March 2018

IFRS® Conceptual Framework
Feedback Statement

Conceptual Framework for Financial Reporting

IFRS®

Introduction

The International Accounting Standards Board (Board) issued the *Conceptual Framework for Financial Reporting* in 2018 (2018 *Conceptual Framework*). This version replaces the *Conceptual Framework* issued in 2010 (2010 *Conceptual Framework*).

The Board and the IFRS Interpretations Committee started using the 2018 *Conceptual Framework* immediately after it was issued.

To achieve transition for preparers who develop accounting policies by reference to the *Conceptual Framework*, the Board also issued *Amendments to References to the Conceptual Framework in IFRS Standards* in 2018. That document updates references to previous versions of the *Conceptual Framework* in IFRS Standards (Standards), their accompanying documents and IFRS practice statements.

Those updated references are effective for annual periods beginning on or after 1 January 2020.

Part 1 of this Feedback Statement summarises the feedback on the proposals that preceded the 2018 *Conceptual Framework* and the Board's response to that feedback. It focuses on the more significant matters that prompted the most feedback from stakeholders.

Part 2 of this Feedback Statement summarises the feedback on the proposals that preceded *Amendments to References to the Conceptual Framework in IFRS Standards* and the Board's response to that feedback.

Consultation and testing

The Board consulted extensively with the public while developing the 2018 *Conceptual Framework* and *Amendments to References to the Conceptual Framework in IFRS Standards*.

Publications

The Board published the following proposals over the course of the project:

(a) a Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* in 2013 (2013 Discussion Paper);

(b) an Exposure Draft *Conceptual Framework for Financial Reporting* in 2015 (2015 Exposure Draft); and

(c) an Exposure Draft *Updating References to the Conceptual Framework* in 2015.

The Board received 228 comment letters on the 2013 Discussion Paper, 233 comment letters on the 2015 Exposure Draft and 40 comment letters on the Exposure Draft *Updating References to the Conceptual Framework*. The Board considered this feedback in finalising the 2018 *Conceptual Framework* and *Amendments to References to the Conceptual Framework in IFRS Standards*.

Outreach

The Board conducted extensive outreach with stakeholders from various jurisdictions and various backgrounds, including investors and analysts, preparers of financial statements, regulators, standard-setters, professional accountancy bodies, accounting firms and academics. The Board held 230 meetings with stakeholders and considered their feedback in finalising the 2018 *Conceptual Framework*.

The Board also conducted outreach with preparers of financial statements and accounting firms to ensure it had a good understanding of whether and when in practice entities develop their accounting policies by reference to the *Conceptual Framework*. The Board used their feedback in finalising *Amendments to References to the Conceptual Framework in IFRS Standards*.

Consultative group

The Board used the Accounting Standard Advisory Forum (ASAF) as its consultative group for the Conceptual Framework project. ASAF is an advisory group to the Board. It comprises national accounting standard-setters and regional bodies with an interest in financial reporting. The Board discussed a wide range of topics with ASAF during the development of the 2018 *Conceptual Framework*.

Testing

The Board tested the proposed revised definitions of an asset and a liability and the guidance supporting those definitions. The aim of this test was:

(a) to enable both the Board and stakeholders to assess implications of the proposals for future Standards; and

(b) to assess whether the proposed definitions and supporting guidance would cause any problems.

Part of the testing included discussions and case studies at the World Standard-setters Conference in 2016.

Part 1—The 2018 *Conceptual Framework*

Project proposals	Feedback	The Board's response
Approach to the project		
In the 2011 Agenda Consultation stakeholders identified revision of the *Conceptual Framework* as a priority project for the Board. To achieve a timely revision, the 2013 Discussion Paper and the 2015 Exposure Draft proposed an approach that focused on updating, clarifying and filling in gaps in the 2010 *Conceptual Framework* instead of fundamentally reconsidering all of its aspects.	Many stakeholders supported the Board's decision to focus on updating, clarifying and filling in gaps in the 2010 *Conceptual Framework* instead of fundamentally reconsidering all of its aspects. Some stakeholders questioned this approach and thought the proposals were not sufficiently aspirational.	The Board confirmed its approach to focus on updating, clarifying and filling in gaps in the 2010 *Conceptual Framework*. The Board views the *Conceptual Framework* as a practical tool to help it develop Standards. Hence, the *Conceptual Framework* describes concepts and explains factors the Board needs to consider in applying those concepts.
Purpose of the *Conceptual Framework*		
The 2013 Discussion Paper proposed identifying the Board as the primary user of the *Conceptual Framework*. However, the Board was persuaded by feedback to extend the proposed purpose of the *Conceptual Framework* in the 2015 Exposure Draft to be: (a) to assist the Board to develop Standards that are based on consistent concepts; (b) to assist preparers to develop consistent accounting policies when no Standard specifically applies to a transaction or other event or when a Standard allows a choice of accounting policy; and (c) to assist all parties to understand and interpret Standards.	Many stakeholders agreed with the proposals in the 2015 Exposure Draft. However, a few stakeholders continued to suggest that the primary purpose of the *Conceptual Framework* should be to help the Board when developing Standards.	The Board confirmed the purpose of the *Conceptual Framework* as proposed in the 2015 Exposure Draft. The Board concluded it was important to acknowledge the role of the *Conceptual Framework* for parties other than the Board.

Project proposals	Feedback	The Board's response
Status of the *Conceptual Framework*		
The *Conceptual Framework* is a set of concepts and accompanying guidance. It is not a Standard and does not override any Standard. The Board proposed that this should remain the case. The Board also proposed that it should be able to depart from aspects of the *Conceptual Framework* if it needs to do so to meet the objective of financial reporting. The Board envisaged that such a need would arise only in a limited number of cases.	Some stakeholders supported these proposals. However, other stakeholders suggested that the *Conceptual Framework* should override the requirements of Standards, or that the Board should never be allowed to depart from aspects of the *Conceptual Framework*.	The Board confirmed the status as proposed. The *Conceptual Framework*'s existing status, as not being a Standard and not overriding Standards, has worked well in practice. The Board also concluded that, in some circumstances, it might need to depart from aspects of the *Conceptual Framework* to meet the objective of financial reporting. It is helpful for the *Conceptual Framework* to acknowledge this, and to specify that such departures are appropriate only if needed to meet that objective. That need might arise because conceptual thinking or the economic environment may change, and new or revised Standards might need to reflect these changes. If the Board does depart from aspects of the *Conceptual Framework* when setting a Standard, it will explain the departure in the Basis for Conclusions on that Standard.

Project proposals	Feedback	The Board's response
Effects of the 2018 *Conceptual Framework*		
New Standards and IFRS Interpretations The Board proposed using the 2018 *Conceptual Framework* for standard-setting immediately after it is issued. **Existing Standards** The Board also proposed that changes in the *Conceptual Framework* would not automatically lead to changes in Standards. The Board proposed considering any potential changes to Standards arising from changes in the *Conceptual Framework* in the light of other priorities when developing its work plan. **Accounting policies developed by preparers** Preparers of financial statements can be directly affected by the changes if they use the *Conceptual Framework* to develop or select accounting policies when no Standard specifically applies to a transaction or other event. To achieve transition to the 2018 *Conceptual Framework* for such entities, the Board proposed amendments to Standards that update references to the previous versions of the *Conceptual Framework*. Feedback on these proposals is given in Part 2 of this document.	**New Standards and IFRS Interpretations** Some stakeholders expressed concerns about the implications of the proposed changes to the *Conceptual Framework* for future Standards, in particular the proposed changes to the definitions of an asset and a liability, and encouraged the Board to conduct an effect analysis. Some stakeholders also expressed a concern that the general approach in the 2015 Exposure Draft of using the fundamental qualitative characteristics of relevance and faithful representation as the basis for recognition, measurement and presentation decisions would not provide enough direction for the Board. They thought this approach was too abstract and subjective. These stakeholders suggested that the Board introduce more concrete and robust criteria to ensure it develops Standards with consistent requirements that result in useful information. **Existing Standards** Most stakeholders agreed that changes in the *Conceptual Framework* should not automatically lead to changes in Standards. However, some stakeholders were concerned about the possibility of Standards being inconsistent with the 2018 *Conceptual Framework*.	In response to the feedback, the Board performed an extensive analysis of the possible effects on future Standards of the proposed definitions of an asset and a liability, the concepts supporting those definitions and the recognition criteria. In addition, the Board tested for inconsistencies between the revised concepts and existing Standards. The analysis indicated a few areas where further guidance would be helpful, and the Board considered these areas during its deliberations. The Board also concluded that more rigid criteria would not improve its ability to set Standards that result in useful information. In addition, the analysis demonstrated that the requirements of existing Standards were often consistent with potential outcomes of applying the proposed definitions and supporting guidance. The analysis identified an inconsistency between the *Conceptual Framework* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as interpreted by IFRIC 21 *Levies*. Applying IFRIC 21, liabilities for levies are identified only when all conditions for the payment of the levies are met. If the definition in the *Conceptual Framework* were applied, liabilities for levies might be identified before all those conditions have been met. However, the publication of the *Conceptual Framework* does not change the accounting requirements for levies—the *Conceptual Framework* does not override IAS 37 or IFRIC 21. Any decision to amend an existing Standard would require the Board to go through its due process.

Project proposals	Feedback	The Board's response
Primary users of general purpose financial reporting Throughout the project, the Board proposed that the *Conceptual Framework* should continue to define the primary users (users) of general purpose financial reporting (financial reporting) as the existing and potential investors, lenders and other creditors.	Although some stakeholders agreed with the proposal, some argued that the proposed primary user group is defined too narrowly and that it should be expanded to include, for example, employees, customers, suppliers, regulators and others. In contrast, others argued that the proposed primary user group is defined too broadly and that the Board should describe primary users as existing holders of equity claims against the entity.	The Board confirmed the proposal. It concluded that: (a) existing and potential investors, lenders and other creditors have the most critical and immediate need for the information in financial reports and many cannot require the entity to provide the information to them directly. (b) the *Conceptual Framework* contributes to the stated mission of the IFRS Foundation to develop Standards that bring transparency, accountability and efficiency to financial markets around the world. Participants in financial markets include not only existing investors but also potential investors and existing and potential lenders and other creditors. (c) information that meets the needs of the specified primary users is likely to meet the needs of other users. (d) focusing on the common information needs of the primary users does not prevent a reporting entity from including additional information that is more useful to a particular subset of primary users.

Project proposals	Feedback	The Board's response
Stewardship		
The Board removed the term 'stewardship' from the *Conceptual Framework* in 2010 because of translation difficulties. Instead, it sought to describe the concept underlying the previous use of the term. When the Board restarted its work on the *Conceptual Framework* in 2012, it proposed that it would not reconsider fundamentally the chapter on the objective of financial reporting, and thus the 2013 Discussion Paper did not propose to reintroduce the term 'stewardship'. In response to feedback, in the 2015 Exposure Draft the Board proposed to reintroduce the term 'stewardship' with an explanation of how the term is used, and to give more prominence to stewardship in describing the objective of financial reporting.	Many stakeholders disagreed with the Board's original proposal not to reintroduce the term 'stewardship'. They argued for an explicit acknowledgement that the assessment of management's stewardship was part of the objective of financial reporting. Many stakeholders supported the proposed reintroduction of the term 'stewardship' and the concept's greater prominence in the 2015 Exposure Draft. However, some stakeholders suggested that stewardship should be an additional objective of financial reporting instead of part of the objective of providing information that is useful for making decisions relating to providing resources to the entity (resource allocation decisions).	In the 2018 *Conceptual Framework* the Board confirmed the approach proposed in the 2015 Exposure Draft. Hence, the 2018 *Conceptual Framework* explicitly discusses information needed to assess management's stewardship as well as information needed to help users assess the prospects for future net cash inflows to the entity. Both types of information are needed to meet the objective of financial reporting—that is to provide information that is useful for making resource allocation decisions. The Board also clarified that resource allocation decisions involve decisions about exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources (as well as decisions about buying, selling or holding equity and debt instruments and providing or settling loans and other forms of credit).

Project proposals	Feedback	The Board's response
Business activities		
In both the 2013 Discussion Paper and the 2015 Exposure Draft, the Board explained that the nature of an entity's business activities can affect the relevance of some types of financial information and the Board may need to consider that factor when developing Standards. Specifically, in the 2015 Exposure Draft the Board proposed to include a discussion of business activities in each chapter of the *Conceptual Framework* where this concept plays a role.	Throughout the project, some stakeholders suggested that the *Conceptual Framework* should give more prominence to the notion of a business model and suggested the Board should define or provide additional guidance on the business model. Other stakeholders did not support including a discussion of business activities in the *Conceptual Framework* because they think considering the nature of an entity's business activities necessarily leads to subjectivity and impairs comparability of financial statements.	The Board confirmed the approach proposed in the 2015 Exposure Draft. The Board concluded that: (a) the nature of an entity's business activities does not affect all areas of financial reporting in the same way and to the same extent, and concluded that it should not be included as an overarching concept. Instead, the 2018 *Conceptual Framework* discusses business activities separately for each affected area. (b) using the term 'business model' would be confusing, because organisations define the term in varied ways. The Board decided therefore, to use the term 'business activities' in the 2018 *Conceptual Framework*. (c) an entity's business activities are a matter of fact that in most cases can be determined objectively.

Project proposals	Feedback	The Board's response
Long-term investment Throughout the project, the Board expressed the view that a specific discussion of the following topics in the *Conceptual Framework* was unnecessary: (a) long-term investment by the reporting entity; and (b) the information needs of long-term investors in the reporting entity. The Board suggested that the concepts proposed for the *Conceptual Framework* will be sufficient to enable the Board to reach appropriate conclusions in setting Standards.	Many stakeholders broadly agreed that a specific discussion of these issues was not necessary. Some stakeholders suggested that the Board should identify long-term investment as a particular type of business activity and develop specific measurement and presentation and disclosure requirements for entities conducting that business activity. Some stakeholders also suggested that the *Conceptual Framework* should emphasise the information needs of long-term investors in a reporting entity, and that their information needs may differ from those of short-term investors.	The Board concluded that the 2018 *Conceptual Framework*: (a) contains sufficient and appropriate discussion of recognition, measurement, presentation and disclosure to enable the Board to reach appropriate decisions on how a reporting entity should account for long-term investments; (b) should not refer explicitly to the business activity of long-term investment, because the *Conceptual Framework* does not refer to any other business activity and because adding such a reference would embed excessive and unnecessary detail in the *Conceptual Framework*; and (c) contains sufficient and appropriate discussion of primary users and their information needs, and of the objective of financial reporting, to address appropriately the needs of long-term investors. A presentation discussing the *Conceptual Framework* and long-term investment in more detail is available here: www.ifrs.org/about-us/the-public-interest/

Project proposals	Feedback	The Board's response
Measurement uncertainty and reliability		
The 2010 *Conceptual Framework* used the term 'faithful representation' to refer to the qualitative characteristic that the previous framework called 'reliability'. It also included in the discussion of the other fundamental qualitative characteristic, relevance, a brief discussion of measurement uncertainty. The Board originally proposed not to reconsider fundamentally the chapter on the qualitative characteristics of useful financial information, and to retain the approach used in the 2010 *Conceptual Framework*. The Board received feedback that the 2010 *Conceptual Framework* did not adequately discuss the role of measurement uncertainty in financial reporting. Hence, in the 2015 Exposure Draft the Board proposed to expand the discussion of the effect of measurement uncertainty on the relevance of financial information and the role of measurement uncertainty in decisions about recognition and measurement. This discussion included an explicit reference to a trade-off between the level of measurement uncertainty and other factors that make information relevant.	Many stakeholders agreed that faithful representation should continue to be identified as one of the two fundamental qualitative characteristics of useful financial information. However, some stakeholders argued that the term 'reliability' should be reintroduced and expressed the following views: (a) 'reliability' is clearer and better understood. (b) faithful representation does not act as an effective filter when identifying the types of information to be included in financial statements, because it allows the recognition of items that cannot be measured reliably. (c) the framework before 2010 acknowledged a trade-off between the qualitative characteristics of relevance and reliability—more relevant information may lack reliability and more reliable information may lack relevance. This idea was lost when reliability was replaced with faithful representation. Many stakeholders welcomed the expanded discussion on measurement uncertainty in the 2015 Exposure Draft. However, they observed that it was more intuitive to include measurement uncertainty as a factor affecting faithful representation, rather than as a factor affecting relevance. Doing so would also make it easier to explain the idea of a trade-off between the level of measurement uncertainty and other factors.	The Board observed that the term 'reliability' is used by some stakeholders in ways that differ from the description in the framework before 2010. Further, many of the concerns about the removal of the term 'reliability' related to measurement uncertainty. The Board therefore concluded it should continue to use the term 'faithful representation' to avoid confusion, but should clarify the role of measurement uncertainty. The Board was persuaded by the view that measurement uncertainty is a factor that fits better in faithful representation than relevance. Accordingly, the 2018 *Conceptual Framework* explains that measurement uncertainty is one factor that can affect the possibility of providing a faithful representation, and that in some cases there could be a trade-off between relevance and faithful representation. The *Conceptual Framework* gives as an example of such a trade off the situation where the level of measurement uncertainty involved in making an estimate may be so high that it may be questionable whether the estimate would provide a sufficiently faithful representation.

Project proposals	Feedback	The Board’s response
Prudence		
The framework before 2010 identified the exercise of ‘prudence’ as a factor that can make financial information useful. Prudence was described as the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty. However, the term was interpreted in different ways by users of that framework. The 2010 *Conceptual Framework* removed the term ‘prudence’ because the Board feared that a reference to prudence would be understood in a way that is inconsistent with neutrality. The Board proposed in the 2013 Discussion Paper not to reconsider fundamentally the chapter on the qualitative characteristics of useful information, and thus did not propose to reintroduce the term. However, the Board was persuaded by those who argued that prudence, defined as the exercise of caution, can help achieve neutrality in selecting and applying accounting policies. Hence, in the 2015 Exposure Draft the Board proposed to reintroduce the term ‘prudence’, defined as the exercise of caution when making judgements under conditions of uncertainty.	Many stakeholders supported the proposals in the 2015 Exposure Draft to reintroduce the term ‘prudence’. Other stakeholders argued for the introduction of an asymmetric form of prudence that requires more persuasive evidence to support the recognition of income or assets than of expenses or liabilities, or the selection of measurement bases that recognise losses at an earlier stage than gains.	The Board confirmed the proposals in the 2015 Exposure Draft. The Board observed that the removal of the term ‘prudence’ in the 2010 revisions had led to confusion and concluded that reintroducing the term with a clear explanation would bring clarity. The Board did not incorporate an asymmetric form of prudence in the 2018 *Conceptual Framework* because that notion could sometimes conflict with the need for financial information to be relevant and provide a faithful representation. However, the Board observed that not all asymmetry is inconsistent with neutrality, and that Standards may contain asymmetric requirements if those requirements result in useful information.

Project proposals	Feedback	The Board's response
Definition of an asset and a liability		
In the 2013 Discussion Paper, the Board proposed revised definitions of an asset and a liability, which removed the notion of an expected flow from the definitions and moved the reference to future flows of economic benefits into the supporting definition of an economic resource. In the 2015 Exposure Draft, the Board proposed to refine the definitions of an asset and a liability as follows: (a) an asset is a present economic resource controlled by the entity as a result of past events; (b) an economic resource is a right that has the potential to produce economic benefits; and (c) a liability is a present obligation of the entity to transfer an economic resource as a result of past event.	Many stakeholders broadly supported the definitions of an asset and a liability proposed in 2015 Exposure Draft. However, some stakeholders disagreed with the proposed definitions. The main concern of those who disagreed was the proposal to replace the notion of an expected flow in the existing definitions with the concept that an asset or liability 'has the potential to produce economic benefits'. Some stakeholders argued that the proposed definitions would considerably widen the range of items identified as assets and liabilities.	The Board confirmed the proposed definitions of an asset and a liability. Retaining a notion of an expected flow would exclude many items that are clearly assets and liabilities. The Board concluded that uncertainty about the flow of economic benefits is best dealt with in recognition criteria or measurement, instead of within the definitions of an asset and a liability. The Board does not expect the combined effect of the definitions and recognition criteria to either broaden or narrow the range of items recognised.

Project proposals	Feedback	The Board's response
Present obligation		
In the 2013 Discussion Paper the Board discussed three approaches to identify a present obligation, each reflecting a different criterion for the extent of an entity's ability to avoid a future transfer of economic benefits. In the 2015 Exposure Draft, the Board proposed that an entity has a present obligation to transfer an economic resource if both: (a) the entity has no practical ability to avoid the transfer; and (b) the obligation is a result of past events.	Many stakeholders expressed general agreement with the proposed criteria for identifying a present obligation. Other stakeholders disagreed with the criteria. Those stakeholders suggested various alternatives—some suggested criteria that would lead to a narrower description of a present obligation, while others suggested criteria that would lead to a broader description. Some stakeholders, including some who broadly agreed with the proposed criteria, were concerned about difficulties in interpreting the criteria 'no practical ability to avoid' or 'result of past events', and about the possible implications of the proposed criteria for future Standards. They asked the Board to test the implications of the criteria and provide more guidance on their application.	The two criteria proposed—the 'no practical ability to avoid' criterion and the 'result of past events' criterion—continue to be identified as necessary characteristics of a liability in the 2018 *Conceptual Framework*. To address stakeholders' concerns about difficulties in interpreting the 'result of past events' criterion the Board refined and expanded the guidance proposed in the 2015 Exposure Draft. To address stakeholders' other concerns about interpreting the criteria, and about the possible implications of the criteria for future Standards, the Board developed case studies in which it applied the criteria to a range of transactions. The types of transactions covered by the case studies included those about which stakeholders had specifically raised concerns. The case studies demonstrated how and why for many of those transactions the results of applying the proposed criteria could be the same as existing IFRS requirements. The Board discussed the case studies with participants at the World Standard-setters conference in 2016. As a result of this outreach, the Board concluded no further guidance was needed.
Distinction between liabilities and equity		
The Board proposed not to make any changes to the definitions of a liability, or of equity, to address the classification of financial instruments with characteristics of both liabilities and equity. The Board also proposed not to include in the 2018 *Conceptual Framework* discussion on presentation or disclosure about classes of equity claims, measurement of equity claims, or the use of a statement of changes in equity.	Some stakeholders argued that the Board should address the distinction between liabilities and equity in the Conceptual Framework project. Others expressed the view that the Board should not make any changes to the liability definition until it has completed its project on Financial Instruments with Characteristics of Equity.	The *Conceptual Framework* retains a binary distinction between liabilities and equity. The Board decided not to address in the 2018 *Conceptual Framework* the classification of financial instruments with characteristics of both liabilities and equity, so as not to delay other much-needed improvements to the *Conceptual Framework*. If necessary, the *Conceptual Framework* will be updated as one possible outcome of the Board's project on Financial Instruments with Characteristics of Equity.

Project proposals	Feedback	The Board's response
Definition of income and expenses		
Throughout the project, the Board proposed not to change the definitions of income and expenses, except to align them with the revised definitions of an asset and a liability. In particular, the Board proposed to continue to define income and expenses in terms of changes in assets and liabilities. This does not mean the Board focuses solely or primarily on the statement of financial position. The Board and other standard-setters have found over many years that it is more effective, efficient and rigorous to define assets and liabilities first and to define income and expenses as changes in assets and liabilities, instead of trying to define income and expenses first and then describe assets and liabilities as by-products of the recognition of income and expenses.	Many stakeholders supported the proposals. However, some stakeholders disagreed with the proposals and argued that they give undue primacy to the statement of financial position over the statement(s) of financial performance, and insufficiently acknowledge the importance of accounting for transactions in the statement(s) of financial performance or of matching income and expenses.	The Board confirmed the proposals, noting that no major problems have been identified with the definitions of income and expenses. To demonstrate its equal focus on the statements of financial position and financial performance, the Board included in the 2018 *Conceptual Framework* a statement that information about income and expenses is just as important as information about assets and liabilities. The 2018 *Conceptual Framework* also reiterates in the recognition criteria (Chapter 5) and in the guidance on measurement (Chapter 6) that it is important to consider the nature of the information in both the statement of financial position and the statement(s) of financial performance. The Board agrees that information about transactions is relevant to users of financial statements. Hence, much of financial reporting is currently based on transactions and will continue to be so. The Board also observed that the recognition of assets and liabilities will often result in the simultaneous recognition of income and expenses if income and expenses both arise from transactions that create assets and liabilities.

Project proposals	Feedback	The Board's response
Recognition		
In the 2013 Discussion Paper, the Board proposed an overarching principle that an entity should recognise all its assets and liabilities, unless the Board decides when developing Standards that an entity need not, or should not, recognise an asset or liability because recognition would not provide sufficiently useful information to justify the cost (the cost constraint). In the 2015 Exposure Draft, the Board proposed recognition criteria based on the qualitative characteristics of useful financial information, that is, relevance and faithful representation, and the cost constraint.	Throughout the project stakeholders have expressed different views on: (a) whether there should be a presumption that all assets and liabilities should be recognised, with exceptions, or an underlying assumption that assets and liabilities should be recognised only if they meet specified criteria; and (b) the extent to which recognition requirements should be principle-based, requiring the Board to exercise significant judgement when developing Standards, or more concrete and robust, thereby imposing more restrictions on future Board decisions.	The Board confirmed the approach proposed in the 2015 Exposure Draft. The Board concluded that setting more rigid recognition criteria in the *Conceptual Framework* would not help the Board set recognition requirements in individual Standards. For example, the Board concluded the *Conceptual Framework* should not include a probability threshold for recognition. Instead, low probability of a flow of economic benefits is noted as an indicator that in particular cases recognition of an asset or liability may not provide relevant information. The 2018 *Conceptual Framework* also explains that cost constrains recognition decisions just as it constrains other financial reporting decisions.

Project proposals	Feedback	The Board's response
Derecognition		
In the 2013 Discussion Paper, the Board proposed that an entity should derecognise an asset or liability when it no longer meets the recognition criteria. In the 2015 Exposure Draft, the Board proposed that decisions about whether to derecognise an asset or liability should aim to result in a faithful representation of both: (a) the assets and liabilities retained by the entity; and (b) the changes in the entity's assets and liabilities.	Throughout the project, some stakeholders expressed a preference for either a control approach or a risks-and-rewards approach to derecognition. Other stakeholders agreed with the proposed guidance in the 2015 Exposure Draft.	The Board confirmed the proposed guidance in the 2015 Exposure Draft. In the Board's view, the control approach focuses more on the assets and liabilities retained after the transaction or other event and the risks-and-rewards approach focuses more on the changes in the assets and liabilities. The Board thought a focus on both was valid. Accordingly, the 2018 *Conceptual Framework* does not specify the use of the control approach or the risks-and-rewards approach. It explains how to approach decisions about derecognition in the minority of cases when it is difficult to achieve a faithful representation of both the assets and liabilities, and the changes in them.
Measurement		
Throughout the project the Board indicated that identifying which measurement bases would provide useful information and considering the cost constraint is likely to result in the selection of different measurement bases for different assets, liabilities, income and expenses (a mixed measurement model). In the 2013 Discussion Paper, the Board included detailed discussion about measurement, which some stakeholders thought was too detailed for the *Conceptual Framework*. In the 2015 Exposure Draft, the Board focused on: (a) measurement bases, the information that they provide and their advantages and disadvantages; and (b) the factors to consider when selecting a measurement basis.	Nearly all who commented on this topic agreed that a mixed measurement model would provide the most useful information. Throughout the project, some stakeholders suggested that the proposed guidance would be insufficient, and the Board should either delay issuing a revised *Conceptual Framework* or issue a revised *Conceptual Framework* without a measurement chapter whilst developing further guidance. However, many stakeholders agreed with the overall approach to measurement in the 2015 Exposure Draft, although some stakeholders expressed concerns about specific aspects of the proposals.	The lack of guidance on measurement was a serious gap in the previous *Conceptual Framework*. Accordingly, the Board rejected the suggestions to delay issuing a revised *Conceptual Framework* or to issue a revised *Conceptual Framework* without a measurement chapter. The 2018 *Conceptual Framework* discusses measurement bases and factors that will help the Board to develop measurement requirements in Standards. It does not specify definitively when a particular measurement basis would be appropriate.

Project proposals	Feedback	The Board's response
Profit or loss and other comprehensive income		
In the 2013 Discussion Paper, the Board included a discussion of the classification of income and expenses in profit or loss or other comprehensive income. In response to feedback the Board refined the discussion and proposed in the 2015 Exposure Draft: (a) a description of the statement of profit or loss as the primary source of information about an entity's financial performance for the period; and (b) a presumption that all income and expenses would be included in the statement of profit or loss unless specified conditions are met, in which case the Board could decide income and expenses would be included in other comprehensive income. The Board did not propose to define profit or loss.	Throughout the project, some stakeholders stated that the proposals were insufficient and would not provide the Board with a clear basis for making standard-setting decisions. They asked the Board to perform further work on reporting financial performance. Some stakeholders asked the Board to define profit or loss. A few stakeholders provided suggestions for how to develop a definition of profit or loss, or for distinguishing income or expenses to be included in the statement of profit or loss from income or expenses to be included in other comprehensive income. However, no consensus on a viable approach emerged. Some stakeholders broadly supported the proposals in the 2015 Exposure Draft.	The Board confirmed the approach in the 2015 Exposure Draft. The Board concluded on the basis of this project and its extensive previous work that it is not possible to produce a robust conceptual definition of profit or loss. The Board also concluded guidance on the use of other comprehensive income is urgently needed, and should not be delayed for further work. Accordingly, the 2018 *Conceptual Framework* includes a principle that all income and expenses are included in the statement of profit or loss. However, in exceptional circumstances the Board may require or permit income and expenses to be excluded from the statement of profit or loss and included instead in other comprehensive income. The Board may make such a decision if doing so would result in the statement of profit or loss providing more relevant information or providing a more faithful representation of an entity's financial performance for the period.

Project proposals	Feedback	The Board's response
Recycling		
The 2013 Discussion Paper suggested requiring or permitting at least some income or expenses included in other comprehensive income to be reclassified subsequently ('recycled') into the statement of profit or loss. The 2015 Exposure Draft proposed a rebuttable presumption that income and expenses included in other comprehensive income would subsequently be recycled to profit or loss.	Some stakeholders supported the proposal in the 2015 Exposure Draft. Some stakeholders argued that all income and expenses included in other comprehensive income should be recycled. Others argued that income and expenses included in other comprehensive income should never be recycled.	In response to feedback the 2018 *Conceptual Framework* includes a principle that income and expenses included in other comprehensive income are recycled in the period when doing so results in the statement of profit or loss providing more relevant information, or providing a more faithful representation of the entity's financial performance for that period. However, the Board may decide to prohibit recycling, or not to require it, if, for example, it is not possible to identify any period when reclassifying income and expenses into the statement of profit or loss would result in the statement of profit or loss providing more relevant information, or providing a more faithful representation of the entity's financial performance.
Capital maintenance		
The Board proposed to retain the existing discussion of capital and capital maintenance in the 2010 *Conceptual Framework*.	Most stakeholders did not comment on the discussion of capital and capital maintenance. Most of those who commented suggested that the existing discussion of capital and capital maintenance was not satisfactory. However, they expressed diverse views on whether and how the discussion should be improved.	The 2018 *Conceptual Framework* explains that the discussion of capital and capital maintenance has been carried forward unchanged from the 2010 *Conceptual Framework*. The Board may decide to revisit the discussion of capital and capital maintenance in the future if it considers such a revision necessary.

Part 2—*Amendments to References to the Conceptual Framework in IFRS Standards*

Project proposals	Feedback	The Board's response
Preparers of financial statements can be affected by the changes to the *Conceptual Framework* if they use it to develop or select accounting policies when no Standard specifically applies to a transaction or other event. To achieve transition to the 2018 *Conceptual Framework* for such entities, the Board proposed amendments to Standards that update references to previous versions of the *Conceptual Framework*.	Most stakeholders supported the proposal to replace references to previous versions of the *Conceptual Framework* in principle. However, some stakeholders expressed concerns about potential unintended consequences of the proposals relating to paragraph 11 of IFRS 3 *Business Combinations* and paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.	In response to feedback, the Board updated references to previous versions of the *Conceptual Framework* in Standards apart from the reference to a previous version of the *Conceptual Framework* in paragraph 11 of IFRS 3. The Board decided to retain this reference and undertake an analysis of the possible consequences of replacing the reference. Once that analysis is complete, the Board intends to amend IFRS 3 in a way that avoids unintended consequences. The Board also decided that although the reference to the previous version of the *Conceptual Framework* will be replaced in paragraph 11 of IAS 8, the replacement will not apply to accounting policies for regulatory account balances. This avoids entities revising those accounting policies twice within a short period: once for the revised *Conceptual Framework* and again when a revised Standard on rate-regulated activities is issued. The Board concluded that the other proposed amendments would not have a significant effect. However, in order to keep disruption for preparers and users to a minimum, the Board decided not to require retrospective application of an amendment if it would be impracticable or if doing so would require undue cost or effort.

Important information

This Feedback Statement has been compiled by the staff of the IFRS Foundation for the convenience of interested parties. The views expressed in this document are those of the staff who prepared the document and are not the views or the opinions of the Board and should not be considered authoritative in any way. The content of this Feedback Statement does not constitute any advice.

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Other relevant documents

Conceptual Framework for Financial Reporting—describes the objective of, and the concepts for, general purpose financial reporting.

Basis for Conclusions on the Conceptual Framework for Financial Reporting—summarises the Board's considerations in developing the *Conceptual Framework*.

Amendments to References to the Conceptual Framework in IFRS Standards—sets out amendments to Standards, their accompanying documents and IFRS practice statements.

Project Summary—provides an overview of the 2018 *Conceptual Framework.*

Notes

Notes

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