

International Financial Reporting Standards

GPF meeting, March 2014
Agenda paper 8B

Conceptual Framework

Purpose and Status

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

When do you apply the *Conceptual Framework*?

- Used when there is no applicable Standard
 - The hierarchy of pronouncements in IAS 8 paragraphs 10 and 11 (see next slide)

Questions:

1. How often does a preparer refer to the *Conceptual Framework*? Does it depend on the industry?
2. How do they refer to the *Conceptual Framework*? Eg:
 - To decide which Standard to analogise to?
 - To understand the principles underpinning IFRS?
 - To determine what to do when there is no applicable IFRS for a particular transaction? Can you give some examples?

Hierarchy of pronouncements in IAS 8

- 10 In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
- (a) relevant to the economic decision-making needs of users; and
 - (b) reliable, in that the financial statements:
 - (i) represent faithfully the financial position, financial performance and cash flows of the entity;
 - (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - (iii) are neutral, ie free from bias;
 - (iv) are prudent; and
 - (v) are complete in all material respects.
- 11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:
- (a) the requirements in IFRSs dealing with similar and related issues; and
 - (b) the definitions, recognition criteria measurement concepts for assets, liabilities, income and expenses in the *Framework*.**

