

Early Impressions

IFRS 20 Regulatory Assets and Regulatory Liabilities

A New Era for Rate-Regulated Entities — Recognizing the Effects of Differences in Timing



Executive Summary

On 27 May 2026, the International Accounting Standards Board (IASB) issued *IFRS 20 Regulatory Assets and Regulatory Liabilities*, a new IFRS Accounting Standard that fundamentally changes how rate-regulated entities report the financial effects of differences in timing arising from regulatory agreements. IFRS 20 supersedes the interim standard *IFRS 14 Regulatory Deferral Accounts* and fills a long-standing gap in IFRS Accounting Standards.

Historically, when the company charged customers in a reporting period did not include the full compensation for goods or services supplied in that period (with the balance to be recovered or refunded through future regulated rates), IFRS Accounting Standards offered no specific guidance. The resulting reporting did not faithfully represent the company's financial performance or the rights and obligations created by the regulatory agreement. Diversity in practice, reduced comparability, and significant analyst adjustments followed.

IFRS 20 introduces a comprehensive recognition, measurement, presentation, and disclosure model. Companies subject to a regulatory agreement that may create such differences in timing must now recognize regulatory assets (enforceable rights to add an amount to future rates) and regulatory liabilities (enforceable obligations to deduct an amount from future rates), and the resulting regulatory income and regulatory expense. The measurement model is cash flow-based, discounted at the regulatory interest rate. IFRS 14 applied only to first time adopters and permitted the continuation of previous GAAP.

The standard is effective for annual reporting periods beginning on or after 1 January 2029, with early application permitted. Entities may transition either retrospectively (per IAS 8) or using a modified retrospective approach that permits hindsight.

In this Early Impressions publication, we highlight what has changed, why it matters, and the key implementation considerations for CFOs, Chief Accounting Officers, and accounting professionals in the utilities, energy, transportation, water, and other rate-regulated sectors.

We hope you find this publication valuable and welcome further discussion.

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Background

Why rate regulation matters

Rate regulation is pervasive in industries that deliver essential goods and services — electricity, gas, water, transportation, and telecommunications. In these sectors, an independent regulator approves a tariff (the regulated rate) that customers pay. The regulator's tariff-setting methodology typically defines an amount of compensation the entity is entitled to recover for the regulatory goods or services it supplies in a period (the total allowed compensation) and the timing of when the entity can recover that compensation through customer billings.

Often, those two amounts diverge. Costs incurred today may only be recovered through tariffs charged in future years; conversely, the entity may be entitled to bill today for items it will deliver in the future. These differences in timing are the economic reality of how regulators set rates — yet, prior to IFRS 20, IFRS Accounting Standards did not require entities to account for those effects.

The accounting gap problem

Before IFRS 20, companies applying IFRS Accounting Standards were unable to recognize the effects of differences in timing. As a result:

- Revenue under IFRS 15 reflected the regulated rate charged in the period, not the total allowed compensation — distorting reported financial performance.
- Enforceable rights to recover under-recovered costs through future rates, and enforceable obligations to refund over-collections through future rates, were not reflected on the statement of financial position.
- Investors and analysts had to develop their own adjustments to normalize reported results, leading to significant diversity and reduced comparability across rate-regulated entities.
- IFRS 14 provided a short-term grandfathering relief for first-time adopters of IFRS but did not address the underlying accounting issue.

Expected impact at a glance

Performance

Net profit is aligned with the period of supply

Position

Regulatory assets/liabilities on the balance sheet

Comparability

Consistent reporting across jurisdictions

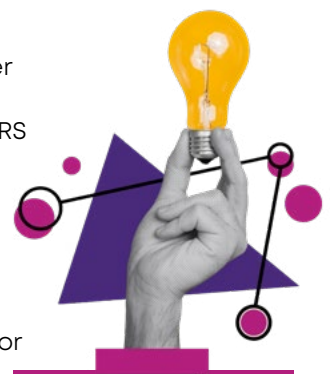
Transparency

Richer disclosures on rate regulation

Uniquis Point of View — Background

IFRS 20 closes one of the most cited accounting gaps under IFRS Accounting Standards. For groups operating across jurisdictions that historically applied U.S. GAAP (ASC 980), IFRS 14, or local GAAP regulatory accounting, the new standard offers, for the first time, a globally comparable financial reporting model.

Reporting teams should treat IFRS 20 as a finance-transformation program, not a narrow accounting change — it touches systems, contract intelligence, controls, investor communication, and operating-model design.



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IFRS 20: Summary

IFRS 20 is a comprehensive new standard that establishes a complete model for accounting for the financial effects of rate regulation. The infographic below highlights the six key dimensions of the standard.

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Objective

- Provide useful information about differences in timing through recognition of regulatory assets, regulatory liabilities, regulatory income, and regulatory expense.

Scope

- All entities party to a regulatory agreement that creates regulatory assets or regulatory liabilities. Insurance contracts within the IFRS 17 scope are excluded.

Recognition principle

- Recognize all regulatory assets and liabilities existing at period-end. Where existence is uncertain, apply a 'more likely than not' threshold.
- Recognize all regulatory income and regulatory expense arising during a reporting period.

Measurement basis

- Cash-flow-based technique — estimated future cash flows discounted at the regulatory interest rate. A simplified approach is available in specified cases.

Presentation

- Regulatory income/(expense) is presented separately from the related expense or related income.
- Regulatory assets/liabilities are presented on the Statement of Financial Position as line items (current/non-current).

Effective date

- Annual reporting periods beginning on or after 1 January 2029. Early application permitted.
- Retrospective or modified retrospective transition.

The core principle

Recognize the total allowed compensation for regulatory goods or services
in the same reporting period in which those goods or services are supplied

Conceptual flow — from rate regulation to financial statements

Regulatory Agreement

Creates enforceable rights and obligations

Total Allowed Compensation

The amount the entity is entitled to recover for the period of supply

Differences in Timing

Compensation recovered in a different period

Regulatory Assets / Liabilities

Recognized, measured, presented, and disclosed

Scope Applicability

IFRS 20 applies to every entity that is a party to a regulatory agreement that creates regulatory assets or regulatory liabilities. There is a single, narrowly drafted scope exception. The standard does not depend on whether the entity is a public, private, government-controlled, or first-time IFRS adopter — if a regulatory agreement creates qualifying rights or obligations, IFRS 20 must be applied.

Key terms defined

IFRS 20 introduces several defined terms that drive the entire model. Understanding these definitions is the entry point for applying the standard.

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Term Regulatory agreement

Definition

An agreement that creates a set of enforceable rights and obligations and prescribes how a regulator determines the regulated rate (or range) that the entity charges customers.

Term Regulator

Definition

A body required by law or regulation to determine the regulated rate (or range).

Term Total allowed compensation

Definition

The amount of compensation to which the regulatory agreement entitles the entity for regulatory goods or services supplied in a reporting period.

Term Differences in timing

Definition

Arise where part or all of the total allowed compensation for goods/services supplied in a period is charged to customers in a different period.

Term Regulatory asset

Definition

Enforceable present right — created by a regulatory agreement — to add an amount to future regulated rates because all or part of the total allowed compensation for goods/services already supplied has not yet been included in IFRS 15 revenue.

Term Regulatory liability

Definition

Enforceable present obligation to deduct an amount from future regulated rates because all or part of the total allowed compensation for goods/services to be supplied has already been included in IFRS 15 revenue.

Term Regulatory income/expense

Definition

Income or expense arising from changes in a regulatory asset or regulatory liability.

Term Regulatory interest rate

Definition

The interest rate specified or implied by the regulatory agreement to compensate for the time period until recovery/fulfillment.

Scope exception

IFRS 20 includes only one scope exception: it does not apply to regulatory assets and regulatory liabilities arising from premiums charged in insurance contracts within the scope of IFRS 17 that are regulated. Those effects continue to be addressed under IFRS 17.


Illustrative Scope Example 1 — In scope (Electric utility)

Fact pattern: Utility RRE operates under a cost-of-service tariff approved by the national energy regulator. In Year 1, actual fuel costs of CU120 were incurred, but the regulator allowed Utility RRE to charge customers a tariff that recovered only CU100 of fuel costs in Year 1. The regulatory agreement gives Utility RRE an enforceable right to recover the CU20 shortfall through the Year 2 tariff.

Analysis: Utility RRE is a party to a regulatory agreement that creates an enforceable present right to add CU20 to future regulated rates. A difference in timing arises because the total allowed compensation for goods supplied in Year 1 (CU120) is greater than the amount included in Year 1 IFRS 15 revenues (CU100). The arrangement is in scope of IFRS 20. A regulatory asset of CU20 and regulatory income of CU20 are recognized in Year 1; the asset is derecognized in Year 2 when it is reflected under IFRS 15 revenue.

Journal entries to be passed:

Year 1 — Under-recovery period

(a) Incurrence of actual fuel costs (CU120)

	Debit	Credit
Fuel cost (P&L)	120	
Cash / Trade payables		120

(b) Billing customers at the regulated tariff – IFRS 15 revenue (CU100)

	Debit	Credit
Cash / Trade receivables	100	
Revenue – IFRS 15 (P&L)		100

(c) IFRS 20 recognition of the enforceable right to recover the CU20 shortfall through Year 2 tariffs

	Debit	Credit
Regulatory asset (SoFP)	20	
Regulatory income (P&L, classified as revenue)		20

Year 1 outcome: Total revenue 120 (IFRS 15 revenue 100 + Regulatory income 20) – Fuel cost 120 = Profit nil. Regulatory asset of CU20 on the SoFP.

Year 2 – Recovery period

When the regulator permits the additional CU20 to be recovered through Year 2 tariffs, Utility RRE bills customers an extra CU20. Under IFRS 15, this amount is included in revenue in Year 2, but the regulatory asset recognized in Year 1 must be derecognized.

(a) Record additional tariff recovery

	Debit	Credit
Cash	20	
Revenue – IFRS 15 (P&L)		20

(b) Derecognition of the Year 1 regulatory asset as it flows through IFRS 15 revenue in Year 2

	Debit	Credit
Regulatory expense	20	
Regulatory asset (SoFP)		20

Year 2 outcome: Total revenue 20 (IFRS 15 revenue): Regulatory expense 20 = Profit nil.

Regulatory asset fully derecognized.

Two-year summary

In CU	Year 1	Year 2
IFRS 15 revenue	100	20
Regulatory income / (expense)	20	(20)
Total revenue	120	-
Fuel cost	(120)	-
Profit	-	-
Regulatory asset (closing)	20	-

Note: For simplicity, the regulatory interest rate is assumed to be nil (recovery within the next reporting period). If the recovery period extended beyond one year, the regulatory asset would be measured at the present value of expected recoveries discounted at the regulatory interest rate, with regulatory interest income unwound through P&L each period.

Illustrative Scope Example 2 — Out of scope (Insurance premium regulation)

Fact pattern: Insurer B writes motor insurance contracts within the scope of IFRS 17. The premium it can charge policyholders is approved by the insurance supervisor; under-collections in a year can be recovered through higher approved premiums in future years.

Analysis: Although the rate is regulated and differences in timing arise, the underlying contracts are insurance contracts within IFRS 17. The IFRS 20 scope exception applies; the effects of premium regulation continue to be reflected through the IFRS 17 measurement model.

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Uniquis Point of View — Scope

Determining scope is a contract intelligence exercise, not a one-time accounting opinion. We recommend entities build a ‘regulatory agreement inventory’ — each agreement (formal tariff order, multi-year regulatory plan, court-approved settlement, service concession contract) needs to be assessed against the IFRS 20 definitions and tracked for changes throughout its life.

Service concession arrangements within the scope of IFRIC 12 might also result in regulatory assets or liabilities. For groups with service concession arrangements (IFRIC 12) and rate regulation, IFRS 20 is applied after IFRIC 12: first account for the concession-related rights and obligations; then apply IFRS 20 to any residual rights or obligations meeting the regulatory asset or liability definitions.

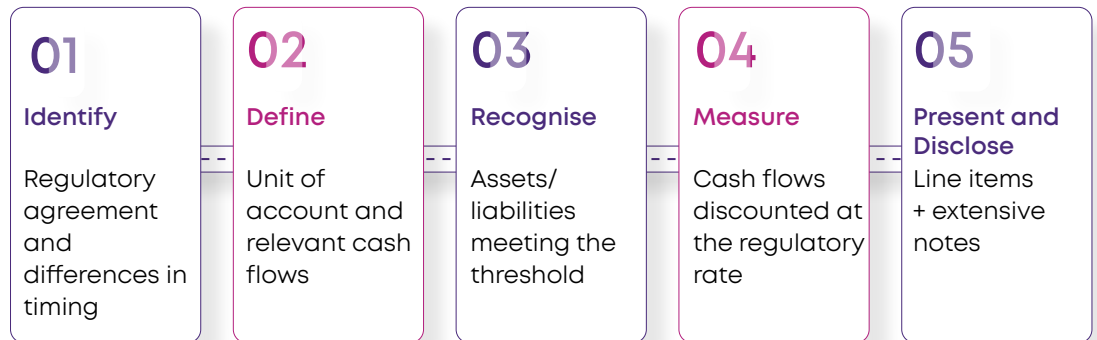
Where multiple regulators are involved — federal vs. state, primary vs. secondary, transitional regulators — each agreement should be assessed separately. Aggregation is allowed only for similar units of account created under the same regulatory agreement, with similar expiry patterns and subject to similar risks.



Key Highlights Of The Standard

This section walks through the substantive recognition and measurement requirements of IFRS 20. The application introduces several new concepts (regulatory capital base, direct relationship, regulatory interest rate) and requires significant judgment and data infrastructure.

Applying IFRS 20 — 5-step workflow



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01 Identify — Regulatory agreement and differences in timing

The first step is to establish whether IFRS 20 applies. The entity must identify the regulatory agreement (a tariff order, multi-year regulatory plan, court-approved settlement, concession contract, or similar instrument), the regulator that determines the regulated rate, and the regulatory goods or services supplied under that agreement. It must then assess whether differences in timing arise — that is, whether part or all of the total allowed compensation for goods or services supplied in a reporting period is charged to customers through regulated rates in a different period.

Each of these conditions must be present. Without an enforceable regulatory agreement, an authoritative regulator, and an identified difference in timing, no regulatory asset or regulatory liability can exist under IFRS 20. The entity must also confirm that the IFRS 17 scope exception (for regulated insurance premiums) does not apply.

- **Inventory of regulatory agreements** — every distinct tariff order, multi-year plan, or regulator-approved settlement is captured and assessed against the IFRS 20 definitions.
- **Confirm enforceability** — by reference to applicable laws, prior regulatory decisions, court rulings, established precedents, and advice from qualified advisers.
- **Identify each difference in timing** — map the items the regulator considers in setting the rate (allowable expenses, regulatory returns, performance incentives, inflation pass-throughs, under- or over-recovery balances) against the periods of supply and recovery.

02 Define – Unit of account and relevant cash flows

Once an in-scope arrangement is identified, the entity defines the unit of account, and the cash flows it will measure. Under IFRS 20, the unit of account is either an individual right or obligation arising from a difference in timing, or a group of differences in timing that (i) are created by the same regulatory agreement, (ii) have similar expiry patterns, and (iii) are subject to similar risks. Disciplined aggregation reduces operational burden while preserving faithful representation.

Having fixed the unit of account, the entity scopes the relevant cash flows – all future cash flows arising from the recovery of a regulatory asset or the fulfillment of a regulatory liability that are within the boundary of the regulatory agreement, including cash flows for regulatory interest and any settlement on termination of the agreement.

- **Choose an estimation method** – the ‘most likely amount’ (single best estimate) where one outcome dominates, or the ‘expected value’ (probability-weighted outcomes) where there is a range of possible outcomes.
- **Document the boundary** – cash flows outside the regulatory agreement’s enforceable boundary (for example, expected future rate cases not yet approved) are excluded.
- **Reflect risk factors** – incorporate demand risk, credit risk, and any other uncertainties specific to the regulatory cash flows rather than the underlying operating cash flows.

Example – Defining the unit of account

Utility E operates under a single tariff order that creates three distinct differences in timing: (i) a fuel cost under-recovery of CU30 expected to reverse within one year; (ii) a storm-damage repair cost of CU200 to be recovered over five years; and (iii) a deferred environmental remediation obligation of CU80 to be deducted from rates over three years.

Items (i) and (ii) arise from allowable-expense recoveries with similar risk profiles and may be grouped into a single unit of account. Item (iii) is an obligation with a different expiry pattern and risk profile and is accounted for as a separate unit of account.

03 Recognize – Assets/liabilities meeting the threshold

An entity is required to recognize all regulatory assets and all regulatory liabilities existing at the end of the reporting period, and all regulatory income and regulatory expense arising during the reporting period.

Two recognition concepts are critical:

- **Existence uncertainty** – where it is uncertain whether a regulatory asset or liability exists, the entity recognizes it only if it is more likely than not to exist. The threshold is applied by reference to all reasonable and supportable information available without undue cost or effort (including applicable laws, regulatory decisions, precedents, and advice from advisers). Uncertainty about the existence of a regulatory asset or regulatory liability might arise from uncertainty about the existence of a present right or present obligation, uncertainty about the enforceability of the present right or present obligation, or uncertainty about both existence and enforceability. The existence of a present right or present obligation does not need to be certain for an entity to be able to assess its enforceability. An entity shall consider both types of

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uncertainty and make a combined assessment of whether it is more likely than not that an enforceable present right or enforceable present obligation exists.

- **Direct relationship** — regulatory assets/liabilities arising from regulatory depreciation of a regulatory capital base (RCB) are recognized only if a direct relationship exists between the RCB and a related item (typically a depreciable / amortisable asset or an item the regulator monitors separately).

Further, Compensation for an allowable expense might be based on a benchmark (for example, the actual expenses of an entity's peer group). In some cases, the benchmark is determined using unobservable inputs, and the regulator determines the compensation only after the entity's financial statements are authorised for issue. In such cases, an entity shall recognise any resulting regulatory asset or regulatory liability only when the regulator determines the compensation based on the actual benchmark.

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Example — Existence uncertainty: threshold met (recognize)

Fact pattern: In November 2027, Utility F incurs CU500 of restoration costs following a major storm. The regulatory agreement contains a general principle that prudently incurred extraordinary costs may be recovered through future tariffs, but the regulator has not yet issued a formal decision on this specific event. Management reviewed five comparable storm events in the same jurisdiction over the past decade: in four of those events, the regulator approved full recovery (typically over 3–5 years), and in one event, a 20% disallowance was applied for imprudence. Outside legal counsel concurs that recovery is highly likely, subject to documentation of prudent operation.

Analysis: The existence of the right to recover is uncertain as of 31 December 2027 because the regulator has not formally approved recovery. However, applying the more-likely-than-not threshold to all reasonable and supportable information available (regulatory precedent, applicable framework, legal advice), Utility F concludes that it is more likely than not that a regulatory asset exists.

Utility F recognizes a regulatory asset and regulatory income on 31 December 2027.

Example — Existence uncertainty: threshold not met (do not recognize; disclose)

Fact pattern: In the same year, Utility F also requests recovery of CU150 of new IT-platform investment costs that fall outside its current regulatory plan. There is no precedent in the jurisdiction for recovering this category of costs mid-cycle, and the regulator's preliminary indications are mixed. Counsel assesses the probability of recovery at around 30 – 40%.

Analysis: The more-likely-than-not threshold is not met. Utility F does not recognize a regulatory asset for the CU150. However, IFRS 20 requires disclosure of unrecognized regulatory assets — Utility F discloses the nature of the item, the amount, and the reason it has not been recognized. The position is reassessed at each period; if the regulator subsequently approves recovery (or precedent moves in favor), recognition is triggered prospectively.

Indicators of a direct relationship between RCB and related items

Indicators — Direct relationship EXISTS

RCB asset classes are sufficiently similar to the IFRS asset classes (differences can be tracked)

The regulator determines an amount of regulatory depreciation specifically to compensate for IFRS depreciation/amortization.

For non-depreciable related items: RCB has a direct relationship with the depreciable assets, or the regulator monitors the compensation separately.

Indicators — Direct relationship does not Exist

The regulator determines the RCB using information that differs significantly from the IFRS depreciable / amortisable asset base.

The regulator determines regulatory depreciation by considering factors unrelated to the IFRS depreciation/amortization.

The entity is unable, on a reasonable and supportable basis, to allocate adjustments to related items.

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Example — Direct relationship EXISTS (recognize regulatory items from regulatory depreciation)

Fact pattern: Utility G is an electricity transmission company. Under its regulatory agreement, the regulator approves a Regulatory Capital Base (RCB) constructed using the same asset classes as Utility G's IFRS books — transmission lines, substations, towers, and metering equipment — at original IFRS cost less accumulated regulatory depreciation. The regulator computes regulatory depreciation per asset class using straight-line useful lives set by the regulator (e.g., 40 years for transmission lines) and that differ from the useful lives Utility G applies under IAS 16 (e.g., 50 years).

Analysis: A direct relationship exists between the RCB and the related depreciable assets because (i) the RCB classes mirror the IFRS asset classes, allowing differences to be tracked at the class level; and (ii) the regulator determines an amount of regulatory depreciation specifically to compensate for the depreciation of those assets. The fact that the useful lives differ creates differences in timing — but those differences arise from the same underlying items. Utility G recognizes a regulatory asset (or liability) for the cumulative difference between regulatory depreciation taken to date (recovered through tariffs) and IFRS depreciation recognized in profit or loss.

Derecognition — when and how to remove regulatory items

A regulatory asset or regulatory liability — or part of one — is derecognized when either:

- **the amount no longer meets the definition** of a regulatory asset or regulatory liability (for example, the under-recovery has been recovered through future regulated rates and now sits in IFRS 15 revenue, or the over-collection has been fulfilled through reduced future tariffs); or
- **the amount no longer meets the recognition criteria** (for example, on reassessment under the more-likely-than-not threshold, the right or obligation is no longer more likely than not to exist — typically following an adverse regulatory ruling or a material shift in regulatory precedent).

The adjustment to the carrying amount on derecognition is recognized in profit or loss as regulatory income or regulatory expense (or in OCI, where the related item was recognized in OCI under another IFRS Accounting Standard).

Common derecognition triggers in practice

Trigger	Accounting outcome
Recovery through tariffs	As the regulator includes the under-recovered amount in subsequent regulated rates and the entity bills customers, the corresponding portion of the regulatory asset is derecognized, with regulatory expense recognized in profit or loss to match the IFRS 15 revenue.
Fulfillment of a regulatory obligation	As the regulator deducts an over-collected amount from future tariffs and customers are billed at the lower rate, the corresponding portion of the regulatory liability is derecognized, with regulatory income recognized in profit or loss.
Adverse regulatory ruling	A final order that disallows recovery (in whole or in part) of a previously recognized regulatory asset. The disallowed portion is derecognized through regulatory expense in profit or loss.
Reassessment of existence	Where new information (regulatory precedent, court ruling, legal advice) means the item is no longer more likely than not to exist, the carrying amount is derecognized, accompanied by disclosure of the unrecognized item.

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Example —Derecognition following an adverse regulatory ruling (disallowance)

Fact pattern: Utility J recognized a regulatory asset of CU400 in 2026 in respect of contested capital-expenditure costs that the regulator had indicated, on a preliminary basis, would be recovered through future tariffs. In June 2028, after a contested hearing, the regulator issued a final order disallowing CU100 of those costs as imprudent, while confirming the remaining CU300 for recovery over the 2029 – 2031 tariff cycle.

Analysis: On 30 June 2028, the CU100 disallowed portion no longer meets the definition of a regulatory asset — there is no enforceable right to add this amount to future regulated rates. Utility J derecognizes CU100 of the regulatory asset and recognizes CU100 of regulatory expense in profit or loss in 2028. The remaining CU300 continues to be recognized and is subsequently derecognized over 2029 – 2031 as the amounts flow through IFRS 15 revenue.

Uniquis Point of View — Derecognition

- Derecognition is not just a 'reversal' of recognition — it is an ongoing measurement and contract-monitoring discipline. Entities should embed a periodic review of derecognition triggers into their close process: tariff orders, court rulings, regulator working papers, and rate-case correspondence all need to feed into a single source of truth.
- IFRS 20 does not provide specific guidance on derecognition arising from securitization of regulatory assets, because such transactions are rare. Where they do occur, in the absence of specific requirements, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to use its judgment in developing and applying an accounting policy for such transactions.



04 Measure — Cash flows discounted at the regulatory interest rate

IFRS 20 requires entities to measure regulatory assets and regulatory liabilities using a cash-flow-based technique:

- Estimate all future cash flows arising from the recovery of the regulatory asset or fulfillment of the regulatory liability that are within the boundary of the regulatory agreement, including cash flows for regulatory interest.
- Discount those estimated future cash flows using the regulatory interest rate specified or implied by the regulatory agreement. A short-term practical expedient is available: if the period between recognition and the date the agreement-specified interest rate starts to apply is one year or less, the entity need not discount during that period.
- Where uncertainty exists, apply the 'most likely amount' method (single most likely outcome) or the 'expected value' method (probability-weighted outcomes) — whichever better predicts the ultimate cash flows.
- On subsequent measurement, an entity updates cash-flow estimates each period and continues to use the discount rate determined at initial recognition, unless the regulatory agreement changes the regulatory interest rate.

Further, for a regulatory asset or regulatory liability that arises from regulatory depreciation of a regulatory capital base, the regulatory interest rate is the rate of return that the regulatory agreement applies to the regulatory capital base.

In some cases, an entity shall derive an implied regulatory interest rate from the terms of a regulatory agreement instead of using the interest rate specified in the regulatory agreement.

Example — Multi-year recovery with regulatory interest (initial and subsequent measurement)

Fact pattern: Utility K incurs CU450 of allowable storm-recovery costs in late 2026, none of which have been included in 2026 IFRS 15 revenue. The regulator's final order (issued in November 2026) approves recovery over the 2027 – 2029 tariff period (three years) and specifies a regulatory interest rate of 4%. The order requires Utility K to recover the under-recovered costs through level annual increments to the tariff that fully amortize the principal at 4%.

Annual recovery built into the tariff = $CU450 \times [0.04 / (1 - 1.04^{-3})]$ = **CU162.16 per year** (total cash to be billed = CU486.47, of which CU450 is principal and CU36.47 is regulatory interest).

Initial measurement on 31 December 2026:

- Estimated future cash flows: $CU162.16 \times 3 \text{ years} = CU486.47$
- Discount at the regulatory interest rate (4%) — present value of CU162.16 for three years at 4% = CU450
- Regulatory asset recognized: **CU450**; regulatory income recognized in 2026 profit or loss: CU450

Amortization schedule of the regulatory asset:

Year	Opening balance	Interest accretion at 4%	Less: recovery flowing through IFRS 15 revenue	Closing balance
2027	450.00	18.00	(162.16)	305.84
2028	305.84	12.23	(162.16)	155.91
2029	155.91	6.24	(162.15)	0.00

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P&L impact in each year (for the recovery component only):

	2027	2028	2029
IFRS 15 revenue (recovery in tariff)	162.16	162.16	162.16
Regulatory expense (derecognition of asset)	(162.16)	(162.16)	(162.15)
Regulatory income (interest accretion)	18.00	12.23	6.24
Net revenue contribution	18.00	12.23	6.24

Observations:

- The regulatory interest rate (4%) specified by the order is used as the discount rate at initial recognition and is **carried forward through subsequent periods unchanged**, because the regulatory agreement has not changed the rate.
- Each year, the regulatory asset unwinds through interest accretion (regulatory income) and is derecognized as the recovery flows through IFRS 15 revenue (regulatory expense), leaving only the interest income in net revenue. This is consistent with the principle that the period of supply (2026) already captured the CU450 total allowed compensation in profit or loss.
- On subsequent measurement at each balance sheet date, Utility K updates its estimate of future cash flows. If the regulator subsequently changes the rate or the recovery schedule, Utility K remeasures using the **new** specified regulatory interest rate at that date.

Journal entries (Utility K — CU450 storm costs, three-year recovery, 4% regulatory interest rate). Cash settlement is assumed for simplicity.

2026 — Costs incurred, and regulatory asset recognized

(a) Incurrence of allowable storm-restoration costs

	Debit	Credit
Storm restoration expense (P&L)	450.00	
Cash / Trade payables		450.00

(b) Initial recognition of the regulatory asset (on issuance of the regulator's final order in November 2026)

	Debit	Credit
Regulatory asset (SoFP)	450.00	
Regulatory income (P&L, classified as revenue)		450.00

2026 P&L effect on this transaction = nil (CU450 storm expense offset by CU450 regulatory income — the period of supply now reflects the total allowed compensation).

Regulatory asset on 31 December 2026 = CU450.

2027 — Year 1 of recovery

(a) Customer billings under the recovery component of the tariff

	Debit	Credit
Cash / Trade receivables	162.16	
Revenue — IFRS 15 (P&L)		162.16

(b) Unwind of regulatory interest at 4% on opening regulatory asset (CU450 × 4%)

	Debit	Credit
Regulatory asset	18.00	
Regulatory income (P&L, classified as revenue)		18.00

(c) Derecognition of the regulatory asset as the recovery flows through IFRS 15 revenue

	Debit	Credit
Regulatory expense (P&L, classified as revenue)	162.16	
Regulatory asset		162.16

Regulatory asset roll-forward 2027: $450.00 + 18.00 - 162.16 = \text{CU}305.84$.

Net revenue contribution = $162.16 + 18.00 - 162.16 = \text{CU}18.00$ (the regulatory interest income for the period).

2028 — Year 2 of recovery**(a) Customer billings**

	Debit	Credit
Cash / Trade receivables	162.16	
Revenue — IFRS 15		162.16

(b) Interest unwinds on opening asset (CU305.84 × 4%)

	Debit	Credit
Regulatory asset	12.23	
Regulatory income		12.23

(c) Derecognition for recovery component

	Debit	Credit
Regulatory expense	162.16	
Regulatory asset		162.16

Regulatory asset roll-forward 2028: $305.84 + 12.23 - 162.16 = \text{CU}155.91$.

Net revenue contribution = **CU12.23**.

2029 — Year 3 of recovery (final year)**(a) Customer billings**

	Debit	Credit
Cash / Trade receivables	162.15	
Revenue — IFRS 15		162.15

(b) Interest unwinds on opening asset (CU155.91 × 4%)

	Debit	Credit
Regulatory asset	6.24	
Regulatory income		6.24

(c) Final derecognition of the regulatory asset

	Debit	Credit
Regulatory expense	162.15	
Regulatory asset		162.15

Regulatory asset roll-forward 2029: $155.91 + 6.24 - 162.15 = \text{nil}$.

Net revenue contribution = **CU6.24**. (CU0.01 rounding through the final-year cash flow.)

Three-year summary

In CU	2026	2027	2028	2029	Total
Storm restoration expense	(450.00)	—	—	—	(450.00)
Revenue — IFRS 15	—	162.16	162.16	162.15	486.47
Regulatory income	450.00	18.00	12.23	6.24	486.47
Regulatory expense	—	(162.16)	(162.16)	(162.15)	(486.47)
Net P&L effect	—	18.00	12.23	6.24	36.47
Regulatory asset (closing)	450.00	305.84	155.91	—	—
Cumulative cash received	—	162.16	324.32	486.47	486.47

Year 2026 nets to zero — the storm cost is matched to the regulatory income, restoring the period-of-supply principle. Years 2027 – 2029 each show only the regulatory interest income, totaling CU36.47 — exactly the embedded interest in the regulator's recovery schedule.

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Simplified measurement approach – cash-basis items

Where a regulatory agreement compensates an allowable expense (or deducts a chargeable income) only when cash is paid or received, IFRS 20 provides a simplified measurement approach. The regulatory asset or liability is measured by reference to the carrying amount of the related liability or asset under IFRS Accounting Standards, adjusted for any differences (e.g., demand risk, credit risk reflected in the regulatory item but not in the related item).

Example – Simplified approach in practice (Pension costs)

Utility C operates under a regulatory agreement that allows recovery of pension costs only when contributions are paid into the defined benefit plan. Utility C has recognized a defined benefit pension liability under IAS 19 of CU500 representing the funded status of the plan.

Because the regulator will compensate Utility C for those amounts only as cash contributions are made, Utility C recognizes a regulatory asset measured at the IAS 19 pension liability carrying amount (CU500), adjusted for any timing or risk differences between the IAS 19 liability and the regulatory recovery. Subsequent remeasurements of the pension liability through OCI are accompanied by regulatory income/(expense) recognized in OCI under IFRS 20.

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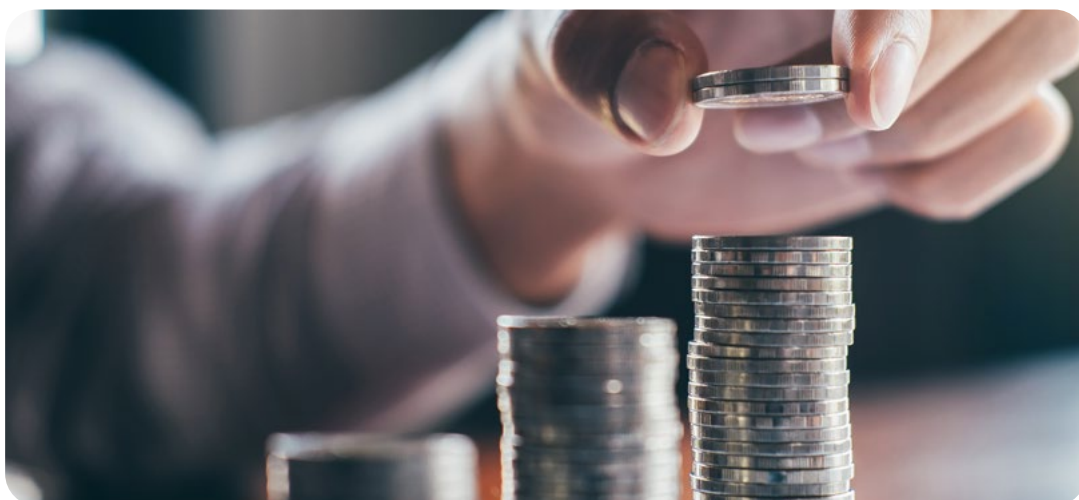
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05 Present and Disclose – Line items and extensive notes

IFRS 20 requires an entity to:

- Classify all regulatory income and regulatory expense as revenue and present all regulatory income minus all regulatory expense as a single line item in the statement of profit or loss – separately from IFRS 15 revenue.
- Where the related item is recognized in other comprehensive income (OCI) under another IFRS Accounting Standard, include the related regulatory income/(expense) in OCI on the same basis.
- Present regulatory assets and regulatory liabilities as line items in the statement of financial position, distinguishing current and non-current amounts (unless presenting in order of liquidity).
- Offsetting of regulatory assets and regulatory liabilities is not permitted in presentation.



Disclosure Requirements

Disclosure under IFRS 20 is principle-based but extensive. The overall objective is to provide investors with insights into both: (a) the total allowed compensation for regulatory goods or services supplied in a period and the resulting financial performance; and (b) the entity's regulatory assets and liabilities at the reporting date, together with the amount, timing, and uncertainty of their future cash flows.

Required disclosure framework

Disclosure area	Examples of required information
Amounts recognized in the financial statements	Reconciliations from opening to closing carrying amounts of regulatory assets and regulatory liabilities, with the movement components (origination, recovery / fulfillment, regulatory interest, remeasurement, derecognition).
Maturity analysis	Quantitative maturity profile, using time bands, of when the entity expects to recover regulatory assets and fulfill regulatory liabilities.
Uncertainties affecting recovery	Narrative explanation of uncertainties affecting recovery of regulatory assets and fulfillment of regulatory liabilities.
Unrecognised items	Information about unrecognized regulatory assets and unrecognized regulatory liabilities (and the reason for non-recognition).
RCB and related items	Type of relationship (direct or not direct) between RCB and related items; reasons for that classification; any change and reason for the change.
Discount rate	Information about the regulatory interest rate used — specified, implied, weighted-average ranges; assumptions and changes.

Uniqus Point of View — Disclosure

The disclosure framework will be a step change for most rate-regulated entities, particularly in maturity analysis and unit-of-account-level movement reconciliations. Existing chart-of-accounts and tariff-tracking spreadsheets are unlikely to support this directly — entities should expect to invest in dedicated subledgers or finance-tooling integrations.

Audit committees should be briefed early on the heightened use of judgment (enforceability assessments, existence uncertainty, direct relationship determinations, interest rate derivation). Documented governance, reusable accounting memos, and a clear policy hierarchy will be expected by auditors and regulators.



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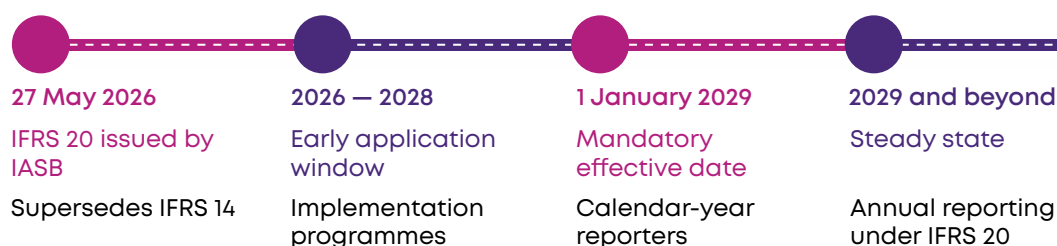
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Effective Date And Transition

Effective date

Effective Date and Transition	Summary
Effective Date	IFRS 20 is effective for annual reporting periods beginning on or after 1 January 2029 .
Early Application	Early application is permitted. Entities that elect to apply IFRS 20 before its mandatory effective date are required to disclose this fact in their financial statements.
Interaction with IFRS 14	IFRS 20 replaces IFRS 14 Regulatory Deferral Accounts . Entities currently applying IFRS 14 will discontinue its use and transition to the comprehensive recognition, measurement, presentation, and disclosure requirements of IFRS 20.

Key timeline-:



Transition methods

Transition Approach	Requirement
Retrospective Application	Entities may apply IFRS 20 retrospectively to all regulatory assets and regulatory liabilities in accordance with the principles of IAS 8, restating comparative information as if the Standard had always been applied.
Modified Retrospective Application	Alternatively, entities may elect to apply IFRS 20 using the modified retrospective approach, applying the specific transition provisions set out in the Standard.
Consistency Requirement	The selected transition approach must be applied consistently to all regulatory assets and regulatory liabilities.

Key takeaway: IFRS 20 permits either full retrospective application or a modified retrospective transition approach, with the chosen method applied consistently across all regulatory balances.

This guidance is defining **two key dates** for transition to IFRS 20:

- 1. Date of Initial Application** – the first day of the reporting period in which IFRS 20 is applied.
- 2. Transition Date** – the date from which you start applying the transition requirements and recognize regulatory assets/liabilities retrospectively.

Illustrative transition example

Transition example — Modified retrospective

Entity D, an electricity transmission company with a calendar reporting period, adopts IFRS 20 on 1 January 1, 2029, with the comparative period ending December 31, 2028. On 1 January 2028, Entity D identifies a CU150 historical under-recovery of allowable transmission costs that the regulator will recover over five years through the 2028 – 2032 tariffs at an implied regulatory interest rate of 6%.

Date of Initial Application = 1 January 2029

Transition Date = 1 January 2028

Applying the modified retrospective approach, Entity D measures the regulatory asset at the present value of expected recoveries (CU150 nominal discounted at 6% → CU131), recognizes a cumulative-effect adjustment to opening retained earnings of CU131 on 1 January 2028 (transition date), and records regulatory income/interest going forward as the asset unwinds. Comparative-period regulatory income and the closing 31 December 2028 regulatory asset are presented on the IFRS 20 basis.

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Uniquis Point of View — Transition

- Transition is a strategic choice with material consequences for opening retained earnings, debt covenants (where regulatory assets enter financial-covenant definitions), tax base assessments, and management remuneration / KPIs tied to financial metrics.
- Entities currently applying IFRS 14 will face the most notable change — retiring the deferral account model and replacing it with a recognition/measurement model that, in many cases, recognizes items not currently on the balance sheet.
- Audit committees and lenders should be briefed on expected balance-sheet movements well before the comparative period begins.



For more information on the Accounting Standard, see “[press release](#) on the IASB’s Website



Uniquis Perspective

IFRS 20 is a transformational standard for rate-regulated entities. Below, we share the six takeaways we believe will most influence how CFOs, Chief Accounting Officers, and accounting professionals should plan their implementation — distilled from our work across utilities, energy, transportation, water, and other rate-regulated sectors.

1

Closes a long-standing gap

IFRS 20 fills a multi-decade gap in IFRS Accounting Standards by requiring recognition of the financial effects of rate regulation. The improvement in faithful representation — particularly the alignment of net income with the period of supply — is substantial.

2

Reshapes the balance sheet

For the first time, enforceable rights to add to (or deduct from) future regulated rates appear on the statement of financial position. This will reshape leverage ratios, return-on-asset metrics, and analyst models for rate-regulated entities.

3

Implementation = finance transformation

Building cash-flow models per unit of account, deriving regulatory interest rates, applying the more-likely-than-not threshold, and meeting the new disclosure requirements demand new processes, data, controls, and technology. Treat this as a transformation program.

4

Judgment is pervasive

Enforceability, existence uncertainty, direct relationship, regulatory interest rate, demand, and credit risk — each requires judgement. Documented policies, reusable accounting memos, and strong governance will be expected by auditors and audit committees.

5

Investor communication matters

Restated comparatives, a new revenue line, and additional disclosures will change how the market reads financial statements.

Entities should engage investor relations and analyst stakeholders early — walking them through expected movements, transition adjustments, and key non-GAAP reconciliations.

6

Use the runway

With an effective date of 1 January 2029, there is real time to plan. The most disciplined adopters will use 2026 — 2027 for contract intelligence and data foundations, 2027 — 2028 for systems and policy build-out, and 2028 for parallel-run reporting and audit readiness.

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Uniquis implementation roadmap – from analysis to steady state

PHASE 1 Assess

Regulatory agreement inventory, scope, and enforceability mapping Gap and data assessment

PHASE 2 Design

Accounting policy design Transition method decision Disclosure framework design

PHASE 3 Build

Process, system, and control build Sub-ledger / tooling integration, training, and change management

PHASE 4 Run

Parallel-run reporting Investor and lender communication Audit readiness and go-live

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About Uniquus Consultech:

Uniquus Consultech is an AI and global tech-enabled consulting company that specializes in Accounting & Reporting Consulting, Governance, Risk & Compliance, Sustainability & Climate Consulting, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

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Uniquus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

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In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as transitioning to new accounting standards, preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function to navigate these challenges and with optimum use of our proprietary AI tools. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

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