

# 中 国 会 计 准 则 委 员 会

## China Accounting Standards Committee

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Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

30 August 2013

Dear Mr. Hans Hoogervorst,

**Re: Comment on ED/2013/5 *Regulatory Deferral Accounts***

The CASC is pleased to have this opportunity to comment on the proposed ED of Regulatory Deferral Accounts. As much as the CASC appreciates the efforts that the IASB has committed to provide guidance for the rate-regulated activities, we have to object the proposal of issuing an interim IFRS and suggest the Board reconsider its “duo-path” approach of issuing RFI and ED at the same period. Our main comments are listed below:

**I. The term “Deferred Regulatory Account” does not meet the definitions of asset and liability in the DP of Conceptual Framework**

In the Discussion Paper of the Conceptual Framework published in this July, revised definitions of asset and liability are proposed to lay on the “economic resource” and the “obligation to transfer economic”, in which the “economic resource” includes enforceable rights established by contract, law or similar means, rights arising from a constructive obligation of another party, other sources of value if they are capable of generating economic benefits, and some assets, particularly many services, that are consumed immediately on receipt. In our view, the difference between the regulated price and current cost does not sit in the criteria of the “economic resource” and might raise a conflict between the term “deferred regulatory account” and the Conceptual Framework if decided.

**II. The scope of the proposed interim IFRS is too narrow**

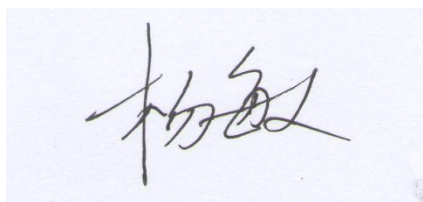
Although the 2013 proposal seems broader than the ED issued in 2009 and allegedly covers activities other than those under “cost of service” model, the 2013 proposal is, in essence, limited to those activities identical or similar as “cost of service” activities, in which case much more rate regulated activities are ruled out from the current proposal.

**III. There might be arbitrage opportunity of earning management**

In our view, the new proposal might evoke the possibility that business abuse rate regulated activities to accomplish earning management which smooth out their annual income, and is not helpful for the users to get useful information.

Hence, we recommend the Board not to rush into an interim IFRS but to reinforce its research efforts on this matter and reconsider this project after there is a material process in Conceptual Framework project.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Yang Min', on a light blue background.

Yang Min

Director-General of the Accounting Regulatory Department of Ministry of Finance, China  
Secretary-General of the China Accounting Standards Committee