

In Brief

*A plain and simple overview of the
AcSB's Research Paper on Rate-regulated Activities*

*This research will
help shape ideas in
identifying a global
solution that best
captures the effects of
rate regulation in IFRS
financial statements.*

— Linda Mezon, Chair,
AcSB

Objective:

The AcSB authored a Research Paper "[Exploring the decision-usefulness of financial information that reflects the economics of rate-regulated activities](#)" to learn what financial information users need to know about an entity that operates in a rate-regulated environment.

This overview will give you an understanding of:

- why the AcSB undertook this research;
- what the research is about; and
- how the AcSB continues to support the International Accounting Standards Board (IASB) in undertaking evidence-based standard setting.

The project stage:

The IASB is currently developing a new accounting model on rate regulation. It aims to give users better information about how rate regulation affects an entity's underlying financial position, performance, and cash flows.

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Why did the AcSB do this research?



The AcSB is committed to evidence-based standard setting. The Board undertook this research to contribute to the IASB and national standard setters' work on a future accounting model for rate-regulated activities.

Accounting for rate-regulated activities under IFRS® Standards is a hot topic – both in Canada and other jurisdictions.

Why? There is a wide variety of rate-regulatory schemes around the world. These variations make it challenging to fully appreciate what rate regulation means from one jurisdiction to another.

Rate regulation tends to exist in industries that require large amounts of investments in capital assets, such as utilities, to provide public goods and services to people. Understanding the regulatory framework is important for investors and lenders as it affects rate-regulated entities' future cash flows and performance.

The AcSB's research provides insights into how users view the regulatory framework, and its influence on their decisions to invest in and lend to rate-regulated entities.

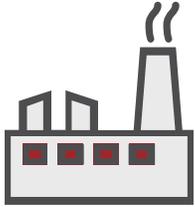
It is important that the future accounting model for rate-regulated activities would:

- increase financial statement comparability of entities operating in different jurisdictions; and
- reduce the diversity seen in practice in communicating the financial effects of rate regulation to users.

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What is the research about?



The research is about:

- gathering evidence to explore the decision-usefulness of financial information that reflects the economics of rate-regulated activities; and
- collaborating with others to assist in advancing the IASB's Rate-regulated Activities project.

Many parties in Canada and abroad contributed to this research, including national standard setters, users, industry representatives, and auditors.

The data gathered includes:

- capital market information;
- credit rating methodologies;
- financial statement note disclosures;
- regulatory decisions;
- court rulings; and
- academic literature.

The observations drawn from the data gathered support the AcSB's overall findings – financial information that reflects the economics of rate-regulated activities is useful and capable of making a difference in users' decisions.

This evidence-based research approach enables efficient and effective decision-making in standard setting.

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Timeline of events

The AcSB published the research paper this year to contribute to the work of the IASB and national standard setters.

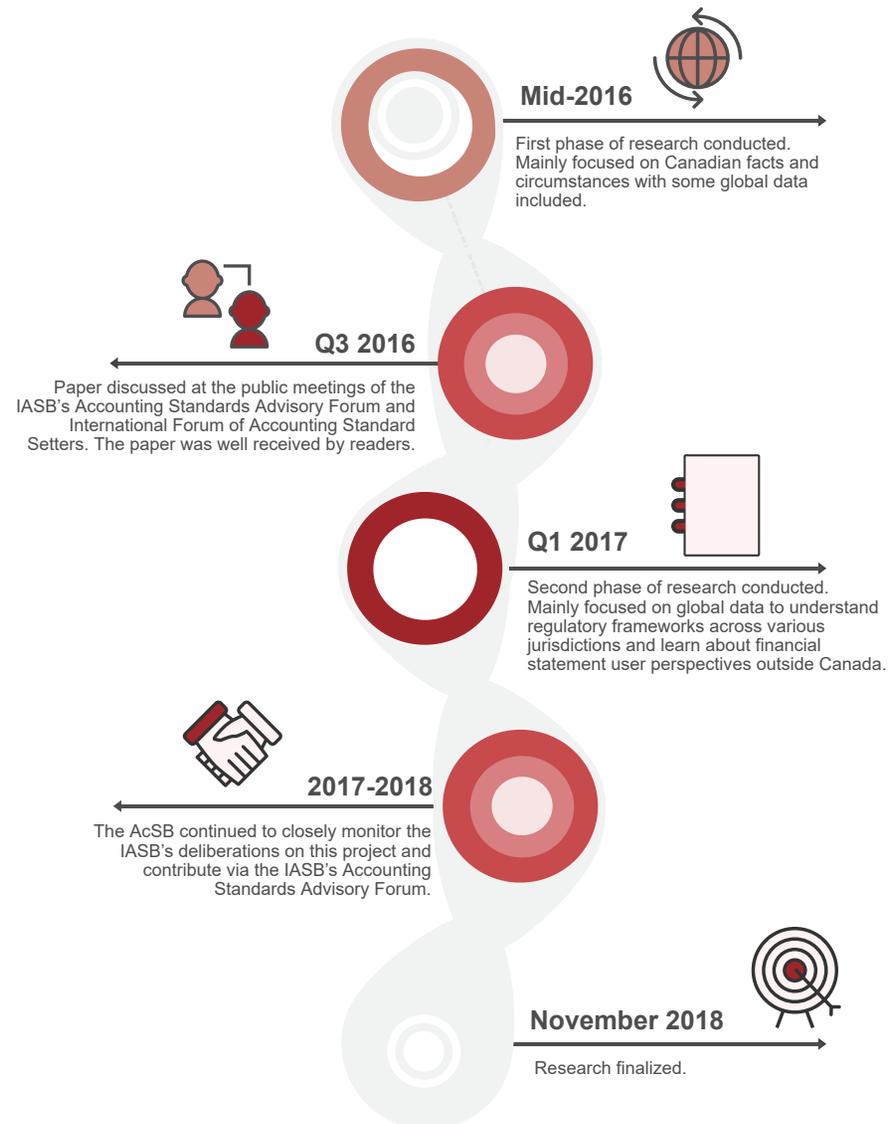
The observations drawn from data gathered during mid-2016 to early 2017 are relevant and are of value to the consideration of accounting for rate-regulated activities under IFRS Standards.



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The IASB's second document for comment is expected on this project.

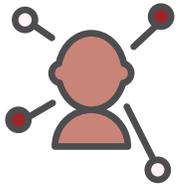
The AcSB will continue to actively participate in international discussions on the IASB's project and perform outreach to hear views from stakeholders on the IASB's future accounting model for rate-regulated activities.



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Find out more!



Read the research results

This research paper is the AcSB's first major product under its research program. Download the AcSB's Research Paper, "[Exploring the decision-usefulness of financial information that reflects the economics of rate-regulated activities.](#)"

Stay informed

Stay up-to-date on this project via the [online project page](#).

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