



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
E-mail: iasb@iasb.org Website: www.iasb.org

**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

Board Meeting: December 2008, London

Project: Conceptual Framework

Subject: Comment Letter summary: General issues arising from the Exposure Draft and the Discussion Paper (Agenda paper 2C)

INTRODUCTION

1. The comment periods on the Exposure Draft *An improved Conceptual Framework: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information* (phase A ED) and the Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: Reporting Entity* (phase D DP) ended on 29 September 2008.
2. Both the phase A ED and the phase D DP contain a short preface that discusses the objectives of the conceptual framework project, the authoritative status of the existing frameworks of each Board, and some process issues in the project. Many respondents commented on one or more of the issues discussed in the preface. This paper summarises these main comments that are not specifically addressed in phase A or D of the project.
3. The staff has given equal weight to all comment letters received. We have not provided a quantitative review of the comments received or attributed comments

to individual comments to provide a neutral discussion. We also have not provided staff views – these will be presented when the Boards commence the redeliberations process at subsequent meetings.

OBJECTIVE OF THE CONCEPTUAL FRAMEWORK PROJECT

4. Generally, respondents who expressed an opinion supported the project, recognising its important role in high quality financial reporting.
5. *Developing the Framework:* Most respondents also supported the Boards' plans to update and converge their frameworks. However, a few respondents questioned whether the existing frameworks are a good starting point for the revised and converged framework. They indicated that the Boards should have more comprehensively reconsidered these frameworks.
6. *Inconsistencies between the Framework and standards:* Some respondents also suggested the Boards include in their respective due processes a mechanism to assess and resolve inconsistencies between the framework and existing and future standards.
7. *Lack of priority:* Some respondents were also concerned on the lack of priority the framework project has been given compared to other projects in the Boards' active agendas. Therefore, they suggested that the project be staffed and prioritised to reflect its importance. However, some respondents to the Phase D DP suggested that the Boards complete the project on consolidations before work commences on phase D.

FINALISATION OF THE PROJECT

8. Most respondents were concerned that the Boards would be finalising the framework (and thus making them effective) on a phase-by-phase basis. They preferred the Boards publish a single exposure draft after all phases of the project are deliberated so that constituents can review and comment on the revised framework as a whole. The main reasons for this are:
 - a. To understand the implications proposed in one phase on the other phases of the framework (and standard-setting). For example, the Boards

proposed to adopt the entity perspective in phases A and D and paragraph BC1.16 in the phase A ED notes that the Boards have not yet considered the effect of adopting the entity perspective on future phases. Many of these respondents were keen that the Boards explain the implications of this perspective to transactions – e.g. how does one treat non-controlling interests, are dividends now considered a type of expense or a form of return of capital?

- b. To ensure the Boards have a consistent framework.
 - c. To avoid situations where the existing frameworks could be inconsistent with the new framework (chapters) – thus avoiding confusing constituents on which framework will take priority.
9. A minority of respondents concurred with the Boards’ tentative decision to finalise the project in phases. However, a respondent from this group pointed out that constituents should have the opportunity to comment on the entire revised framework and allow the Boards to amend previously finalised chapters.

PHASE F: *PURPOSE AND AUTHORITATIVE STATUS OF THE FRAMEWORK*

Authoritative Status of the Framework

10. Many respondents welcomed the proposals that respondents should assume that the framework’s authoritative status will be elevated in the U.S. GAAP hierarchy comparable to IFRSs. However, they remained concerned about the Boards’ decision to deliberate Phase F, *Purpose and Authoritative Status of the Framework*, at a later stage. They recommended that the Boards accelerate phase F.
11. One respondent noted that the FASB has indicated its willingness to simplify the GAAP hierarchy into two classes; authoritative and non-authoritative. This respondent noted that the elevation of the framework’s authoritative status would become irrelevant if the FASB decides to make this simplification.

Purpose of the Framework

12. Respondents also continued to raise questions regarding the purpose of the framework – Will the framework be mandatory for standard setters or will it merely serve as a guide for them?¹
13. For those respondents that think that the framework is mandatory for standard-setters (i.e. the Boards should be required to comply with the framework when issuing new pronouncements), the Boards should explain the reasons why there is a departure from the framework when setting standards. Furthermore, the Boards should consider if the framework should be amended to reflect the new requirements in the standards.

PHASE G: NOT-FOR PROFIT AND OTHER BUSINESS ENTITIES IN THE PUBLIC SECTOR (GBEs)

14. A number of respondents from the not-for-profit sector and jurisdictions which apply sector neutral standards expressed disappointment that the Boards continued to consider framework project initially to business entities in the private sector and only later consider other entities like the not-for-profit entities and other business entities in the public sector (GBEs). These respondents urged the Boards to develop a framework that could equally apply to the public and private sector. A respondent added that by considering the for-profit private sector entities first, the Boards may give less weight to the concerns of not-for-profit entities in the desire to have a consistent framework.
15. Respondents from the public sector which apply IFRSs also recommended that the IASB liaise regularly with the International Public Sector Accounting Standards Board (IPSASB), as they are now progressing with their own conceptual framework. Given the many overlapping issues between the Boards' framework project and the IPSASB's project, these respondents believe that regular liaison meetings between the IASB and the IPSASB would be beneficial.

¹The IASCF *Constitution*, paragraph 23, states, "Each full-time and part-time member of the IASB shall agree contractually to act in the public interest and to have regard to the IASB *Framework* (as amended from time to time) in deciding on and revising standards."

The FASB *Rules of Procedure* state, "Statements of Financial Accounting Concepts are intended to establish the objectives and concepts that the FASB will use in developing standards of financial accounting and reporting."