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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Exposure Draft *Rate-regulated Activities*

To the Board Members:

The Japanese Institute of Certified Public Accountants appreciates the continued efforts of the International Accounting Standard Board (IASB) on rate-regulated activities, and welcomes the opportunity to comment on the exposure draft.

The following is our response to the items in 'invitation to comment' with which we disagree or have questions or concerns.

Scope

Question 1

The exposure draft proposes two criteria that must be met for rate-regulated activities to be within the scope of the proposed IFRS (see paragraphs 3–7 of the draft IFRS and paragraphs BC13–BC39 of the Basis for Conclusions). Is the scope definition appropriate? Why or why not?

Comment:

We do not agree with the Board's proposal.

We believe that an item arising from rate regulation does not meet the definition of an asset or a liability within the *Framework for the Preparation and Presentation of Financial Statements*.

Rate regulation is designed to recover specific costs with set rates, but is not a resource controlled by entity as a result of past events, and from which future economic benefits are expected to flow to the entity. The right to demand higher rates from customers is based on future events, and economic benefits can be realised only through the results of future sales to customers. In other words, an entity can not be considered to have acquired control over the rights to economic benefits by setting or revising rates; therefore, the proposal fails to meet the conditions of the definition of an asset in the Framework.

Many calculations related to rate regulation are based on accounting results reflected in financial statements, but do not directly determine items to be recognised in the entities' financial statements. Even if rate regulation information would be useful for investors, relevant calculations should be made and disclosed outside of the financial statements.

Recognition and measurement

Question 2

The exposure draft proposes no additional recognition criteria. Once an activity is within the scope of the proposed IFRS, regulatory assets and regulatory liabilities should be recognised in the entity's financial statements (see paragraphs BC40–BC42 of the Basis for Conclusions). Is this approach appropriate? Why or why not?

Comment:
We do not agree with the Board's proposal.
As stated in the comment to Question 1, calculations related to rate regulation should be made outside of the financial statements.

Disclosures
Question 6

The exposure draft proposes disclosure requirements to enable users of financial statements to understand the nature and the financial effects of rate regulation on the entity's activities and to identify and explain the amounts of regulatory assets and regulatory liabilities recognised in the financial statements (see paragraphs 24–30 of the draft IFRS and paragraphs BC59 and BC60 of the Basis for Conclusions). Do the proposed disclosure requirements provide decision-useful information? Why or why not? Please identify any disclosure requirements that you think should be removed from, or added to, the draft IFRS.

Comment:
We do not agree with the Board's proposal.
As stated in the comment to Question 1, calculations and disclosure related to the rate regulation should be made outside of the financial statements.

Yours faithfully,

Kiyoshi Ichimura
Executive Board Member－Accounting Standards
The Japanese Institute of Certified Public Accountants