

STAFF PAPER

2–3 June 2014

ASAF meeting

Project	Conceptual Framework		
Paper topic	Cover memo		
CONTACT(S)	Rachel Knubley	rknubley@ifrs.org	+44 (0)20 7246 6904
	Peter Clark	pclark@ifrs.org	+44 (0)20 7246 6451

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Purpose of this meeting

1. At this meeting we will:
 - (a) provide you with an update on the [progress of the *Conceptual Framework* project](#) (see paragraphs 2-10 below); and
 - (b) ask for your views on:
 - (i) Agenda Paper 8A *Business Model*: whether the notion of a business model (or similar notions) should play a role in financial reporting, and how can it help in standard-setting; and
 - (ii) Agenda Paper 8B *Executory Contracts*: the staff thinking on the nature of the assets and liabilities in executory contracts, with the aim of developing concepts for inclusion in the *Conceptual Framework*.

We are discussing these topics with you first so that we can incorporate your ideas and feedback into the analysis on which we will base our recommendations to the IASB.

Progress of the *Conceptual Framework* project

2. This section discusses the progress made on the *Conceptual Framework* project since we last met with the ASAF in early March 2014.

3. During this meeting, we will provide you with an oral update on the decisions made at the May IASB meeting.

March 2014

4. At its March 2014 meeting, the IASB discussed summaries of the comments received on the IASB Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*. These summaries can be found on the [Conceptual Framework website](#). In addition, the IASB discussed a separate [summary of the feedback received from investors](#).

April 2014

5. At this meeting, the IASB discussed the [strategy for redeliberations](#) on the *Conceptual Framework* project and the [purpose and status](#) of the *Conceptual Framework*.

Strategy for redeliberations

6. At the April 2014 meeting, the IASB tentatively approved a strategy and timetable for redeliberation of the *Conceptual Framework*. Further details of the strategy can be found in the [April 2014 agenda papers](#), which are available on the *Conceptual Framework* website.
7. In summary, the IASB tentatively agreed the following:
 - (a) We will complete the *Conceptual Framework* project on a timely basis. This may mean that some areas of the *Conceptual Framework* (for example, measurement, OCI) will be less developed than other areas. However, we believe that it is better to complete the improvements that we can make on a timely basis rather than delay the whole document.
 - (b) The scope of the project will continue to be updating, improving and filling in the gaps rather than fundamentally reconsidering all aspects of the *Conceptual Framework*. The project will address only financial statements. It will not address other forms of financial reports such as management commentary, interim financial reports, press releases and supplementary material provided for analysis.

- (c) For most areas of the *Conceptual Framework*, the IASB tentatively decided to build on the suggestions in the Discussion Paper, modified, where appropriate, in the light of responses to the Discussion Paper.
8. The IASB discussed the proposed approach to measurement, the distinction between liabilities and equity, and distinction between profit or loss and OCI in more detail and tentatively decided:
- (a) *Measurement*: to build on the proposals in the Discussion Paper, modified in the light of feedback received, rather than undertaking further research work on measurement.
 - (b) *Distinction between liabilities and equity*:
 - (i) to keep the existing binary distinction of liabilities and equity and build on the feedback received on the Discussion Paper to develop definitions of liabilities and equity; and
 - (ii) not to provide detailed guidance on how to distinguish liabilities from equity instruments.
 - (c) *Distinction between profit or loss and OCI*: to develop an approach that would emphasise the role of profit or loss as the primary source of information about an entity's performance and would provide high level guidance to the IASB on how it could use OCI.
9. The [Appendix to this paper](#) provides a meeting by meeting overview of the topics we plan to discuss.

Purpose and Status

10. The IASB tentatively decided that:
- (a) The purpose of the *Conceptual Framework* should be to identify the concepts that:
 - (i) assist the IASB to develop and revise the Standards;
 - (ii) assist preparers to develop accounting policies when no Standard applies to a particular transaction, event or condition; and
 - (iii) assist all parties to understand and interpret the Standards.

- (b) The existing status of the *Conceptual Framework* should be retained—that is, the *Conceptual Framework* is not a Standard and does not override the requirements of specific Standards.
- (c) Preparers should not be restricted from applying particular aspects of the *Conceptual Framework*.
- (d) In a limited number of cases, the IASB may depart from aspects of the *Conceptual Framework*. If the IASB does so, the IASB will explain the departure in the Basis for Conclusions on the Standard in question.

Appendix

A1. This appendix provides a meeting-by-meeting overview of the topics we plan to discuss in the meetings that are currently planned.

Date	Action
May 2014	<p>We plan to discuss the following:</p> <ul style="list-style-type: none"> • Asset, liability, income and expense definitions • Recognition • Reporting entity • Chapters 1 & 3 • Going concern <p>At this ASAF meeting, we will provide an oral update on the IASB's tentative decisions for these topics.</p>
June 2014	<p>We plan to discuss the following:</p> <ul style="list-style-type: none"> • The distinction between liability and equity • Elements—additional guidance • Elements for the statement of cash flows and statement of changes in equity • Executory contracts • Presentation and disclosure • Business model • Unit of account • Distinction between profit or loss and OCI: initial discussion
July 2014	<p>We plan to discuss the following:</p> <ul style="list-style-type: none"> • Measurement • Distinction between profit or loss and OCI • Control • Derecognition • Transition guidance • Consequential amendments
Sept 2014	Sweep issues
Dec 2014	Issue Exposure Draft