

International Financial Reporting Standards

Conceptual Framework for Financial Reporting

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

Background

The Exposure Draft – What we have heard

Advice on next steps

Background

What is the Conceptual Framework?

It is a practical tool that assists:

- the Board to develop Standards
- preparers to develop consistent accounting policies
- others to understand and interpret IFRS Standards

It underpins the decisions made by the Board when setting Standards

- It will affect future Standards developed by the Board

It addresses fundamental issues:

- What is the objective of financial reporting?
- What makes financial information useful?
- What are assets, liabilities, equity, income and expenses, when should they be recognised and how should they be measured, presented and disclosed?

It is not a Standard and does not override Standards

- Some Standards may not conform with the Conceptual Framework



Why are we revising the Conceptual Framework?

The existing Conceptual Framework has proved useful but some improvements are needed

Gaps

- For example, it provides very little guidance on measurement or presentation and disclosure.

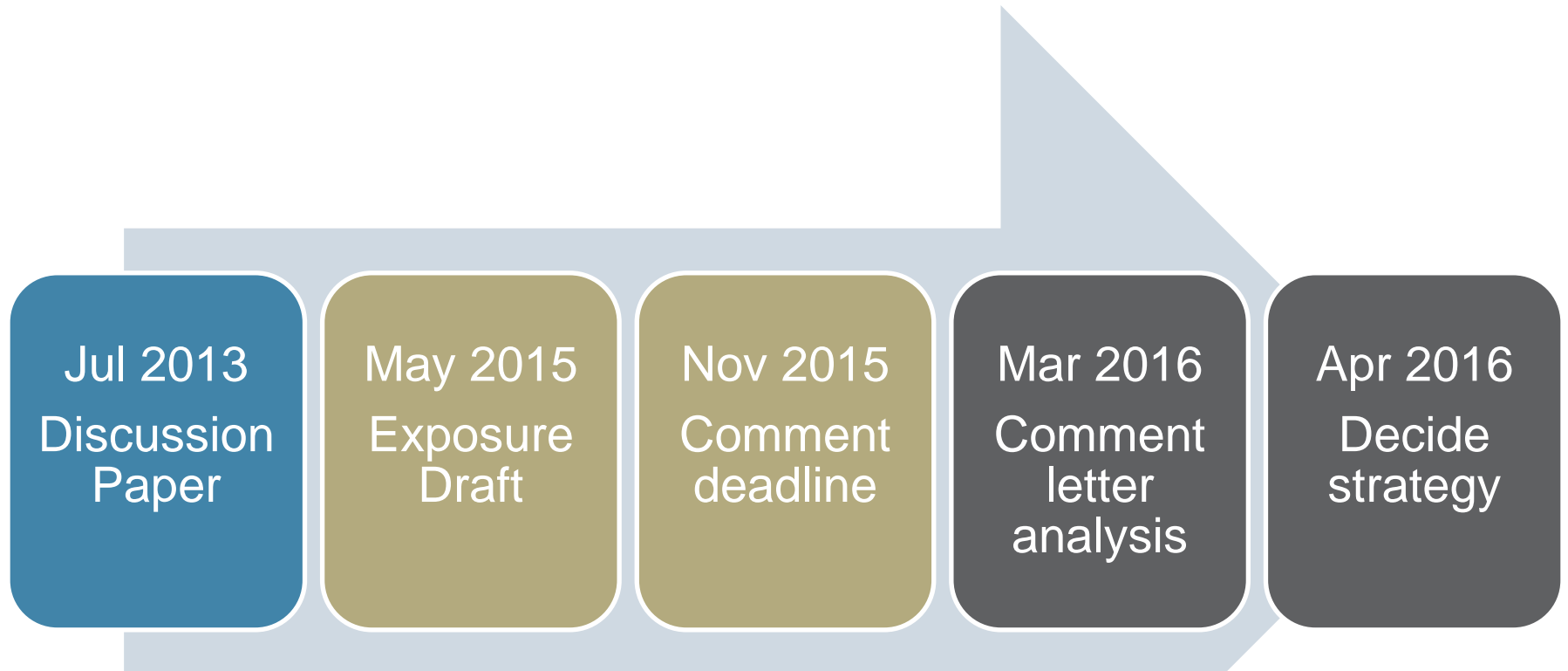
Out of date

- For example, the existing guidance on when assets and liabilities should be recognised is out of date.

Unclear

- For example, it is unclear what role measurement uncertainty should play in the definitions of assets and liabilities and in decisions about their recognition and measurement.

Identified as a priority project by respondents to the Board's 2011 agenda consultation



The Exposure Draft – What we have heard

- Comment period ended on 25 November 2015
- Conducted outreach meetings during the comment period
- Received over 230 comment letters
- We are busy analysing the feedback

Comments on the feedback are based on initial impressions.
These may change when we do more detailed analysis.

Some support for:

- Greater prominence given to stewardship
- Reintroduction of prudence
- Explicit reference to substance over form
- Explanation of the role of measurement uncertainty

Some would like:

- Stewardship as a separate objective
- Asymmetric prudence
- Reliability as a qualitative characteristic

Feedback broadly supportive

Some would like:

- Better explanation of direct control, indirect control and the link to IFRS 10
- More guidance on combined and carve-out financial statements
- Removal of statement that in general consolidated financial statements are more likely to provide useful information

Some support for:

- Revised definitions of assets and liabilities
- Proposal to deal with liability/equity classification in a separate project

Some would like:

- To retain 'expected' in definitions
- Effects analysis on proposed changes to the definitions (in particular, the effect on liability/equity classification)

Some questions about the proposed guidance on 'present obligation'

Some support for:

- Proposed approach to recognition
- Guidance on derecognition

Some would like:

- To retain existing recognition criteria (especially probability criterion)
- More guidance on derecognition
- A control approach to derecognition

Some support for:

- Mixed measurement
- Description of measurement bases
- Factors to consider when selecting a measurement basis

Some would like:

- More research on measurement
 - Entry/exit
 - Current cost
- More guidance on selection of a measurement basis (especially, the link between their description and their selection)

Some support for:

- Description of profit or loss
- Use of OCI
- Presumption of recycling

Some would like:

- More guidance on use of OCI (including a definition of profit or loss/financial performance)
- More research on financial performance (possibly at a later stage)
- To require or prohibit recycling

Advice on next steps

- What advice would you give the Board for completing the Conceptual Framework?
- Do you have any views on the timetable for the project? Should we aim to finalise quickly or take time to do more work?
- Are there parts of the Conceptual Framework that the Board should delay finalising in order to do more research? Are there topics that are not addressed in the Exposure Draft that should be?
- What strategy should the Board adopt for areas such as:
 - Measurement
 - Other Comprehensive Income?

