

International Accounting Standards Board
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- **Your Ref: Comment letter on Exposure Draft ED/2013/5**
- **Regulatory Deferral Accounts**

Dear Sir.

Thank you very much for giving us the opportunity to comment on your exposure draft ED/2013/5 on Regulatory Deferral Accounts. You have received several requests for guidance on whether rate-regulated entities can or should recognise, in their IFRS financial statements, a regulatory deferral or variance account debit balance or credit balance as a result of price or rate regulation by regulatory bodies or governments. After consideration, you are proposing this interim standard, which allows entities that adopt IFRS for the first time, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP¹, to continue to do so. This would allow such entities to avoid making major changes in accounting policy on transition to IFRS before guidance is developed under the comprehensive project.

I do not support your proposals. I can see no conceptual reason for the proposed reliefs. They would reduce comparability between entities that choose to apply the proposals and those that do not, and they would reduce comparability between entities that choose to apply the proposals and entities that already apply IFRS. I also believe that it is counterproductive that entities that have chosen to apply IFRS, and believe that IFRS represents a single set of high quality, understandable, enforceable and globally accepted standards should be penalised over entities that have not chosen to apply IFRS, who are effectively being rewarded for delaying adoption. This sends a wrong signal to our partners and the wider financial community.

¹ Defined in IFRS 1 Appendix A as the basis of accounting that a first-time adopter used immediately before adopting IFRSs.

Please note that the comments expressed herein are solely my personal views

I support the alternative views of Messrs Edelman, Gomes and Zhang regarding comparability, uncertainty and lack of consistency with the Conceptual Framework. A short-cut approach to this difficult issue is not the way to go.

Yours faithfully

C.R. Barnard

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