



Ontario Energy Board IFRS Update

October 16, 2008
KPMG Advisory

Possible amendments to IFRS 1 Consideration by IFRIC



- **Exposure Draft released in September 2008**
- Proposed amendment addresses challenges of restating PP&E in respect of AFUDC and indirect overheads previously capitalized
- Entity subject to rate regulation may elect to use carrying amount of PP&E at date of transition as its deemed cost subject to:
 - Proposed exemption specifies that in order for it to be elected, it must be **impracticable** for the entity to retrospectively restate or use fair value as deemed cost
 - “Impracticability” is defined under IAS 8 as follows:
 - When entity cannot apply a requirement after making reasonable effort to do so;
 - Effects of retrospective application are not determinable; or
 - Requires use of significant assumptions or estimates.
 - This election is to be applied “item by item”
 - Testing for impairment in accordance with IAS 36 is required
- **Comments due on January 23, 2009**
- **Uncertain as to whether Exposure Draft will be approved**

Rate-Regulated Accounting Consideration by IASB



IFRIC Rejection Notice 2005

- Considered a request for guidance for operations subject to price regulation - asked whether FAS 71 could be applied under the hierarchy in IAS 8 in the absence of specific guidance in IFRS
- Certain (unspecified) aspects of FAS 71 are not consistent with IFRS Framework
- Interpretation reverts to applying the Framework in order to determine whether or not regulatory assets/liabilities should be recognized

IFRIC is reconsidering whether to take this issue onto agenda

- January 2008: IFRIC received request to consider RRA
- IFRIC staff undertook preliminary research and developed a project plan for making a recommendation to IFRIC on an agenda decision
- May 2008: IFRIC discussed and approved staff's project plan
- September 2008: IFRIC Board held an educational session
- November 2008: IFRIC will consider scope of issue and whether issue should be added to its agenda
- If taken onto agenda, a final answer might only be received **in late 2009**



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