November 5, 2009

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

Dear Sir/Madam

**Exposure Draft ED/2009/8 Rate-regulated Activities**

The Special Task Force of the Financial Accounting Standards Committee (FASC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments are our comments to this exposure draft. The comments are those of the Special Task Force and do not necessarily represent official opinions of the FASC.

If you have any question about our comments, please contact us via conrad@mail.ntpu.edu.tw or mushenchen@ardf.org.tw.

Sincerely Yours,

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**Attachments - Exposure Draft ED/2009/8 Rate-regulated Activities**

**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?

**Response to the above Question:**

The scope definition for the exposure draft might not be sufficient in that, take US Statement of Financial Accounting Standards No. 71 for example, the comparable US standard requires a third criterion in addition to the two criteria proposed by this exposure draft. The US standard requires that "… rates set at levels that will recover the enterprise's costs can be charged to and collected from customers. …", and this "criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs." Although the proposed exposure draft does require revisiting the recoverability assumption "at each reporting date" as per Paragraph 18 of this draft, we are of the opinion that it would be a better fit if this requirement is relocated to the scope paragraph (or Paragraph 3 to this exposure draft to be specific) which resemble the US FASB No. 71 *Accounting for the Effects of Certain Types of Regulation* to serve as one of the upfront criteria in the "scope".



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**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 recognized in the entity's financial statements (see paragraphs BC40–BC42 of the Basis for Conclusions).

Is this approach appropriate? Why or why not?

**Response to the above Question:**

We disagree with this approach. Please see our response to Question 1 above.



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**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 recognized 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.

**Response to the above Question:**

We agree that the proposed disclosure requirements would provide decision-useful information. The requirement for a reconciliation from the beginning to the end of the period in tabular format of the carrying amount in the statement of financial position of the regulatory asset or regulatory liability will help 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 recognized in the financial statements.



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