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Regulatory Deferral Account: A Review of Literature

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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Review Article

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ABSTRACT

The study investigated into the IFRS 14 Regulatory Deferral Standard which came into effect in 2016 as an interim standard to explore its strength. Paper review using purposive sampling method was made. The works of four world professional accountant namely; Grant Thornton; KPMG; Delloitte; and IFRS staffer news; including IASB Discussion paper on Rate Regulation (2014) were reviewed. The study revealed that IFRS 14 is a work in progress and serve as interim standard; except for limited changes required, it allows for new adopters of IFRS with regulated Deferral balances to continue with their accounting policies rate regulation based on GAAP; Both the statement of financial position and statement of profit or loss and other comprehensive income are to present a separate regulatory deferral account balance as a separate line of item; entities are to disclose the kind and risk that are associated with the form of rate regulation giving birth to recognising the regulatory deferred account balances. The finding also reveal that the IFRS 14 fully regulated may have beneficial effect than the current approach as a mock comparison move a negative earnings per share of (N3,606) in unregulated to N5,041 on fully regulated deferral.

Keywords: Deferral balance; GAAP; IFRS; regulatory; standard.

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1. INTRODUCTION

In many societies the government provides some basic utilities, either directly or through private authorized entities. The main reason is to keep those services within the reach of average members of the society and to ensure continuous supply of such services. To ensure these objectives, regulatory prices and controlled cost of production are initiated through an independent regulatory third party. This regulatory body stands in-between the consumers and the producers of the goods or services in question. One objective of such body is to regulate and ensure a fix price for the services over a period of time such that the input cost increase of decrease does not affect the price. Where the regulatory body is convinced that the price of input has significantly increase above the selling price, the increase is held in the record as regulatory deferred account, so that in future cost inputs, it is allowed to be added in adjusting the input cost. On the other hand where the cost input is lower and below the profit level, thus leading to more than proportionate profit, the excess profit is deferred in the book, and is not accounted as profit for the year. The regulatory body ensures that the profit is applied in subsequent period to reduce the cost input and provide a lower service cost to the consumer [1,2].

Most government regulate the activities in utilities such as gas, electricity and water. The regulations is often arrange in such a way that allow the suppliers to recover specified costs and other amounts through the prices they charge to customers, at the same time the rate is regulated to protect the interest of the consumers. Thus at some time the regulation may defer the recovery of these input amounts in order to reduce price volatility. In such times the suppliers keep tract of those deferral in a separate regulatory deferral accounts until they are recovered through future sales of regulated goods or service [3-5].

According to Grant Thornton [6] most nations of the world standard-setting bodies permits or require entities that are subject to certain types of rate regulation to capitalize and defer expenditure or income that would otherwise be recognised as expenses or income. These amounts are often referred to as “regulatory deferral “(or “variance”) account.

The International Financial Reporting Standard (IFRS) 14 is published as an interim Standard that will allow entities that adopt IFRS for the first-time to preserve the existing accounting policies that they have in place for rate-regulated activities with some modifications designed to enhance comparability. By this standard the effect of recognizing the deferred account balances that arise from rate regulation is to be presented separately from other items.

One major gap IFRS 14 seeks to address is the fact the rate regulation is widespread and may have significant economic impact on the environment of those entities. This could significantly affect the revenue and profit earned by those entities and the timing of their cash flows. The reason is that when establishing rate to charge the customers, the entities usually apply the cost (or income) to a period other than that which the cost (or income) were incurred (or earned). Thus the profit or loss is recognized outside what is normal for the purpose of financial reporting. The implication of this is that the amount carried as assets, liabilities, income and expenses using this approach differ from those recognized using accounting policies established in line with IFRS.

The argument arisen is in two parts: Firstly, issues on the amount to be recognized in the class of property, plant and equipment, intangible assets, and inventories using rate regulation approach differ from those recognized in line with the requirements of appropriate standards; Secondly, there exist an argument as to the appropriateness of the amount recognized as Separate Regulatory Deferral Account Balances truly meet the assets and liabilities definition of IFRS conceptual framework for financial reporting [7-9]. Although the rate regulation may be considered as the same but since different assumptions are made, experts question the “economic environments in which rate-regulated entities operate and how that might differ from the economic environment of comparable entities that are not subject to rate regulations” [10]. Although the debate is yet inconclusive as at date of this article, the IFRS 14 is an interim standard towards addressing the rate regulation issue.

The IFRS 14 is an outgrowth from the negative impact of full adoption of IFRS on rate-regulatory companies in countries that choose to adopt full IFRS. This was because fully rate-regulatory companies were mandated to withdraw from financial statements the regulatory asset and liability elements, which were attributed to the nature of their business activities. For instance, Lima (2010) in Flores and Lopes [11] reported that after the adoption of IFRS in Brazil in 2010, the book value of the listed companies drew closer to the market value, thus showing greater relevance in the financial statements. This was rather different in the case of electricity distributing entities in Brazil, which were fully rate-regulated, as they were obliged to withdraw from their financial statements those regulatory assets and liabilities components, which were occasioned by the nature of their activities, thus leading to decrease in value relevance in their financial statements. It could be noted that one of the essence of IFRS was to create value relevance in the financial statements among adopters countries that will allow stakeholders derive accounting information useful for decision making. One way of which is to bring the book value closer in alignment with the market value.

The approval of the International Accounting Standard Board in 2014 of IFRS 14, came as interim measure to allow fully rate-regulatory entities willing to adopt the IFRS for the first time from 2015, to continue to register their regulatory items. The effect of IFRS 14 studied in Canadian rate regulatory companies [11] showed positive value relevance in the financial statements.

2. LITERATURE REVIEW

2.1 Conceptual Review

Regulatory Deferral account has been made clearer by some international accounting practicing firms including Grant Thornton [6], KPMG [12], Delloitte, IFRS [13] in staffer news, and EY [14]. The IASB Discussion paper [10] assists with an in-depth to the study.

The IFRS 14 is focused on rate-regulated activities. It is a project in process with short term and long-term prospect. What is published for use by entities willing to adopt its framework is an interim report. The short-term gives an interim solution for the first-time adopters of IFRS: IFRS 14 “Regulatory Deferral Accounts”. This was to kick-start in 2016. The Long-term prospect is to develop a comprehensive project for all rate-regulated entities: this aspect is still in research phase and is on-going.

A few of foreseen challenges were recognized at the issuing the interim standard. These were the fear that the interim Standard may remain in force for many years and its possibility of influencing the development of a subsequent permanent Standard. Also the inability of the standard as it were to recognise regulatory assets and liabilities have proved to be a significant issue which has prevented rate-regulated entities in some jurisdiction from moving to IFRS.

2.2 Summary of IFRS 14 Regulatory Deferral Accounts

The Table 1: below gives summary on Regulatory Deferral Accounts

Table 1. Summary on regulatory deferral accounts

Features	Key points
Scope	1. Applies to first-time adopters that conduct rate-regulated activities and have recognised regulatory deferral account balance under their previous GAAP. 2. Application is not mandatory, but if a first-timer adopter is eligible to apply the Standard, it must elect to do so in its first IFRS financial statements. If it does not, the entity will not be eligible to apply the standard in subsequent periods. 3.Entities that already present IFRS financial statements are not eligible to apply IFRS 14
Accounting Requirement	1. It permits an entity that adopts IFRS to continue to use, in its first and subsequent IFRS financial statements, its previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral account balances. 2. A regulatory deferral account balance is defined as the balance of any expense (or income) account that would not be recognised as an assets or a liability in accordance with other Standards, but that qualifies for deferral because it is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. 3. New requirements restricting the discontinuance of hedge accounting.

Features	Key points
	(Hedge accounting is an accounting treatment that represents, within a business's financial statements, the impact of risk management activities that use financial instruments to reduce exposure to particular risks that could affect profit or loss or other income).
Presentation	Isolates impact of recognising regulatory deferral account balances in IFRS financial statements by requiring the following separate line items Two line items in the statement of financial position 1. regulatory deferral account debit balances – after total assets 2. regulatory deferral account credit balances – after total liabilities Two line items in the statement of profit or loss and other Comprehensive Income (OCI): 1. movement in regulatory deferral account balances related to profit or loss 2. movement in regulatory deferral account related to OCI.
Disclosure	Specific disclosures are required to identify the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with IFRS 14

Source: Adapted from Grant Thornton (2014) [6]

Table 2. Advantages of IFRS 14

S/N	Issues addressed	Advantage
1	Adoption of IFRS	The main advantage of IFRS 14 is that it encourages rate-regulated entities to adopt IFRS while the IASB continues its work on the comprehensive rate-regulated activities project.
2	Comparability	The introduction of separate line in deferral assets and liabilities both in income statement, and statement of financial position allows those statements and companies to be compared with others entities performances, and across jurisdictions.
3	Value relevance	The IFRS 14 fully implemented allow greater value relevance as it bridges/narrows the gap between book value and the market value.
4	Capital Market enhancement	IFRS 14 allows rate-regulatory entities participation in the capital market, as their statements are available for transaction as other entities statements. This arms the investors and stakeholders in accessing performance and making economic decisions that ultimately grow the economy.
5	Protection of goods and services providers and consumers	Fully rate-regulatory promoted by IFRS 14 is beneficial to both the service providers and consumers. This is because excess cost and excess profit is harmonized through deferrals allows price stability, and prevent consumer exploitations.
6	Investors benefit	Fully rate-regulated entities supported by IFRS 14, have the potentials to generate stable and high earnings to be shared to the investors. This is because most of the cost are absorbed in the deferrals, thus providing enhance net income.
7	Going concern	A vital part of any business is the assurance of its continuous existence in the foreseeable future. The IFRS 14 through the rate-regulatory deferrals promotes continuous existence of the entities, which is the primary aim of the regulators.

Source: Researchers review (2022)

Limitations and restrictions of adoption of IFRS 14:

1. IFRS 14 is only for rate-regulated entities that are adopting IFRS for the first time.
2. Existing IFRS preparers are prohibited from adopting IFRS 14.
3. Entities whose current policies do not allow the recognition of rate-regulated assets and liabilities cannot do so by adopting IFRS 14
4. Once a first-timer rate-regulated entity adopts the IFRS 14 in its reporting statements, it cannot reverse.

3. THEORETICAL REVIEW

Social contract theory made popular by John Locke is the view that persons' moral and/or political obligations are dependent upon a contract or agreement among them to form the society in which they live [15]. This theory enables mutual coexistence. It makes governance seek the good of the governed while the governed supports the government with tax obligations and good citizenship. According to Dulgnan (n.d) [16] Thomas Hobbes, John Locke, and Jean Jacques Rousseau held that the social contract is the means by which civilized society, including government arises from the state of nature by giving up their rights and freedom to a central authority in exchange each person receives the benefits that only a central authority can provide.

Stakeholder theory. This is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization. This theory encourages capitalist to be considerate and fair to everyone in the society. It was introduced in 1984 by Freedom, F. E. He is convinced that new generation of managers will only succeed if they focus business on satisfying all the stakeholders at the same time. It is about working together to create value together [17].

Agency Theory. Agency theory is said to have been originated by Ross, S and Mitnick, B. M. in 1973 [18]. This theory allows managers and government to see themselves as serving their investors, or citizens who are the principal, who put them where they are, and should be accounted for the activities to their principal by working for the general good of the principal. Thus this theory expects government to be accountable to the citizens and provide dividends of their service to the primary good of the citizenry.

Theoretical Framework: The three theories fit into the study, why government may provide and control prices of utilities that are of public interest. The essence of regulatory deferral account is to guide against price volatile in public utilities so average member of the society can have access to them. At the same time it is the duty of the government to ensure the continuous flow of those services in the society for the general good of all. In that case rate regulation works in two ways, to both protect the consumers and sustain the suppliers. The IFRS 14 fits in in this theory as the ultimate aim is to aid users of financial information in decision making for the good of the individuals an the society at large.

4. EMPIRICAL REVIEW

The IFRS 14 is of relatively new founded. It was given to start in 2016. Secondly, it is only an interim standard meant to be adopted by first time adopters of IFRS. Its seemingly restrictive area of usage generates less research work around it.

Ko, W. S. [19] understudied the accounting regulated Industry in Korea. In his research he reviewed the objectives of rate regulation, rate setting mechanism, mechanism for tracking the recovery of reversal of costs in regulated industry in four countries namely: United Kingdom, U.S.A., Canada and Australia, and concluded that (1) The differential cost component constitutes revenue and recognized as a financial assets, (2) The differential cost component constitutes revenue and recognized as a non-financial assets (that is intangible assets), and that (3) The differential cost component should not constitute revenue but can be capitalized and recognized as a deferred asset. He did not venture into aspect of practical accounting and format of IFRS 14.

Lima (2010) in Flores and Lopes [11] studied adoption of IFRS in Brazil. His findings revealed that after the full adoption of IFRS in 2010, there was greater value relevance in the financial statements of companies, as their book values drew closer to the market values. The same study also revealed that the fully rate-regulated companies (electric companies) in Brazil were negatively affected by the IFRS adoption, because of the exclusion of regulatory assets and liabilities from their financial statements.

Flores and Lopes [11] did a study on Brazil and Canada energy companies (electric distributors companies). The findings revealed a decrease in the value relevance of accounting information in the electric distributors after the Brazilian IFRS adoption. Their study further revealed that with IFRS 14, the Canadian electric distribution companies had positive value relevance of accounting information.

Erin, Olojede, and Ogundele (2017) studied the value relevance of accounting data in the pre and post IFRS era, using Nigeria evidence. The study revealed that value relevance of accounting data is more pronounced in the post-IFRS period; also the implementation in Nigeria has enhanced the value relevance of accounting data such as earnings, cash flow, book value, and net income.

The study did reveal neither the effect of IFRS on rate-regulated companies in Nigeria, nor the impact of IFRS 14 implementation, the area which this article is on focus

5. METHODOLOGY

Paper review was carried out using purposive sampling method. This was to enable the researcher select articles in the area of the new standard. Works of Grant Thornton, KPMG, Delloitte, IFRS staffer news, and EY [14,20] were reviewed to gain insight on the standard.

6. RESULTS AND DISCUSSION

The IFRS 14 for new adopters of IFRS will have to continue with their GAAP policies on the regulated deferral account balances and such must be reflected on the financial statement in the first year of adoption. The following are the effect of those on the statements of financial position as demonstrated by KPMG [12].

Example of extracted Statement of Financial Position

Assets	Notes	20x1	20x0
Non-current assets	a	x	Y
Current assets	b	x	Y
Disposal group assets	q	x	Y
Total assets		X	Y
Regulatory deferral account debt balance related to disposal group	d,q	x	Y
Other regulatory deferral account debit balance	d	x	Y
Deferred Tax asset associated with regulatory deferral account balances	d	x	Y
Total assets and regulatory			
Deferral account balance		X	Y
Equity and liability			
Total Equity	e	x	y
Non-current liabilities	l	x	y
Current liabilities	d	x	y
Disposal group liabilities	d	x	y
Total Liabilities		x	y
Total equity and liabilities		X	Y
Regulatory Deferral Account credit balance		x	y
Total equity, liabilities and regulated deferal account credit balances		X	Y

Table 3. Statement of profit or loss and other comprehensive income

	Note	31 December 2019 N'000	31 December 2018 N'000
Revenue	5	100,588,240	89,200,968
Operating Costs	6	(60,526,162)	(117,915,482)
Gross Profit/(Loss)		40,000,000	(28,714,515)
Other income	8	124,542,068	910,131
Distribution and Administrative costs	7	(49,852,287)	(38,757,174)
Result from Operating activities		114,749,859	(66,561,558)
Finance income	9(a)	188,923	60,202
Finance costs	9(a)	(33,739,366)	(23,537,225)
Finance costs written off	9(b)	78,006,495	-
Net finance cost		44,456,052	(23,477,023)
Profit/(Loss) before taxation		159,205,911	(90,038,581)
Income tax	10	(11,583,046)	(111,563)
Other comprehensive income			
Item that will not be reclassified subsequently to income statement			
Total comprehensive Profit/(cost) for the year		147,623,865	(90,150,144)
Earnings/(Loss) per share – Basic- Naira	20	5,905	(3,606)

Source: Deloitte (2020)

Table 4. Statement of financial position as at 31 December, 2019

	Note	31 December 2019 N'000	31 December 2018 N'000
Assets			
Non-current assets			
Property, plant and equipment	11(a)	111,751,867	115,557,261
Intangible assets	11(b)	302,481	45,243
Deferred tax asset	10.4	25,137,960	35,568,703
Other Deposit (DSRA)	14.1	2,640,040	1,686,757
Total non-current assets		139,832,348	152,857,964
Current assets			
Inventories	13	377,119	323,966
Trade and other receivables	12	7,220,556	8,054,361
Cash and bank balances	14	6,632,443	6,741,267
Prepaid expenses		438,137	355,603
Total current assets		14,668,255	15,475,197
Total assets		154,500,603	168,333,161
Equity and liabilities			
Capital and reserve	19	25,000	25,000
Share capital		82,993,635	82,993,635
Revaluation Reserve		(202,600,243)	(350,223,109)
Other reserve		131,392,850	131,392,820
Total Equity		11,811,242	135,811,624
Non-Current Liabilities			
Loans and borrowings	15	6,517,470	6,301,070
Employee Benefit	16.2	1,070,754	-
Deferred tax liabilities	10	35,568,703	35,568,703
Total non-current liabilities		43,156,927	41,869,703
Current Liabilities			
Trade and other payables	15	96,385,431	260,110,219
Loans and borrowings	16.2	1,834,901	1,685,517
Current tax liabilities	10.3	1,312,102	479,268
		99,532,434	262,275,004
Total liabilities		142,689,361	304,144,785
Total equity and liabilities		154,500,603	168,333,161

Source: Deloitte (2020) [21]

6.1 Comparison of Format between Non Rate Regulatory and Fully Regulatory Statements

The following is an extract from Ikeja Electric Financial Statements for the year ended December 31, 2019. This is used here mainly for academic exercise. From the notes to their financial statements, the company acknowledges that the IFRS 14 as amended is yet to be adopted and implemented in the company. The study is aimed at comparing the present format with the required format stated above. The comparison is on Statement of Profit or Loss and other comprehensive income, and the Statement of financial position. The company statement is selected being a utility company that fit into the subject of discussion.

Using the above, below is the illustrative presentation of the statement of profit or loss and other comprehensive income; and statement of financial position reflecting the IFRS 14 format. This article assumes a fully regulated company, with a regulatory rate of 70% profit margin. The excess profit above that rate will be considered as regulatory account credit balance, and any amount below that rate is considered regulatory deferral account debit balance. The article does not focus on explicit application of the full detail of the standard, but focuses on how the profit margin rate regulation display in the format, differently from where it is not fully regulated. The article also assumes a non-control interest factor. Thus the activities only relate to the company and if there are subsidiaries they are wholly owned by the company.

From the above statement of profit or loss and other comprehensive income presented, the actual cost incurred as at 31 December 2019 is N144,117,815,000 being operating cost, distribution cost, plus financial cost (N60,526,162,000 + N49,852,287,000 + 33,739,366,000). Therefore expected profit (Assumed 70% mark-up on cost: 144,117,815,000*1.7 = N245,000,285,500) should be N100,882,470,500 (i.e 245,000,285,500 - 144,117,815,000). Actual profit made before tax is N159,205,911,000, an excess of N58,323,440,500 in the current year (2019). Similarly in 2018, the actual cost incurred was N180,209,881,000 being operating cost plus distribution and administrative cost, and finance cost (N117,915,482,000 + N38,757,174,000 + 23,537,225,000). Expected profit (Assumed 70% mark-up on cost: N180,209,881,000*1.7 = N306,356,797,000) should be N126,146,916,700 (N306,356,797,700 – N180,209,881,000). Actual profit/or (loss) before tax was (N90,038,581,000), a deficit of N216,185,497,700 in that year. Assuming all other entries in the statements are relevant and being hold at constant. The implications of the deferral account balances in this case, reflect the two main concepts on IFRS 14, which is handling the debit and credit deferral account balances.

Table 5. Statement of profit or loss and other comprehensive income

	Note	31 December 2019 N'000	31 December 2018 N'000
Revenue	5	100,588,240	89,200,968
Operating Costs	6	(60,526,162)	(117,915,482)
Gross Profit/(Loss)		40,000,000	(28,714,515)
Other income	8	124,542,068	910,131
Distribution and Administrative costs	7	(49,852,287)	(38,757,174)
Result from Operating activities		114,749,859	(66,561,558)
Finance income	9(a)	188,923	60,202
Finance costs	9(a)	(33,739,366)	(23,537,225)
Finance costs written off	9(b)	78,006,495	-
Net finance cost		44,456,052	(23,477,023)
Profit/(Loss) before taxation		159,205,911	(90,038,581)
Income tax	10	(11,583,046)	(111,563)
Profit for the year before net movements in regulatory deferral account balances		147,623,865	(90,150,144)
Net movement in regulatory deferral account balances related to profit and loss and related deferred tax movement		(58,323,440.5)	216,185,497.7
Profit for the year and net movements in regulatory deferral account balance		89,300,424.5	126,035,353.7
Other comprehensive income: Items that will not be reclassified to profit or loss		-	-
Total comprehensive income for year		89,300,424.5	126,035,353.7
Earnings/(Loss) per share – Basic- Naira	20	3,572	5,041

Table 6. Statement of financial position as at 31 December, 2019

	Note	31 December 2019 N'000	31 December 2018 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	111,751,867	115,557,261
Intangible assets	11(b)	302,481	45,243
Deferred tax asset	10.4	25,137,960	35,568,703
Other Deposit (DSRA)	14.1	2,640,040	1,686,757
Total non-current assets		139,832,348	152,857,964
Current assets			
Inventories	13	377,119	323,966
Trade and other receivables	12	7,220,556	8,054,361
Cash and bank balances	14	6,632,443	6,741,267
Prepaid expenses		438,137	355,603
Total current assets		14,668,255	15,475,197

	Note	31 December 2019 N'000	31 December 2018 N'000
TOTAL ASSETS		154,500,603	168,333,161
Regulatory deferral account debit balance		-	216,185,497.7
Total Assets and regulatory deferral account debit balances		154,500,603	384,518,658.7
Equity and liabilities			
Capital and reserve	19	25,000	25,000
Share capital		82,993,635	82,993,635
Revaluation Reserve		(260,923,683.5)	(134,037,611.3)
Other reserve		131,392,850	131,392,850
Total Equity		(46,512,198.5)	80,373,873.7
Non-Current Liabilities			
Loans and borrowings	15	6,517,470	6,301,078
Employee Benefit	16.2	1,070,754	-
Deferred tax liabilities	10	35,568,703	35,568,703
Total non-current liabilities		43,156,927	41,869,781
Current Liabilities			
Trade and other payables	15	96,385,431	260,110,219
Loans and borrowings	16.2	1,834,901	1,685,517
Current tax liabilities	10.3	1,312,102	479,268
		99,532,434	262,275,004
TOTAL LIABILITIES		96,177,162.5	384,518,658.7
Regulatory deferred account credit balance		58,323,440.5	
TOTAL EQUITY AND LIABILITIES		154,500,603	384,518,658.7

7. SUMMARY

The closer look at IFRS 14 could be summed as follows:

Apart from limited changes which is required from new adopters, it allows such new adopters to continue with their accounting policy on rate regulation based on Generally Accepted Accounting Principles;

Both the statement of financial position and the statement of profit or loss and other comprehensive income are to present a separate regulatory deferral account as a separate line item;

The standard expects entities to disclose the kind and risk that are associated with the form of rate regulation which is the reason for recognizing the regulatory deferral account balances.

Findings: In comparing the two formats it appears the rate regulation will have a positive impact on the shareholders. The following is the summary of the earning per share using each of the format

	2019	2018
Earning/(loss) per share without IFRS 14	N5,905	(N3,606)
Earning/(loss) per share with IFRS 14 fully regulated	N3,572	N5,041

It is clear that whereas the shareholders suffer basic loss of (N3,606) in 2018, the fully regulated IFRS 14 deferral allow shareholders to gain as much as N5,041.

This study is not a comprehensive survey of the implication of IFRS 14. It only highlights the fact that IFRS 14 if fully implemented may have beneficiary effects on both the suppliers of those services and the consumers of those services.

8. CONCLUSION AND RECOMMENDATIONS

International Financial Reporting Standard (IFRS) 14 is on Regulated Deferral Account. It is an interim standard that allows new adopters of IFRS with regulated deferral account balances in their previous GAAP policies to continue in IFRS adoption. The standard does not recognise the regulated deferred assets and liabilities. The full blown of the standard appears to have a hopeful beneficial effect on the company and the society

There is need for more research in this area, especially conducting a field work to study the actual implementation and the workability of the standard.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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