



Project:	Rate-regulated Activities	Meeting:	AASB June 2021 (M181)
Topic:	<i>ED 307 Regulatory Assets and Regulatory Liabilities</i>	Agenda Item:	8.1
Contact(s):	Tom Liassis tliassis@asb.gov.au	Date of agenda paper	7 June 2021
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		Decision-Making:	Medium
		Project Status:	Consider issues for submission

Objective of this agenda item

- The objective of this agenda item is:
 - to **inform** the Board about AASB Exposure Draft [ED 307 Regulatory Assets and Regulatory Liabilities](#), including a summary of feedback received to date; and
 - for the Board to **decide** whether or not to submit a comment letter to the IASB on Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*.

Attachments

- Agenda Paper 8.2 AASB Exposure Draft ED 307 *Regulatory Assets and Regulatory Liabilities* [\[supporting documents folder\]](#)
- Agenda Paper 8.3 Basis for Conclusions – IASB ED/2021/1 *Regulatory Assets and Regulatory Liabilities* [\[supporting documents folder\]](#)
- Agenda Paper 8.4 Illustrative Examples – IASB ED/2021/1 [\[supporting documents folder\]](#)

Why the Board should consider this agenda item

- The Board decided at the February 2021 meeting to provide comments to the IASB on this Exposure Draft, subject to feedback received from stakeholders. The Board should now consider the feedback received and the issues raised to decide whether to provide a submission to the IASB and, if so, the key views to present. The due date for submissions to the IASB is 30 July 2021 – the original deadline of 30 June (as shown in ED 307) was changed by the IASB following requests for additional time to comment.

Structure

- This paper is structured as follows:
 - Background (from paragraph 4);
 - Feedback received from stakeholders (from paragraph 21); and
 - Next steps (from paragraph 40).

Background

- 4 With many countries adopting IFRS Standards in 2005, the International Financial Reporting Interpretations Committee (IFRIC) received requests to clarify whether entities could or should recognise regulatory balances resulting from rate regulation in financial statements prepared under IFRS Standards. The IFRIC noted that some national accounting standards permitted or required entities to recognise such balances as assets and liabilities in some circumstances and concluded that an entity should recognise only assets that qualified for recognition in accordance with the IASB's *Framework for the Preparation and Presentation of Financial Statements* and with relevant IFRS Standards. As a consequence of that conclusion, many entities stopped recognising regulatory balances as assets or liabilities in their IFRS financial statements. Rate regulation accounting did not feature in Australian accounting at that time and was not addressed in our pre-IFRS Standards.
- 5 In 2009, the IASB published an Exposure Draft *Rate-regulated Activities* (incorporated in AASB ED 185), which proposed that entities should recognise regulatory balances arising from one type of rate regulation. After considering constituents' views, the AASB made a submission to the IASB strongly opposing the proposals and instead expressing support for the dissenting views in the ED. Due to the diversity in views, the IASB suspended the project.
- 6 In response to the 2011 Agenda Consultation, in September 2012 the IASB started a revised Rate-regulated Activities project, as well as revising the *Conceptual Framework for Financial Reporting* (Conceptual Framework) which was finalised in 2018 (the AASB's [Australian equivalent CF](#) was finalised in May 2019).
- 7 In addition, the IASB also decided to start a separate project in December 2012 to develop an interim IFRS Standard for use until it completes the Rate-regulated Activities project. In January 2014, the IASB issued IFRS 14 *Regulatory Deferral Accounts* ([AASB 14 Regulatory Deferral Accounts](#)). This Standard allows a first-time adopter within its scope to continue to apply its national GAAP to account for its regulatory deferral account balances in financial statements prepared using IFRS Standards, subject to some changes to the presentation of those balances. This required the very small number of Australian entities applying rate regulation accounting at the time to derecognise those balances, since that accounting had not been a feature of Australian GAAP (and they were no longer first-time adopters).
- 8 In September 2014, the IASB published a Discussion Paper DP/2014/2 *Reporting the Financial Effects of Rate Regulation* (incorporated by the AASB in its [ITC 32](#)) which described the common features of various types of rate regulation and possible accounting approaches for "defined rate regulation". The AASB received six comment letters on ITC 32. After considering the views of constituents, the AASB made a [submission to the IASB](#) on DP/2014/2, stating in particular the AASB's views that:
- (a) regulatory deferral accounts as described in DP/2014/2 do not meet the definitions of assets and liabilities in the Conceptual Framework;
 - (b) some specific disclosures in financial statements regarding rate regulation might be appropriate; and
 - (c) should the IASB choose to develop recognition and measurement requirements for rate regulation, the scope of the IFRS should be as narrow as possible, with application by analogy prohibited.
- 9 In January 2021, the IASB issued ED/2021/1 *Regulatory Assets and Regulatory Liabilities* (incorporated in AASB [ED 307](#) in February 2021 – agenda paper 8.2), which proposes to require entities subject to rate regulation to give investors better information about their financial performance based on timing differences between the recognition of revenue and the receipt of the "total allowed compensation" for the supply of the regulated goods or services. The proposals would require entities to report regulatory assets and regulatory

liabilities in the statement of financial position and related regulatory income and regulatory expense in profit or loss.

- 10 Staff outreach indicates that the form of rate regulation set out in ED 307 appears to be relevant in Australia only to entities in certain sectors of the energy and water industries. The proposals are expected to be relevant to only a small number of private sector and public sector entities.

Rate regulation in the energy industry

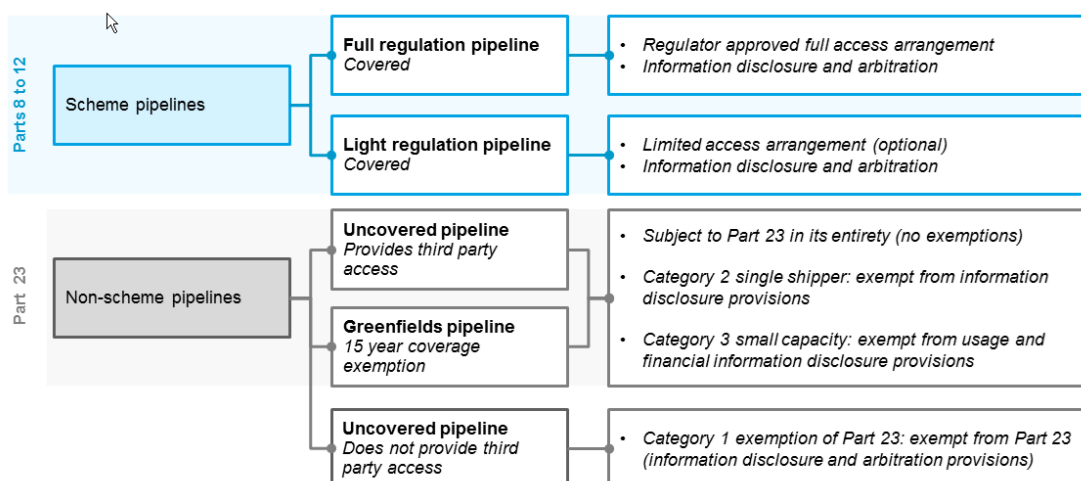
- 11 The [Australian Energy Regulator](#) (AER) is the independent regulator for Australia's national energy market. The function of the AER includes regulating electricity networks and covered gas pipelines in all jurisdictions, except Western Australia. The AER enforces the laws for the National Electricity Market (NEM) and spot gas markets in southern and eastern Australia.
- 12 Energy rules are made by the Australian Energy Market Commission (AEMC) under the [national energy laws](#) and are designed to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers with respect to price, quality, safety, reliability and security of supply. The energy rules govern the economic regulation of electricity transmission and distribution networks and gas pipelines, so that consumers do not pay more than necessary for their energy.
- 13 The AER applies incentive regulation across all energy networks they regulate, where revenue or prices are capped prior to the beginning of the regulatory period. Regulated entities therefore know that if it can reduce costs below the cap it can retain the savings for the remainder of that regulatory period. Conversely, if its costs exceed the forecast, it must carry the difference itself until the end of the regulatory period.

Electricity industry

- 14 The electricity industry comprises four major segments: generation, transmission, distribution and retail. The proposals in ED 307 appear to be relevant only to the transmission and distribution segments as the National Electricity Rules (NER) governing the economic regulation frameworks for the electricity sector enable the AER to set the maximum revenues that electricity network businesses (transmission and distribution) can charge for the services they provide ([Chapters 6 and 6A](#)). Prices are usually set every five years for each year covered. Section 6.18.2(b)(6) of the NER requires a distribution network service provider to set out in its regulatory pricing proposals how designated pricing proposal charges are to be passed on to customers and any adjustments to tariffs resulting from over- or under-recovery of those charges in the previous regulatory year.

Gas industry

- 15 The National Gas Law (NGL) and National Gas Rules (NGR) provide a framework for the regulation of gas pipeline services. There are two frameworks: one framework for 'scheme pipelines' is set out in Parts 8 to 12 of the NGR; the second for 'non-scheme' pipelines in Part 23 of the NGR. (See diagram on the next page)
- 16 The proposals in ED 307 appear to be relevant only to full regulation pipelines. Under the NGR, operators of pipelines in this category are required to submit a 'full access arrangement' to the regulator for approval. An access arrangement is a document that sets out the pipeline services and the terms and conditions of those services. A proposed access arrangement is assessed by the regulator through a multi-stage public consultation process. The NGR set out various criteria for the regulator, including that the prices reflect the costs that would be incurred by an efficient and prudent pipeline operator.



- 17 The outcome of the regulatory decision-making process is an approved full access arrangement that sets out key pipeline services (called reference services), the prices (reference tariffs) for those services and the non-price terms and conditions for those services. While a potential user may wish to contract for a specified reference service, it may also negotiate for another service from the pipeline operator.

Rate regulation in the water industry

- 18 Unlike the energy industry, the water industry in Australia is understood to be regulated on a State/Territory basis rather than a national basis. For example, the Essential Services Commission (ESC) role in Victoria includes regulating prices, service standards and market conduct across the Victorian water industry. Under the ESC's PREMO water pricing framework, which is based on an incentive mechanism, outperformance or underperformance against the business's specified outcomes will be taken into account at the end of the five-year regulatory period and will feed into the 'Performance' PREMO element rating for the next period.
- 19 Similarly, in New South Wales, the Independent Pricing and Regulatory Tribunal (IPART) sets prices for water to reflect the efficient cost of providing services and ensure fair prices for customers. IPART's pricing review includes a demand volatility adjustment mechanism, which provides an adjustment to the utility's revenue requirement to address any over- or under-recovery of revenue over the four-year determination period due to material variations.
- 20 The proposals in ED 307 may or may not be relevant to water authorities in Australia, depending on the State/Territory regulation under which they operate and whether any revenue/total allowed compensation timing differences may arise as a result.

Feedback received from stakeholders

- 21 The AASB has not received any submissions on ED 307 to the date of this agenda paper. However, staff undertook various outreach activities to obtain feedback from stakeholders, which included eleven preparers/auditors, four regulators/professional bodies, one standard-setter and the AASB's User Advisory Committee (UAC). Some additional stakeholders contacted by staff have not responded. We are aware that a number of stakeholders are developing submissions to the IASB. Staff have also participated in IASB webinars on the ED.
- 22 This section of the agenda paper presents the specific Questions for respondents as set out in the IASB's ED, each followed by a table that summarises the feedback received by staff and a brief staff analysis and recommendation. Each table concludes with the question to Board members as to whether they agree with the staff recommendation. This will provide the directions to staff for drafting a submission to the IASB.

23 A short description of the proposals or context for each group of questions is provided with the questions in the ED. These are presented in the Invitation to Comment section, starting on page 6 of the ED. This agenda paper does not seek to summarise or explain the proposals in the ED other than presenting the major proposals in the brief staff analyses.

ED Question 1 – Objective and scope

- 24 Question 1 appears on page 7 of the ED.
- (a) Do you agree with the objective of the Exposure Draft? Why or why not?
 - (b) Do you agree with the proposed scope of the Exposure Draft? Why or why not? If not, what scope do you suggest and why?
 - (c) Do you agree that the proposals in the Exposure Draft are clear enough to enable an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities? If not, what additional requirements do you recommend and why?
 - (d) Do you agree that the requirements proposed in the Exposure Draft should apply to all regulatory agreements and not only to those that have a particular legal form or those enforced by a regulator with particular attributes? Why or why not? If not, how and why should the Board specify what form a regulatory agreement should have, and how and why should it define a regulator?
 - (e) Have you identified any situations in which the proposed requirements would affect activities that you do not view as subject to rate regulation? If so, please describe the situations, state whether you have any concerns about those effects and explain what your concerns are.
 - (f) Do you agree that an entity should not recognise any assets or liabilities created by a regulatory agreement other than regulatory assets and regulatory liabilities and other assets and liabilities, if any, that are already required or permitted to be recognised by IFRS Standards?

ED Question 1 – Objective and scope	
Feedback	Staff analysis and recommendation
<p>The majority of feedback generally supported the proposals on the basis that they will establish robust and consistent reporting requirements to provide more accurate, useful and comparable information in general purpose financial statements. It was also suggested that the proposals could be supported as they are analogous to requirements in some other Standards, such as AASB 112 <i>Income Taxes</i>.</p> <p>Some stakeholders questioned whether the proposals would be beneficial to users and whether the accounting outcomes would be material for some entities.</p> <p>One stakeholder suggested reviewing the definition of “regulatory</p>	<p><i>Staff analysis</i></p> <p>Paragraph BC21 of the ED states that gaining an understanding of the relationship between revenues and expenses is more difficult for an entity with regulatory assets or regulatory liabilities because the information provided by applying current IFRS Standards is incomplete.</p> <p>The ED defines a regulatory agreement as ‘a set of enforceable rights and obligations that determine a regulated rate to be applied in contracts with customers’, which could include contractual licensing agreements, service concession arrangements or rights and obligations specified by statute, legislation or regulation (para. 8). An entity’s regulatory agreements can affect their revenue, profit and cash flows by:</p> <ul style="list-style-type: none"> • determining total allowed compensation for goods or services supplied in a period; and

ED Question 1 – Objective and scope		
Feedback	Staff analysis and recommendation	
<p>agreement” to reduce the scope to those businesses that are subject to price regulation through a regulated body.</p> <p>It was also suggested that some entities that are subject to rate regulation are in the public sector, and therefore the information needs of users of their financial statements may not be the same as those in the capital markets for whom the proposals are intended. However, a public sector preparer within the scope of the proposals suggested that some of their GPFS users include credit agencies that are interested in the effects of regulation on the entity’s results.</p> <p>A common theme was that entities were unsure whether they would be captured by the proposals. Two stakeholders noted their concerns that the scope is too broad and requires entities to consider another level of analysis on whether they are within the scope of the proposals. One of the stakeholders suggested that if service concession arrangements remain in scope, whether or not a regulatory asset/liability exists for the operator will be subject to the specific clauses in the contract to determine whether cost recoveries are enforceable. This would require a subjective interpretation of the specific contractual arrangements and may vary by jurisdiction.</p> <p>A stakeholder also noted that there could be two or more regulatory agreements for the same sales, such as a national agreement overlaid with a State-based agreement.</p>	<ul style="list-style-type: none"> requiring an entity to charge part of that compensation in a different period – a difference in timing. <p>As a result of those differences in timing, revenue recognised in the period when the entity supplied those goods or services:</p> <ul style="list-style-type: none"> does not include all of the total allowed compensation for those goods or services, because part of that compensation will be included in revenue in the future or was already included in revenue in the past; or includes part of the total allowed compensation for goods or services supplied in a different period (past or future). <p>Therefore, staff note that only those entities that are party to an enforceable regulatory agreement that determines the regulated rate in such a way are within the scope of the proposals. This is clearly set out in paragraph 6 of the ED. Entities should be well aware of the existence of timing differences under their regulatory agreements, so identifying whether a resulting Standard would be applicable to an entity should not be problematic.</p> <p>Only some regulatory agreements are capable of creating regulatory assets or regulatory liabilities. For example, regulatory agreements that place a cap on the price that an entity can charge customers for their goods or services do not create regulatory assets or liabilities unless they involve timing differences as explained above.</p> <p><i>Staff recommendation</i></p> <p>Staff consider the proposals will provide GPFS users with information that will help them understand which fluctuations in the relationship between an entity’s revenue and expenses are caused by differences in timing. Staff also consider the proposed scope is appropriate and note that, like any new Standard, entities would need to assess whether it is relevant to them.</p> <p>Therefore, staff recommend an AASB submission support the objective and scope of the proposals.</p>	
	<table border="1"> <tr> <td>Q1. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q1. Do Board members agree with the staff recommendation?
Q1. Do Board members agree with the staff recommendation?		

ED Question 2 – Regulatory assets and regulatory liabilities

- 25 Question 2 appears on page 8 of the ED.
- (a) Do you agree with the proposed definitions? Why or why not? If not, what changes do you suggest and why?
 - (b) The proposed definitions refer to total allowed compensation for goods or services. Total allowed compensation would include the recovery of allowable expenses and a profit component (paragraphs BC87–BC113 of the Basis for Conclusions). This concept differs from the concepts underlying some current accounting approaches for the effects of rate regulation, which focus on cost deferral and may not involve a profit component (paragraphs BC224 and BC233–BC244 of the Basis for Conclusions). Do you agree with the focus on total allowed compensation, including both the recovery of allowable expenses and a profit component? Why or why not?
 - (c) Do you agree that regulatory assets and regulatory liabilities meet the definitions of assets and liabilities within the *Conceptual Framework for Financial Reporting* (paragraphs BC37–BC47)? Why or why not?
 - (d) Do you agree that an entity should account for regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement (paragraphs BC58–BC62)? Why or why not?
 - (e) Have you identified any situations in which the proposed definitions would result in regulatory assets or regulatory liabilities being recognised when their recognition would provide information that is not useful to users of financial statements?

ED Question 2 – Regulatory assets and regulatory liabilities	
Feedback	Staff analysis and recommendation
<p>Most stakeholders were either supportive of the proposed approach to regulatory assets and liabilities and their definitions or did not raise any concerns.</p> <p>It was however suggested by one stakeholder that there appear to be “imputed” regulatory assets and liabilities outside the regulatory agreement based on timing differences between the recognition of amounts (such as depreciation) under Standards and for regulatory purposes.</p> <p>Differences in amounts for Standards and regulatory purposes, such as the carrying amounts of property, plant and equipment (PPE), also create issues in identifying the recovery of allowable expenses.</p>	<p><i>Staff analysis – Definitions</i></p> <p>ED 307 defines a regulatory asset as an enforceable present right, created by a regulatory agreement, to add an amount in determining a regulated rate to be charged to customers in future periods because part of the total allowed compensation for goods or services already supplied will be included in revenue in the future.</p> <p>ED 307 defines a regulatory liability as an enforceable present obligation, created by a regulatory agreement, to deduct an amount in determining a regulated rate to be charged to customers in future periods because the revenue already recognised includes an amount that will provide part of the total allowed compensation for goods or services to be supplied in the future.</p> <p>In response to DP/2014/2, the AASB had raised concerns with the IASB that in most cases <i>regulatory deferral account balances</i> did not meet the definitions of assets and liabilities in the Conceptual Framework at the time (i.e. the <i>Framework for the Preparation and Presentation of Financial Statements</i>).</p> <p>In 2019, the revised Conceptual Framework revised the definitions of assets and liabilities. As noted in paragraphs BC37-BC47 of the IASB’s Basis for Conclusions that accompanies the ED, the IASB concluded that regulatory assets and liabilities meet the definition of</p>

ED Question 2 – Regulatory assets and regulatory liabilities**Feedback****Staff analysis and recommendation**

assets and liabilities in the revised Conceptual Framework. The revised Conceptual Framework defines:

- an asset as a present economic resource controlled by an entity as a result of past events. It defines an economic resource as a right that has the potential to produce economic benefits; and
- a liability as a present obligation of the entity to transfer an economic resource as a result of past events.

[In Australia, the revised Conceptual Framework (2019) applies to for-profit public sector entities that voluntarily elect to apply it, while the AASB's Public Sector Financial Reporting Framework project is still underway. Other public sector entities are still required to apply the *Framework for the Preparation and Presentation of Financial Statements* (the "old" Conceptual Framework). If the IASB proceeds with the proposals, the AASB will need to consider whether regulatory assets and liabilities are consistent with the old CF, based on the concerns raised to the IASB on DP/2014/2. Staff note that the definitions of regulatory assets and liabilities are narrower than the definition of a regulatory deferral account balance in AASB 14.]

Total allowed compensation (TAC)

Staff agree with the basic approach of recognising TAC for the goods or services supplied in a period, and treating an allowable expense (and its recovery in TAC) as relating to the supply of goods or services in the period when the expense is recognised under Standards (paragraph B4). This principle underpins the recognition of regulatory assets and liabilities based on timing differences as to when amounts are recognised as revenue under Standards.

The recovery of allowable expenses is therefore limited to amounts expensed under Standards. Any additional recovery due to a different measurement of balances such as PPE for regulatory purposes would therefore fall to be treated as profit components of TAC. This should be clarified.

Staff recommendation

Staff consider the proposed fundamental definitions of total allowed compensation, regulatory assets and regulatory liabilities are appropriate and the latter two consistent with the revised Conceptual Framework.

Therefore, staff recommend an AASB submission support the proposed definitions.

ED Question 2 – Regulatory assets and regulatory liabilities	
Feedback	Staff analysis and recommendation
	Q2. Do Board members agree with the staff recommendation?

ED Question 3 – Total allowed compensation

26 Question 3 appears on page 9 of the ED.

- (a) Do you agree with the proposed guidance on how an entity would determine total allowed compensation for goods or services supplied in a period if a regulatory agreement provides:
- (i) regulatory returns calculated by applying a return rate to a base, such as a regulatory capital base (paragraphs B13–B14 and BC92–BC95)?
 - (ii) regulatory returns on a balance relating to assets not yet available for use (paragraphs B15 and BC96–BC100)?
 - (iii) performance incentives (paragraphs B16–B20 and BC101–BC110)?
- (b) Do you agree with how the proposed guidance in paragraphs B3–B27 would treat all components of total allowed compensation not listed in question 3(a)? Why or why not? If not, what approach do you recommend and why?
- (c) Should the Board provide any further guidance on how to apply the concept of total allowed compensation? If so, what guidance is needed and why?

ED Question 3 – Total allowed compensation	
Feedback	Staff analysis and recommendation
<p><u>Qn (a)(i)</u> – Regulatory returns on a regulatory capital base feature in the regulatory agreements discussed with stakeholders. They did not object to the proposed treatment.</p> <p><u>Qn (a)(ii)</u> – However, several disagreed with the approach to regulatory returns relating to assets not yet available for use, noting that regulatory compensation during the construction period was clearly intended to compensate for construction costs. Under paragraph B15, the regulatory return is proposed to form part of total allowed compensation (TAC) only over the periods in which the asset is available for use.</p> <p>They suggested that this approach conflicts with the proposed inclusion in TAC of construction performance incentives when that performance occurs (paragraph B18).</p>	<p><i>Staff analysis – Assets not yet available for use</i></p> <p>Paragraphs B3–B27 of ED 307 set out how an entity would determine whether components of total allowed compensation (TAC) included in determining the regulated rates charged to customers in a period (and so included in revenue) relate to goods/services supplied in that same period or a different period. That determines in which period the TAC should be recognised in profit or loss. Table BC2 (see paragraph BC88) summarises these proposals.</p> <p>Paragraph B15 states that when a regulatory return includes an amount relating to an asset not yet available for use, that amount is not treated as forming part of the TAC for goods or services supplied until the asset is available for use. An entity should use a reasonable and supportable basis in determining how to allocate that amount over those remaining periods.</p> <p>The approach in paragraph B15 is based on the principle that an entity should reflect the total allowed compensation for goods or services supplied as part of its reported financial performance for the period in which the entity supplies those goods or services (see paragraph 16 or BC30). It is also explained in paragraphs</p>

ED Question 3 – Total allowed compensation

Feedback	Staff analysis and recommendation
<p><u>Qn (c)</u> – A number of preparers were particularly concerned with the treatment of allowable expenses that form part of the TAC. It was noted that regulated revenues for electricity and gas entities are determined by the AER using a “building block” approach. This includes operating expenditure and corporate income tax (based on the regulator’s efficiency estimates), which could also generate significant timing differences and therefore regulatory assets/liabilities. However, such inputs are not clearly addressed in the ED.</p> <p>A stakeholder noted paragraph B4 is important and suggested including it earlier in the Standard. This paragraph treats an allowable expense as relating to the supply of goods or services in the period when the expense is recognised under Standards. In turn, this means that the recovery of that expense forms part of the TAC in that period.</p>	<p>BC96–BC100 as avoiding a lack of comparability between regulatory agreements that accumulate the construction-period regulatory returns until the asset is available for use and agreements that include those returns in rates charged to customers during the construction period.</p> <p>However, paragraph B18 states that if the performance criteria test only an entity’s performance of construction work, the performance incentive forms part of or reduces the TAC for goods or services supplied in the period in which that performance occurs – prior to the asset becoming available for use. The IASB acknowledges in paragraphs BC102–BC105 that this is inconsistent with the model proposed in paragraphs 16 and BC30. The IASB concluded this was appropriate because that period is when the performance occurs and the approach would provide more useful and understandable information, while also avoiding unnecessary costs of different policies for different performance incentives.</p> <p><i>Staff recommendation</i></p> <p>Staff consider that applying the general principle to regulatory returns relating to assets under construction is appropriate.</p> <p>Staff don’t have sufficient information to assess the IASB’s judgement regarding the proposed exception to the general principle for performance incentives for construction work (to be consistent with the approach for such incentives that do align with the general principle).</p> <p><i>Staff analysis – Further guidance</i></p> <p>The normal presumption in the ED appears to be that the regulatory balances used as the basis for regulatory returns and the recovery of allowable expenses are the same as the balances or amounts recognised under Standards. There are some references to differences between Standards and regulatory bases (e.g. paragraph B13) but these are not well-developed. In many or most Australian regulatory agreements, the regulator determines their own base amounts after considering entities’ pricing proposals and additional guidance or examples would be useful.</p> <p>An entity might face some difficulty in relating regulatory returns or recoveries to particular expenses under Standards. The treatment of regulatory recoveries that exceed the relevant accounting expense is also unclear – the excess appears to be left to be treated as a component of “target profit” in TAC, but this is not apparent from the application guidance on TAC.</p> <p><i>Staff recommendation</i></p> <p>The effect of differences between balances under Standards and corresponding regulatory bases should be</p>

ED Question 3 – Total allowed compensation		
Feedback	Staff analysis and recommendation	
	<p>clarified. For example, at least extending Examples 2A–2C regarding depreciable assets would be useful.</p> <table border="1"> <tr> <td>Q3. Do Board members agree with the staff recommendations?</td> </tr> </table>	Q3. Do Board members agree with the staff recommendations?
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ED Question 4 – Recognition of regulatory assets and regulatory liabilities

27 Question 4 appears on page 9 of the ED.

- (a) Do you agree that an entity should recognise all its regulatory assets and regulatory liabilities? Why or why not?
- (b) Do you agree that a ‘more likely than not’ recognition threshold should apply when it is uncertain whether a regulatory asset or regulatory liability exists? Why or why not? If not, what recognition threshold do you suggest and why?

ED Question 4 – Recognition	
Feedback	Staff analysis and recommendation
<p>One stakeholder noted that further guidance may be necessary around how an entity can determine whether it is “more likely than not” that a regulatory asset or liability exists when there are uncertainties surrounding their determination (paragraph 28). For example, an entity may incur a cost that it expects to recover in a future period, but the regulator has not yet agreed to include these costs in the regulated rate.</p> <p>One stakeholder questioned the approach of adopting the same probability threshold for both assets and liabilities. They suggested a different approach should be adopted to liabilities, where probability is applied in the measurement of a liability, not its recognition.</p>	<p><i>Staff analysis</i></p> <p>Paragraphs 25–28 of ED 307 propose that:</p> <ul style="list-style-type: none"> • an entity recognises all its regulatory assets and regulatory liabilities; and • if it is uncertain whether a regulatory asset or liability exists, an entity should recognise that regulatory asset or liability if it is more likely than not that it exists. It could be certain that a regulatory asset or liability exists even if it is uncertain whether that asset or liability will ultimately generate any inflows or outflows of cash. Uncertainty of outcome affects measurement. <p>Paragraph BC123 notes that the <i>Conceptual Framework</i> states that recognition of a particular asset or liability and any resulting income, expenses or changes in equity may not always result in relevant information when:</p> <ul style="list-style-type: none"> (a) it is uncertain whether an asset or liability exists; or (b) an asset or liability exists, but the outcome is uncertain and the probability of an inflow or outflow of economic benefits is low. <p>The IASB noted in paragraph BC127 its understanding that if a regulatory asset or regulatory liability exists, the probability that it will give rise to an inflow or outflow of economic benefits is generally high because of the design of the regulated rate and because of regulatory oversight of an entity applying the regulatory agreement in determining the regulated rate. (Nevertheless, the amounts to be recognised may be very uncertain when the regulator has not yet agreed to include these costs in determining the regulated rate.)</p>

ED Question 4 – Recognition	
Feedback	Staff analysis and recommendation
	<p>ED 307 therefore proposes that if it is uncertain whether a regulatory asset or liability exists, an entity should recognise that item if it is more likely than not that it exists. As noted in paragraph BC125, this recognition threshold is consistent with that set in IAS 37 (AASB 137) <i>Provisions, Contingent Liabilities and Contingent assets</i> for provisions and contingent liabilities.</p> <p>The IASB saw no reason to set a higher recognition threshold for regulatory assets than for regulatory liabilities (paragraph BC125). Moreover, because a single regulatory agreement could give rise to both regulatory assets and regulatory liabilities, setting an asymmetric recognition threshold may result in information that could be difficult to interpret.</p> <p><i>Staff recommendation</i></p> <p>Staff consider the recognition proposals appropriate based on the arguments presented by the IASB and recommend the AASB support them.</p>
	<p>Q4. Do Board members with the staff recommendation?</p>

ED Question 5 – Measurement of regulatory assets and regulatory liabilities

28 Question 5 appears on page 10 of the ED.

- (a) Do you agree with the proposed measurement basis for regulatory assets and liabilities? Why or why not? If not, what basis do you suggest and why?
- (b) Do you agree with the proposed cash-flow-based measurement technique? Why or why not? If not, what technique do you suggest and why?
- (c) Do you agree with the proposal that an entity estimate uncertain future cash flows using either the ‘most likely amount’ method or the ‘expected value’ method (whichever is the better predictor)? Why or why not? If not, what approach do you suggest and why?

ED Question 5 – Measurement	
Feedback	Staff analysis and recommendation
<p>One preparer noted that they have experienced minimal changes in terms of forecasting cash flows, although they do operate under a two-year pricing and recovery timeframe.</p> <p>A number of other preparers were concerned with the estimations required by the proposals and noted that estimations are very subjective. They consider that their regulatory environment is dynamic as there may</p>	<p><i>Staff analysis</i></p> <p>Paragraphs 29–45 of ED 307 propose that an entity measure regulatory assets and liabilities at historical cost, modified by using updated estimates of future cash flows. As noted in paragraph BC131, to apply the proposals, entities would use a cash-flow-based measurement technique that:</p> <ol style="list-style-type: none"> (a) includes an estimate of all future cash flows resulting from a regulatory asset or liability that are within the boundary of the regulatory agreement – and only those cash flows; and

ED Question 5 – Measurement	
Feedback	Staff analysis and recommendation
<p>be numerous changes from the regulator and, as a result, the proposals may create volatility. For example, a regulator can make decisions within a pricing period that can change the basis of previous cash flow estimates. They questioned whether the proposals would give a true representation of the business.</p> <p>Preparers noted the difficulty of estimating cash flows in respect of assets under construction that would not be ready until late in the regulatory period. One preparer was particularly concerned around depreciation and regulatory base changes.</p> <p>One stakeholder noted that estimating uncertain future cash flows using the ‘most likely amount’ method or the ‘expected value’ method is the same as the approach to estimating variable consideration in AASB 15. However, unlike AASB 15, there is no ‘constraining’ limitation that it is highly probable that a significant reversal will not occur.</p> <p>One stakeholder noted the degree of estimation and judgement to be applied in calculating regulatory assets and liabilities will create challenges for both preparers and auditors. They also suggested that there is limited guidance in the ED on the subsequent measurement of regulatory assets and liabilities when circumstances change. The volatility of some businesses in the scope of the ED might result in material movements that could mean the objective of the Standard would not be met.</p>	<p>(b) discounts those estimated future cash flows to their present value.</p> <p>If cash flows arising from a regulatory asset or liability are uncertain, ED 307 proposes that an entity estimate those cash flows applying either of the two below options. The entity should apply the chosen method consistently from initial recognition to recovery or fulfilment:</p> <ul style="list-style-type: none"> • most likely amount method; or • expected value method. <p>ED 307 proposes that entities update their estimates of future cash flows at each reporting date to reflect changes in the estimated timing or amount, to provide the most relevant information to users.</p> <p>As noted in paragraph BC137, estimating future cash flows using the most likely amount method or the expected value method is similar to the approach in IFRS 15 (AASB 15). However, those Standards include a constraining limitation (see paragraph 56). Per paragraph BC204 to IFRS 15, the IASB’s intention there was to ensure that those estimates are robust and result in useful information – a high degree of confidence that revenue will not be reversed in a subsequent reporting period. It is unclear whether this approach was considered for this ED.</p> <p>In response to measurement being uncertain because the cash flows are affected by the regulator’s future decisions, staff considered whether this is any different from measurement issues with tax, particularly uncertain tax positions, where the ultimate outcome depends on decisions of the Australian Taxation Office and any further legal processes. Some stakeholders suggested that the scope for uncertainty is far wider in respect of regulatory agreements.</p> <p><i>Staff recommendation</i></p> <p>Staff recommend that an AASB submission support the measurement approaches proposed in the ED but raise the question of a constraint on variable amounts.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Q5. Do Board members agree with the staff recommendation?</p> </div>

ED Question 6 – Discount rate

29 Question 6 appears on page 11 of the ED.

- (a) Do you agree with the proposals to discount the estimated future cash flows using the regulatory interest rate (except in specified circumstances)? Why or why not? If not, what approach do you suggest and why?

- (b) Do you agree with the proposed requirements for cases when the regulatory interest rate provided for a regulatory asset is insufficient? Why or why not?
- (c) Have you identified any other situations in which it would be appropriate to use a discount rate that is not the regulatory interest rate? If so, please describe the situations, state what discount rate you recommend and explain why it would be a more appropriate discount rate than the regulatory interest rate.
- (d) Do you agree with the proposal regarding a regulatory agreement that applies a series of different regulatory rates in successive periods? Why or why not? If not, what do you recommend and why?

ED Question 6 – Discount rate	
Feedback	Staff analysis and recommendation
<p>One stakeholder was concerned with the exception to allow entities to use a higher ‘minimum’ interest rate (rather than the regulatory interest rate) to reflect the appropriate compensation rate for the time value of money and uncertainty of the cash flows. Given the specialised nature of regulated assets, they took the view that an entity typically would not be able to look to similar assets within the same organisation that are not rate regulated in order to estimate an alternative, minimum rate, and considering a similar asset in another jurisdiction could use inappropriate interest rates.</p> <p>A preparer noted that they would consider using an external discount rate, however the majority of preparers were of the view that they would be likely to use the weighted average cost of capital (WACC) rate specified in the regulatory agreement.</p> <p>Regulator amendments to the WACC proposed by an entity in pricing proposals might not be significant or else were likely to be supported by the entity.</p>	<p><i>Staff analysis</i></p> <p>Paragraphs 46–49 of ED 307 propose that an entity discount the estimated future cash flows used in measuring regulatory assets and liabilities. Except in specified circumstances, the discount rate would be the regulatory interest rate that the regulatory agreement provides.</p> <p>Paragraphs 50–53 of ED 307 set out proposed requirements for an entity to estimate the minimum interest rate instead and to use this rate to discount the estimated future cash flows if the regulatory interest rate provided for a regulatory <i>asset</i> is insufficient to compensate the entity. For a regulatory <i>liability</i>, an entity would use the regulatory interest rate as the discount rate in all circumstances.</p> <p>Paragraph 54 of ED 307 addresses when a regulatory agreement provides regulatory interest unevenly by applying a series of different regulatory interest rates in successive periods. It proposes that an entity should translate those rates into a single discount rate for use throughout the life of the regulatory asset or regulatory liability.</p> <p>Staff note that it could be difficult for an entity to determine a suitable interest rate other than the interest rate specified in the regulatory agreement. As noted in paragraph BC163(d), the IASB expects in most cases the regulatory interest rate would be sufficient to provide at least an appropriate amount of compensation (or charge, in the case of regulatory liabilities).</p> <p>An entity would continue to use the discount rate determined at initial recognition, unless a change in the regulatory interest rate changes the estimated future cash flows. In that case, the entity reassesses the interest rate for regulatory assets and uses the new rate for regulatory liabilities (paragraph 58).</p> <p>Staff note that pricing proposals from entities in preparing for a new regulatory period typically go</p>

ED Question 6 – Discount rate		
Feedback	Staff analysis and recommendation	
	<p>through a public consultation process with the regulator, resulting in public disclosure of entities' proposed regulatory interest rates and the regulator's determinations.</p> <p>Furthermore, as the ED's proposed disclosure requirements include the discount rates applied and the regulatory rates, users will be able to assess decisions of an entity to use a minimum rate to discount regulatory asset cash flows. This also places some discipline on the entities in developing alternative minimum interest rates for application in measuring regulatory assets.</p> <p><i>Staff recommendation</i></p> <p>Staff consider the discount rate proposals are appropriate and can be supported by the AASB. Public information about the rates should make this transparent to users.</p>	
	<table border="1"> <tr> <td>Q6. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q6. Do Board members agree with the staff recommendation?
Q6. Do Board members agree with the staff recommendation?		

ED Question 7 – Items affecting regulated rates only when related cash is paid or received

30 Question 7 appears on page 12 of the ED.

- (a) Do you agree with the measurement proposals when items of expense or income affect regulated rates only when related cash is paid or received? Why or why not? If not, what approach do you suggest for such items and why?
- (b) Do you agree with the proposal to present regulatory income or regulatory expense in other comprehensive income in certain circumstances? Why or why not? If not, what approach do you suggest and why?

ED Question 7 – Items affecting regulated rates only when related cash is paid or received	
Feedback	Staff analysis and recommendation
No feedback was received on this question.	<p><i>Staff analysis</i></p> <p>In some cases, a regulatory agreement includes an item of expense or income in determining the regulated rates in the period only when an entity pays or receives the related cash, or soon after that, instead of when the entity recognises that item as expense or income in its financial statements. Paragraphs 59–66 of the ED propose that in such cases, an entity would measure any resulting regulatory asset or liability using the measurement basis that the entity would use in measuring the related liability or asset under Standards, instead of using the modified historical cost measurement basis proposed for all other regulatory assets and liabilities. An entity would adjust that measurement to reflect any uncertainty that is present in</p>

ED Question 7 – Items affecting regulated rates only when related cash is paid or received		
Feedback	Staff analysis and recommendation	
	<p>the regulatory asset or liability but not present in the related liability or asset.</p> <p>Paragraph 63 of the ED notes that the regulatory interest rate for these items is not observable from the regulatory agreement. In paragraph BC176, the IASB noted its view that the benefits of requiring the general approach for these items would be unlikely to outweigh the costs for users in understanding potential accounting mismatches and for preparers in determining an appropriate discount rate for such items.</p> <p>As noted in paragraph BC175, the IASB concluded this approach is appropriate as it:</p> <ul style="list-style-type: none"> • would provide users with the most relevant and understandable information, because the cash flows arising from the regulatory assets or liabilities are a replica of the cash flows arising from the related liabilities or assets, except for the effect of any uncertainty; • would provide users with more useful and more understandable information because it would avoid creating accounting mismatches in the statement(s) of financial performance that would result from using different measurement bases; and • is consistent with the requirements in other Standards for indemnification assets (IFRS 3/AASB 3 <i>Business Combinations</i>) and for reimbursement assets (IAS 37/AASB 137). <p><i>Staff recommendation</i></p> <p>The IASB has given a careful analysis of the issues involved here. Staff have no basis upon which to oppose the analysis or conclusions. However, in the absence of express views from stakeholders it may be appropriate not to address this question in an AASB submission unless Board members have specific issues to raise.</p>	
	<table border="1"> <tr> <td>Q7. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q7. Do Board members agree with the staff recommendation?
Q7. Do Board members agree with the staff recommendation?		

ED Question 8 – Presentation in the statement(s) of financial performance

31 Question 8 appears on page 12 of the ED.

- (a) Do you agree that an entity should present all regulatory income minus all regulatory expense as a separate line item immediately below revenue (except in the case described in Question 7(b))? Why or why not? If not, what approach do you suggest and why?

- (b) Do you agree with the proposed inclusion of regulatory interest income and regulatory interest expense within the line item immediately below revenue? Why or why not? If not, what approach do you suggest and why?

ED Question 8 – Presentation in the statement(s) of financial performance		
Feedback	Staff analysis and recommendation	
<p>Some stakeholders suggested that the proposals will most likely have a more significant impact on the statement of financial performance than the statement of financial position.</p> <p>This is because regulated entities typically have very large balances for property, plant and equipment assets used in providing the regulated goods or services, so that regulatory assets and liabilities might not be material. However, regulatory income and expense could certainly be material to the profit or loss.</p> <p>Several stakeholders supported the component disclosures for regulatory income or expense to make the effects of regulation on the reported results more transparent for users of the financial statements.</p>	<p><i>Staff analysis</i></p> <p>Paragraph 67 of the ED proposes that an entity present all regulatory income minus all regulatory expense as a separate line item immediately below revenue – except for regulatory income and expense related to items affecting regulated rates only when cash is paid or received (see Question 7) that are recognised through other comprehensive income.</p> <p>Regulatory income and expense do not affect the amount of revenue in the current period, but the recovery of regulatory assets or the fulfilment of regulatory liabilities will affect revenue in future periods.</p> <p>The intention behind locating the net regulatory income or expense immediately below revenue is to support the objective of helping users to understand the effect of regulation on the relationship between the entity’s revenue and expenses.</p> <p>Paragraph 68 proposes that regulatory income includes regulatory interest income and regulatory expense includes regulatory interest expense. ED 307 also proposes requiring an entity to disclose regulatory interest income and expense in the notes as a component of the regulatory income or regulatory expense included in profit or loss (paragraph 78(e)), as regulatory interest income and expense differ in nature from the other components of regulatory income or regulatory expense and are driven by different factors.</p> <p><i>Staff recommendation</i></p> <p>Staff do not consider there to be any significant issue with these presentation proposals and therefore recommend supporting them in an AASB submission.</p>	
	<table border="1"> <tr> <td>Q8. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q8. Do Board members agree with the staff recommendation?
Q8. Do Board members agree with the staff recommendation?		

ED Question 9 – Disclosures

32 Question 9 appears on page 13 of the ED.

- (a) Do you agree that the overall disclosure objective should focus on information about an entity’s regulatory income, regulatory expense, regulatory assets and regulatory liabilities? Why or why not? If not, what focus do you suggest and why?
- (b) Do you have any other comments on the proposed overall disclosure objective?
- (c) Do you have any comments on the proposals for specific disclosure objectives and disclosure requirements? Should any other disclosures be required? If so, how would

requiring those other disclosures help an entity better meet the proposed disclosure objectives?

- (d) Are the proposed overall and specific disclosure objectives and disclosure requirements worded in a way that would make it possible for preparers, auditors, regulators and enforcement bodies to assess whether information disclosed is sufficient to meet those objectives?

ED Question 9 – Disclosures	
Feedback	Staff analysis and recommendation
<p>Two stakeholders noted the disclosure objective is appropriate and suggested that entities with operations that are largely rate-regulated are probably meeting the disclosure requirements already in their financial reports.</p> <p>A preparer was in favour of the disclosure proposals in ED 307, noting that distinguishing regulatory assets and liabilities is a useful approach, rather than permitting a net presentation in the absence of a right of set-off.</p> <p>Another stakeholder suggested clarifying that set-off should apply to regulatory interest and regulatory expense.</p>	<p><i>Staff analysis</i></p> <p>Paragraph 72 of ED 307 describes the proposed overall objective of the disclosure requirements. The objective focuses on information about an entity’s regulatory income, regulatory expense, regulatory assets and regulatory liabilities.</p> <p>The disclosure objective in IFRS 14 (AASB 14) is that an entity should disclose information that enables users of financial statements to assess:</p> <ul style="list-style-type: none"> (a) the nature of, and the risks associated with, the rate regulation that establishes the price(s) that the entity can charge customers for the goods or services it provides; and (b) the effects of that rate regulation on its financial position, financial performance and cash flows. <p>However, as noted in paragraph BC192, the IASB decided the disclosure objective in IFRS 14 is too broad. The ED therefore proposes a narrower overall disclosure objective.</p> <p>Paragraphs 77–83 of ED 307 set out the proposals for specific disclosure objectives and disclosure requirements. The proposed specific disclosure objectives do not refer to the cash flows that occurred during the period. That is because an entity recovers regulatory assets and fulfils regulatory liabilities indirectly by increasing or decreasing regulated rates, not directly by receiving or paying cash.</p> <p><u>Specific objective 1 – Regulatory income and expense</u></p> <p>As noted in paragraph BC196, information disclosed about regulatory income and regulatory expense, together with all other information provided in the financial statements, should enable users to understand the relationship between an entity’s revenue and expenses as completely as would have been possible if the total allowed compensation for the goods or services supplied had been fully reflected in revenue in the period in which the entity supplied those goods or services.</p> <p>Paragraph 78 of ED 307 therefore proposes the disclosure of the various components of regulatory income or regulatory expense. ED 307 does not propose to require entities to disclose an analysis of regulatory income or regulatory expense by the nature of the event that gave</p>

ED Question 9 – Disclosures		
Feedback	Staff analysis and recommendation	
	<p>rise to them, or by the nature of the allowable expense or the chargeable income that gave rise to them.</p> <p><u>Specific objective 2 – Regulatory assets and liabilities</u></p> <p>As noted in paragraph BC200, the second specific disclosure objective is to provide information about an entity’s regulatory assets and regulatory liabilities (paragraph 79). The resulting information should provide insights into the amount, timing and uncertainty of future cash flows.</p> <p><u>Specific objective 3 – changes in regulatory assets and liabilities</u></p> <p>As noted in paragraph BC201, the third specific disclosure objective addresses changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or expense (paragraph 82). The related information is necessary mainly to inform users of financial statements of changes not explained by other information disclosed, such as the effect of business combinations.</p> <p><i>Staff recommendation</i></p> <p>Staff consider the disclosure proposals to be appropriate and recommend supporting them in an AASB submission.</p>	
	<table border="1"> <tr> <td>Q9. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q9. Do Board members agree with the staff recommendation?
Q9. Do Board members agree with the staff recommendation?		

ED Question 10 – Effective date and transition

33 Question 10 appears on page 13 of the ED.

- (a) Do you agree with these proposed transition requirements?
- (b) Do you have any comments you wish the Board to consider when it sets the effective date for the Standard?

ED Question 10 – Effective date and transition	
Feedback	Staff analysis and recommendation
<p>The majority of preparers raised concerns with the retrospective application approach in the proposals. They expected that undertaking the initial application would be problematic and some suggested restricting the application to one previous regulatory period (usually 4 or 5 years). It was also noted that regulated entities can have assets with useful lives of 100+ years and were</p>	<p>Appendix C in the ED describes the proposed, fully retrospective transition approach (with an election not to apply the requirements retrospectively to all past business combinations).</p> <p>As noted in paragraph BC203, the IASB expects to require entities to apply the final Standard for annual reporting periods beginning on or after a date 18–24 months from the date of its publication. The IASB suggests that to a large extent, the proposed model would use inputs that regulated preparers are already expected to gather and process in determining regulated rates. The IASB expects that a period of 18–24 months would allow sufficient</p>

ED Question 10 – Effective date and transition		
Feedback	Staff analysis and recommendation	
<p>concerned about how far back into their accounting they can go.</p> <p>One stakeholder argued transitional relief needs to be developed, at least as an option, for entities that will have to carry out significant changes to their accounting systems and processes to accommodate the proposals.</p>	<p>time for entities to make necessary updates to their systems, collect the incremental information needed to apply the proposals, and make any other necessary changes. The IASB expects preparers to incur some incremental, non-recurring costs when implementing the requirements.</p> <p>ED 307 proposes retrospective application because information is more useful to users of financial statements if it is comparable for all periods presented. As noted in paragraph BC204, the IASB observed that retrospective application would be unlikely to burden preparers because, to a large extent, the proposed model would use inputs that the IASB expects preparers already need to gather and process in determining regulated rates.</p> <p><i>Staff recommendation</i></p> <p>Staff consider that the full retrospective approach proposed in the ED could be onerous for entities to adopt. Therefore, staff recommend suggesting in an AASB submission that the IASB seek ways to simplify the implementation of the final Standard. For example, it might be appropriate to limit the retrospective application to the start of the previous regulatory period, particularly where regulatory balances have not been estimated previously.</p>	
	<table border="1"> <tr> <td>Q10. Do Board members agree with the staff recommendation?</td> </tr> </table>	Q10. Do Board members agree with the staff recommendation?
Q10. Do Board members agree with the staff recommendation?		

ED Question 11 – Other IFRS Standards

- 34 Paragraphs B41–B47 of the ED propose guidance on how the proposed requirements would interact with the requirements of other IFRS Standards – deferred taxes under IAS 12 (AASB 112) *Income Taxes* and Interpretation 12 *Service Concession Arrangements*. Appendix D to the Exposure Draft proposes consequential amendments to other IFRS Standards.
- 35 Question 11 appears on page 14 of the ED.
- (a) Do you have any comments on these proposals? Should the Board provide any further guidance on how the requirements proposed in the Exposure Draft would interact with any other IFRS Standards? If yes, what is needed and why?
- (b) Do you have any comments on the proposed amendments to other IFRS Standards?

ED Question 12 – Likely effects of the proposals

- 36 Paragraphs BC214–BC251 of the Basis for Conclusions set out the IASB’s analysis of the likely effects of implementing the Board’s proposals.

- 37 Question 12 appears on page 14 of the ED.
- (a) Paragraphs BC222–BC244 provide the IASB’s analysis of the likely effects of implementing the proposals on information reported in the financial statements and on the quality of financial reporting. Do you agree with this analysis? Why or why not? If not, with which aspects of the analysis do you disagree and why?
 - (b) Paragraphs BC245–BC250 provide the Board’s analysis of the likely costs of implementing the proposals. Do you agree with this analysis? Why or why not? If not, with which aspects of the analysis do you disagree and why?
 - (c) Do you have any other comments on how the Board should assess whether the likely benefits of implementing the proposals outweigh the likely costs of implementing them or on any other factors the Board should consider in analysing the likely effects?

ED Question 13 – Other comments

- 38 Question 13 appears on page 14 of the ED.
- Do you have any other comments on the proposals in the Exposure Draft or on the Illustrative Examples accompanying the Exposure Draft?

Staff recommendations to ED questions 11-13

- 39 Staff do not have any particular matters to raise regarding ED questions 11-13 and therefore recommend not including a response to these questions in an AASB submission to the IASB unless Board members have specific issues to raise.

Question to Board members

Q11. Do Board members agree with the staff recommendation to not provide a response on ED questions 11-13?

Next steps

- 40 Staff have not prepared a draft submission at this stage, awaiting decisions of the Board. The closing date for submissions to the IASB is 30 July 2021. Staff recommend developing and approving the submission out of session via a sub-committee of members.
- 41 Assuming the Board agrees with staff’s recommendations above, staff propose the following timeline:

Task	Timing
Staff to complete draft AASB submission to the IASB on ED/2021/1	12 July
Sub-committee to provide feedback/approve the submission out-of-session	26 July
Staff to amend for any necessary comments	29 July
Submit final submission to IASB	30 July
ED/2021/1 comment period closes	30 July

Question to Board members

Q12. Do Board members agree with the staff recommendations on the proposed next steps and timeline? If so, which Board members would like to participate in the sub-committee?