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Rate-regulated activities Capitalised borrowing costs

This paper was discussed at the February 2023 EFRAG RRAWG meeting.

Objective

- 1 The objective of the session is to update EFRAG RRAWG members on the IASB's tentative decisions made in November 2022 regarding the accounting for regulatory returns on an asset not yet available for use when an entity capitalises borrowing costs to construct that asset.

Agenda papers

- 2 In addition to this paper, the following links to the IASB papers have been provided as background information.
 - (a) IASB Staff paper [AP9: Cover note](#);
 - (b) IASB Staff paper [AP9A: Capitalised borrowing costs](#);
 - (c) IASB Staff paper [AP9B: Capitalised Group for Rate Regulation meeting](#); and
 - (d) IASB Staff paper [AP9C: Capitalised borrowing costs \(Addendum\)](#).
- 3 In addition, this paper contains the following appendices:
 - (a) Appendix 1: IASB Staff examples illustrating the problem;
 - (b) Appendix 2: IASB Staff examples reflecting the November IASB tentative decisions;
 - (c) Appendix 3: EFRAG Secretariat interpretation of the November IASB's tentative decisions based on the IASB examples in Appendix 2; and
 - (d) Appendix 4: IASB Staff flowchart on Capitalised borrowing costs.

Introduction and Background

Compensation for borrowing costs occurs through regulatory returns and pass-through costs.

- 4 This issue addressed pertains to borrowing costs that are treated as pass-through costs recovered through regulated rates- and in revenue- as the entity incurs these costs (regulatory agreements may not distinguish between borrowing costs related to assets under construction and those related to assets in operation). The entity would either expense or capitalise these borrowing costs when incurred.
- 5 When the return rate includes a debt return, regulatory agreements typically exclude capitalised borrowing costs from the regulatory capital base that the entity will recover through regulated rates.

Proposals in the ED and feedback received

- 6 Paragraph B15 of the Exposure Draft proposed that regulatory returns on an asset not yet available for use should form part of the total allowed compensation for goods or services supplied only once the asset is available for use. There is no accounting mismatch (depreciation of capitalised borrowing costs occurs when the asset is in operation). There would be a regulatory liability for the capitalised borrowing cost recognised during construction.
- 7 Feedback to the ED (including from EFRAG) disagreed with this proposal. Many respondents said regulatory returns compensate an entity for the services it provides during the construction period.
- 8 At its July 2022 meeting, the IASB tentatively decided that when an entity has an enforceable present right to regulatory returns, those returns should form part of the total allowed compensation for goods or services supplied during the construction period of an asset.
- 9 The IASB's tentative decision in July 2022 changed the ED proposal (Paragraph B15 of the ED) and regulatory returns are recognised during construction if the entity has an enforceable present right to the regulatory returns during construction.
- 10 The effects of the July IASB's tentative decision depend on whether the regulatory returns are included in regulated rates charged during:
 - (a) the construction period; or
 - (b) the operation period of an asset.

Returns included in regulated rates charged during construction

- 11 If regulatory returns are included in the regulated rates charged during construction, they are accounted for as part of revenue under IFRS 15 *Revenue from Contracts with Customers* in the construction period. No regulatory liabilities would arise during the construction period, unless there are amounts of regulatory returns included in revenue that an entity will be required to deduct in regulated rates charged in the future.

Returns included in regulated rates charged during operation

- 12 If regulatory returns are included in the regulated rates charged during the operation phase, they are accounted for as part of revenue during the operation period. Because part of the total allowed compensation for goods or services supplied in the construction period is included in regulated rates charged, and hence in revenue recognised, during operation, differences in timing arise during the construction period. In such cases, those differences in timing will give rise to a regulatory asset and regulatory income during the construction period.

Identifying the problem

- 13 Applying IAS 23 *Borrowing Costs*, an entity capitalises borrowing costs incurred in constructing an asset as part of the cost of that asset when specified conditions are met. The entity then recognises the capitalised borrowing costs in profit or loss as part of the depreciation expense during operation.
- 14 Feedback on the Exposure Draft indicates that regulatory agreements typically compensate entities for borrowing costs incurred in constructing an asset by providing them with regulatory returns on the regulatory capital base. The regulatory return rate typically includes both a debt and an equity return.

A direct relationship between an entity's regulatory capital base and its property, plant and equipment

- 15 When an entity capitalises the borrowing costs incurred during the construction of an asset, applying the July IASB's tentative decision in paragraph 8 above on regulatory returns could be viewed as creating an accounting mismatch and, in certain circumstances, result in the front-loading of profit during the construction period.
- 16 This is because:
- (a) the debt return included within the regulatory returns would be reflected in profit or loss during the construction period—either as revenue under IFRS 15 (when regulatory returns are included in regulated rates as the asset is being constructed) or as part of regulatory income related to the recognition of a regulatory asset (when regulatory returns are included in regulated rates only once the asset is operational).
 - (b) the capitalised borrowing costs would be recognised in profit or loss as part of depreciation expense only once the asset is operational (under IAS 23).
- 17 To illustrate this accounting mismatch, below is an IASB Staff example (paragraph 15-17 of the IASB Staff paper 9A) with the following assumptions (Refer to Example 1 in Appendix 1 for more details):
- (a) The example relates to returns included in regulated rates charged during operation;
 - (b) an entity invests CU1,000 in the construction of an asset during year 1. During that period, the entity is entitled to regulatory returns on that asset of CU80, comprising both a return on equity and a return on debt.
 - (c) the regulator allows the entity to include in its regulatory capital base CU1,080, which includes the construction cost of the asset of CU1,000 and regulatory returns of CU80. The entity recovers both the construction cost and the regulatory returns only once the asset is **in operation** and over its useful life.
 - (d) the entity incurs borrowing costs of CU35 in constructing the asset during year 1 and, applying IAS 23, capitalises those costs.

Year 1	Dr	Cr
Property, plant and equipment	1,035	–
Regulatory asset	80	–
Regulatory income	–	80
Cash / Debt	–	1,035
<i>Total</i>	<i>1,115</i>	<i>1,115</i>

- 18 Part of the regulatory returns (CU80) compensates the entity for borrowing costs incurred in constructing the asset and capitalised as part of the cost of that asset (CU35). In this case, applying the July IASB's tentative decision in paragraph 8 above on regulatory returns, together with the accounting for the asset applying IAS 16 and IAS 23, could imply the entity is entitled to recover CU1,115 in regulated rates charged in the future. However, the regulator entitles the entity to recover only CU1,080—that is construction cost of CU1,000 and regulatory returns of CU80 (that

is, there is “double counting” of the debt component, in PPE under IAS 23 and under the regulatory asset).

- 19 The issue occurs for both of the following situations and Appendix 1 illustrates the problem for these two situations:
- (a) Regulatory returns are included in regulated rates charged during the operation period of an asset (Example A).
 - (b) Regulatory returns being included in regulated rates charged, and therefore in revenue recognised, during the construction of the assets (Example B).

No direct relationship between an entity’s regulatory capital base and its property, plant and equipment

- 20 The IASB Staff also consider that the issue explained in paragraphs 15 to 18 could also arise when there is no direct relationship between an entity’s regulatory capital base and its property, plant and equipment. However, it would be very complex and costly to determine the amount of borrowing costs capitalised as part of the cost of the individual assets for which part of the regulatory returns are providing compensation.
- 21 Consequently, the IASB Staff consider that entities in these cases should apply the July IASB’s tentative decision (as stated in paragraph 8 above).

Discussion with the IASB Consultative Group

- 22 The IASB Staff explored four approaches with its consultative group at its November 2022 meeting:
- (a) Approach 1: No further action (i.e., allow the noted accounting mismatch);
 - (b) Approach 2: Deferring the entire debt return;
 - (c) Approach 3: Deferring part of regulatory return equal to capitalised borrowing cost; and
 - (d) Approach 4: Prohibiting capitalisation of borrowing costs.
- 23 Pages 10 and 11 of [IASB Staff paper 9B](#) show that a few members supported either approach 1 or 2 while one member supported approach 3. In addition, a few members disagreed with approach 4. Some affirmed that the problem arises when there is a direct relationship. One member considered IAS 23 to be an old Standard that could be amended for unforeseen circumstances.

IASB Staff analysis on how to address the problem and IASB Staff recommendations

- 24 The IASB Staff indicate that entities subject to regulatory schemes with a direct relationship generally receive a regulatory return rate that includes either:
- (a) both a debt and an equity return; or
 - (b) a debt return only.
- 25 The IASB Staff also mention that regulatory returns that include both a debt and an equity return are more common than those that include a debt return only.

Regulatory return includes a debt and an equity return

- 26 When entities receive a regulatory return that includes both a debt and an equity return, The IASB Staff consider that the entity’s:
- (a) profit or loss should reflect the amount of regulatory returns that is in excess of the capitalised borrowing costs during the construction period. For example A in Appendix 1, the IASB considers that the entity should reflect regulatory returns of CU45 (CU80 minus CU35) during the construction period;

- (b) net assets should include only an amount that arises from regulatory returns that are in excess of the capitalised borrowing costs throughout the construction and operation periods. For example A in Appendix 1, the IASB considers that the entity should reflect a regulatory asset of only CU45, not CU80, during the construction period.
- 27 This approach treats:
- (a) the amount of regulatory returns that is equal to the capitalised borrowing costs as an amount that recovers allowable expenses (paragraphs B3–B8 of the Exposure Draft). This amount would be included in profit or loss in the same period as the capitalised borrowing costs are included in the depreciation expense.
 - (b) the remaining amount of the regulatory returns that is in excess of the capitalised borrowing costs as regulatory returns. This remaining amount would generally approximate to the equity return and would be included in profit or loss in the construction period.
- 28 Consequently, this approach is consistent with the July IASB’s tentative decision on regulatory returns (paragraph 8) and its decisions on allowable expenses.
- 29 This approach would require some tracking. For example, when regulatory returns are included in regulated rates charged during the operation of the assets, the recovery of a regulatory asset over the operation period would require entities to track when regulatory returns in excess of the capitalised borrowing costs are included in regulated rates—and hence, included in revenue. However, the IASB Staff does not consider the tracking to give rise to significant operational difficulty as there is a direct relationship between entities’ regulatory capital base and their property, plant and equipment and entities are currently required by regulatory agreements to track when regulatory returns are included in regulated rates.

Regulatory return includes a debt return only

- 30 When entities subject to schemes with a direct relationship receive regulatory returns that include a debt return only, the IASB Staff consider that the debt return is the regulatory compensation for an allowable expense - that is, the borrowing costs that the entity will recognise as an expense as part of the depreciation expense when the asset is in operation.
- 31 If an entity received only a debt return on an asset not yet available for use and was allowed to include that return in regulated rates charged during the construction period, the entity would account for the debt return as a regulatory liability during the construction period in order to address the “double counting” of the debt component as explained in paragraph 18 above. The entity would have recognised an amount in revenue that will provide part of total allowed compensation for goods or services to be supplied in the future—that is, when the entity recognises depreciation expense that includes the capitalised borrowing costs as the entity uses the asset to supply goods or services during the operation period. During the operation period, the entity would reflect in profit or loss any differences between the capitalised borrowing costs that are recognised as an expense through the depreciation expense and the regulatory income that arises from the fulfilment of the regulatory liability.

IAS 23 option

- 32 This approach would require the IASB to amend IAS 23 to prohibit the capitalisation of borrowing costs in such situations (the IAS 23 option).
- 33 When an entity receives a regulatory return that includes both a debt and an equity return, the IAS 23 option would require the entity to reflect in profit or loss the

difference between the regulatory return and the borrowing costs during the construction period.

- 34 When an entity receives a regulatory return that includes a debt return only, the IAS 23 option would lead to the entity reflecting any difference between the debt return and the borrowing costs in different periods. If the entity applied the IAS 23 option, any difference between the debt return and the borrowing costs would be reflected in profit or loss during the construction of the asset. Because the debt return approximates to the capitalised borrowing costs, any difference is expected to be immaterial, and hence, these options are expected to result in a similar profit or loss profile.
- 35 The IASB Staff consider that the IAS 23 option would be easier for entities to apply as it would not require tracking and would result in information that is easier to understand.
- 36 However, the IASB Staff considers that conflicts with the IASB's conclusion, when it developed IAS 23, that specified borrowing costs should form part of the cost of an asset.

IASB Staff recommendation

- 37 The IASB Staff recommend that the final Accounting Standard require that, when there is a direct relationship between an entity's regulatory capital base and its property, plant and equipment and the regulatory agreement provides the entity with:
- (a) both a debt and equity return on an asset not yet available for use, the entity shall reflect in the statement of financial performance during the construction period only those returns in excess of the entity's capitalised borrowing costs.
 - (b) only a debt return on an asset not yet available for use, the entity shall not reflect the return in the statement of financial performance during the construction period if the entity capitalises its borrowing costs.
- 38 Reasons for this recommendation include:
- (a) This approach would result in more useful information than that provided applying the July IASB's tentative decision on regulatory returns;
 - (b) The regulatory schemes that result in entities' regulatory capital base having a direct relationship with their property, plant and equipment are economically different from regulatory schemes that do not;
 - (c) Would not conflict with that July IASB's tentative decisions; and
 - (d) May not be costly to implement - either the approach is aligned with the current accounting applied by some entities affected by the approach or the additional tracking the approach may require is unlikely to give rise to significant operational difficulty.

November IASB tentative decisions

- 39 The IASB tentatively decided that when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs:
- (a) if the regulatory agreement provides the entity with both a debt and an equity return on an asset not yet available for use—to require the entity to reflect only those returns in excess of the entity's capitalised borrowing costs in the statement of financial performance during the construction period; and

- (b) if the regulatory agreement provides the entity with only a debt return on such an asset—to prohibit the entity from reflecting the return in the statement of financial performance during the construction period.

40 All 11 IASB members agreed with these decisions.

EFRAG Secretariat analysis

- 41 The EFRAG Secretariat considers that the November IASB tentative decisions provide more useful information because there is a matching between the recognition of the return for debt and the recognition of the entity's borrowing costs in profit or loss.
- 42 However, the EFRAG Secretariat considers that the IASB tentative decisions should be clearer on what needs to be done separating between the situation whereby the regulatory returns are included in the regulated rates charged during the operation period of an asset and situation whereby the regulatory returns being included in regulated rates charged during the construction of the assets.

Appendix 1: IASB Staff examples illustrating the problem

Example A - Regulatory returns are included in regulated rates charged during the operation period of an asset

- 1 An entity invests CU1,000 of capital to construct an asset in year 1.
- 2 The regulatory agreement allows the entity to accumulate regulatory returns during the construction period (year 1) and to include those returns in regulated rates during the operation period (years 2–6). The regulatory agreement applies a return rate of 8% to the capital invested, comprising a return for equity of 5% and a return for debt of 3%. Therefore, the entity accumulates regulatory returns of CU80 (8% x CU1,000) in year 1 and recovers regulatory returns of CU16 in each of the years 2–6 (CU80 / 5 years). The entity concludes that it has an enforceable present right to these regulatory returns during the construction period.
- 3 The entity incurs borrowing costs in constructing the asset amounting to CU35, with an implicit rate of 3.5% (CU35 / CU1,000). Applying IAS 23, the entity capitalises those borrowing costs as part of the cost of the asset. The entity reflects capitalised borrowing costs of CU7 in profit or loss as part of depreciation expense in each of the years 2–6 (CU35 / 5 years).
- 4 The regulatory agreement requires the entity to reconcile its regulatory capital base to its property, plant and equipment. The entity applies the same measurement basis and depreciation pace to the assets within its regulatory capital base and to its property, plant and equipment. The entity determines that there is a direct relationship between its regulatory capital base and its property, plant and equipment.
- 5 Considering the July IASB tentative decisions, the below table shows the entity's statement of financial performance and statement of financial position for years 1–6:

Table 1A—Applying the IASB's tentative decision to Example A							<i>In CU</i>
(Regulatory returns are included in regulated rates during the operation period)							
Statement of financial performance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
Revenue (*)	—	216	216	216	216	216	1,080
Regulatory income / (regulatory expense)	80	(16)	(16)	(16)	(16)	(16)	—
Depreciation expense	—	(207)	(207)	(207)	(207)	(207)	(1,035)
Profit/(loss)	80	(7)	(7)	(7)	(7)	(7)	45
Statement of financial position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Property, plant and equipment	1,035	828	621	414	207	—	
Regulatory asset	80	64	48	32	16	—	
Cash	(1,035)	(819)	(603)	(387)	(171)	45	
Net assets	80	73	66	59	52	45	

(*): Revenue for years 2–6 only includes the amount that recovers the depreciation expense of the asset excluding the capitalised borrowing costs (CU1,000 or CU200 yearly) and the regulatory returns accumulated during the construction period (CU80 or CU16 yearly).

- 6 This example shows that the regulatory returns that compensate the entity for borrowing costs (CU35) are recognised as part of regulatory income in profit or loss in year 1. However, because the borrowing costs are capitalised, they are only recognised as an expense in profit or loss as the property, plant and equipment is depreciated over years 2–6 (CU7 yearly). This arguably results in an accounting mismatch and front-loading of profit referred to above. It could also be argued that during the construction period the net asset position of the entity is overstated by CU35 and the overstated amount is only reversed over the operation period.

Example B - Regulatory returns being included in regulated rates charged, and therefore in revenue recognised, during the construction of the assets

- 7 Example B is the same as Example A, except that the regulatory agreement allows the entity to include the regulatory returns in regulated rates during the construction period. The IASB Staff observed from feedback on the Exposure Draft that this example may not be common. In Example B, no differences in timing would arise from those regulatory returns.
- 8 Considering the July IASB's tentative decision, the table below shows the entity's statement of financial performance and statement of financial position for years 1–6:

Statement of financial performance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
Revenue (*)	80	200	200	200	200	200	1,080
Regulatory income / (regulatory expense)	—	—	—	—	—	—	—
Depreciation expense	—	(207)	(207)	(207)	(207)	(207)	(1,035)
Profit/(loss)	80	(7)	(7)	(7)	(7)	(7)	45
Statement of financial position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Property, plant and equipment	1,035	828	621	414	207	—	
Regulatory asset / (regulatory liability)	—	—	—	—	—	—	
Cash	(955)	(755)	(555)	(355)	(155)	45	
Net assets	80	73	66	59	52	45	

(*): Revenue for year 1 only includes the regulatory returns (CU80) and revenue for years 2–6 only includes the amount that recovers depreciation expense of the asset excluding the capitalised borrowing costs (CU1,000 or CU200 yearly).

- 9 This example shows that the regulatory returns that compensate the entity for borrowing costs (CU35) are recognised as part of revenue in profit or loss in year 1. However, because the borrowing costs are capitalised, they are only recognised as an expense in profit or loss as the property, plant and equipment is depreciated over years 2–6 (CU7 yearly). This arguably results in an accounting mismatch and front-loading of profit

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referred to above. It could also be argued that during the construction period the net asset position of the entity is overstated by CU35 and the overstated amount is only reversed over the operation period.

Appendix 2: IASB Staff examples reflecting the November IASB tentative decisions

If the regulatory agreement provides the entity with both a debt and an equity return on an asset not yet available for use

- 1 In November, the IASB tentatively decided that when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs, if the regulatory agreement provides the entity with both a debt and an equity return on an asset not yet available for use—to require the entity to reflect only those returns in excess of the entity's capitalised borrowing costs in the statement of financial performance during the construction period.
- 2 Using the same Example A in Appendix 1, the table below illustrates this November IASB tentative decision (The table in paragraph 3 would result in the same profit/(loss) if applied to Example B in Appendix 1). This example comes from the November IASB Staff paper 9B (Approach 3).
- 3 Considering the November IASB's tentative decision, the table below shows the entity's statement of financial performance and statement of financial position for years 1–6:

Statement of financial performance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
Revenue (*)	—	216	216	216	216	216	1,080
Regulatory income / (regulatory expense)	45	(9)	(9)	(9)	(9)	(9)	—
Depreciation expense	—	(207)	(207)	(207)	(207)	(207)	(1,035)
Profit/(loss)	45	—	—	—	—	—	45
Statement of financial position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Property, plant and equipment	1,035	828	621	414	207	—	
Regulatory asset	45	36	27	18	9	—	
Cash	(1,035)	(819)	(603)	(387)	(171)	45	
Net assets	45	45	45	45	45	45	
(*): Revenue for years 2–6 only includes the amount that recovers depreciation expense of the asset excluding the capitalised borrowing costs (CU1,000 or CU200 yearly) and the regulatory returns accumulated during the construction period (CU80 or CU16 yearly).							

Regulatory agreement provides the entity with only a debt return on an asset not yet available for use

- 4 In November, the IASB tentatively decided that when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs, if the regulatory agreement provides the entity with only a debt return on such an asset—to prohibit the entity from reflecting the return in the statement of financial performance during the construction period.
- 5 Using the same Example A in Appendix 1, the table below illustrates this November IASB tentative decision (The table in paragraph 6 would result in the same profit/(loss) if applied to Example B in Appendix 1). This example comes from the November IASB Staff paper 9B (Approach 2).
- 6 Considering the November IASB's tentative decision, the table below shows the entity's statement of financial performance and statement of financial position for years 1–6:

Table 2—Approach 2							<i>In CU</i>
Statement of financial performance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
Revenue (*)	—	216	216	216	216	216	1,080
Regulatory income / (regulatory expense)	50	(10)	(10)	(10)	(10)	(10)	—
Depreciation expense	—	(207)	(207)	(207)	(207)	(207)	(1,035)
Profit/(loss)	50	(1)	(1)	(1)	(1)	(1)	45
Statement of financial position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Property, plant and equipment	1,035	828	621	414	207	—	
Regulatory asset	50	40	30	20	10	—	
Cash	(1,035)	(819)	(603)	(387)	(171)	45	
Net assets	50	49	48	47	46	45	
(*): Revenue for years 2–6 only includes the amount that recovers depreciation expense of the asset excluding the capitalised borrowing costs (CU1,000 or CU200 yearly) and the regulatory returns accumulated during the construction period (CU80 or CU16 yearly).							

Appendix 3: EFRAG Secretariat interpretation of the November IASB's tentative decisions based on the IASB examples in Appendix 2

- 1 Below are examples of the EFRAG Secretariat's understanding of applying the November IASB tentative decisions based on the IASB examples in Appendix 2. The below table assumes that the regulator allows the entity to recover the construction cost and both a return on equity and a return on debt covering the borrowing costs incurred.

When the regulatory returns consist of both a debt and an equity return

*Example of a case when regulatory returns are included in regulated rates charged during the **operation** period of an asset*

Year 1	Dr	Cr
Property, plant and equipment	1,035	-
Regulatory asset	45 ¹	-
Regulatory income	-	45
Cash / Debt	-	1,035
Total	1,080	1,080

*Example of a case when regulatory returns being included in regulated rates charged during the **construction** of the assets*

Year 1	Dr	Cr
Property, plant and equipment	1,035	-
Regulatory expense	35	-
Revenue	-	80
Regulatory liability	-	35
Cash / Debt	-	955
Total	1,070	1,070

When the regulatory returns consist of only a debt return

*Example of a case when regulatory returns are included in regulated rates charged during the **operation** period of an asset*

Year 1	Dr	Cr
Property, plant and equipment	1,035	-

¹ CU80 minus CU35

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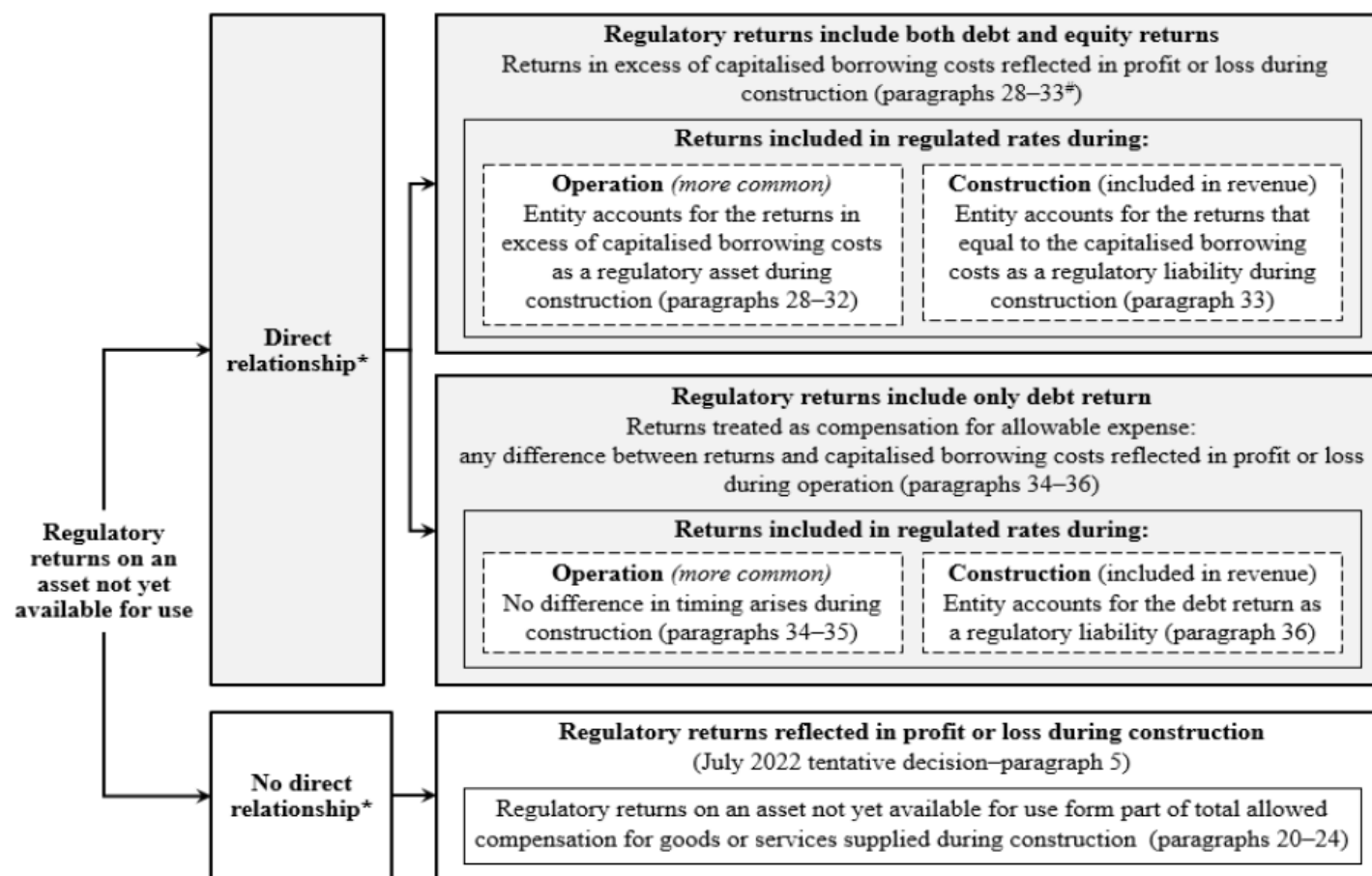
Regulatory asset	-	-
Regulatory income	-	-
Cash / Debt	-	1,035
Total	1,035	1,035

*Example of a case when regulatory returns being included in regulated rates charged during the **construction** of the assets*

Year 1	Dr	Cr
Property, plant and equipment	1,035	-
Regulatory expense	35	-
Revenue	-	35
Regulatory liability	-	35
Cash / Debt	-	1,000
Total	1,035	1,035

Appendix 4: IASB Staff flowchart on Capitalised borrowing costs

- 1 The below flow chart summarises the IASB Staff's recommendations on capitalised borrowing costs. References to paragraphs are to November IASB paper [AP9A: Capitalised borrowing costs](#).



* Between an entity's regulatory capital base and its property, plant and equipment
 * Paragraph reference to Agenda Paper 9A