

STAFF PAPER

April 2014

REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Cover paper		
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Purpose of this meeting

1. At this meeting we will:
 - (a) ask for your feedback on the staff's proposed approach to the redeliberations on the *Conceptual Framework* project. The proposals were developed in light of the feedback received on the IASB Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*.
 - (b) discuss the purpose and status of the *Conceptual Framework*.
2. This paper describes:
 - (a) the papers for this meeting, including an overview of recommendations in each paper;
 - (b) next steps.

Papers for this meeting

3. At this meeting we would like to discuss the following papers:
 - (a) AP 10A – *Strategy for redeliberations*
 - (b) AP 10B – *Initial strategy: Liabilities and equity*
 - (c) AP 10C – *Initial strategy: Measurement*

- (d) AP 10D – *Initial strategy: Profit or loss and other comprehensive income*
 - (e) AP 10E – *Purpose and status of the Conceptual Framework.*
4. AP 10A sets out our proposed approach to redeliberations (including timetable and scope). For most areas we are proposing to develop papers that analyse the suggestions in the Discussion Paper in the light of responses to the Discussion Paper. AP 10A does not include a detailed discussion of our proposed approach to measurement, the distinction between liabilities and equity, and presentation in the statement(s) of profit or loss and other comprehensive income (OCI). They are addressed in AP 10B – 10D. We are seeking your comments on the proposed approach.
5. AP 10B discusses three approaches to the equity section of the *Conceptual Framework*:
- (a) Approach 1 – develop an approach that eliminates the distinction between liabilities and equity in the Conceptual Framework (the ‘claims approach’);
 - (b) Approach 2 – develop an approach that defines three categories of claims, with one being the residual (‘three categories of claims’);
 - (c) Approach 3 – keep the existing binary distinction of liabilities and equity and continue to develop these definitions, building on the feedback received on the ‘strict obligation approach’ and the ‘narrow equity approach’ discussed in the Discussion Paper (‘variation of the strict obligation approach and narrow equity approach’).
6. We recommend Approach 3 and ask whether you agree that the Conceptual Framework:
- (a) should continue to define a liability and equity; and
 - (b) should not provide further guidance on how to distinguish liabilities from equity instruments.
7. AP 10C discusses the following possible approaches to the measurement section:
- (a) Approach 1 – do not develop a measurement section of the *Conceptual Framework* Exposure Draft and start a research project on measurement.

- (b) Approach 2 – build on the proposals in the Discussion Paper, modified in the light of feedback received.
 - (c) Approach 3 – include high level guidance on measurement in the *Conceptual Framework* Exposure Draft and start research work to develop more detailed measurement concepts.
8. We recommend Approach 2 and ask whether you agree with the recommended approach.
9. AP 10D discusses three alternative approaches to developing the profit or loss and OCI proposals:
- (a) Approach 1 – do not develop a profit or loss and OCI section of the *Conceptual Framework* Exposure Draft. Undertake a research project on performance reporting and consider the use of profit or loss and OCI in that project.
 - (b) Approach 2 – provide high level principles in the *Conceptual Framework*. Do not attempt to draw a conceptual line between profit or loss and OCI.
 - (c) Approach 3 – fine-tune and finalise the specific proposals included in the *Conceptual Framework* Discussion Paper.
10. We recommend Approach 2 and ask whether you agree with the recommended approach.
11. In AP 10E we discuss the purpose and status of the *Conceptual Framework*. We ask the IASB whether you agree that:
- (a) The purpose of the *Conceptual Framework* should be to identify the concepts that:
 - (i) assist the IASB to develop and revise IFRSs;
 - (ii) assist preparers to develop accounting policies when no IFRS applies to a particular transaction, event or condition;
 - (iii) assist all parties to understand and interpret IFRS.
 - (b) The existing status of the *Conceptual Framework* is retained – that is, the *Conceptual Framework* is not a Standard and does not override the requirements of specific Standards.

- (c) Preparers should not be restricted from applying particular aspects of the *Conceptual Framework*.
- (d) In a limited number of cases, the IASB may depart from aspects of the *Conceptual Framework*. If the IASB does so, the IASB will explain that departure in the Basis for Conclusions on the Standard in question.

Next steps

- 12. Based on the strategy recommended at this meeting, our aim is to develop and discuss with you all sections of the *Conceptual Framework* at the May, June and July meetings. Any sweep issues will be discussed in September.
- 13. At the May meeting we plan to discuss:
 - (a) definitions and recognition of elements;
 - (b) additional guidance on definitions of an asset and a liability;
 - (c) the split between liability and equity;
 - (d) reporting entity;
 - (e) Chapters 1 and 3; and
 - (f) going concern.
- 14. The proposed timetable for future meetings is included in Appendix B of AP 10A.