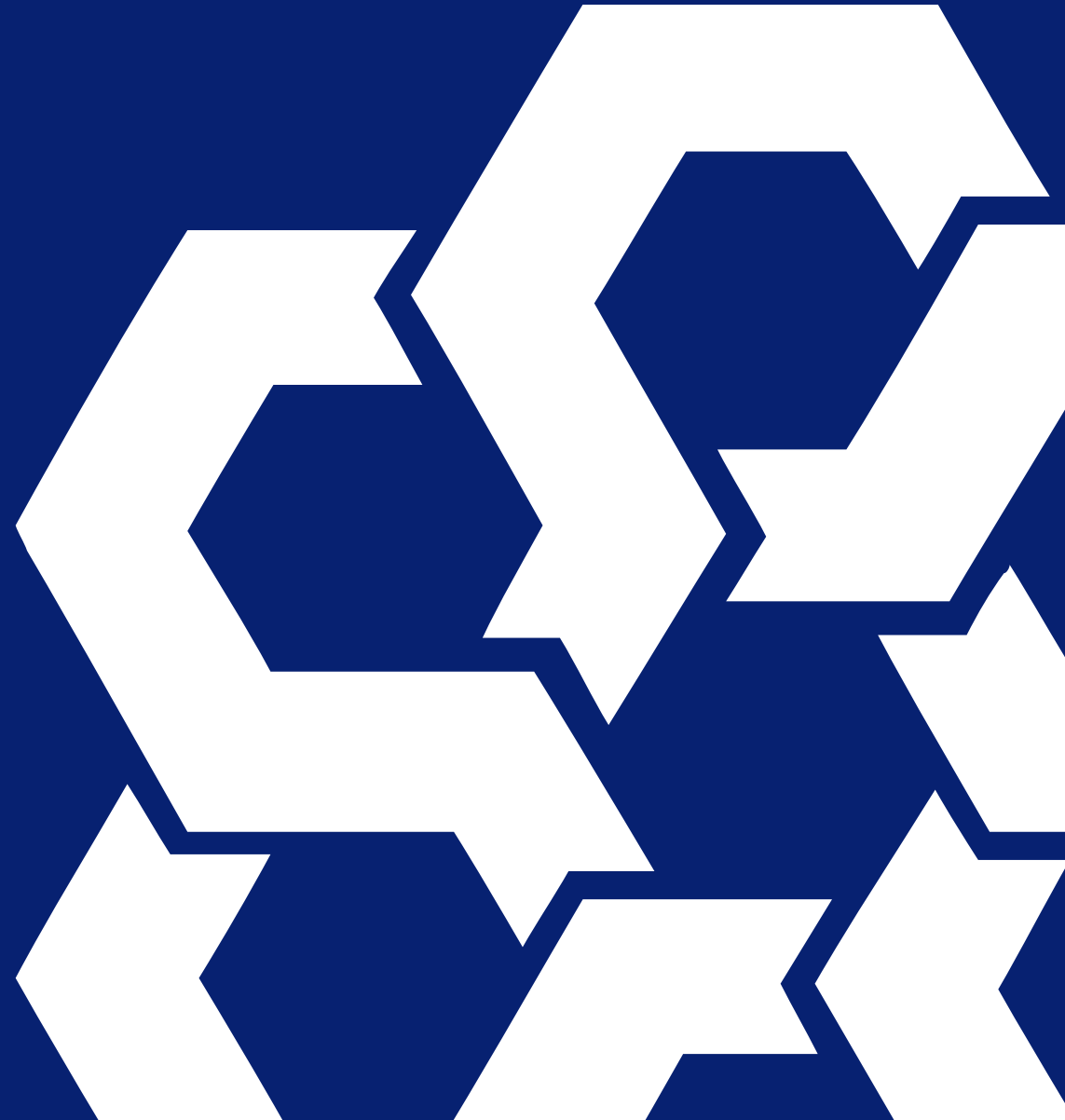


Implementation

Implementation

- What challenges are you observing in implementing and endorsing IFRS 20 in your jurisdiction?
 - Perspectives from Argentina and Brazil
- How can the IFRS Foundation support your jurisdiction in implementing IFRS 20?

Appendix—total allowed compensation



When does compensation form part of total allowed compensation?

Compensation or deductions for:



allowable expenses or
chargeable income



performance incentives



under-recovery or over-recovery
of allowed revenue*

In the reporting period in which...

...the **expense** or **income** is **recognised**.

...a company's **performance occurs**.

...the **allowed revenue** is **under-recovered** or
over-recovered.

* Allowed revenue is compensation that a regulatory agreement entitles a company to charge customers through regulated rates in a period.

When does compensation form part of total allowed compensation? (continued)

Other types of compensation:

In the reporting period in which...



Regulatory returns

...a **rate of return** is **applied** to a regulatory capital base
(*except in specific circumstances*).



Compensation for inflation*

...the **inflation arises**.

* Compensation is provided separately from regulatory depreciation of a regulatory capital base.

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