

STAFF PAPER

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Accounting Standards Advisory Forum

Project	Conceptual Framework		
Paper topic	Cover paper		
CONTACT(S)	Yulia Feygina	yfeygina@ifrs.org	+44 (0)20 7332 2743
	Rachel Knubley	rknubley@ifrs.org	+44 (0)20 7246 6904

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*.

Purpose of this session

1. In January 2017, the International Accounting Standards Board (the Board) substantially completed its redeliberations of the Exposure Draft *Conceptual Framework for Financial Reporting* (the Exposure Draft). At the February 2017 Board meeting, the staff plan to:
 - (a) discuss the work performed on evaluating the effects of the revised *Conceptual Framework for Financial Reporting* (the revised *Conceptual Framework*) (Agenda Paper 10D); and
 - (b) discuss the due process steps undertaken in the Conceptual Framework project and ask the Board for permission to begin the balloting process for the revised *Conceptual Framework* (Agenda Paper 10F).
2. The purpose of this session is to give the members of the Accounting Standards Advisory Forum (the ASAF) an opportunity to provide any additional comments on the concepts that will be included in the revised *Conceptual Framework* focussing on the topics that have not already been discussed by the ASAF. The staff will consider those comments in finalising the revised *Conceptual Framework*.
3. For your information, a summary of tentative decisions made by the Board in the course of redeliberations on the Exposure Draft between April 2016 and January

2017 has been reproduced and provided in ASAF Agenda Paper 3A *Conceptual Framework–Summary of tentative decisions*.

4. Appendix A *Topics discussed with the ASAF* provides a list of papers discussed with the ASAF since the Conceptual Framework project was restarted in September 2012, until the ASAF’s meeting in December 2016.
5. The staff will provide to the ASAF a verbal update on the Board discussion at its February 2017 meeting.

Next steps

6. The staff expect that the revised *Conceptual Framework* will be issued later in 2017.

Appendix A – ASAF Agenda Papers

A1. This appendix provides a list of papers discussed with the ASAF since the Conceptual Framework project was restarted in September 2012, until the ASAF’s meeting in December 2016.

Month/Year of ASAF meeting:	Purpose of meeting	Agenda Paper
December 2016	<p>The purpose of this session was to consider possible changes to concepts proposed in the Exposure Draft <i>Conceptual Framework for Financial Reporting</i>, specifically:</p> <p>(a) the proposed liability definition and supporting concepts (Agenda Papers 1A–1F); and</p> <p>(b) concepts of capital and capital maintenance (Agenda Paper 1G).</p>	<p>Agenda Paper 1: <i>Conceptual Framework—Overview of session and questions for the ASAF</i></p> <p>Agenda Paper 1A: <i>Conceptual Framework – Liability definition and supporting concepts—tentative decisions</i></p> <p>Agenda Paper 1B: <i>Conceptual Framework – Liability definition and supporting concepts—background information</i> (IASB meeting paper 10B, November 2016)</p> <p>Agenda Paper 1C: <i>Conceptual Framework – Liability definition and supporting concepts—the ‘no practical ability to avoid’ criterion</i> (IASB meeting paper 10C, November 2016)</p> <p>Agenda Paper 1D: <i>Conceptual Framework – Liability definition and supporting concepts—reducing the risk of further changes</i> (IASB meeting paper 10D, November 2016)</p> <p>Agenda Paper 1E: <i>Conceptual Framework – Liability definition and</i></p>

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		<p><i>supporting concepts—other topics</i> (IASB meeting paper 10E, November 2016)</p> <p>Agenda Paper 1F: <i>Conceptual Framework – Testing the proposed asset and liability definitions—illustrative examples</i> (IASB meeting paper 10F, November 2016)</p> <p>Agenda Paper 1G: <i>Conceptual Framework – Concepts of capital and capital maintenance</i> (IASB meeting paper 10F, December 2016)</p> <p>Agenda Paper 1G, Appendices A and B: <i>Conceptual Framework – Concepts of capital and capital maintenance</i> (IASB meeting paper 10F, December 2016)</p>
September 2016	<p>The purpose of this session was to:</p> <p>(a) discuss a paper on measurement prepared by EFRAG staff (Agenda Paper 4A);</p> <p>(b) seek feedback on a staff draft of proposed revisions to the discussion of factors to be considered in selecting a measurement basis (Agenda Paper 4B and Agenda Paper 4C);</p> <p>(c) provide an update on the Board’s tentative decisions on presenting information about financial</p>	<p>Agenda Paper 4: <i>Conceptual Framework—Cover Paper</i></p> <p>Agenda Paper 4A: <i>Measurement and the Conceptual Framework</i> (European Financial Reporting Advisory Group)</p> <p>Agenda Paper 4B: <i>Measurement: redrafting the factors to consider in selecting a measurement basis</i></p> <p>Agenda Paper 4C: <i>Measurement: suggested redraft of parts of Chapter 6</i></p> <p>Agenda Paper 4D: <i>Information about financial performance</i></p> <p>Agenda Paper 4E: <i>The Linkage between</i></p>

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	performance (Agenda 4D); and (d) discuss a paper on financial performance and measurement prepared by the ASBJ (Agenda Paper 4E).	<i>Financial Performance and Measurement</i> (Accounting Standards Board of Japan)
July 2016	<p>The purpose of this session was to obtain advice from the ASAF on:</p> <p>(a) staff suggestions for possible refinements to the concepts proposed to support the liability definition (Agenda Paper 1A);</p> <p>(b) the circumstances in which ‘economic compulsion’ should be considered when classifying claims (claims against an entity that grant the issuer the right to choose between two alternative settlement outcomes) as liabilities or equity (Agenda Paper 1B); and</p> <p>(c) staff suggestions for possible refinements to the concepts proposed for recognition of assets and liabilities with a low probability of inflows or outflows of economic benefits (Agenda Paper 1C).</p>	<p>Agenda Paper 1: <i>Conceptual Framework / Financial Statements with Characteristics of Equity – Introduction to the session</i></p> <p>Agenda Paper 1A: <i>Conceptual Framework—Concepts to support the liability definition</i></p> <p>Agenda Paper 1B: <i>Financial Instruments with the Characteristics of Equity</i></p> <p>Agenda Paper 1C: <i>Conceptual Framework—Recognition—low probability of a flow of economic benefits</i></p>
April 2016	The purpose of this session was to seek the ASAF’s advice on the strategy for finalising the <i>Conceptual Framework</i> .	The ASAF members were provided with, and discussed, the feedback summaries presented to the Board at its meeting in March 2016.

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December 2015	During this session the Accounting Standards Board of Japan (ASBJ) presented its analysis and proposal regarding the recognition criteria in the <i>Conceptual Framework</i> (Agenda Paper 3 and Agenda Paper 3A).	<p>Agenda Paper 3: <i>Conceptual Framework: Recognition Criteria in the Conceptual Framework</i> (ASBJ)</p> <p>Agenda Paper 3A: <i>Conceptual Framework: Recognition Criteria in the Conceptual Framework</i> (ASBJ)</p>
October 2015	<p>The purpose of this session was to:</p> <p>(a) provide ASAF members with summaries of the discussions from the World Standard-setters Meeting regarding:</p> <p style="padding-left: 40px;">(i) the proposed guidance on the selection of a measurement basis; and</p> <p style="padding-left: 40px;">(ii) the proposed concepts on identifying liabilities, recognition and measurement</p> <p>(b) ask for the ASAF’s feedback on the proposed guidance on factors to consider when selecting a measurement basis and situations in which more than one measurement basis is needed to provide relevant information about an item (Agenda Paper 2A); and</p> <p>(c) ask for the ASAF’s feedback on the implications of the Exposure Draft <i>Conceptual Framework for Financial Reporting</i> for the direction</p>	<p>Agenda Paper 2: <i>Conceptual Framework: Cover paper</i></p> <p>Agenda Paper 2A: <i>Conceptual Framework: Measurement</i></p> <p>Agenda Paper 2B: <i>Conceptual Framework: Implications of the Exposure Draft Conceptual Framework for Financial Reporting for the Rate-regulated Activities project</i></p> <p>Agenda Paper 2B Appendix 2: <i>Conceptual Framework: Implications of the Conceptual Framework proposals for the Rate-regulated Activities project</i> (Presentation slides)</p>

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	of the Rate-regulated Activities project (Agenda Paper 2B).	
July 2015	The purpose of the session was to obtain the ASAF’s initial feedback on the recognition and derecognition proposals in the IASB’s Exposure Draft <i>Conceptual Framework for Financial Reporting</i> (Agenda Paper 3). The ASAF also discussed a paper prepared by EFRAG (Agenda Paper 3A).	<p>Agenda Paper 3: <i>Conceptual Framework: Recognition and derecognition</i></p> <p>Agenda Paper 3A: <i>Conceptual Framework</i> (EFRAG)</p>
March 2015	<p>The purpose of this session was to discuss the description of measurement bases proposed for the Conceptual Framework. In particular, whether:</p> <p>(a) the IASB staff have identified the right measurement bases;</p> <p>(b) the IASB staff have correctly described the identified measurement bases;</p> <p>(c) the IASB staff have correctly described the information provided by the identified measurement bases;</p> <p>(d) it is appropriate to classify the measurement bases as historical cost or current value or whether a different classification would be more appropriate.</p>	<p>Agenda Paper 2: <i>Conceptual Framework: Cover note</i></p> <p>Agenda Paper 2A: <i>Conceptual Framework: Identification, Description and Classification of Measurement Bases</i> (ASBJ)</p> <p>Agenda Paper 2B: <i>Conceptual Framework: Role of “Nature of an Entity’s Business Activities” in Accounting Standard-Setting</i> (ASBJ)</p> <p>Agenda Paper 2C: <i>Conceptual Framework: Points on measurement</i> (ASBJ)</p>

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	A representative from the ASBJ presented Agenda Paper 2A and Agenda Paper 2B to facilitate the discussion.	
September 2014	<p>The purpose of this session was to:</p> <p>(a) provide ASAF members with a progress update on the Conceptual Framework project (Agenda Paper 6);</p> <p>(b) seek the ASAF’s feedback on the tentative decisions made about measurement (Agenda Paper 6); and</p> <p>(c) discuss the September 2014 IASB paper on the implications of long-term investment for the Conceptual Framework (Agenda Paper 6A).</p>	<p>Agenda Paper 6: <i>Conceptual Framework: Project update and measurement</i></p> <p>Agenda Paper 6A: <i>Conceptual Framework: Implications of long-term investment for the Conceptual Framework</i></p>
June 2014	<p>The purpose of this session was to:</p> <p>(a) provide ASAF members with an update on the progress of the Conceptual Framework project; and</p> <p>(b) ask for the ASAF’s views on:</p> <p style="padding-left: 40px;">(i) whether the notion of a business model (or similar notions) should play a role in financial reporting, and how can it help in standard-setting (Agenda Paper 8A); and</p> <p style="padding-left: 40px;">(ii) the staff thinking on the</p>	<p>Agenda Paper 6: <i>Conceptual Framework: The reporting of income and expense and the choice of measurement bases</i> (Roger Marshall and Andrew Lennard)</p> <p>Agenda Paper 8: <i>Conceptual Framework: Cover note</i></p> <p>Agenda Paper 8A: <i>Conceptual Framework: Business models</i></p> <p>Agenda Paper 8B: <i>Conceptual Framework: Executory contracts</i></p>

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	<p>nature of the assets and liabilities in executory contracts, with the aim of developing concepts for inclusion in the <i>Conceptual Framework</i> (Agenda Paper 8B).</p> <p>(c) discuss a paper written by Roger Marshall and Andrew Lennard on the reporting of income and expense and the choice of measurement bases.</p>	
March 2014	<p>The purpose of this session was to obtain some strategic advice from the ASAF on how the Board should move forward on the following sections of the Conceptual Framework:</p> <p>(a) Section 5 – Definition of equity and distinction between liability and equity elements (Agenda Paper 6B);</p> <p>(b) Section 6 – Measurement (Agenda Paper 6C); and</p> <p>(c) Section 8 – Presentation in the statement of comprehensive income (Agenda Paper 6D).</p>	<p>Agenda Paper 5A: <i>Conceptual Framework – A Revised Model for Presentation in the Statement(s) of Financial Performance: Potential Implications for Measurement</i> (Thomas J. Linsmeier)</p> <p>Agenda Paper 5B: <i>A Revised Model for Presentation in the Statement (s) of Financial Performance: Potential Implications for Measurement</i> (Presentation slides)</p> <p>Agenda Paper 6A: <i>Conceptual Framework – Cover Note</i></p> <p>Agenda Paper 6B: <i>Conceptual Framework – Definition of equity and distinction between equity and liability elements</i></p> <p>Agenda Paper 6C: <i>Conceptual</i></p>

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		<p><i>Framework – How to move the measurement section forward</i></p> <p>Agenda Paper 6C(i): <i>Conceptual Framework – How to move the measurement section forward</i> (Presentation slides)</p> <p>Agenda Paper 6D: <i>Conceptual Framework – Presentation in the statement of comprehensive income</i></p> <p>Agenda Paper 6E(i): <i>Conceptual Framework - Comment letters submitted by ASAF members</i></p> <p>Agenda Paper 6E(ii): <i>Conceptual Framework - Comment letter submitted by ASBJ</i></p> <p>Agenda Paper 6E(iii): <i>Conceptual Framework - Comment letter submitted by Group of Latin American Accounting Standard Setters</i></p>
December 2013	<p>The purpose of this session was to discuss:</p> <p>(a) papers prepared by EFRAG on stewardship (Agenda Paper 1/1a) and reliability (Agenda Paper 2/2a);</p> <p>(b) a paper prepared by ASBJ on profit and loss, measurement and OCI (Agenda Paper 3); and</p> <p>(c) a paper prepared by Warren</p>	<p>Agenda Paper 1: <i>Stewardship</i> (EFRAG et al.)</p> <p>Agenda Paper 1a: <i>Stewardship</i> (Presentation slides; Andrew Lennard)</p> <p>Agenda Paper 2: <i>Reliability</i> (EFAG et al.)</p> <p>Agenda Paper 2a: <i>Reliability</i> (Presentation slides; Andrew Lennard)</p> <p>Agenda Paper 3: <i>Profit and loss</i>,</p>

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	McGregor on liabilities (Agenda Paper 4/4a).	<p><i>measurement and OCI</i> (ASBJ)</p> <p>Agenda Paper 4: <i>Liabilities</i> (AASB)</p> <p>Agenda Paper 4a: <i>Liabilities</i> (Presentation slides; Warren J McGregor)</p>
September 2013	The purpose of this session was to discuss an EFRAG Bulletin on the Conceptual Framework (Agenda Paper 6).	Agenda Paper 6: <i>Conceptual Framework: EFRAG Bulletin – Getting a Better Framework</i> (EFRAG)
April 2013	The purpose of this session was to discuss initial drafting of the Conceptual Framework discussion paper.	The ASAF members discussed an initial draft of the Conceptual Framework Discussion Paper that was presented to the Board at its February 2013 and March 2013 meetings.