



Australian Government
Australian Accounting Standards Board

Memorandum

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| To: | AASB members | Date: | 7 October 2014 |
| From: | Jim Paul | Agenda Item: | 14.1 |
| Subject: | IASB Conceptual Framework project | File: | -- |

Actions

- Note the IASB's latest progress report on development of an ED for a revised IASB Conceptual Framework; and
- In respect of the sections of the IASB Conceptual Framework DP dealing with measurement and presentation in the statement of comprehensive income:
 - Note the IASB's preliminary views in its DP and the comments in the AASB responses on those preliminary views; and
 - Provide directions to staff on views to include in the Board's submission on the IASB ED if it retains the preliminary views in the IASB DP

Attachments

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|-------------------|---|
| Agenda Paper 14.2 | Extracts from AASB submission dated 11 February 2014 on IASB Discussion Paper DP/2013/1: Review of IASB Conceptual Framework |
| Agenda Paper 14.3 | Extracts from supplementary paper to AASB submission on IASB Discussion Paper DP/2013/1 (dated 6 June 2014) |
| Agenda Paper 14.4 | IFRS Staff Paper for ASAF Meeting, September 2014, ASAF Paper 6: <i>Conceptual Framework – Project update and measurement</i> |
| Agenda Paper 14.5 | Copy of PowerPoint slides for AASB staff presentation at Board meeting [Board only] |

Background and current status

The IASB issued [Discussion Paper DP/2013/1 A Review of the Conceptual Framework for Financial Reporting](#)¹ in July 2013, for comment by 14 January 2014. The AASB obtained an extension to lodge its submission, which it lodged on 11 February 2014. That submission focused mainly on the issues about which the AASB had the greatest concerns; it did not answer all of the specific matters for comment in the IASB DP. The AASB lodged a supplementary paper to its submission on 6 June 2014, which set out the Board's response to each of those specific matters for

¹ http://www.aasb.gov.au/admin/file/content105/c9/ITC29_07-13.pdf

comment. The supplementary paper also included comments on some ‘live’ debates that are the subject of recent papers by the EFRAG and others (e.g. on the implications of an entity’s business model for financial reporting).

The IASB began redeliberations of its DP in March 2014. Agenda Paper 14.4 sets out the IASB’s tentative decisions made in those redeliberations up to and including its July 2014 meeting. The IASB’s latest work plan (updated on 26 September 2014) indicates the IASB’s Conceptual Framework ED is targeted for issue in the first quarter of 2015.

Matters for discussion at this AASB meeting

At this meeting, discussion will focus on the sections of the IASB DP dealing with measurement (and the related topic of concepts of capital maintenance) and presentation in the statement of comprehensive income (i.e. the distinction between profit or loss and other comprehensive income).

The parts of the Board’s submission and supplementary paper that deal with those topics are included in the attached extracts from those documents (Agenda Papers 14.2 and 14.3). In addition, those extracts set out the Board’s general comments on the DP. AASB staff do not plan to dwell on those general comments of the AASB at the forthcoming meeting, but Board members are welcome to speak to them at that meeting.

The location of each topic in the attached extracts from the AASB’s submission and supplementary paper on the DP is summarised in the table below.

| Topic | AASB submission: para. no. | AASB supplementary paper: para. no. |
|--|--|--|
| Serious concerns of a general nature | 6 – 9; A1 – A17 | – |
| Measurement | 11 – 19; A18 – A38; B87 – B141; C1 – C8 | S129 – S187 |
| Capital maintenance | B142 – B148 | S317 – S319 |
| Presentation in the statement of comprehensive income: profit or loss and other comprehensive income | 23 – 26; A44 – A74 | S212 – S233 |

At the forthcoming AASB meeting, staff will provide a PowerPoint presentation. A confidential copy of the slides is attached as Agenda Paper 14.5.

Noteworthy changes in the IASB’s thinking

The IASB’s project update indicates that, in respect of the sections of the IASB DP planned for discussion at this AASB meeting, the IASB generally has not significantly amended its preliminary views as set out in the DP (i.e. the concerns in the AASB’s submission and supplementary paper still stand). However, the IASB has tentatively decided to make the following changes to the DP’s preliminary views, in drafting its ED:

- Adding a description of how measurement contributes to the overall objective of financial reporting, which explicitly refers to helping users assess the entity’s prospects for future cash flows (see page 19 of the IFRS Staff Paper for the ASAF Meeting: Agenda paper 14.4).

[The AASB argued for this addition in paragraphs 12 – 13 of its submission on the IASB DP. However, the IASB did not identify an ideal concept of wealth, which the AASB argued (in paragraph 14 of its submission) is necessary for identifying how best to help users assess the entity's prospects for future cash flows.]

- Stating that the purpose of cash-flow-based measurement techniques is normally to implement one of the measurement bases that will be described in the *Conceptual Framework* (see pages 20 – 21 of the IFRS Staff Paper for the ASAF Meeting: Agenda paper 14.4). This addresses a concern expressed in paragraphs S171 – S178 of the AASB's supplementary paper that cash-flow-based measurements were put on an apparently equal ranking with cost, fair value and other current market prices.

Question for Board members

- Q1** In relation to each IASB specific matter for comment on its DP included in the extract from the AASB's supplementary paper (Agenda paper 14.3), do you agree with the response expressed in the supplementary paper and related comments in the AASB's formal submission (Agenda paper 14.2)? If not, how should the AASB's comments in its submission on the IASB ED change if that ED retains the preliminary view set out in the DP?