

**International
Accounting Standards
Board**

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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: 20 June 2008, London (Agenda Paper 11)

Project: Conceptual Framework

Phase B: Elements and Recognition - Cover

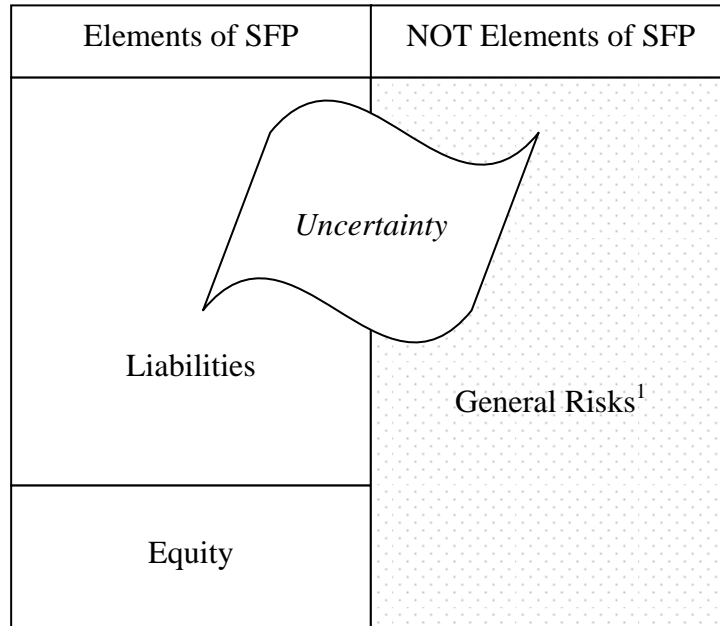
OBJECTIVE

1. The objective of these conceptual framework papers is for the Boards to consider the final outstanding issues (except those dealing with liabilities and equity) in order to finalise and approve the proposed working definition of a liability. Based on that, the staff will draft the supporting text for the working definition of a liability.

OVERVIEW

2. The cover note:
 - (a) provides an overview of the specific issues addressed and topics covered in this series of papers,
 - (b) identifies other Phase B issues which could affect the liability definition, and
 - (c) includes a copy of the proposed working definition of a liability on the last page that can be removed for easy reference.

3. One might view the remaining issues related to the definition of a liability in the form of a box representing possible credit items for the statement of financial position.



There are a number of candidates of things that might qualify as elements for what we typically portray in the statement of financial position. Some things will not qualify as elements of the statement of financial position. These include ‘general risks’¹ that result from where, when and how an entity conducts its business, including those that can be imposed by statute—distinguishing when a statute can give rise to a risk or a liability is dealt with in these papers. Other things will meet the definitions of elements of the statement of financial position—liabilities or equity. We will return to the distinction between liabilities and equity at a later date. In some cases there is uncertainty as to whether an item is a liability—which is dealt with in these papers.

¹ Other things that do not meet the definition of a liability include things that are not economic and things that do not relate to the entity.

ISSUES TO BE RESOLVED IN THESE PAPERS

4. These papers present the staff's analysis on:
 - (i) when do statutes, laws and other regulations give rise to a liability, including unconditional obligations that have an associated conditional obligation (Agenda Paper 11A: When do statutes, laws or regulations give rise to a liability),
 - (ii) different approaches that can be used to deal with uncertainties when ascertaining the existence of a liability² (Agenda Paper 11B: Dealing with uncertainty about the existence of a liability),
 - (iii) the tentative decisions made about the definition of a liability that should be used as the basis for drafting the supporting text (Agenda Paper 11C: Summary of tentative decisions), and
 - (iv) whether additional situations meet the proposed working definition of a liability in order to test the robustness of the definition (Agenda Paper 11D: Examples).

ISSUES TO BE CONSIDERED IN FUTURE MEETINGS

5. If required, in July 2008, the staff can address any critical follow-up issues that must be concluded in order to finalise the working definition of a liability.
6. During July and August, the staff plan to write-up the conclusions of our work on assets and liabilities to date in the form of a first draft of that part of the expected Discussion Paper.
7. In October 2008, or after the initial analysis of comments on the Discussion Paper, "Financial Instruments with Characteristics of Equity," is available, the staff plan to commence work on how to distinguish a liability from equity.

² The first two issues are pertinent to both the joint Conceptual Framework Project and the IASB's IAS 37 *Liabilities* project. Project staff are collaborating.

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REFERENCE PAGE – PROPOSED WORKING DEFINITION OF A LIABILITY

To remind board members of our most recent discussions on the definition of a liability, a summary of decisions and changes made to the text of the proposed working definition of a liability is provided in Agenda Paper 11C.

Following the Boards' discussions in December 2007, the working definition of a liability is as follows:

A liability of an entity is a present economic obligation that is enforceable against the entity.

- a. *Present* means that the economic obligation exists on the date of the financial statements.
- b. An *economic* obligation is something that is capable of resulting in cash outflows or reduced cash inflows, directly or indirectly, alone or together with other economic obligations.
- c. Obligations link the entity with what it has to do because obligations are *enforceable* against the entity by legal or equivalent means.