

STAFF PAPER

November 2014

REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Cover paper		
CONTACT(S)	Jelena Voilo	jvoilo@ifrs.org	+44 207 246 6914

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*.

Purpose of this meeting

1. At this meeting we are planning to discuss:
 - (a) sweep issues;
 - (b) an update on the *Conceptual Framework* projects undertaken by the US Financial Accounting Standards Board (FASB) and International Public Sector Accounting Standards Board (IPSASB); and
 - (c) transaction costs.
2. This paper:
 - (a) describes the papers for this meeting, including an overview of recommendations (paragraphs 3–4); and
 - (b) describes next steps (paragraph 5).

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.

AP	Title	Content
10B	Sweep issues	<p>This paper notes the following issues that have arisen during the early stages of drafting the <i>Conceptual Framework</i> Exposure Draft (the ‘Exposure Draft’):</p> <ul style="list-style-type: none"> (a) definitions of income and expenses; (b) changes to the discussion of income and expenses in the existing <i>Conceptual Framework</i>; (c) the objective of disclosure regarding the recalculation of amounts recognised or disclosed; and (d) the role of matching in the recognition of assets and liabilities. <p>The staff recommendations on the issues are as follows:</p> <ul style="list-style-type: none"> (a) Income should be defined as increases in assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants. (b) Expenses should be defined as decreases in assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants. (c) The discussion of income and expenses in the elements chapter of the existing <i>Conceptual Framework</i> should be amended as follows: <ul style="list-style-type: none"> (i) the discussion about presentation of income and expenses should be moved to the presentation and disclosure chapter; (ii) the <i>Conceptual Framework</i> should no longer contain references to ordinary activities; (iii) the discussion of income should not refer to revenue and gains and the discussion of expenses should not refer to expenses and losses. The elements chapter could include examples of different types of income and expenses, but without giving the impression we are trying to define distinct categories; (iv) the Basis for Conclusions should explain that the removal of the existing material from the elements chapter is not intended to change current practice. (d) The <i>Conceptual Framework</i> should not comment on whether the objective of disclosure guidance in Standards includes providing information that enables a user of financial statements to recalculate the amounts recognised in the financial statements. Rather, the Disclosure Initiative should consider whether facilitating such recalculations should be an objective of disclosure.

AP	Title	Content
		<p>(e) The IASB should conduct no further work regarding matching. The tentative decisions that the IASB has already taken are sufficient to ensure that the revised <i>Conceptual Framework</i> will adequately explain the role of matching in IFRS, and will not be in conflict with IFRS 15.</p>
10C	Update of the FASB's and IPSASB's <i>Conceptual Framework</i> projects	<p>The purpose of this paper is to provide an update to the IASB on the <i>Conceptual Framework</i> projects undertaken by the FASB and IPSASB.</p> <p>The staff have not identified any developments that would suggest that the IASB should reconsider any of its tentative decisions in its <i>Conceptual Framework</i> project.</p> <p>This paper is for information purposes only and does not contain questions for the IASB.</p>
10D	Measurement – Transaction costs	<p>The purpose of this paper is to discuss what guidance on the treatment of transaction costs should be included in the Exposure Draft.</p> <p>The staff recommend that the Exposure Draft should state that:</p> <p>(a) if the objective of a measurement is to depict the current value of an asset or liability then that measurement should not reflect the transaction costs of acquiring the asset or incurring the liability.</p> <p>(b) if the objective of a measurement is to depict the value in use of an asset, the transaction costs that would be incurred on ultimate disposal of that asset should be deducted in producing the measurement.</p> <p>(c) if the objective of a measurement is to depict the fulfilment value of a liability, the transaction costs (if any) that would be incurred in fulfilling that liability should be added in producing the measurement.</p> <p>(d) the fair value of an asset (liability) is not reduced (increased) by the costs of selling (transferring) the asset (liability). However, this does not preclude the IASB from deciding to measure an asset at fair value less costs to sell (or a liability at fair value plus costs of transfer), if doing so would provide more relevant information to users of financial statements than a fair value measurement.</p> <p>(e) if the objective of a measurement is to depict the cost of an asset or liability (rather than its transaction price), that measurement:</p>

AP	Title	Content
		<ul style="list-style-type: none"> (i) should reflect (among other things) the transaction costs of acquiring the asset or incurring the liability; (ii) should not be decreased (increased) to reflect the transaction costs of realising the asset (or settling or transferring the liability).

Next steps

5. The staff will commence the balloting process for the publication of the *Conceptual Framework* Exposure Draft. The IASB plans to issue the Exposure Draft in Q1 2015.