

STAFF PAPER

April 2013

REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Elements of financial statements Cover Paper		
CONTACT(S)	Rachel Knubley	rknubley@ifrs.org	+44 207 246 6904
	Peter Clark	pclark@ifrs.org	+44 207 246 6451

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Background

1. This paper provides background information on AP 10B(a) *Elements of financial statements*.
2. AP 10B(a) is a draft of the Elements section of the Conceptual Framework discussion paper (DP). It is a redraft of AP 3B *Draft discussion paper: Elements – Definition of elements* from the February 2013 IASB meeting that has been updated to reflect comments made at that meeting.
3. This paper:
 - (a) Summarises the main changes made to AP3B; and
 - (b) Sets out questions for the IASB.

Main changes

4. The following changes have been made to the definitions since the February drafted (shown with mark up):
 - (a) Asset: a present economic resource controlled by the entity as a result of past events
 - (i) Moved ‘controlled by the entity’ back into the definition. February draft had transferred it from the definition into the recognition criteria.

- (ii) Restored explicit reference to past events.
- (b) Liability: a present obligation of the entity to transfer an economic resource as a result of past events
 - (i) As for assets, restored ‘of the entity’ and reference to past events.
- (c) Economic resource: a scarce item right, or other source of value, that is capable of producing economic benefits, but only for the party that controls the item
 - (i) Deleted ‘scarce’. This is now covered by (1) the reference to control in the definition of an asset and (2) the notion that the item can produce benefits only for the party that controls it.
 - (ii) Replaced ‘item’ with ‘right, or other source of value’.

5. The other main changes made to AP3B are as follows:

- (a) The discussions of uncertainty in paragraphs 20-39 has been moved into this section from the section of the draft DP dealing with recognition and derecognition, and has been restructured. The main changes are:
 - (i) Replaced ‘element uncertainty’ by the more understandable term ‘existence uncertainty’.
 - (ii) Discussion of existence uncertainty separated more clearly from discussion of outcome uncertainty.
 - (iii) A new preliminary view on existence uncertainty has been added in paragraph 38(b). The IASB was unable to reach a conclusion on this issue in February. The preliminary view presented was not in the range of alternatives the IASB considered in February.
- (b) The proposed guidance to support the definition of assets and liabilities has been moved into a separate section of the draft DP, section 3 (see agenda paper 10C(a)).
- (c) New paragraph 18 clarifies that decisions to amend recognition criteria in particular standards will require the IASB to go through the normal due process for adding a project to its agenda.

- (d) The discussion of present resources, present obligations and past events, now in paragraph, 19 has been updated.
- (e) The discussion of the definitions of income and expense in paragraphs 37-49 was previously in agenda paper 5G *Draft discussion paper: Elements of the statement of comprehensive income* for March.
- (f) New paragraph 56 states that the IASB may conclude in some cases that the business model may play a role in determining the most relevant unit of account.

Questions

Questions

1 Does the IASB agree with the following preliminary view in paragraph 38(b) of Agenda paper 10B(a):

- (a) The Conceptual Framework should not set a probability threshold to determine whether an asset or liability exists in the rare cases when this is uncertain. If existence uncertainty is significant in a particular project, the IASB would decide in that project which threshold, if any, would result in the most relevant information for users. The IASB would also consider how to provide the most faithful representation of the circumstances, and how to make the information provided more complete, verifiable, timely and understandable.

2 Do you have any comments on any other aspects of this section?

3 Do you have any comments on the proposed questions for respondents to the DP (paragraphs 61-63)?