

STAFF PAPER

December 2016

Accounting Standards Advisory Forum

Project	Conceptual Framework		
Paper topic	Overview of session and questions for the ASAF		
CONTACT(S)	Joan Brown	jbrown@ifrs.org	
	Yulia Feygina	yfeygina@ifrs.org	+44 (0) 20 7332 2743

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (the Board) or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Overview of session

1. The purpose of this session is to consider possible changes to concepts proposed in the Exposure Draft *Conceptual Framework for Financial Reporting* (the Exposure Draft).
2. There are two topics for discussion:
 - (a) the proposed liability definition and supporting concepts; and
 - (b) concepts of capital and capital maintenance.

Proposed liability definition and supporting concepts

3. The purpose of the discussion on the proposed liability definition and supporting concepts is to obtain your views on the tentative decisions taken by the Board at its November 2016 meeting.
4. The ASAF papers for this part of the session comprise:

1A	A summary of tentative decisions taken by the Board at its November 2016 meeting. Available after the Board meeting
1B-1F	Copies of agenda papers discussed by the Board at its November 2016 meeting. <ul style="list-style-type: none"> 1B Background information 1C The 'no practical ability to avoid' criterion 1D Reducing the risk of further changes 1E Other topics 1F Illustrative examples (distributed for reference only)

5. At the July 2016 ASAF meeting, ASAF members provided views on two of the matters addressed in the November 2016 IASB agenda papers:
 - (a) possible refinements to the proposed concepts to reduce the risk of adding to the *Conceptual Framework* new concepts that the Board may need to change as a result of future decisions in its project on Financial Instruments with Characteristics of Equity (Agenda Paper 1D); and
 - (b) introducing the concept of a 'present claim' (Agenda Paper 1E, Topic 3).

The staff recommendations in Agenda Papers 1D and 1E take into account the views expressed by ASAF members in July.
6. At this meeting we would like to hear ASAF members' views on other matters addressed in the November 2016 IASB agenda papers, particularly on the 'no

practical ability to avoid' criterion (Agenda Paper 1C) and the 'as a result of past events' criterion (Agenda Paper 1E, Topic 1).

Questions 1–3 for ASAF members—proposed liability definition and supporting concepts

- 1 Do you agree with the Board's tentative decisions on the 'no practical ability to avoid' criterion, as discussed in Agenda Paper 1C? (The tentative decisions are reported in Agenda Paper 1A. The staff recommendations are set out in paragraphs 47–49 of Agenda Paper 1C.)
- 2 Do you agree with the Board's tentative decisions on concepts interpreting the phrase 'as a result of past events', as discussed in Topic 1 of Agenda Paper 1E? (The tentative decisions are reported in Agenda Paper 1A. The staff recommendations are set out in paragraph 35 of Agenda Paper 1E.)
- 3 Do you have comments on any of the other tentative decisions reported in Agenda Paper 1A?

Concepts of capital and capital maintenance

7. Agenda Paper 1G *Concepts of capital and capital maintenance* discusses whether any changes are needed to the proposed approach to concepts of capital and capital maintenance in the light of the comments received on the Exposure Draft. In particular, this paper considers whether the chapter on capital and capital maintenance should be retained or excluded from the revised *Conceptual Framework*. Agenda Paper 1G will be discussed by the Board at its December 2016 meeting.
8. The staff recommend that the Board:
 - (a) carries forward to the revised *Conceptual Framework* the existing chapter on capital and capital maintenance; and

- (b) introduces that chapter with an explanatory statement that the chapter represents the remaining text of the *Framework* and has not been updated in the Conceptual Framework project (that explanatory statement will be included in the revised *Conceptual Framework* itself rather than only in the Basis for Conclusions).
9. If the Board agrees with the staff recommendation, the discussion in the Basis for Conclusions would need to be updated accordingly. In particular, that updated discussion could explain that the Board may decide to revisit the concepts of capital and capital maintenance in the future when such a revision is considered necessary, for example if the Board decides to carry out work on accounting for high inflation. However, the staff think that the Basis for Conclusions should also clarify that the Board does not think that the concepts of capital and capital maintenance are only relevant for accounting for high inflation.
10. The purpose of the discussion with the ASAF is to obtain ASAF members' views on the staff recommendation in Agenda Paper 1G. The staff will provide a verbal update on the ASAF members' views to the Board at its December 2016 meeting.

Question 4 for ASAF members—concepts of capital and capital maintenance

Do you agree with the staff recommendation in Agenda Paper 1G? Why or why not? If you do not agree, what alternative approach do you suggest and why?