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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at the World Standard Setters meeting, to assist them in following the discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff papers prepared for the World Standard Setters meeting. Paragraph numbers correspond to the paragraph numbers in the staff papers.

INFORMATION FOR OBSERVERS

WORLD STANDARD SETTERS MEETING, SEPTEMBER 2006, LONDON

AGENDA PAPER 1

Conceptual Framework

Project Update

BACKGROUND

1. At their joint meeting in October 2004, the IASB and FASB decided to add to their agendas a joint project to develop an improved and common conceptual framework that is based on and builds on their existing frameworks (i.e., the IASB's *Framework for the Preparation and Presentation of Financial Statements* and the FASB's *Statements of Financial Accounting Concepts*). That framework will consider developments since the Boards issued their original frameworks, including considering the frameworks of other standard setters.
2. In conducting the joint project, the Boards will:

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- (a) Focus on changes in the environment since the original frameworks were issued, as well as omissions in the original frameworks, in order to efficiently and effectively improve, complete and converge the existing frameworks.
 - (b) Give priority to addressing and deliberating those issues within each phase that are likely to yield benefits to the Boards in the short term; that is, cross-cutting issues that affect a number of their projects for new or revised standards. Thus, work on several phases of the project will be conducted simultaneously and the Boards expect to benefit from work being conducted on other projects.
 - (c) Initially consider concepts applicable to private sector business entities. Later, the Boards will jointly consider the applicability of those concepts to private sector not-for-profit organizations. Representatives of public sector (governmental) standard-setting Boards are monitoring the project and, in some cases, are considering what the consequences of private sector deliberations might be for public sector entities.
3. The project is divided into eight phases. Each of the first seven phases (A through G) are expected to involve planning, research, and initial Board deliberations on major aspects of the Boards’ frameworks and to result in an initial document that will seek comments on the Boards’ tentative decisions for that phase. This will be followed by a period of redeliberations—the Boards’ consideration of constituents’ comments and redeliberations of the tentative decisions. This will lead to an Exposure Draft and subsequent rebeliberations for each phase. An eighth phase will be used to address any remaining issues. The Boards have not yet finalized the manner in which they will amend their existing frameworks. Those phases and their current status, including plans for release of near-term due process documents, are as follows:

<u>Project Phases, Status, and Timing</u>			Next Document	
Phase	Topic	Current Status	2006	2007 and beyond
A	Objectives and qualitative characteristics	Comment period	PV issued July 6, 2006	
B	Elements and recognition	Board deliberations		PV-Q2 2007 (estimated)

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C	Measurement	Planning and staff research ¹		TBD
D	Reporting entity	Board deliberations		PV-Q2 2007 (estimated)
E	Presentation and disclosure, including financial reporting boundaries	Research by others underway ²		TBD
F	Framework purpose and status in GAAP hierarchy	–		TBD
G	Applicability to the not-for-profit sector	–		TBD
H	Entire framework	–		TBD

PV-Preliminary Views/Discussion Paper; E-Exposure Draft; F-Final Document

Project Status

4. At last year's World Standard Setters meeting we focused on Phase A of the Conceptual Framework project — Objectives and Qualitative Characteristics. We found the discussion at that meeting useful and the input from world standard setters assisted us in our thinking on certain issues. That thinking has now been incorporated into the Discussion Paper, *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*, issued in July 2006, for comment by 3 November 2006.
5. Since then, work has continued on three phases of the project;
 - (a) Phase B: Elements and Recognition – The Boards have focused on developing improved and converged working definitions of an asset (see below) and a liability, together with supporting explanations.

¹ Includes consideration of the research in, and comment letters on, the Canadian staff prepared Discussion Paper, *Measurement Bases for Financial Accounting – Measurement on Initial Recognition*, issued by the IASB in November 2005 for comment by 19 May 2006. The Boards will consider the comment letter analysis on this paper in their meetings in September 2006.

² Includes research work conducted on behalf of the IASB on Management Commentary, led by the New Zealand standard setter, and on a Disclosure Framework, led by the Canadian standard setter.

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- (b) Phase C: Measurement – The Boards have considered a plan for this phase of the project, which will begin to be implemented later in 2006 (WSS views on this plan will be sought at this meeting – see below).
- (c) Phase D: Reporting Entity – The Boards have discussed the approach to this phase of the project and will consider an analysis of proposed solutions to the issues arising at their meetings in September 2006. An update on these redeliberations will be provided for WSS at their September meeting.

Matters for discussion by World Standard Setters

- 6. We hope that the discussion at the WSS meeting will achieve at least two objectives:
 - (a) To further familiarize you with the Boards' tentative thinking in the project, so that you will be better placed to follow the Boards' deliberations and provide input; and
 - (b) To provide input that will be useful to the Boards in their further deliberations of this topic.
- 7. This year, we would like your input on two topics:
 - (a) *Definition of an Asset* – this is a topic that the Boards have been deliberating over the last six months or so. We would like to update you on those deliberations and seek your input on the presently proposed converged working definition of an asset. That is the subject of Agenda Paper 1A. We plan that this discussion will take place in breakout groups. We will then ask each of the breakout groups to report back on certain of the questions raised in the Agenda Paper, followed by soliciting alternative considerations from the other groups.
 - (b) *Measurement Phase Plan* – The Boards generally approved a plan for the measurement phase of the project in April 2006. However, we are interested in your comments and suggestions regarding the implementation of that plan, as well as on measurement bases to be considered in the first milestone of that plan. That is the subject of Agenda Paper 1B, which we plan to present and discuss in plenary session.

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8. We will also provide an update on other recent activities related to the project, including the Reporting Entity phase.