

STAFF PAPER

March 2014

IASB Meeting

Project	Conceptual Framework		
Paper topic	Feedback summary: general overview		
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Purpose of paper

1. This paper:
 - (a) provides an overview of the comment letters received and other outreach undertaken during the comment period for the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*; and
 - (b) summarises some of the general comments made on the Discussion Paper, including comments on the proposed timetable, due process and scope.
2. This paper provides a high level summary of the comments received. Where appropriate, we will provide a more detailed breakdown of the comments for future meetings.

Structure of paper

3. This paper is structured as follows:
 - (a) Summary of feedback (paragraphs 4-7)
 - (b) General comments (paragraphs 8-11)
 - (c) Timetable (paragraphs 12-14)

- (d) Due process (paragraphs 15-22)
- (e) Scope of the project (paragraphs 23-28)
- (f) Appendix – Comment letter demographic information

Summary of feedback

Comment letters

4. The six-month comment period ended on 14 January 2014. As of 24 February, the IASB had received 221 comment letters. Appendix A provides a summary by type of respondent and geographical region.

Other outreach

5. During the six-month comment letter period, the members of the *Conceptual Framework* team and the IASB conducted over 140 outreach meetings. The purpose of the outreach meetings ranged from providing an overview of the Discussion Paper to getting feedback on the IASB’s preliminary views. We did not discuss all topics at every meeting. Instead, we focused on the topics that we thought would be of particular interest to the meeting participants.
6. Our outreach meetings included the following:
 - (a) round-table meetings in London, Toronto, São Paulo and Tokyo;
 - (b) outreach meetings organised by local standard-setters in South Africa, Europe, East Asia, Latin America and North America;
 - (c) discussions with formal advisory bodies to the IASB (IFRS Advisory Council, Accounting Standards Advisory Forum, Capital Markets Advisory Committee and Global Preparers Forum); and
 - (d) targeted outreach with users of financial statements based on topics that are most directly relevant to them. As noted in *AP10 M Summary of feedback received from investors and other users*, we focused on the distinction between liabilities and equity, presentation of profit or loss and other

comprehensive income, measurement and issues relating to prudence, reliability and stewardship.

7. Agenda Papers 10B-10L summarise feedback we received in the comment letters. That feedback is generally consistent with the feedback we received during our outreach, except where we indicate otherwise in those papers.

General comments

8. Nearly all of those who commented expressed support for the IASB's project to revise the *Conceptual Framework*:

We welcome the IASB's decision to re-start its project to review its Conceptual Framework, in response to views expressed by constituents during the agenda consultation exercise. The framework is of fundamental importance to the integrity and effectiveness of financial reporting, therefore it is vital that it is up-to-date and fit for purpose. *ICAS*

9. However, some respondents expressed the view that the Discussion Paper was underdeveloped in some areas. The sections on measurement, presentation and disclosure and presentation in the statements of profit or loss and other comprehensive income (OCI) were often cited as examples of this concern. The other papers for this meeting discuss these concerns in more detail.
10. Some respondents also expressed the view that the Discussion Paper was not sufficiently aspirational and appeared in places to simply justify existing practice rather than develop fundamental concepts. Some respondents also stated that exceptions to the concepts should not be included in the *Conceptual Framework* (for example, the proposal in Section 5 of the Discussion Paper to treat the most subordinated class of instrument issued by an entity as equity).
11. A few respondents expressed the view that the Discussion Paper did not sufficiently address how different sections of the Discussion Paper relate to each other. For example, some suggested that the links between the measurement section and the section on the use of OCI were insufficiently developed.

Timetable

12. Some respondents to the Discussion Paper commented on the IASB's proposal to finalise a revised *Conceptual Framework* by the end of 2015. Some supported the proposed timetable, stating that this important project should be completed expeditiously. However, many of those who commented expressed the view that the IASB should reconsider the proposed timetable:

Furthermore, we have concerns regarding the ambitious plan to finalise the revision by the end of 2015. We have the impression that the IASB postponed some more in-depth discussions when preparing the DP. In our view the revision of the *Conceptual Framework* is of great importance for the future development of consistent IFRSs and there should be no rush in order to keep artificial timelines. *Accounting Standards Committee of Germany*

13. A few respondents suggested that the project should be split into two phases to allow for:
- (a) some sections to be completed by 2015; and
 - (b) further research to be carried out on some areas (in particular, measurement, presentation and disclosure, OCI and the split between liabilities and equity).
14. Some respondents expressed the view that the IASB should complete the *Conceptual Framework* before undertaking any major new projects. Others stated that the IASB should ensure that work on the *Conceptual Framework* did not delay the finalisation of the major projects under development (Leases, Insurance Contracts, Financial Instruments and Revenue Recognition).

Due process

15. When it restarted the *Conceptual Framework* project in 2012, the IASB decided to build on the existing *Conceptual Framework*—updating, improving and filling in the gaps rather than fundamentally reconsidering all aspects of the *Conceptual*

Framework. Most of those who commented on this stated that they support this approach. However, a few respondents expressed the view that, because the *Conceptual Framework* is not updated often, the IASB should undertake a more fundamental review.

16. Many respondents commented on the IASB's proposal not to fundamentally reconsider the chapters of the *Conceptual Framework* that were published in 2010 that deal with the objective of financial reporting and the qualitative characteristics of useful financial information (Chapters 1 and 3). These comments are summarised in *AP 10J Chapters 1 & 3*.
17. The IASB decided not to adopt a phased approach to the project and decided instead to develop a complete set of proposals for a revised *Conceptual Framework*. Few disagreed with this. Those agreeing with this approach stated that it allows respondents to see more clearly the links between different aspects of the *Conceptual Framework*. A few respondents (including some standard-setters) suggested that the IASB should complete an initial package of amendments, rather than continue with the previous phased approach, but should follow up later with more work in areas that might not be developed sufficiently on the planned timetable (see paragraph 9).
18. Many respondents expressed the view that the IASB should undertake and publish a review of existing Standards and Standards under development to identify potential conflicts with the revised *Conceptual Framework*:

...we strongly suggest that the IASB provide an appendix in the ED outlining the impact of the Proposed CF on existing standards as well as standards in development. The Conceptual Framework discussion can be highly theoretical and abstract. Such an appendix would be of great assistance to allow constituents to better understand the impact of the proposed changes to the Conceptual Framework. *Canadian Bankers Association*

19. Respondents made a number of suggestions for how the IASB should deal with any conflicts identified by this review, including:
 - (a) Any conflicts identified should be highlighted in the IASB's next agenda consultation,

- (b) Existing Standards should not be amended just because of a conflict with the revised *Conceptual Framework* if those Standards have not caused problems in practice.
 - (c) Any conflicts should lead to a revision of the affected Standard or an explanation of why the IASB considers no revision is needed.
20. Some respondents, particularly insurers and other financial institutions, stated that the IASB should not reopen newly published Standards if it identifies conflicts with a revised *Conceptual Framework*.
21. The Discussion Paper stated that the IASB will review the *Conceptual Framework* from time to time in the light of the IASB's experience of working with it. Most of those who commented on this point supported this idea. Some suggested that the *Conceptual Framework* should be viewed as a living document that should be updated when a need for a change was identified. However, a few respondents stated that the *Conceptual Framework* should be a relatively stable document if it is to be of use to the IASB in developing consistent Standards.
22. Some respondents commented on the role that other standard-setters should play in the development of the *Conceptual Framework*:
- (a) Some respondents (mostly from North American or international organisations) stated that the IASB should work with the FASB in developing a revised *Conceptual Framework*.
 - (b) Others stated that we should work closely with other National Standard-Setters and supported the IASB's use of the Accounting Standards Advisory Forum (ASAF) on this project.
 - (c) Some (mostly from Australia and New Zealand) stated that we should work with the International Public Sector Accounting Standards Board (IPSASB) to align our *Conceptual Frameworks*. Indeed, a few respondents argued that the IASB should develop a sector-neutral *Conceptual Framework* that could be used by public sector and other not-for-profit organisations.
 - (d) Some respondents suggested that we should work more closely with the International Integrated Reporting Council.

Scope of the project

23. Some respondents expressed the view that the Discussion Paper contained too much Standards-level detail and that a revised *Conceptual Framework* should include only high level concepts. In contrast, other respondents expressed the view that in some areas the Discussion Paper inappropriately delegated issues to the Standards level (recognition, derecognition and unit of account were often quoted as examples). A few respondents stated that the IASB would need to strike a balance between high level concepts and providing enough detail for the *Conceptual Framework* to be useful to the IASB and others.
24. The Discussion Paper stated that, in order to complete the revised *Conceptual Framework* on a timely basis, the IASB would address only financial statements. It would not address other forms of financial reports such as management commentary, interim financial reports, press releases and supplementary material provided for analysis. Most of those who commented on this issue agreed that the revised *Conceptual Framework* should address only financial statements, at least for now. A few respondents suggested that the IASB should change the name of the document from ‘*The Conceptual Framework for **Financial Reporting***’ to ‘*The Conceptual Framework for **Financial Statements***’.
25. However, a few respondents disagreed that the *Conceptual Framework* should address only financial statements, arguing that it would limit the relevance of the document. In particular, a few respondents stated that the *Conceptual Framework* should also deal with interim financial reports and management commentary.
26. Some respondents stated that the revised *Conceptual Framework* should provide transition guidance:

Applying the hierarchy in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, some entities rely on the existing Conceptual Framework to help them determine the appropriate accounting for particular transactions, where there is no specific guidance in the standards. If the revised Conceptual Framework includes principles that are different from those in the existing Conceptual Framework, we would not expect that such entities should need to change their

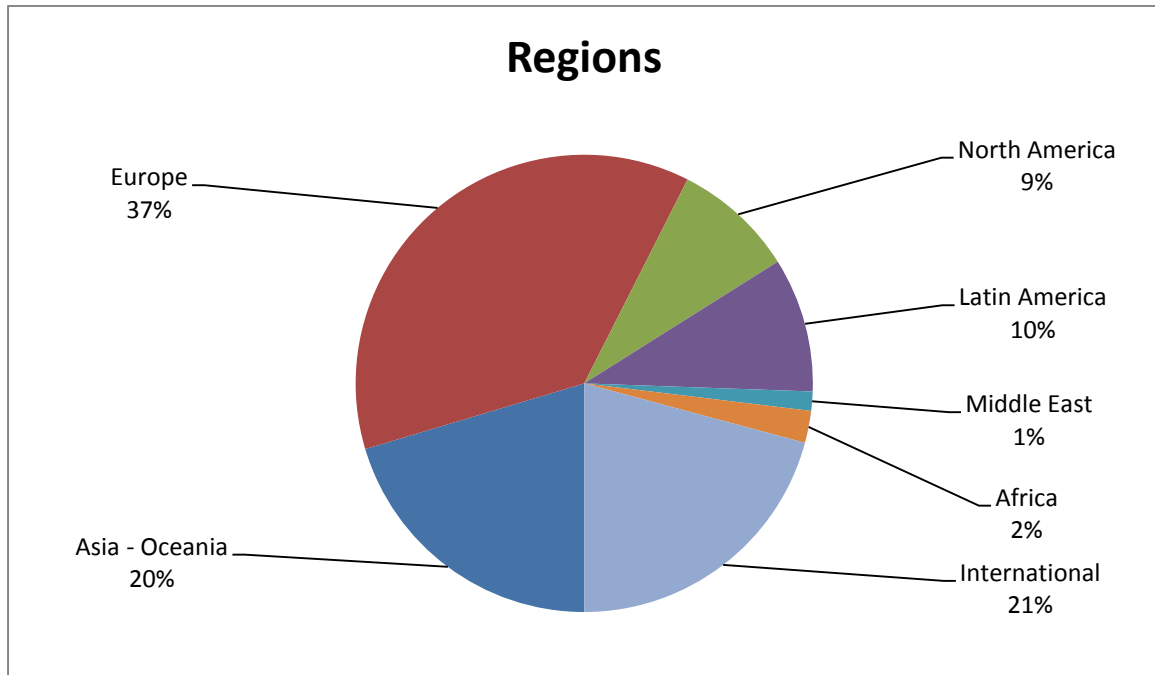
current practices. However, if the IASB thinks that it is necessary for these entities to change their practices; specific guidance should then be given on how entities would transition from the existing Conceptual Framework to the revised Conceptual Framework. *Ernst and Young Global Limited*

27. A few respondents suggested that, once the *Conceptual Framework* is revised, the IASB will need to develop guidance for the Interpretations Committee to help it interpret Standards developed under an earlier version of the *Conceptual Framework*.
28. A number of co-operative organisations also suggested that the IASB should develop specific guidance in the *Conceptual Framework* to deal with the special characteristics of co-operatives.

Appendix A—Comment letter demographic information

A1. The following is a summary of 221 comment letters received by 24 February 2014.

A2. This pie chart illustrates the breakdown of comment letters by geographical region:



A3. This pie chart illustrates the breakdown of comment letters by respondent type:

