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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at the IASB-FASB joint meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).

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

INFORMATION FOR OBSERVERS

IASB Meeting: 13 November 2008, London

Project: Conceptual Framework

Subject: Overview of the Project Plan
(Agenda Paper 6)

STRUCTURE OF THE PAPERS

1. This paper (Agenda paper 6) provides an overview of the current status of the conceptual framework (the Framework) project.
2. Agenda Paper 6A discusses whether the IASB should publish each chapter of the Framework as it is completed or wait until all (or most) are completed.
3. Agenda Paper 6B seeks counsel on the working definitions of an asset and a liability of an entity.

OVERVIEW OF THE PROJECT PLAN AND STATUS

Project Objective

4. The objective of this joint project of the IASB and the FASB (the boards) is to develop a common conceptual framework that is both complete and internally consistent. Such a framework would provide a sound foundation for developing future accounting standards and is essential to fulfilling the Boards' goal of developing standards that are principles-based,

internally consistent, and internationally converged, and that provide useful information for investment, credit, and similar decisions. The framework project is building on the existing IASB and FASB frameworks and considering developments since the boards issued their original frameworks.

Conduct and status

5. The boards are conducting the joint project in eight phases, as follows:

Topic	Current Status	Timing of next document
Objective and Qualitative Characteristics of Financial Reporting	Analysing comment letters, begin re-deliberations in 2009	Final Chapters in Q3 2009
Elements, recognition and derecognition	Board deliberations	DP end 2009
Measurement	Board deliberations	DP 2H 2009
Reporting entity	Analysing comment letters, begin re-deliberations in 2009	ED Q3 2009
Presentation and disclosure, including financial reporting boundaries	Early staff work has begun; the boards have not decided when to begin deliberations	To be determined (TBD)
Framework purpose and status in GAAP hierarchy	Not active	TBD
Applicability to the not-for-profit sector	Monitoring research done by other national standard-setters, including the IPSASB	TBD
Other issues	Not active	TBD

Objective and Qualitative Characteristics

6. In this phase the boards are considering the (a) objective of financial reporting and (b) the qualitative characteristics of and constraints on financial reporting information.
7. In July 2006, the boards jointly published for public comment an [IASB Discussion Paper](#) (DP) and [FASB Preliminary Views](#) (PV) document, *Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information*. The boards received 179 comment letters. A staff summary of the comment letters can be found at:

<http://www.iasb.org/Current+Projects/IASB+Projects/Conceptual+Framework/Discussion+P>

8. In 2007 and early 2008, the boards considered the issues raised by respondents. During this period, the boards and staff also did further research and constituent outreach on some of the issues raised, particularly on whether accountability/stewardship is part of the objective of financial reporting. On 29 May 2008, the boards jointly published for public comment an exposure draft *Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information*.
9. The comment period for that ED ended on 29 September 2008. To date, we have received 138 comment letters. Most respondents welcomed the boards' proposed objective of financial reporting and strengthening the discussion of accountability decisions. However, there were other issues that arose. These include: whether the boards should finalise each chapter of the Framework as it is completed or wait until all (or most) are completed, who should be considered the primary users of financial reports, whether financial reports should be prepared from the perspective of the entity or the perspective of a particular group of users, and which term, *reliability* or *faithful representation*, is a clearer description of a qualitative characteristic.
10. In December 2008, the boards will discuss a staff summary of those comments and plans for the next steps.

Elements, recognition and derecognition

Asset and Liability Definitions

11. The boards have developed working draft definitions of assets and liabilities with advice from the boards' Advisory Councils, national standard-setters, and other technical experts. One of the key points considered was how to distinguish between assets or liabilities and business opportunities or risks. The working draft definitions are the subject of Agenda Paper 6B.
12. The Boards plan to discuss the conceptual distinction between *liabilities and equity* in conjunction with the standards-level project on distinguishing between liabilities and equity. The same project team will lead both efforts. Work has just begun and is likely to take several months.

Other Element Definitions

13. Work on definitions of elements other than assets, liabilities, and equity will not begin until the liability-equity distinction has been clarified.

Recognition and Derecognition

14. The boards expect to begin discussing recognition and derecognition in the coming months, possibly before completion of discussions about the distinctions between liabilities and equity.
15. The boards plan to eliminate differences in their existing recognition criteria and develop a framework for resolving derecognition issues. Development of derecognition concepts will take into account decisions reached in the *Derecognition of Financial Instruments* project.
16. The next major goal for the elements, recognition, and derecognition phase is a Discussion Paper, which is planned for late 2009.

Measurement

17. In late 2006 and early 2007, the boards held roundtable discussions on measurement in Hong Kong, London and Norwalk. The objectives were:

- (a) to hear the views of representative IASB and FASB constituents on measurement and
- (b) to discuss whether the list of measurement issues identified in the plan was appropriate and substantially complete.

A staff summary of the round-tables can be found at

http://www.fasb.org/project/cf_phase-c.shtml

18. The Boards completed an inventory of potential measurement bases, with accompanying definitions, in the second quarter of 2007. That inventory was posted to the Boards websites and can be found at http://www.fasb.org/project/cf_phase-c.shtml.
19. The staff have considered and discussed with board members various possible measurement principles and conceptual approaches. To date, none of those principles or approaches have been deemed suitable for further discussion. As of the date of this memo, the staff had scheduled meetings in November to discuss a more practical approach to making standards level measurement decisions.
20. The staff is working toward publishing a discussion paper on measurement by the end of 2009.

Reporting Entity

21. The IASB's *Framework for the Preparation and Presentation of Financial Statements* defines the reporting entity in one sentence with no further explanation¹. The FASB's *Statements of Financial Accounting Concepts* do not contain a definition of a reporting entity. The objective of this phase of the project is to develop concepts to help identify appropriate reporting entities.
22. On 29 May 2008, the boards jointly published for public comment a discussion paper (DP) *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*. The comment period for that DP ended on 29 September 2008. To date, we have received 78 comment letters. In November 2008, the boards will discuss those comments and make plans for the next steps.
23. Respondents generally agreed with the boards' preliminary views about the description of a reporting entity, the use of control to identify the boundaries of a reporting entity, and the definition of control. However, respondents raised some concerns including:
- (a) drawing a line between conceptual level guidance and standards level guidance
 - (b) common control and special purpose financial reports
 - (c) the use of the entity perspective rather than the parent company approach, and
 - (d) the status of parent-only financial statements in general purpose financial reports.
24. The next major goal for the reporting entity phase is to issue an Exposure Draft in the second half of 2009.

Other Issues

25. The staff has done research and attempted to develop some recommendations for the boards on how to identify the appropriate unit of account for recognition and measurement decisions. To date, the staff has not identified an approach that is ready for consideration by the boards.
26. Initial staff work has also begun on developing a framework for disclosure, but no board discussions are planned in the next few months.

¹ IASB Framework, paragraph 8: 'A reporting entity is an entity for which there are users who rely on the financial statements as their major source of financial information about the entity.'