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International  
Accounting Standards  
Board

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

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

## INFORMATION FOR OBSERVERS

**IASB Meeting:** 16 November 2006, London

**Project:** Conceptual Framework

**Subject:** Phase B: Elements: Definition of an Asset  
(Supplement to Agenda Paper 3)

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1. We wish to propose what we think is a clearer reformulation of the definition of an asset presented in paragraph 6 and the Summary to Agenda Paper 3. Please consider the following text as a replacement for the definition previously proposed in Agenda Paper 3. (Much of the supporting text in that Agenda Paper would remain, however, it would, of course, be amended as necessary for changes made to the definition as presented below.)

An asset is a present economic resource to which the entity has a present right or other privileged access.

- a. *Present* means that both the economic resource and the right or other privileged access to it exist on the date of the financial statements.
- b. An *economic resource* is something that has positive economic value. It is scarce and capable of being used to carry out economic activities such as production and exchange. An economic resource can contribute to producing cash inflows or reducing cash outflows, directly or indirectly, alone or together with other economic

*Definition of an Asset*

resources. Economic resources include non-conditional contractual promises that others make to the entity, such as promises to pay cash, deliver goods, or render services. Rendering services includes standing ready to perform or refraining from engaging in activities that the entity could otherwise undertake.

- c. *A right or other privileged access* enables the entity to use the present economic resource directly or indirectly and precludes or limits its use by others. *Rights* are legally enforceable or enforceable by equivalent means (such as by a professional association). Other privileged access is not enforceable, but is otherwise protected by secrecy or other barriers to access.

Note that the definition focuses on the *capability* of producing cash inflows (or reducing cash outflows), rather than on the cash flows themselves that may result from that capability.