

**March 2015 ASAF Meeting - Conceptual Framework Session**  
**Discussion Points for the ASBJ's Papers on Measurement**

For the purpose of facilitating the discussion at the ASAF meeting, the ASBJ prepared the following discussion points with regard to its papers.

**I. Identification, Description and Classification of Measurement Bases**

**Discussion Point 1: Classification of Measurement Bases**

1. The ASBJ thinks that the IASB's binary classification (i.e., to classify measurement bases into historical cost and current value) is insufficient. Instead, the ASBJ proposes that the *Conceptual Framework* classify measurement bases on the basis of:
  - (a) Whether to update inputs for measurement, which is further classified by the following:
    - (i) Measures with fully-updated inputs;
    - (ii) Measures with partially-updated inputs; and
    - (iii) Measures with locked-in inputs.
  - (b) Whether to adopt market participant assumptions or entity-specific assumptions when measuring an asset or a liability.

Do ASAF members have any comments on the ASBJ's proposal?

**Discussion Point 2: Distinction of the Entry Value or the Exit Value**

2. The ASBJ thinks that it is unnecessary to classify measurement bases on the basis of the 'entry value' or the 'exit value'. Do ASAF members have any comments on the ASBJ's view?

**Discussion Point 3: Identification and Descriptions of Measurement Bases**

3. The ASBJ thinks that that the *Conceptual Framework* should keep the discussions on measurement bases at a high level and not discuss details (including the strengths and

weaknesses of each measurement basis).

Do ASAF members have any comments on the ASBJ's view?

## II. Role of "Nature of an Entity's Business Activities" in Accounting Standard-Setting

### Discussion Point 4: Need of Overarching Principles for the notion of "Nature of an Entity's Business Activities Conducted"

4. The IASB tentatively decided that the ED should *not* provide a single over-arching description of how the nature of an entity's business activities would affect standard-setting. However, the ASBJ is of the view that the nature of an entity's business activities has a significant effect on various aspects of accounting standard-setting, and thus thinks that there should be an overarching description in the *Conceptual Framework* that ought to be applied consistently throughout the standard-setting process.

Do ASAF members have any comments on the ASBJ's view?

### Discussion Point 5: Principles for Assets, regarding the "Nature of an Entity's Business Activities Conducted"

5. With regard to an asset (or a group of assets), the ASBJ's thinks that the *Conceptual Framework* should clarify the following principles.

For an asset (or a group of assets), the measurement basis that is relevant from the perspective of reporting the entity's *financial performance* should be updated at a period-end to reflect the price changes in the market during the period so that the effect of price changes is recognised in profit or loss, **when an asset (or a group of assets) is held as part of an entity's business activity in which it aims to gain net proceeds from the price changes** under and subject to the entity's practical ability to sell the asset (or the group of assets). In other situations, in principle, the said measurement basis should not be updated to reflect the price changes during the period.

Do ASAF members have any comments on the ASBJ's view?

**Discussion Point 6: Principles for Liabilities, regarding the "Nature of an Entity's Business Activities Conducted"**

6. With regard to a liability, the ASBJ thinks that the *Conceptual Framework* should clarify the following principles.

For a liability, the measurement basis that is relevant from the perspective of reporting the entity's *financial performance* should be determined as follows:

- (a) Where a liability is managed in combination with an asset or a group of assets, the said measurement basis should be updated at a period-end to reflect the price changes in the market during the period so that the effect of price changes is recognised in profit or loss, **when a liability corresponds to funding of the asset or the group of assets that is held as part of an entity's business activity in which the entity aims to gain net proceeds from the price changes** under and subject to the entity's practical ability to sell the asset or the group of assets. In other situations, in principle, the said measurement basis should not be updated to reflect the price changes during the period.
- (b) Where a liability is not managed in combination with the corresponding asset or group of assets, the said measurement basis should be updated at a period-end to reflect the price changes in the market during the period so that the effect of price changes is recognised in profit or loss, **when in the exceptional situation that the liability is held as part of an entity's business activity in which the entity aims to gain net proceeds by transferring it to third parties** under and subject to the entity's practical ability to transfer the liability. In other situations, in principle, the said measurement basis should not be updated to reflect the price changes during the period.

Do ASAF members have any comments on the ASBJ's view?

**Discussion Point 7: Effects of the “Nature of an Entity’s Business Activities Conducted” in Standard-Setting**

7. The ASBJ thinks that the *Conceptual Framework* should clarify that the notion of “nature of business activities conducted” has the following effects in accounting standard-setting.

- (a) The nature of an entity’s business activities conducted has a major effect on the decisions of:
  - (i) whether, and if so, how to group assets and/or liabilities in determining the measurement bases; and
  - (ii) their measurement bases relevant from the perspective of reporting an entity’s *financial performance*.
- (b) The above decisions have knock-on effects on the determination of ‘profit or loss’ and OCI (where a measurement basis from the perspective of reporting an entity’s *financial performance* is different than the one from the perspective of reporting an entity’s *financial position*) and the nature of the disclosure considered necessary.

Do ASAF members have any comments on the ASBJ’s view?