

# **Explanatory Statement**

## **Accounting Standard AASB 14** *Regulatory Deferral Accounts*

**June 2014**



**Australian Government**

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**Australian Accounting  
Standards Board**

## **EXPLANATORY STATEMENT**

### **Reasons for Issuing AASB 14**

The International Accounting Standards Board (IASB) has issued IFRS 14 *Regulatory Deferral Accounts* for annual reporting periods beginning on or after 1 January 2016, with early application permitted. The AASB needs to issue AASB 14 *Regulatory Deferral Accounts* to enable Australian reporting entities to continue to be compliant with International Financial Reporting Standards. However, the AASB does not expect AASB 14 to have an impact on entities in Australia as the standard could conceivably only affect entities that adopt Australian Accounting Standards for the first time and have recognised regulatory deferral account balances under their previous GAAP accounting policies.

### **Main Features of AASB 14**

#### **Main requirements**

AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. However, to enhance comparability with entities that already apply Australian Accounting Standards and do not recognise such amounts, AASB 14 requires that the effect of rate regulation must be presented separately from other items. An entity that is not a first-time adopter of Australian-Accounting-Standards will not be able to apply AASB 14.

#### **Application Date**

AASB 14 is applicable to annual reporting periods beginning on or after 1 January 2016, with early application permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016.

### **Consultation Prior to Issuing this Standard**

The AASB issued Exposure Draft ED 240 *Regulatory Deferral Accounts* in May 2013, which incorporated the IASB Exposure Draft ED/2013/5 (of the same title).

Two submissions were received by the AASB in respect of the proposals in ED 240 and there was general support for adopting the proposals in Australian Accounting Standards. The AASB considered the comments it received in making its submission to the IASB on ED/2013/5 and in finalising AASB 14.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 14 as AASB 14 is expected to have a minor impact on entities in Australia.

## **Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the  
*Human Rights (Parliamentary Scrutiny) Act 2011*

### **Accounting Standard AASB 14 *Regulatory Deferral Accounts***

#### **Overview of the Accounting Standard**

AASB 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt Australian Accounting Standards. However, to enhance comparability with entities that already apply Australian Accounting Standards and do not recognise such amounts, AASB 14 requires that the effect of rate regulation must be presented separately from other items. An entity that already presents Australian-Accounting-Standards financial statements is not eligible to apply AASB 14.

#### **Human Rights Implications**

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

#### **Conclusion**

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.