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Project	<b><i>Rate-regulated Activities</i></b>
Topic	<b>Sweep Issue: Future actions and timeline</b>

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1. The Board is divided on whether to develop a standard to amend IFRSs to permit or require the recognition of regulatory assets and liabilities and if so, how to measure those regulatory assets and liabilities. The issues raised by this project relate to broader concerns on the accounting for intangible assets and decisions reached on this project may have broader implications than originally anticipated. This agenda paper provides information on the future actions and timeline of the *Rate-regulated Activities* (RRA) project as requested by the Board at its meeting on 20 July 2010. The staff believes there are four potential paths for consideration by the Board. Each path is explained in more detail below. Additionally, the staff notes that [Paper 11H](#) provides additional background information and analysis on the requests for interim guidance received.

#### ***Fast track finalisation of comprehensive project***

2. Fast track finalisation of this comprehensive project with the goal of issuing a final standard in 2010 using the existing exposure draft, comments received on the exposure draft and the staff research and analysis to date. Given that most of the MoU projects have comment letter periods that end after October, the Board may be able to significantly progress all issues on this project at its September and October meetings. This could result in a finalised standard that amends current IFRSs and:
  - (a) requires the recognition of regulatory assets and liabilities, or
  - (b) requires disclosures of the impacts of regulations (and confirms that the recognition of regulatory assets and liabilities is not appropriate in IFRSs) that could permit the use of an entity's previous GAAP for the accounting for regulatory assets and liabilities.

#### ***Issue of an interim standard***

3. Deliberation, publication of an exposure draft, redeliberation of comments received and finalisation of an interim standard (potentially similar to IFRS 6). This could
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This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

provide an answer (eg continuation of previous GAAP that requires the recognition of regulatory assets and liabilities) broadly consistent with the North American utility industry comment letters received on the ED. The Board would need to consider how current users of IFRSs would transition onto this interim standard. For example, would German entities be permitted or required to apply the 2004 German GAAP in their IFRS financial statements from the effective date of this interim standard?

4. The key issue of whether regulatory assets and liabilities exist in accordance with the *Framework* and whether they are consistent with current IFRSs would still need to be answered as part of the development of an IFRS to replace the interim standard. This route acknowledges that regulatory assets and liabilities will be introduced into and recognised within IFRS financial statements for the first time.
5. The staff has had discussions on the introduction of a ‘sunset date’ limiting the time period of this amendment; however, the staff notes this concept was initially considered in the deliberations on IFRS 4 with the Board unable to reach agreement.

***Issue an amendment to IFRS 1***

6. Deliberation, publication of an exposure draft, redeliberation of comments received and finalisation of an amendment to IFRS 1. In the staff’s opinion, this treatment is similar to the issue of an interim standard and the same benefits and shortcomings should be considered by the Board. However, this approach would be restricted to first-time adopters and would necessarily create diversity of the accounting treatment between first-time adopters and existing IFRS users that are precluded from applying a historical GAAP when preparing their IFRS financial statements.

***Continuation with the current comprehensive plan***

7. Continuation of the current research, analysis and deliberations on this project as time and resources permit acknowledging the existing guidance and current practice that has developed in the 110+ countries that apply IFRSs.

***Question for the Board***

**Question – Future actions and timeline**

What next steps does the Board request the staff to take?