

Conceptual Framework – Objective and Qualitative Characteristics:

Extract from Minutes of AASB Meeting on 9 – 10 June 2010

The Board had before it:

- (a) a memorandum from Jim Paul dated 2 June 2010 (Agenda paper 11.1); and
- (b) AASB Staff Paper ‘New *Framework* chapters: application by public benefit entities/not-for-profit entities’ (Agenda paper 11.2).

The Board considered the staff paper and decided that:

- (a) the IASB’s forthcoming Conceptual Framework chapters on the *Objective of General Purpose Financial Reporting* and the *Qualitative Characteristics of, and Constraints on, Useful Financial Information* should, when included in the AASB *Framework*, be applicable to all reporting entities;
- (b) those chapters will include limited additional guidance necessary for their application by not-for-profit entities (NFPs);
- (c) based on the latest information about the likely wording of the IASB’s abovementioned forthcoming *Framework* chapters, the additional guidance on the new Objective chapter of the AASB *Framework* should:
 - (i) repeat paragraph Aus15.1 of the existing AASB *Framework* (which says: “In respect of not-for-profit entities, ownership groups and contributors of donations are generally not concerned with obtaining a financial return but are usually more interested in the ability of an entity to achieve its non-financial objectives, which in turn may depend upon the entity’s financial position and financial performance.”); and
 - (ii) note the broader range of primary users of general purpose financial reports of NFPs;
- (d) paragraph Aus14.1 of the AASB’s existing *Framework* (which says “A more detailed discussion [of the Objective] is provided in SAC 2 *Objective of General Purpose Financial Reporting*”) should not be included in the new chapter on the Objective;
- (e) based on the latest information about the likely wording of the IASB’s forthcoming *Framework* chapter on the Qualitative Characteristics, additional application guidance for NFPs in relation to that chapter should be unnecessary;
- (f) the chapters will be updated to reflect the outcome of the IASB’s consideration of not-for-profit entity issues in Phase G of its joint Conceptual Framework project with the FASB. The Board will also consider whether to amend the chapters in the light of the IPSASB’s Conceptual Framework after it is completed; and

- (g) the additional application guidance for NFPs in relation to the new *Framework* chapters does not require public exposure.

The Board directed staff to circulate the proposed additional guidance for NFPs for approval out of session. That step is to be taken following the release of the finalised new chapters of the IASB *Framework*. Board members noted that they will consider whether those finalised new chapters and proposed additional guidance:

- (a) give sufficient emphasis to accountability as an objective, or component of the objective, of general purpose financial reporting; and
- (b) adequately acknowledge that users of general purpose financial reports of not-for-profit entities will be interested in:
 - (i) the ability of the entity's available resources to deliver future goods and services;
 - (ii) the quality, cost and effectiveness of goods and services that have been delivered in the past; and
 - (iii) how well the entity is meeting its objectives, which are not primarily related to cash generation.

Action:

Staff
Members