

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

IASB project on accounting for regulatory assets and regulatory liabilities

Key messages for EFRAG DCL

Objective

- 1 This paper sets out the preliminary views of EFRAG TEG on the forthcoming exposure draft on the IASB's proposed accounting model for regulatory assets and regulatory liabilities (the proposed accounting model). EFRAG TEG formed its preliminary views based on expert input provided by the EFRAG Rate-regulated Activities Working Group (EFRAG RRAWG).
- 2 The preliminary views expressed in this paper will form the basis of an initial EFRAG draft comment letter, and have been reached based on the wording of the proposed accounting model as currently available, i.e. the IASB tentative decisions and IASB staff papers that are publicly available. As such, these messages will be subject to changes following the issuance of the exposure draft.

Question for EFRAG Board

- 3 Do EFRAG Board members have any comments on the preliminary views taken by EFRAG TEG and EFRAG RRAWG on the tentative decisions of the IASB?

Key areas of the model

- 4 The following aspects of the proposed accounting model are discussed in this paper:
 - (a) Scope;
 - (b) Recognition;
 - (c) Measurement;
 - (d) Interaction with other IFRS Standards (specifically IFRS 3 *Business Combinations* and IFRIC 12 *Service Concession Arrangements*);
 - (e) Presentation; and
 - (f) Disclosure requirements.

Scope

- 5 The proposals in the exposure draft will apply to an entity's regulatory assets and regulatory liabilities. For regulatory assets and regulatory liabilities to exist, the **following conditions need to be met**:
 - (a) the entity is party to a regulatory agreement;
 - (b) the regulatory agreement determines the rate an entity can charge for the goods or services it supplies to customers; and

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- (c) some or all of the total allowed compensation for goods or services supplied in a period is charged to customers in a different (past or future) period.
- 6 The IASB considers that the above conditions create enforceable rights and enforceable obligations that an entity should recognise as regulatory assets and regulatory liabilities.
- 7 In contrast to regulatory agreements which create regulatory assets or regulatory liabilities, another mechanism of rate regulation is also market regulation (for example regulation that caps prices but does not create enforceable rights and enforceable obligations). For market regulation:
- (a) there are no rights to add amounts to future rates because of goods or services already supplied; and
 - (b) there are no obligations to deduct amounts from future rates because of compensation already charged.
- 8 In developing the scope, the IASB considered that it was not necessary to specify:
- (a) the legal form of the regulatory agreement. In the view of the IASB, regulatory agreements may take various forms (such as a contractual licensing agreement or a service concession arrangement), or may be imposed through statute, legislation or regulations.
 - (b) whether a particular type of body, such as a regulator, must exist to enforce compliance with the regulatory agreement, and what the characteristics of that body should be.

Impact of the scope

- 9 The proposed accounting model will impact rate-regulated entities within scope in different ways including the following:
- (a) Significant impact for entities that currently do not recognise regulatory balances and where regulatory requirements are not closely aligned to accounting requirements; and
 - (b) Minimal impact for entities that currently recognise regulatory balances and where regulatory requirements are closely aligned to accounting requirements.
- 10 Preliminary feedback from the RRAWG members indicates that the sectors likely to be within the scope are: the utility sector (gas, electricity and water), transport sector (such as airports, railways and public transport more generally), and possibly the real estate sector. However, further work is required to assess which entities, and which activities will be impacted by the scope.

Preliminary views from EFRAG TEG

Proposed scope definition

- 11 EFRAG TEG members considered that the proposed scope may be too broad and include a wider range of entities than initially anticipated (e.g. rate-regulated entities other than the utility sector could be impacted). They considered it important to wait for the final wording of the scope proposal to assess which entities (and which sectors) would be impacted.
- 12 EFRAG TEG members noted that there were different ways of creating a binding regulatory agreement (e.g. agreement on defined rate embedded in the initial licence or in the statutes or in a combination of law and agreements) and what matters is the enforceability.
- 13 EFRAG TEG members also highlighted that the existence of an agreement was not always evident in certain jurisdictions and that law and regulation would take

precedent in such cases. For example, in Germany, there were no contractual-based agreements but rather a public authority that set laws and regulations that gave rise to enforceable rights and obligations.

- 14 EFRAG TEG members considered that the definition of “the regulator” was necessary for determining whether certain activities were within the scope of the proposed accounting model. Some EFRAG TEG members questioned how a regulator should be defined and what authority an entity should have to qualify as a regulator.
- 15 Some EFRAG TEG members highlighted that the absence of definition of a regulator was raising questions on the consequences of the scope in their jurisdictions. If “regulator” was not defined, there was a risk that the scope might include activities which were not intended to be within the scope. One EFRAG TEG member highlighted the possibility of new contracts being written by entities for purposes of falling within the proposed scope.
- 16 EFRAG TEG noted that the key question was how the IASB would describe or define the regulatory agreement in the exposure draft to ensure that it would only include those activities intended to be within the scope of the proposed accounting model.

The customer

- 17 Some EFRAG TEG members and EFRAG RRAWG had questions on who the customer was when applying the proposed accounting model. The following points were raised:
 - (a) Some EFRAG RRAWG members suggested that the scope of the model ought to cover enforceable rights and obligations that are recovered (fulfilled) by third parties (including a regulator) on behalf of the customer. In their view, this was common practice in some jurisdictions (like Italy and Spain) for service concession agreements and regulatory agreements. In these jurisdictions, when the customer could not pay (for whatever reason), the regulator (the government) would step in. Hence, there is a view that these types of arrangements should be covered by the scope of the model as it should not make a difference from whom the entity recovered the agreed allowed compensation (i.e. payment can be made by the customer, the government, an insurance company or any third party). Consequently, the definition of customer within the proposed scope should be independent of who pays for the services or goods delivered.
 - (b) Some EFRAG RRAWG members mentioned fact patterns where it was not always easy to determine the customer according to the proposed accounting model. An example was given of a bus service where the town sets the tariffs and oversees them. This type of agreement was enforceable (when a user bought a ticket, that constituted a contract), although the town was not a regulator. There was a question about who the real customer was whether it was the user of the bus service or the town where the bus service operated? This example illustrates that it is not always easy to determine who the customer might be. Hence, some EFRAG RRAWG members suggested the definition of the customer should be broadened to avoid excluding entities that ought to be in scope.

Interaction with IFRIC 12

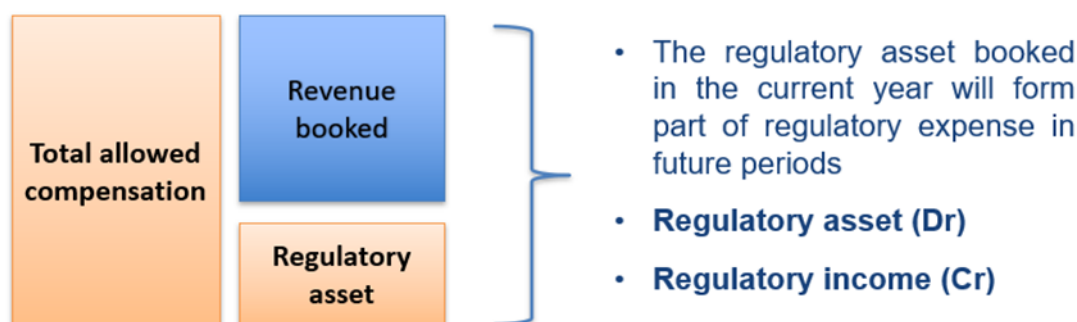
- 18 EFRAG TEG members questioned the interaction of the proposed accounting model and IFRIC 12. This concern was shared by EFRAG RRAWG members that represented companies that applied IFRIC 12. In their view, it was not always clear which of the two sets of requirements an entity should apply. Furthermore, the proposed requirements for accounting for regulatory assets and regulatory liabilities

were different to the requirements in IFRIC 12, although in many cases the economic substance (in terms of outcome and/or intention) of the respective transactions were very similar.

Definition of regulatory assets and liabilities

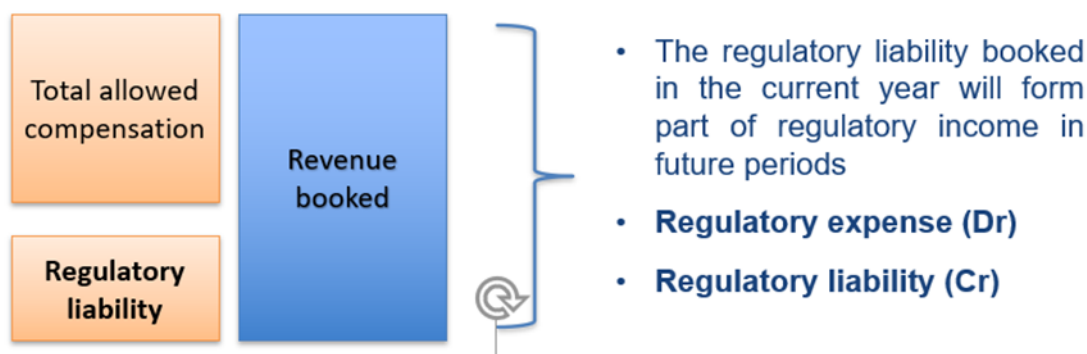
19 The exposure draft is expected to define a regulatory asset as:

an enforceable present right, created by a regulatory agreement, to add an amount in determining a regulated rate to be charged to customers in future periods because part of the total allowed compensation for goods or services already supplied will be included in revenue in the future.



20 The exposure draft is expected to define a regulatory liability as:

an enforceable present obligation, created by a regulatory agreement, to deduct an amount in determining a regulated rate to be charged to customers in future periods because the revenue already recognised includes an amount that will provide part of the total allowed compensation for goods or services to be supplied in the future.



Preliminary views from EFRAG TEG

- 21 EFRAG TEG agreed that the rights and obligations must be enforceable to result in recognition of assets and liabilities. Some EFRAG TEG members considered that the definition of regulatory assets and liabilities could be better described as 'deferred' regulatory assets and 'deferred' regulatory liabilities or even as 'deferred regulatory income and expenses', to convey that these arise due to timing differences. However, the EFRAG RRAWG supported the IASB proposal to refer to regulatory balances as regulatory assets and regulatory liabilities.
- 22 Some EFRAG TEG members questioned whether regulatory assets and regulatory liabilities met the definitions of assets and liabilities in the *Conceptual Framework*. However, EFRAG RRAWG members did not share this concern.

Recognition

- 23 The exposure draft is expected to require an entity to recognise all regulatory assets and all regulatory liabilities that meet the definition of a regulatory asset and a regulatory liability (see paragraph 5 above).
- 24 If it is uncertain whether a regulatory asset or a regulatory liability exists, an entity shall recognise the regulatory asset or regulatory liability if **it is more likely than not that they exist** (i.e. the model sets a symmetrical recognition threshold for regulatory assets and regulatory liabilities in cases of existence uncertainty). Uncertainties about the amount are reflected in the measurement. In reaching this tentative decision, the IASB considered the guidance in the *Conceptual Framework* related to existence uncertainty, and measurement uncertainty.

Boundary for recognition

- 25 The exposure draft is expected to inform that the boundary of a regulatory agreement determines which estimated cash flows are included in the measurement of a regulatory asset and a regulatory liability. This assessment requires a level of judgment. The IASB considered that there could be situations where the regulatory agreement is set to expire and must be renewed in the near term, or the regulatory agreement can be terminated by one party giving notice. This raises a question about the boundary of the regulatory agreement in terms of which cash flows are enforceable and should be included when recognising (and measuring) regulatory assets and regulatory liabilities.
- 26 In most cases, the terms of the agreement that determine this period will be explicit and thus the identification of this period will not be complex. However, if the regulatory agreement is subject to cancellation and renewal options, determining the boundary of the regulatory agreement becomes more complex.
- 27 The IASB tentatively decided that when determining the regulatory agreement boundary, an entity should consider all options that could affect that boundary but should disregard a right held by any party, if there are no circumstances in which that party has the practical ability to exercise that right.
- 28 In assessing whether the party holding an option will have the practical ability to exercise the option, that party should consider all the terms of the regulatory agreement and other facts and circumstances, including the environment in which it operates. For example, a regulator may not be able to replace a regulated entity without significant adverse economic consequences (e.g., significant costs and/or significant disruption to service), leading to the conclusion that the regulator no longer has the practical ability to exercise the option.

Preliminary views from EFRAG TEG

- 29 EFRAG TEG generally supported the IASB's tentative decision on the recognition criteria of the proposed accounting model. However, EFRAG TEG expressed the following concerns regarding the complexity of applying the recognition criteria:
- (a) It was not clear why there was a need for a recognition threshold if an entity had enforceable rights and obligations that arose from the regulatory agreement and had assessed it was in the scope of the model.
 - (b) The interaction between the recognition threshold (recognise if 'more likely than not') and the probability of inflows or outflows (to be considered in measurement) was unclear. If there was uncertainty in the cash inflows or outflows, it was unclear why an entity would recognise regulatory assets and regulatory liabilities.
 - (c) Some EFRAG TEG members considered that recognition of regulatory assets should have a high threshold given the uncertainties present in regulation and they would have preferred "virtually certain" as a recognition criterion for

regulatory assets – similar to the recognition criteria in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

- 30 EFRAG TEG found the IASB tentative decision on the boundary of the regulatory agreement to be confusing. Similar to EFRAG RRAWG, EFRAG TEG had difficulties in understanding how in practice, an entity would determine the boundary of a regulatory agreement and why it was important to make this assessment, given the nature of the regulatory environment to which the proposed accounting model will apply. EFRAG TEG suggested that boundary should be determined based on the regulatory framework rather than being an accounting judgment.
- 31 EFRAG TEG shared the views expressed by the EFRAG RRAWG that the tentative guidance on determining the boundary was mixing the entity's licence to operate with the regulatory agreement. They suggested that the boundary be tested in practice using more complex examples, preferably when both regulatory and concession agreements are present.

Measurement

Measurement principle

- 32 The exposure draft is expected to propose that all regulatory assets and regulatory liabilities, except those covered in the following paragraph, are measured using a **cash-flow-based measurement** technique that measures regulatory assets and regulatory liabilities at historical cost, modified for subsequent changes in the estimates. This is done by:
- (a) Estimating future cash flows arising from the regulatory assets or regulatory liabilities, including the cash flows relating to the regulatory interest or return; and
 - (b) Discounting the estimated future cash flows using the regulatory interest or return rate unless there is any indication that the regulatory interest or return rate is not adequate.

Exception to the measurement principle

- 33 The exposure draft is expected to propose that regulatory assets and regulatory liabilities that relate to expenses or income that will be included in or deducted from the future rates when cash is paid or received (for example pension costs and asset retirement obligations) are measured by:
- (a) using the same measurement basis that the entity uses when measuring the related asset or related liability (e.g. IAS 12 *Income Taxes* or IAS 37); and
 - (b) adjusting the measurement of the regulatory asset or regulatory liability to reflect any risks that are not present in the related asset or related liability. Examples of uncertainties that might not be present in the related asset or related liability include demand risk (the potential for a loss due to a gap between forecast and actual demand) and credit risk.
- 34 Once the entity has received or paid cash to recover the related asset (settle the related liability) it shall stop applying the measurement exception in paragraph 33 and measure the remaining part of the regulatory asset or regulatory liability under the apply the measurement principle for regulatory assets and regulatory liabilities.

Estimating future cash flows

- 35 The exposure draft is expected to require an entity to estimate future cash flows arising from each regulatory asset and regulatory liability recognised using either **the most likely amount** or the **expected value**, depending on which method the entity concludes would better predict the amount of the cash flows arising from a particular timing difference or group of timing differences. This requirement is

consistent with the measurement requirements for variable consideration under IFRS 15. The entity should apply the same method consistently from the origination of the timing difference until its reversal.

- (a) The most likely amount – the most likely amount is the single most likely amount in a range of possible cash flow amounts. This may be an appropriate estimate of the amount if there are only two possible outcomes.
 - (b) The expected value – the expected value is the sum of probability-weighted amounts in a range of possible cash flow amounts. This method may be appropriate when there are a wide range of cash flows in relation to the regulatory asset and/or regulatory liability.
- 36 The estimated cash flows need to be updated at each reporting date and to account for those changes in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The proposed accounting model will not require separate impairment procedures for regulatory assets because updating the estimates of future cash flows would capture any downward remeasurements. Therefore, IAS 36 *Impairment of Assets* does not apply to regulatory assets.
- 37 When the entity is entitled to performance incentives for achieving indicated performance criteria (such as targeted levels of quality and reliability of service, customer satisfaction, level of operational efficiency), such performance incentives form part of the 'total allowed compensation' for supplying goods and services in the period when the entity's performance occurs (regardless of when that incentive is included in the regulated rates).
- 38 The amount of any bonus or penalty should be **apportioned** when an entity's performance is evaluated over a time frame that is not yet complete at the end of the reporting period. In such case, the entity will need to estimate the amount of the incentive which should be included as part of the total allowed compensation for goods or services supplied in the same reporting period and the portion of the estimate that relates to the next reporting period.

Preliminary views from EFRAG TEG

- 39 EFRAG TEG and EFRAG RRAWG members generally agreed with the measurement principles of the model, however, the following comments were expressed:
- (a) The measurement technique applied by the model seemed to be a mix between an amortised cost and a fair value measurement.
 - (b) The proposed accounting model should not resort to the requirements in IAS 8 when accounting for changes in estimated cash flows. Instead, it should provide guidance that is applicable for rate regulation activities within scope.
- 40 EFRAG TEG did not specifically discuss the measurement exception in paragraph 33.

Regulatory returns and performance incentives

Regulatory returns

- 41 Regulatory returns are generally a significant part of an entity's target profit to which it is entitled. Regulatory returns, which are included in total allowed compensation, sometimes are granted when an entity is constructing a particular asset to be used to provide goods or services.
- 42 The exposure draft is expected to require that the regulatory return on a balance relating to an asset **not yet available for use** (assets under construction) forms part of the total allowed compensation for goods or services supplied once the asset is

available for use and over the remaining periods in which an entity recovers the carrying amount of the asset through the regulated rates.

- 43 The primary basis for this decision is because during the construction period of the asset to which those regulatory returns relate, no goods or services are being supplied using that asset – so requiring the regulatory return to be recognised on the asset not yet in use would be contrary to the general principle of the model.

Performance incentives

- 44 A regulatory agreement may provide an entity with various forms of performance incentives to compensate an entity for meeting its performance targets. This is very typical for incentive-based type rate regulation, which is very common in European jurisdictions.
- 45 The exposure draft is expected to require that the amounts relating to a **performance incentive** form part of total allowed compensation for goods or services supplied in the period in which the performance criteria are monitored and evaluated. This will be the case regardless of whether performance relates to construction work or the provision of goods or services. The requirements for accounting for regulatory returns on target profit related to performance incentives differs from that for assets under construction.

Preliminary views from EFRAG TEG

- 46 EFRAG TEG questioned what the offsetting expense generating revenues relating to the construction work in progress was when the value of the asset was not being consumed. Therefore, they were more in favour of a revenue recognition pattern that matched the expenses.

Discounting estimated cash flows

- 47 The exposure draft is expected to require discounting of regulatory assets and regulatory liabilities. An entity will generally use the regulatory interest rate specified in the regulatory agreement.
- 48 However, when selecting a discount rate to apply to estimated cash flows, the measurement principles of the model for regulatory assets and regulatory liabilities requires an entity to:
- (a) apply an **indicator-based approach** to assessing whether the regulatory interest rate or return rate is sufficient to compensate the entity for the time value of money and for uncertainty in the amount and timing of the future cash flows arising from that regulatory asset;
 - (b) if there are indicators that regulatory interest rate is not sufficient to compensate the entity for the time value of money and uncertainty inherent in the cash flows, an entity should determine a minimum adequate rate to use as the discount rate;
 - (c) the proposed accounting model specifies that the minimum adequate rate is one that the entity would expect to receive for a stream of cash flows with the same timing and uncertainty as those of the regulatory asset; and
 - (d) in cases when the regulatory interest rate or return rate provides excess compensation or excess charge for the time value of money and uncertainty in the cash flows, an entity should:
 - (i) recognise the excess as regulatory income or regulatory expense immediately if it arises from an identifiable transaction or other event, such as a bonus or a penalty; but
 - (ii) use the regulatory interest rate or return rate as the discount rate if that excess does not arise from an identifiable transaction or other event.

- 49 The proposed accounting model requires an entity to continue to apply the discount rate established at initial recognition of the regulatory assets and regulatory liabilities unless there is a change in the regulatory interest rate provided in the regulatory agreement. It is possible that the regulatory agreement changes the regulatory interest rate at certain time intervals. In such instances, the entity would have to apply the updated regulatory interest rate to discount the estimated future cash flows.

Preliminary views from EFRAG TEG

- 50 Some EFRAG TEG members disagreed with the discounting approach. They preferred either a risk-adjusted rate or an approach similar to the IAS 12 accounting treatment.
- 51 EFRAG TEG also noted that the discount rate used as evidence could be seen as the last agreed rate between two parties which was not representative of the current economic environment.
- 52 EFRAG TEG members expressed concern with referring to a minimum adequate rate to use as the discount rate. In their view, the regulatory agreement does not use the concept of a minimum adequate rate and introducing such a rate in the accounting model would be a highly subjective and complex exercise for preparers. This concern was shared by EFRAG RRAWG members, who considered that it would be very challenging in practice to apply the concept of minimum interest rate (or insufficient or inadequate rate) and would be subject to a lot of discussion with the auditors given the level of judgement involved to make this assessment.
- (a) Some EFRAG RRAWG members commented that the concept of discounting when measuring regulatory items was not very relevant to regulatory assets and regulatory liabilities as the amounts to be recovered (settled) were initially negotiated with the regulator. It was therefore questionable why they should be discounted. In their view, the application of a minimum adequate rate would not bring value to users to understand regulatory assets and regulatory liabilities. What mattered was the discount rate agreed with the regulator.
- (b) The EFRAG RRAWG members that supported discounting said that it should be based on the regulatory discount rate (regulatory interest) which is used to compensate the entity for the time lag until recovery of a regulatory asset or fulfilment of a regulatory liability

Interaction with other IFRS Standards

IFRS 3 Business Combinations

- 53 The IASB tentatively decided that, **as an exception to the recognition and measurement principles** in IFRS 3 an entity should recognise and measure regulatory assets acquired and regulatory liabilities assumed in a business combination applying the recognition and measurement principles proposed in the model (modified historical cost instead of fair value at the acquisition date as required under IFRS 3).
- 54 Applying the exception to the recognition and measurement principles of IFRS 3, will mean that an entity would recognise and measure the regulatory asset **using the regulatory discount rate** instead of the market rate. The IASB expects this will be the main difference. **Any difference will therefore be adjusted to goodwill** on the date of the acquisition.

Preliminary views from EFRAG TEG

- 55 EFRAG TEG members had mixed views on the exception to the measurement principle in IFRS 3 for regulatory assets and regulatory liabilities acquired in a business combination. Some EFRAG TEG members agreed with the exemption.

Other EFRAG TEG members did not agree with the exception on the basis that there are other assets that do not trade in an active market and noted that the exception could have unintended consequences.

Presentation

- 56 The exposure draft is expected to require regulatory assets and regulatory liabilities to be presented as a separate and single item (subject to the offsetting and current and non-current classification requirements).
- 57 However, when regulatory assets and regulatory liabilities are measured using the measurement exception in paragraph 33 above, and the related asset or related liability is remeasured through other comprehensive income (OCI), then any regulatory income or regulatory expenses arising from that remeasurement should also be presented in OCI.

Preliminary views from EFRAG TEG

- 58 EFRAG TEG members expressed mixed views on the proposed presentation of some regulatory expenses and regulatory income in the OCI. One EFRAG TEG member disagreed with presentation of any of these items in OCI and suggested that only presentation in profit or loss should be allowed under the model.
- 59 The EFRAG TEG views echoed the EFRAG RRAWG views:
- (a) Some EFRAG RRAWG members noted that the IASB presentation proposal created complexity.
 - (b) EFRAG RRAWG members were divided as to whether regulatory interest income and regulatory interest expense should be included within the regulatory income or regulatory expense line item immediately below the revenue line item.
 - (c) Some members supported the IASB presentation approach as it gives clearer performance of regulatory assets and regulatory liabilities.
 - (d) Other members were of the view that regulatory interest expense and regulatory interest income belong to the financing category and should be presented as such.

Disclosure requirements

- 60 The exposure draft is expected to state that the disclosure objective is to disclose information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities to provide users with a basis for understanding of:
- (a) the relationship between an entities' revenue and expenses to provide insights into the entities' prospects for future cash flows; and
 - (b) the entities' regulatory assets and regulatory liabilities to provide insights into how regulatory assets and regulatory liabilities will affect the amount, timing and uncertainty of the entities' future cash flows.
- 61 The disclosure requirements expected to be included in the exposure draft are summarised as follows:
- (a) a breakdown of the regulatory income or regulatory expense line item in profit or loss into the following components:
 - (i) originations of regulatory assets, together with qualitative and quantitative information on associated amounts;
 - (ii) originations of regulatory liabilities, together with qualitative and quantitative information on associated amounts;

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- (iii) recovery of regulatory assets;
 - (iv) fulfilment of regulatory liabilities; and
 - (v) changes in the carrying amount of regulatory assets and regulatory liabilities due to changes in estimates, together with qualitative and quantitative information about the reasons for those changes.
- (b) a maturity analysis of the carrying amounts of regulatory assets and of regulatory liabilities at the end of the period, and an explanation of how the future recovery of regulatory assets or the future fulfilment of regulatory liabilities is affected by risks and uncertainty;
- (c) the discount rate or ranges of discount rates used to discount the estimated cash flows reflected in the carrying amounts of regulatory assets and of regulatory liabilities at the end of the period. And, if different, the related regulatory interest or return rate(s) approved by the regulator, together with qualitative and quantitative information related to these differences; and
- (d) a reconciliation of the opening and closing carrying amount of regulatory assets and of regulatory liabilities from the beginning to the end of the period;
- (e) any regulatory interest or regulatory return arising on regulatory assets or regulatory liabilities should be disclosed as a separate caption in:
- (i) the breakdown of regulatory income or regulatory expense for the period; or
 - (ii) the reconciliation of the carrying amounts of regulatory assets and of regulatory liabilities from the beginning to the end of the period.
- 62 In addition, an entity should assess whether the information provided through the disclosure requirements is sufficient to meet the overall disclosure objective. If not, the entity should disclose any additional information needed to meet that objective.

Preliminary views from EFRAG TEG

- 63 Some EFRAG TEG members and most RRAWG members expressed concerns with the level of detailed disclosure requirements and considered that entities might not have readily available the level of granular information required under the proposed accounting model. EFRAG RRAWG members noted that the materiality principle will need to be applied to narrow down the disclosure requirements under the model.