



**Comment due date  
extended to 30 June 2021**

29 January 2021

To: **Members of the Hong Kong Institute of CPAs  
All other interested parties**

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT  
ED/2021/1 *Regulatory Assets and Regulatory Liabilities*  
Comments to be received by 31 May 2021**

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*. The Exposure Draft is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

Rate regulation determines how much compensation an entity can charge its customers for goods or services supplied in a period, and when the entity can include that compensation in the regulated rates charged.

In some situations, the period when an entity supplies goods or services differs from the period when the entity can include compensation in the regulated rates. When those timing differences occur, the revenue an entity reports, and the assets and liabilities it reports, do not give a complete picture of the compensation that the rate regulation entitles the entity to charge for goods or services supplied in that period. Currently, IFRS Standards do not require entities to provide investors with information about such timing differences.

The International Accounting Standards Board proposes to introduce an accounting model to supplement the information entities provide. The proposed model is based on the principle that entities should reflect the total allowed compensation for goods or services in a period as part of the financial performance for that period. This would be implemented by reporting regulatory assets and regulatory liabilities in the balance sheet, and related regulatory income and regulatory expense in the income statement.

The additional information would supplement the information entities already provide when applying current IFRS Standards, and help users understand the relationship between an entity's revenue and expenses, and an entity's regulatory assets and regulatory liabilities.

The FRSC invites your comments on the proposal as set out in the Exposure Draft by **31 May 2021** to allow your comments to be considered in developing its response to the IASB. Comments should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

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Hong Kong Institute of Certified Public Accountants  
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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.