

PRESS RELEASE

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## IASB issues proposals on rate regulation

**The International Accounting Standards Board (IASB) today published for public comment the Exposure Draft *Regulatory Deferral Accounts* as part of its reactivated Rate-regulated Activities research project.**

Many jurisdictions applying International Financial Reporting Standards (IFRS) have industry sectors that are subject to rate regulation, such as the transportation and the utilities sectors. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. Existing IFRS does not provide any specific guidance for rate regulated activities.

In response to feedback from its agenda consultation, the IASB has initiated a project to consider whether the IASB should develop specific guidance for Rate-regulated Activities and, if so, what information about the consequences of rate regulation would be most useful for users of financial statements. At this stage, the IASB is proposing an interim Standard that would allow entities to preserve the existing accounting policies that they have in place for rate-regulated activities with some modifications designed to enhance comparability. The proposals are [open for comment](#) until 4 September 2013.

Commenting on the publication of the Exposure Draft, Ian Mackintosh, Vice-Chairman of the IASB said:

“This is an important project for the many jurisdictions with large rate-regulated entities. Completing the project will take some time, due to the many different rate-regulatory models in use around the world. Consequently, we are proposing some interim measures to enhance the comparability of financial reporting by entities with rate-regulated activities until guidance is developed through the IASB's comprehensive Rate-regulated Activities project.”

**End**

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### **About the International Accounting Standards Board**

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting Standards that provide high quality, transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 16 full-time members drawn from 11 countries and a variety of professional backgrounds. Board members are appointed by, and accountable to, the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.

### **About Rate Regulation**

Rate regulation is a restriction in the setting of prices that can be charged to customers for services or products. Generally, it is imposed by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power.

The objective of the Rate-regulated Activities research project is to develop a Discussion Paper to consider whether rate regulation creates assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for, and whether (or how) IFRS should consequently be amended.

Rate regulation is widespread and significantly affects the economic environment of rate-regulated entities. Some national GAAP provides specific guidance on this matter, but there is no equivalent guidance in IFRS. Deciding whether and, if so, how IFRS should be amended to recognise the consequences of rate regulation is therefore important.