



Heads Up

AASB 14 Regulatory Deferral Accounts

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“In summary”

In January 2014, the IASB issued IFRS 14 *Regulatory deferral accounts* which allow eligible first-time adopters of IFRSs to continue to apply rate-regulated accounting with their current GAAP accounting policies with limited changes. IFRS 14 is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP.

IFRS 14 requires:

- regulatory deferral account balances and movement in those balances to be presented as separate line items in the statement of financial position and statement of profit or loss and other comprehensive income; and
- disclosure of information that enables the user of the statement of financial positions to assess the nature of, and the risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances.

Following the issuance of IFRS 14, the AASB has also issued AASB 14 *Regulatory deferral accounts* on 17 June 2014. On its application in Australia, the issuance of AASB 14 is not expected to change the accounting for regulatory deferral accounts in Australia as our local GAAP does not permit the recognition of regulatory deferral account balances.

In addition to first-time adopters of the Australian Accounting Standards, for entities moving from the preparation of special purpose financial statements to general purpose financial statements (Tier 1 or Tier 2) or moving between Tiers (Tier 2 to Tier 1) that will consequently adopt AASB 1 *First-time adoption of Australian Accounting Standards* on the transition, the same principle above applies in that such entities will not be able to recognise regulatory deferral account balances.

Furthermore, for an Australian acquirer acquiring a foreign business which has recognised regulatory deferral account balances under AASB 3 *Business Combinations*, the acquirer is not permitted to apply AASB 14 to recognise the foreign acquiree’s regulatory deferral account balances in the consolidated financial statements. The above also applies on the acquisition of a foreign subsidiary under AASB 10 *Consolidated Financial Statements*.

The effective date for IFRS 14 and AASB 14 is for annual reporting periods beginning on or after 1 January 2016 with early adoption permitted.

As AASB 14 will not generally be applicable to entities in Australia, all eyes will be on IASB's comprehensive rate-regulated activities project which could result in the issuance of a standard on rate-regulation or a decision not to develop any specific requirements under IFRSs. It is expected that the IASB will issue a Discussion Paper by September 2014.

For further information on IFRS 14, refer to the additional IFRS in Focus newsletter below.

IFRS in Focus

- [*IFRS in Focus — IASB publishes IFRS 14 'Regulatory Deferral Accounts'*](#)

External Links

- [*IASB press release*](#)
- [*IFRS 14 'Regulatory Deferral Accounts'*](#)
- [*AASB Media Release*](#)
- [*AASB 14 'Regulatory Deferral Accounts'*](#)

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