
Introducing IFRS 20 *Regulatory Assets and Regulatory Liabilities*

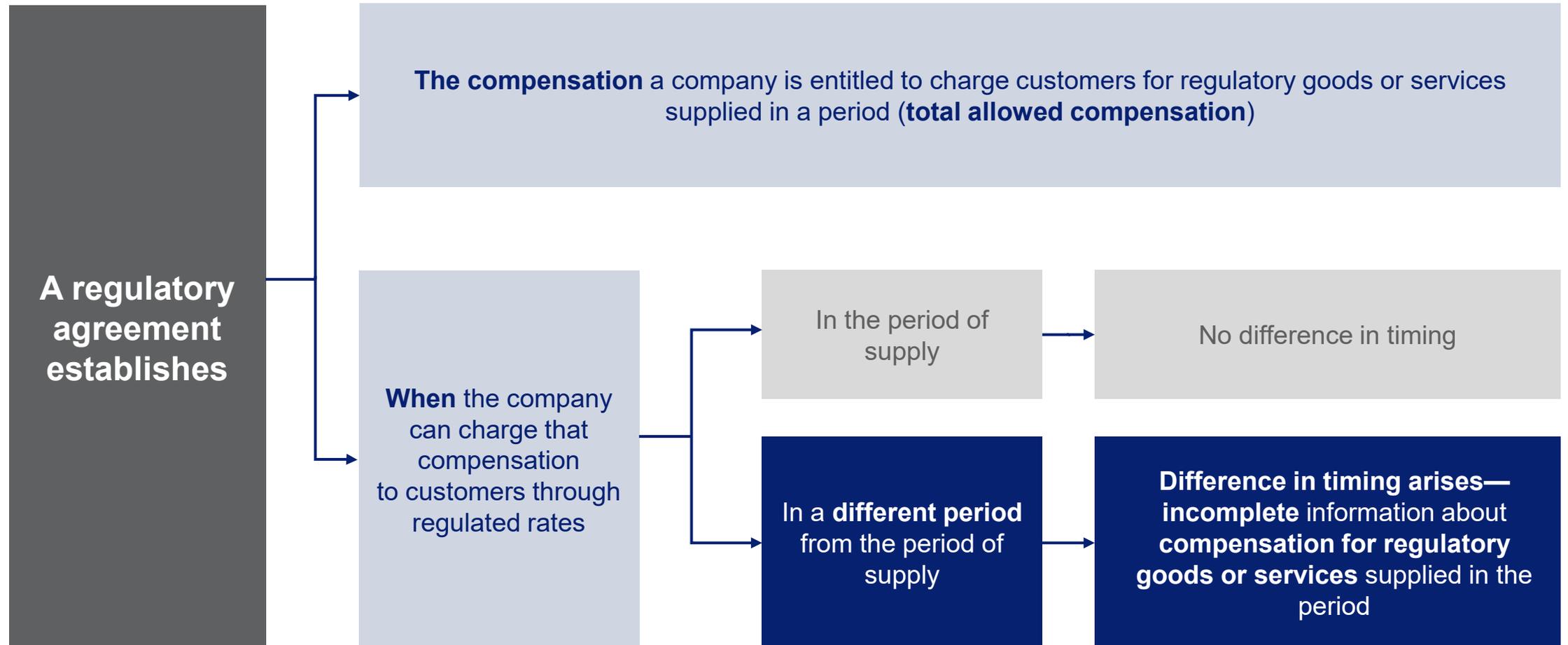
This presentation is not part of IFRS Standards and does not add to or otherwise change the requirements in the Standards. It was developed to aid stakeholders' understanding of our Standards. Views expressed in the presentation do not necessarily reflect those of the International Accounting Standards Board, the International Sustainability Standards Board or the IFRS Foundation. The presentation should not be relied upon as professional or investment advice. Official pronouncements of the IASB are available in electronic format to subscribers of IFRS.org. All IFRS publications can be ordered from the IFRS Foundation's website at www.ifrs.org. Copyright © 2026 IFRS Foundation. All rights reserved.

IFRS 20 *Regulatory Assets and Regulatory Liabilities*



- **Expected publication date:** Q2 2026
- **Effective date:** 1 January 2029
- Early application permitted
- IFRS 20 will replace IFRS 14 *Regulatory Deferral Accounts*

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



The problem illustrated through an example

Statement of profit or loss <i>In CU*</i>	Year 1	Year 2
IFRS 15 revenue	100	120
Input costs	(120)	(100)
Profit (loss)	(20)	20

IFRS 15 revenue in Year 2 includes compensation for the under-recovered input costs of CU20 in Year 1

Investors might conclude that Company A underperformed in Year 1 and overperformed in Year 2.

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

The solution—accounting for differences in timing

Statement of profit or loss <i>In CU</i>	Year 1	Year 2
IFRS 15 revenue	100	120
Regulatory income (regulatory expense)	20	(20)
Input costs	(120)	(100)
Profit (loss)	—	—

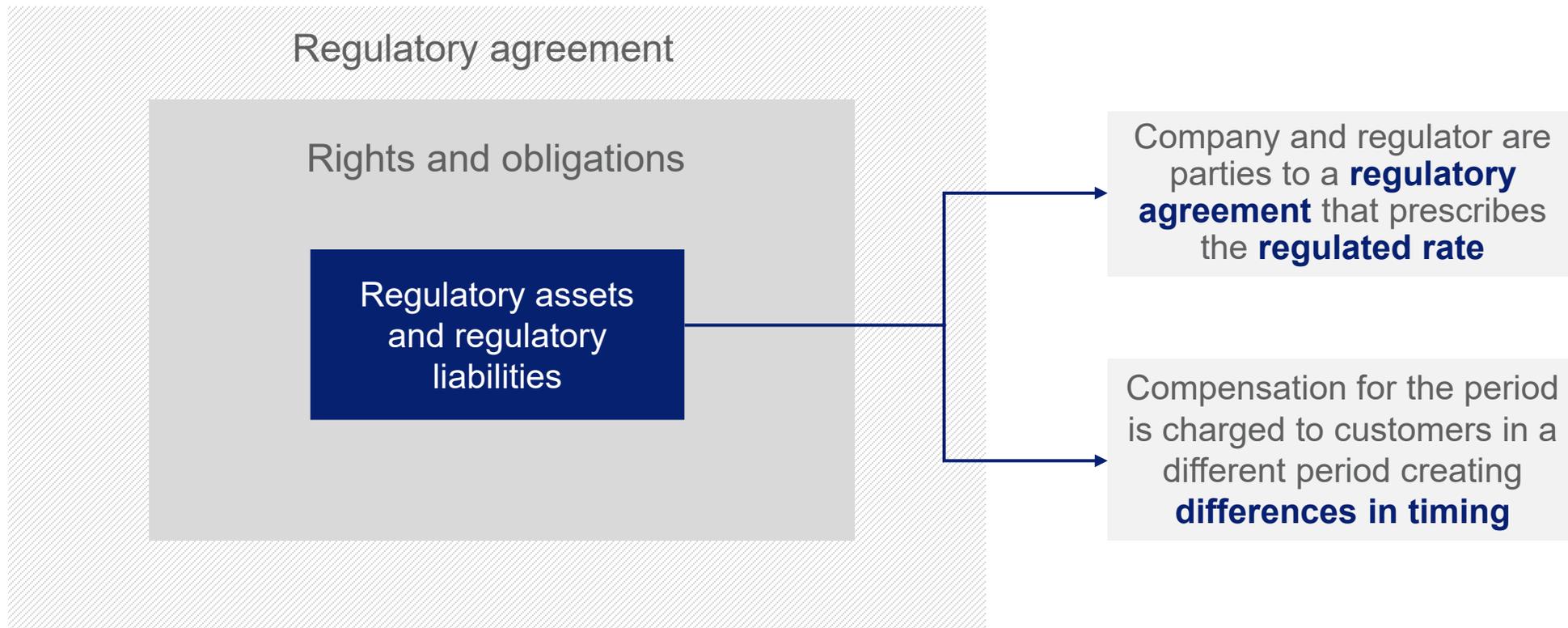
Statement of financial position <i>In CU</i>	Year 1	Year 2
Regulatory asset	20	—

- Regulatory asset of CU20 in Year 1
- Regulatory asset of CU20 derecognised in Year 2

IFRS 15 revenue and regulatory income or regulatory expense reflect the company's total allowed compensation for regulatory goods or services supplied in a period.

Which companies will IFRS 20 apply to?

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



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

Regulatory goods or services

Regulatory agreement

Regulatory goods or services include:

- *maintaining the network;*
- *upgrading the network capacity;*
- *supplying goods or services to customers;*
- *reducing pollutant emissions;*
- *.....*

IFRS 15 *Revenue from Contracts with Customers*



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.

Recognition



A company will recognise all regulatory assets and all regulatory liabilities **existing** at the end of the reporting period.



If there is **existence uncertainty** a company will recognise 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.

Measurement—cash-flow-based technique

Initial measurement

- **Include all estimated future cash flows** arising from a regulatory asset or regulatory liability.
- **Discount estimated future cash flows** using the regulatory interest rate.

Subsequent measurement

- **Update estimates of future cash flows.**
- **Continue using the regulatory interest rate as the discount rate,** unless the regulatory agreement changes the regulatory interest rate.

Presentation and disclosure

<p>Statement of profit or loss</p>	<p>Regulatory income or regulatory expense*</p>	<table border="0" style="width: 100%;"> <tr> <td colspan="2">Statement of profit or loss</td> <td style="text-align: right;">Year 1</td> </tr> <tr> <td colspan="2"><i>In CU</i></td> <td></td> </tr> <tr> <td>Revenue from contracts with customers</td> <td></td> <td style="text-align: right;">440</td> </tr> <tr> <td>Regulatory income (regulatory expense)</td> <td></td> <td style="text-align: right;">7</td> </tr> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">447</td> </tr> <tr> <td>Other operating income</td> <td></td> <td style="text-align: right;">9</td> </tr> <tr> <td>Operating expense</td> <td></td> <td style="text-align: right;">(300)</td> </tr> <tr> <td>Operating profit</td> <td></td> <td style="text-align: right;">156</td> </tr> <tr> <td>Investment income</td> <td></td> <td style="text-align: right;">19</td> </tr> <tr> <td>Profit before financing and income taxes</td> <td></td> <td style="text-align: right;">175</td> </tr> <tr> <td>Interest expense</td> <td></td> <td style="text-align: right;">(14)</td> </tr> <tr> <td>Profit before income taxes</td> <td></td> <td style="text-align: right;">161</td> </tr> <tr> <td>Income tax expense</td> <td></td> <td style="text-align: right;">(32)</td> </tr> <tr> <td>Profit</td> <td></td> <td style="text-align: right;">129</td> </tr> </table>	Statement of profit or loss		Year 1	<i>In CU</i>			Revenue from contracts with customers		440	Regulatory income (regulatory expense)		7	Revenue		447	Other operating income		9	Operating expense		(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
Statement of profit or loss		Year 1																																										
<i>In CU</i>																																												
Revenue from contracts with customers		440																																										
Regulatory income (regulatory expense)		7																																										
Revenue		447																																										
Other operating income		9																																										
Operating expense		(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																																										
<p>Statement of financial position</p>	<p>Regulatory assets and regulatory liabilities</p>																																											
<p>Disclose</p>	<p>Further information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities</p>																																											

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

To summarise

Problem

Without information about differences in timing, **investors** have **insufficient information** to understand completely a company's financial performance and financial position—and hence, the company's prospects for **future cash flows**.

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 period in a company's **financial performance** for that **period**.

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)