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Accounting Standards Committee of Germany
IFRS-Fachausschuss®

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34. Sitzung IFRS-FA am 08.01.2015
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Dear Roger,

IASB Discussion Paper DP/2014/2 Reporting the Financial Effects of Rate Regulation

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's Draft Comment Letter on the IASB Discussion Paper DP/2014/2 *Reporting the Financial Effects of Rate Regulation* (hereafter referred to as 'DP').

We closely follow the actual discussion about an accounting standard for rate regulated activities (herein referred to as 'RRA') and appreciate the opportunity to respond to EFRAG's Draft Comment Letter. We attach to this letter our comments and arguments on the DP that we submitted to the IASB.

We would first like to draw your attention to our concerns raised in the cover letter regarding the development of a rule-based and/or industry-specific standard for RRA. We have the view that a narrow scope by itself is not sufficient to argue for a new standard if it tends to ground on rules more than on principles. Therefore we would like the IASB to carefully reconsider whether the high hurdles to introduce specific accounting principles for a specific type of business activities are met in the case of RRA.

Within our constituency, in most cases RRA do not cover all but only a particular type of transactions of the reporting entity or group (in our comment letter for the IASB referred to as 'integrated businesses'). This is a very important factor when considering the cost/benefit-constraint of a proposed standard for RRA. In particular in vertically integrated businesses the preparation of additional information on RRA in the primary financial statements might be burdensome and might not necessarily provide users with useful information as it only affects a (minor) part of the overall business activities of the group.

Furthermore we so far identified only a few entities in specific industry sectors (which are preparing consolidated financial statements under IFRS on reporting entity level) which have RRA with significant third-party revenue requirements and incentive based true-up mechanisms as described in the DP. We therefore cannot share a broad experience with entities which might be significantly affected by accounting principles for RRA in the primary financial statements.

Having in mind this general remarks and our call for further development on the scope and objective of a standard for RRA we would nonetheless like to share our technical arguments with EFRAG. For our detailed comments on the questions raised in the DP, please refer to the comment letter we submitted to the IASB.

If you would like to discuss our comments and alternative proposals further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President