

## STAFF PAPER

June 2014

## REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Cover paper		
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**Purpose of this meeting**

1. At this meeting we are planning to discuss:
  - (a) profit or loss and other comprehensive income;
  - (b) economic resources and economic benefits;
  - (c) executory contracts;
  - (d) unit of account;
  - (e) communication aspects of presentation and disclosure;
  - (f) materiality; and
  - (g) distinction between liabilities and equity.
2. This paper describes:
  - (a) the papers for this meeting, including an overview of recommendations in each paper; and
  - (b) next steps.

**Papers for this meeting**

3. Agenda Paper 10A provides a summary of tentative decisions made so far in the course of deliberations on the Discussion Paper *A Review of the Conceptual*

*Framework for Financial Reporting* (the ‘Discussion Paper’). It is provided for information purposes only and we do not plan to discuss it at the meeting.

4. The papers that we would like to discuss at this meeting are summarised in the table below. Agenda Papers 10B–10G include questions for the IASB. Agenda Paper 10H is provided for education purposes only and the IASB will not be asked to make any decisions on this topic.

AP	Title	Content
10B	Profit or loss and other comprehensive income	<p>This paper discusses a possible approach to profit and loss, other comprehensive income and recycling.</p> <p>The staff recommend that the <i>Conceptual Framework</i> should:</p> <ul style="list-style-type: none"> <li>(a) require profit or loss as a total or subtotal;</li> <li>(b) describe profit or loss as the primary source of information about an entity’s performance for the period;</li> <li>(c) set out the objective of profit or loss;</li> <li>(d) set out rebuttable presumptions on including items of income and expense in profit or loss and recycling of items and expense included in OCI—and provide guidance on when those presumptions could be rebutted;</li> <li>(e) identify types of income and expenses that should be included in profit or loss.</li> </ul> <p>The staff recommendation is set out in Appendix A of Agenda Paper 10A.</p>
10C	Elements: economic resources and economic benefits	<p>This paper considers what guidance the <i>Conceptual Framework</i> should provide on economic resources and economic benefits.</p> <p>The staff recommend that:</p> <ul style="list-style-type: none"> <li>(a) the <i>Conceptual Framework</i> should provide examples of economic resources, along the lines of paragraph 3.5 of the Discussion Paper;</li> <li>(b) the <i>Conceptual Framework</i> should include guidance on economic benefits, broadly consistent with the guidance in paragraph 3.6 of the Discussion Paper and paragraph 35 of IFRS 15 <i>Revenue from Contracts with Customers</i>; and</li> <li>(c) the purpose of depreciation and amortisation is to depict consumption of the bundle of rights that constitutes an asset.</li> </ul>
10D	Asset and	This paper discusses whether to propose concepts for executory

AP	Title	Content
	liability definitions–executory contracts	<p>contracts in the <i>Conceptual Framework</i> and, if so, what concepts to propose.</p> <p>The staff recommend that:</p> <ul style="list-style-type: none"> <li>(a) the <i>Conceptual Framework</i> should include concepts explaining the nature of the assets and liabilities in executory contracts. The paper proposes what guidance should be included;</li> <li>(b) the <i>Conceptual Framework</i> should not address specifically the measurement of executory contract assets or liabilities. Instead, the IASB should apply the general measurement concepts in the <i>Conceptual Framework</i> when specifying requirements for particular types of executory contract within the applicable Standard.</li> </ul>
10E	Unit of account	<p>This paper discusses issues related to the unit of account.</p> <p>In the paper, the staff recommend that:</p> <ul style="list-style-type: none"> <li>(a) the IASB confirms its view in the Discussion Paper that determining the unit of account is a Standards-level decision;</li> <li>(b) the <i>Conceptual Framework</i> should describe possible units of account; and</li> <li>(c) the <i>Conceptual Framework</i> should include a list of factors to consider when determining the unit of account but should not rank the priorities of the factors.</li> </ul>
10F	Presentation and disclosure–communication aspects	<p>This paper considers the communication aspects of presentation and disclosure for inclusion in the <i>Conceptual Framework</i>.</p> <p>The staff recommend the following:</p> <ul style="list-style-type: none"> <li>(a) to reconfirm the proposal in the Discussion Paper that each Standard should have a clear objective for disclosure and presentation requirements;</li> <li>(b) to reconfirm the proposal in the Discussion Paper that the IASB should develop disclosure and presentation requirements that promote effective communication of useful financial information;</li> <li>(c) to include in the <i>Conceptual Framework</i> the communication principles proposed in the Discussion Paper which are primarily directed at the IASB and discuss how they relate to the qualitative characteristics; and</li> <li>(d) not to include in the <i>Conceptual Framework</i> a discussion about financial statements in an electronic format.</li> </ul>

AP	Title	Content
10G	Presentation and disclosure—materiality	<p>This paper considers whether any changes should be proposed to the concept of materiality in the <i>Conceptual Framework</i>.</p> <p>The staff recommend that no amendments to the concept of materiality in paragraph QC11 of the existing <i>Conceptual Framework</i> should be proposed in the Exposure Draft.</p>
10H	Distinction between liabilities and equity	<p>This paper discusses the distinction between liabilities and equity. This paper is for an Education session of the IASB and does not ask the IASB to make any decisions.</p>

### Next steps

5. At the July meeting we plan to discuss:
- (a) measurement;
  - (b) the distinction between liabilities and equity;
  - (c) additional guidance on definition of a liability;
  - (d) control;
  - (e) derecognition;
  - (f) elements for the statement of cash flows and statement of changes in equity;
  - (g) business model;
  - (h) presentation and disclosure; and
  - (i) transition.