



AFRICAN ADVANCED LEVEL TELECOMMUNICATIONS INSTITUTE (AFRALTI)

## TRAINING WORKSHOP OUTLINE

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| <b>Title:</b>       | <b>Regulatory Accounting for Utility Regulations</b>          |
| <b>Date:</b>        | <b>29<sup>th</sup> January – 9<sup>th</sup> February 2018</b> |
| <b>Duration:</b>    | <b>10 Days</b>  |
| <b>Venue:</b>       | <b>AFRALTI, Nairobi, Kenya</b>                                |
| <b>Tuition Fee:</b> | <b>US\$1,800 AFRALTI Member States, US\$2,160 Non Members</b> |

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### COURSE OVERVIEW

Regulatory accounting for utility regulations is an accounting system that demonstrates compliances with transparency, objectivity and non-discrimination obligations. Other compliances include anticompetitive behavior and systematic disaggregation of costs, revenue, asset and liabilities against defined regulatory Markets and Services. These compliances enable National Regulatory Authorities (NRAs) to regulate diligently and prudently utilities that promotes effective competition and economic efficiency of the country. The compliances also enable Revenue Authorities to collect correctly corporate taxes, because the regulatory accounting system discloses cost information. The cost information is used to calculate the corporate taxes from the net profit. The net profit is revenue less the costs.

Until the late 1980s, most of the governments around the world owned and operated the utilities on monopoly basis such as telecommunications, broadcasting, electricity, gas and water. The state owned monopoly utilities used to prepare and submit the state government audited and consolidated accounts for their business operations. Normally, the audited and consolidated accounts are not transparent and objective; they do not disaggregate the costs, revenues, assets and liabilities against defined regulatory Markets and Services. However, the audited and consolidated accounts worked well during the monopoly era because there was no competition, and the state owned utilities were funded fully by the state government.

In mid-1995, reform of the utilities took place in most of the countries around the world. This reform liberalized markets of the utilities and brought them up to competition. The reform brought more new entrants and entered into the markets. The new entrants increased competition and would like to know the costs of accessing the existing utilities. Knowing the costs for accessing the existing utilities became a big problem due to lack of the regulatory accounting system. The regulatory accounting system for the utility regulations solves the problem of knowing the costs for accessing the existing utilities by the new entrants. However, the liberalized and competitive utilities such as Mobile

Network Operators (MNOs) are still preparing and submitting the NRAs and state governments the legacy audited and consolidated accounts, which are subjective. As a result the governments and NRAs continue collecting incorrect amount of the corporate taxes and regulatory dues respectively.

### **Target Audience**

National Regulatory Authorities; Revenue Authorities; Accountants; Engineers; Economists; Financial Analysts; Ministry of Finance; Ministry of Communications; and other government policy makers.

### **Pre-requisite/s**

Basic knowledge of finance, accounting, economics, engineering and utility regulations.

### **Pain Points**

The reform of the utilities in the mid-1995 from a government-led to a private-sector-led one was a new and complex phenomenon that requires deep understanding of concepts of the competition, costing and pricing of the utilities. Unless the governments and regulators understand well the concepts of the reform, it will be difficult for them to regulate diligently and prudently the reformed utilities in terms of the compliances with the transparency, objectivity, non-discrimination obligations, anticompetitive behavior and systematic of disaggregation of the costs, revenue, assets and liabilities against defined regulatory Markets and Services.

### **Value Proposition**

At the end of the course, participants will have knowledge of competition and regulatory accounting for the utility regulations, which will help them to prepare and analyze the regulatory accounts. The knowledge for the regulatory accounting for the utility regulations is needed to promote effective competition and economic efficiency of the country.

### **Workshop Objectives**

- Understand well legal and regulatory requirements for the regulatory accounting system;
- Identify, define and analyse markets and services of the utilities;
- Determine Significant Market Power (SMP) utility;
- Understand concepts of accounting separation and cost accounting;
- Get knowledge in preparing Current Cost Accounting (CCA) Financial Statements;
- Get knowledge of accounting cost models; and
- Analyse Top-down and Bottom-up cost models.

### **Workshop methodology**

The workshop includes presentations by the facilitator, country presentations and interactive sessions.

## Training Contents

### 1 Legal and regulatory requirements for the regulatory accounting system: country case studies

- Approach of European Union Member States;
- Approach of Inter-American Telecommunication Commission Member States;
- Approach of Asian Pacific Telecommunication Union Member States; and
- Approach of African Telecommunication Union Member States.

### 2 Accounting Separation

- Defining Accounting Separation;
- Principles of Accounting Separation;
- Structure of separated accounts;
- Identifying and defining markets and services;
- An example of a list of communications markets identified and recommended by the European Commission;
- Analysing market structure; and
- Determining the existence of a dominant market position.

### 3 Cost Accounting

- Defining cost categories;
- Analysis of different cost methodologies;
- Types of cost accounting models; and
- Analysis of Top-down versus Bottom-up cost models;

### 4 Key parameters in cost accounting models

- Weighted Average Cost of Capital;
- Analysis of Economic Depreciation and associated life span of assets;
- Annualisation of Capital Expenditure (CAPEX);
- Estimation of Operating Expenditure (OPEX);
- Estimation of Total Annual Costs;
- Calculation of Route Factors; and
- Service Costing.

### 5 Pricing

For more information, please contact us on

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