AUSTRALASIAN
COUNCIL OF
AUDITORS-GENERAL

8 November 2013

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Mr Stevenson

AASB Invitation to Comment ITC 29 - *A Review of the Conceptual Framework for Financial Reporting*

Please find attached the Australasian Council of Auditors-General (ACAG) response to the questions in ITC 29.

The views expressed in this submission represent those of all Australian members of ACAG.

The attachment to this letter addresses the specific questions asked by the Board and articulates our views in more detail. Attached also for your information is a copy of the ACAG response to the International Accounting Standards Board's Discussion Paper DP/2013/1 - *A Review of the Conceptual Framework for Financial Reporting*.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

PO Box 275, Civic Square ACT 2608, Australia
Phone/Fax: 1800 644 102 Overseas phone/fax: +61 2 9262 5876
Email: soneill@audit.sa.gov.au
Website: www.acag.org.au
ABN 13 922 704 402

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. **Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the preliminary views, particularly any issues relating to:**
   (a) not-for-profit entities; and
   (b) public sector entities, including the implications of the preliminary views for GAAP/GFS harmonisation;

   ACAG is not aware of any issues in the Australian environment that may affect the implementation of the preliminary views in relation to not-for-profit entities or public sector entities. However, ACAG notes there may continue to be a need for Aus paragraphs in the AASB Conceptual Framework. This would be assessed when the IASB issues an ED of its revised Conceptual Framework.

2. **Whether, overall, the preliminary views would result in financial statements that would be useful to users;**

   ACAG believes that, overall, the preliminary views would result in financial statements that would be useful to users.

3. **Whether the preliminary views are in the best interests of the Australian economy; and**

   ACAG has no comment to make on this issue.

4. **Unless already provided in response to specific matters for comment 1 -3 above, the costs and benefits of the preliminary views relative to the current treatments, whether quantitative (financial or non-financial) or qualitative.**

   ACAG believes that the preliminary views would provide benefits by clarifying the matters raised in DP/2013/1. ACAG does not believe that implementation of the preliminary views would involve significant costs.

   ACAG believes that the comparability of financial statements would be greatly enhanced if the IASB were to develop a single measurement basis for financial statements.

ACAG AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL

8 November 2013

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr Hoogervorst

IASB Discussion Paper DP/2013/1 - *A Review of the Conceptual Framework for Financial Reporting*

Please find attached the Australasian Council of Auditors-General (ACAG) response to the questions in IASB Discussion Paper DP/2013/1.

The views expressed in this submission represent those of all Australian members of ACAG.

The attachment to this letter addresses the specific questions asked by the Board and articulates our views in more detail.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

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ACAG RESPONSE TO QUESTIONS PUT IN DISCUSSION PAPER DP/2013/1

Question 1

Paragraphs 1.25–1.33 set out the proposed purpose and status of the *Conceptual Framework*. The IASB's preliminary views are that:

(a) the primary purpose of the revised *Conceptual Framework* is to assist the IASB by identifying concepts that it will use consistently when developing and revising IFRSs; and

(b) in rare cases, in order to meet the overall objective of financial reporting, the IASB may decide to issue a new or revised Standard that conflicts with an aspect of the *Conceptual Framework*. If this happens the IASB would describe the departure from the *Conceptual Framework*, and the reasons for that departure, in the Basis for Conclusions on that Standard.

Do you agree with these preliminary views? Why or why not?

ACAG agrees with these preliminary views. A clear primary focus is important in drafting the conceptual framework. Having said that, a clear and comprehensive conceptual framework also provides important guidance for preparers and auditors and assists in the development of IFRSs.

ACAG believes departures from the conceptual framework should be kept to a minimum, because every departure reduces, to some extent, the consistency of financial reporting. AGAG agrees that it is important to describe the departure, and the reasons for the departure in the Basis for Conclusions; preparers and auditors should never be left guessing whether a departure was intended.

Question 2

The definitions of an asset and a liability are discussed in paragraphs 2.6–2.16. The IASB proposes the following definitions:

(a) an asset is a present economic resource controlled by the entity as a result of past events.

(b) a liability is a present obligation of the entity to transfer an economic resource as a result of past events.

(c) an economic resource is a right, or other source of value, that is capable of producing economic benefits.

Do you agree with these definitions? Why or why not? If you do not agree, what changes do you suggest, and why?

ACAG agrees with the proposed definitions.

Question 3

Whether uncertainty should play any role in the definitions of an asset and a liability, and in the recognition criteria for assets and liabilities, is discussed in paragraphs 2.17–2.36. The IASB's preliminary views are that:

(a) the definitions of assets and liabilities should not retain the notion that an inflow or outflow is 'expected'. An asset must be capable of producing economic benefits. A liability must be capable of resulting in a transfer of economic resources.

(b) the *Conceptual Framework* should not set a probability threshold for the rare cases in which it is uncertain whether an asset or a liability exists. If there could be significant uncertainty about whether a particular type of asset or liability exists, the IASB would decide how to deal with that uncertainty when it develops or revises a Standard on that type of asset or liability.

(c) the recognition criteria should not retain the existing reference to probability.

Do you agree? Why or why not? If you do not agree, what do you suggest, and why?

ACAG agrees with the IASB's preliminary views. ACAG notes that some unusual assets/liabilities with a low probability of inflow/outflow of economic benefits can create seemingly odd results. ACAG believes this could normally be addressed at the Standards level, although some guidance in the Conceptual Framework as to when recognition is unlikely to be appropriate would be useful (e.g. Paragraph 4.25-4.26).

Question 4

Elements for the statement(s) of profit or loss and OCI (income and expense), statement of cash flows (cash receipts and cash payments) and statement of changes in equity (contributions to equity, distributions of equity and transfers between classes of equity) are briefly discussed in paragraphs 2.37–2.52.

Do you have any comments on these items? Would it be helpful for the *Conceptual Framework* to identify them as elements of financial statements?

ACAG believes it would be helpful to identify these items as elements of the financial statements. As noted in our response to Question 1, the more comprehensive the framework, the more useful it would be to preparers and auditors.

Question 5

Constructive obligations are discussed in paragraphs 3.39–3.62. The discussion considers the possibility of narrowing the definition of a liability to include only obligations that are enforceable by legal or equivalent means. However, the IASB tentatively favours retaining the existing definition, which encompasses both legal and constructive obligations—and adding more guidance to help distinguish constructive obligations from economic compulsion. The guidance would clarify the matters listed in paragraph 3.50.

Do you agree with this preliminary view? Why or why not?

ACAG has considerable experience with constructive obligations, operating as it does in the Australian public sector. Governments frequently make promises, of varying specificity, and preparers and auditors need to decide in each case whether a liability results. Our experience with the current definition is that it leaves too much room for differences of opinion on when an entity has a liability.

On the other hand, limiting recognised liabilities to those that are legally binding risks excluding many obligations that, in economic substance, will be binding on the entity.

ACAG agrees that liabilities should not be recognised merely because an entity is economically compelled to act in a certain way. An entity should not recognise a liability unless it has made a promise to another party, or is subject to a legal requirement.

ACAG agrees that additional guidance to distinguish constructive obligations from economic compulsion should be provided at the Conceptual Framework level (as per Paragraphs 3.50-3.54).

Question 6

The meaning of 'present' in the definition of a liability is discussed in paragraphs 3.63–3.97. A present obligation arises from past events. An obligation can be viewed as having arisen from past events if the amount of the liability will be determined by reference to benefits received, or activities conducted, by the entity before the end of the reporting period. However, it is unclear whether such past events are sufficient to create a present obligation if any requirement to transfer an economic resource remains conditional on the entity's future actions. Three different views on which the IASB could develop guidance for the Conceptual *Framework* are put forward:

(a) View 1: a present obligation must have arisen from past events and be strictly unconditional. An entity does not have a present obligation if it could, at least in theory, avoid the transfer through its future actions.

(b) View 2: a present obligation must have arisen from past events and be practically unconditional. An obligation is practically unconditional if the entity does not have the practical ability to avoid the transfer through its future actions.

(c) View 3: a present obligation must have arisen from past events, but may be conditional on the entity's future actions.

The IASB has tentatively rejected View 1. However, it has not reached a preliminary view in favour of View 2 or View 3. Which of these views (or any other view on when a present obligation comes into existence) do you support? Please give reasons.

ACAG supports View 2. If the entity does not have the practical ability to avoid the transfer of economic benefits through its future actions, it has a present obligation. In ACAG's view, recognition of liabilities where there is no practical ability to avoid the obligation provides the most faithful representation of an entity's financial position. View 1 is not supported because an obligation should not be omitted from financial statements merely because there is a theoretical possibility of avoiding the liability; financial statements should reflect the reality of the business, not theoretical possibilities. View 3 is not supported because an obligation that is conditional on future actions that the entity realistically could avoid should not be recognised as a liability.

Question 7

Do you have comments on any of the other guidance proposed in this section to support the asset and liability definitions?

In paragraph 3.110(a), the IASB states that enforceable executory contracts give rise to a net asset or a net liability. It is not clear to ACAG why this should be so. Executory contracts will typically give rise to a liability and an asset, but is not clear, conceptually, why they should be netted. ACAG believes that the conceptual framework should address why assets and liabilities arising from executory contracts should be treated any differently from other assets and liabilities. The discussion in paragraph 3.109 to 3.112 focuses on existing practices, rather than proposing a conceptually sound solution.

Question 8

Paragraphs 4.1–4.27 discuss recognition criteria. In the IASB's preliminary view, an entity should recognise all its assets and liabilities, unless the IASB decides when developing or revising a particular Standard that an entity need not, or should not, recognise an asset or a liability because:

(a) recognising the asset (or the liability) would provide users of financial statements with information that is not relevant, or is not sufficiently relevant to justify the cost; or

(b) no measure of the asset (or the liability) would result in a faithful representation of both the asset (or the liability) and the changes in the asset (or the liability), even if all necessary descriptions and explanations are disclosed.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

ACAG agrees with the IASB's preliminary view. Recognition of all assets and liabilities, except where an IFRS provides otherwise, promotes consistency and conceptual integrity in financial reporting. We agree, as stated in Paragraph 4.26, that the Conceptual Framework should provide further guidance (indicators) to assist the IASB to assess when recognising an asset or a liability might not provide relevant information. It may also be beneficial if unrecognised assets and liabilities were disclosed in the notes and the IASB explains why it has determined recognition of such assets/liabilities is inappropriate.

Question 9

In the IASB's preliminary view, as set out in paragraphs 4.28–4.51, an entity should derecognise an asset or a liability when it no longer meets the recognition criteria. (This is the control approach described in paragraph 4.36(a)). However, if the entity retains a component of an asset or a liability, the IASB should determine when developing or revising particular Standards how the entity would best portray the changes that resulted from the transaction. Possible approaches include:

(a) enhanced disclosure;

(b) presenting any rights or obligations retained on a line item different from the line item that was used for the original rights or obligations, to highlight the greater concentration of risk; or

(c) continuing to recognise the original asset or liability and treating the proceeds received or paid for the transfer as a loan received or granted.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

ACAG agrees with the IASB's preliminary view. Derecognition of an asset or liability when it no longer meets the recognition criteria is logical. The requirements if the entity retains a component of an asset or a liability are best dealt with at the Standards level.

Question 10

The definition of equity, the measurement and presentation of different classes of equity, and how to distinguish liabilities from equity instruments are discussed in paragraphs 5.1–5.59. In the IASB's preliminary view:

(a) the *Conceptual Framework* should retain the existing definition of equity as the residual interest in the assets of the entity after deducting all its liabilities.

(b) the *Conceptual Framework* should state that the IASB should use the definition of a liability to distinguish liabilities from equity instruments. Two consequences of this are:
  (i) obligations to issue equity instruments are not liabilities; and
  (ii) obligations that will arise only on liquidation of the reporting entity are not liabilities (see paragraph 3.89(a)).

(c) an entity should:

  (i) at the end of each reporting period update the measure of each class of equity claim. The IASB would determine when developing or revising particular Standards whether that measure would be a direct measure, or an allocation of total equity.

  (ii) recognise updates to those measures in the statement of changes in equity as a transfer of wealth between classes of equity claim.

(d) **if an entity has issued no equity instruments, it may be appropriate to treat the most subordinated class of instruments as if it were an equity claim, with suitable disclosure. Identifying whether to use such an approach, and if so, when, would still be a decision for the IASB to take in developing or revising particular Standards.**

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

ACAG agrees with the IASB's preliminary view. Treating equity as a residual interest is a more robust solution than attempting to define equity.

Question 11

How the objective of financial reporting and the qualitative characteristics of useful financial information affect measurement is discussed in paragraphs 6.6–6.35. The IASB's preliminary views are that:

(a) **the objective of measurement is to contribute to the faithful representation of relevant information about:**

   (i) **the resources of the entity, claims against the entity and changes in resources and claims; and**

   (ii) **how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources.**

(b) **a single measurement basis for all assets and liabilities may not provide the most relevant information for users of financial statements;**

(c) **when selecting the measurement to use for a particular item, the IASB should consider what information that measurement will produce in both the statement of financial position and the statement(s) of profit or loss and OCI;**

(d) **the relevance of a particular measurement will depend on how investors, creditors and other lenders are likely to assess how an asset or a liability of that type will contribute to future cash flows. Consequently, the selection of a measurement:**

   (i) **for a particular asset should depend on how that asset contributes to future cash flows; and**

   (ii) **for a particular liability should depend on how the entity will settle or fulfil that liability.**

(e) **the number of different measurements used should be the smallest number necessary to provide relevant information. Unnecessary measurement changes should be avoided and necessary measurement changes should be explained; and**

(f) **the benefits of a particular measurement to users of financial statements need to be sufficient to justify the cost.**

Do you agree with these preliminary views? Why or why not? If you disagree, what alternative approach to deciding how to measure an asset or a liability would you support?

ACAG agrees with the propositions at (a), (e) and (f) above, but disagrees with the other propositions.

ACAG sees a single measurement basis as an important part of any conceptual framework.

Since accounting is essentially a measurement exercise, it is vital to be clear as to what the financial statements are attempting to measure. Therefore, each of the primary financial statements should have a consistent measurement basis, which would give meaning to the totals in each case. It is illogical to add the cost of some assets to the fair value of others and then claim that the total assets figure is a meaningful number, without further explanation.

Question 12

The IASB's preliminary views set out in Question 11 have implications for the subsequent measurement of assets, as discussed in paragraphs 6.73–6.96. The IASB's preliminary views are that:

(a) if assets contribute indirectly to future cash flows through use or are used in combination with other assets to generate cash flows, cost-based measurements normally provide information that is more relevant and understandable than current market prices.

(b) if assets contribute directly to future cash flows by being sold, a current exit price is likely to be relevant.

(c) if financial assets have insignificant variability in contractual cash flows, and are held for collection, a cost-based measurement is likely to provide relevant information.

(d) if an entity charges for the use of assets, the relevance of a particular measure of those assets will depend on the significance of the individual asset to the entity.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

ACAG disagrees with the IASB's preliminary views. See our response to Question 11.

Question 13

The implications of the IASB's preliminary views for the subsequent measurement of liabilities are discussed in paragraphs 6.97–6.109. The IASB's preliminary views are that:

(a) cash-flow-based measurements are likely to be the only viable measurement for liabilities without stated terms.

(b) a cost-based measurement will normally provide the most relevant information about:

(i) liabilities that will be settled according to their terms; and
(ii) contractual obligations for services (performance obligations).

(c) current market prices are likely to provide the most relevant information about liabilities that will be transferred.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

ACAG disagrees with the IASB's preliminary views for the reasons set out in our response to Question 11.

Question 14

Paragraph 6.19 states the IASB's preliminary view that for some financial assets and financial liabilities (for example, derivatives), basing measurement on the way in which the asset contributes to future cash flows, or the way in which the liability is settled or fulfilled, may not provide information that is useful when assessing prospects for future cash flows. For example, cost-based information about financial assets that are held for collection or financial liabilities that are settled according to their terms may not provide information that is useful when assessing prospects for future cash flows:

(a) if the ultimate cash flows are not closely linked to the original cost;

(b) if, because of significant variability in contractual cash flows, cost-based measurement techniques may not work because they would be unable to simply allocate interest payments over the life of such financial assets or financial liabilities; or

(c) if changes in market factors have a disproportionate effect on the value of the asset or the liability (ie the asset or the liability is highly leveraged).

Do you agree with this preliminary view? Why or why not?

ACAG disagrees with the IASB's preliminary view, for the reasons set out in our response to Question 11.

Question 15

Do you have any further comments on the discussion of measurement in this section?

ACAG has no further comments on measurement.

Question 16

This section sets out the IASB's preliminary views about the scope and content of presentation and disclosure guidance that should be included in the *Conceptual Framework*. In developing its preliminary views, the IASB has been influenced by two main factors:

(a) the primary purpose of the *Conceptual Framework*, which is to assist the IASB in developing and revising Standards (see Section 1); and

(b) other work that the IASB intends to undertake in the area of disclosure (see paragraphs 7.6–7.8), including:

- **(i) a research project involving IAS 1, IAS 7 and IAS 8, as well as a review of feedback received on the Financial Statement Presentation project;**
- **(ii) amendments to IAS 1; and**
- **(iii) additional guidance or education material on materiality.**

Within this context, do you agree with the IASB's preliminary views about the scope and content of guidance that should be included in the *Conceptual Framework* on:

(a) presentation in the primary financial statements, including:

- **(i) what the primary financial statements are;**
- **(ii) the objective of primary financial statements;**
- **(iii) classification and aggregation;**
- **(iv) offsetting; and**
- **(v) the relationship between primary financial statements.**

(b) disclosure in the notes to the financial statements, including:

- **(i) the objective of the notes to the financial statements; and**
- **(ii) the scope of the notes to the financial statements, including the types of information and disclosures that are relevant to meet the objective of the notes to the financial statements, forward-looking information and comparative information.**

Why or why not? If you think additional guidance is needed, please specify what additional guidance on presentation and disclosure should be included in the *Conceptual Framework*.

ACAG agrees with the IASB's preliminary views.

Question 17

Paragraph 7.45 describes the IASB's preliminary view that the concept of materiality is clearly described in the existing *Conceptual Framework*. Consequently, the IASB does not propose to amend, or add to, the guidance in the *Conceptual Framework* on materiality. However, the IASB is considering developing additional guidance or education material on materiality outside of the *Conceptual Framework* project.

Do you agree with this approach? Why or why not?

ACAG agrees with this approach. In particular, while materiality is already appropriately defined in IFRSs, we think guidance on how to apply the concept of materiality in the context of IFRSs would be useful.

Question 18

The form of disclosure requirements, including the IASB's preliminary view that it should consider the communication principles in paragraph 7.50 when it develops or amends disclosure guidance in IFRSs, is discussed in paragraphs 7.48-7.52.

Do you agree that communication principles should be part of the *Conceptual Framework*? Why or why not?

If you agree they should be included, do you agree with the communication principles proposed? Why or why not?

ACAG agrees that the communication principles in paragraphs 7.48 to 7.52 should be part of the Conceptual Framework. ACAG believes these principles will go some way towards counteracting a tendency for disclosures to be interpreted in a rules-based manner.

Question 19

The IASB's preliminary view that the *Conceptual Framework* should require a total or subtotal for profit or loss is discussed in paragraphs 8.19–8.22.

Do you agree? Why or why not?

If you do not agree do you think that the IASB should still be able to require a total or subtotal profit or loss when developing or revising particular Standards?

ACAG agrees that the Conceptual Framework should require a total or sub-total for profit or loss, provided that that term is defined or, at least, distinguished from OCI (see paragraph 8.35) in the Conceptual Framework in a meaningful and conceptually rigorous way.

Question 20

The IASB's preliminary view that the *Conceptual Framework* should permit or require at least some items of income and expense previously recognised in OCI to be recognised subsequently in profit or loss, ie recycled, is discussed in paragraphs 8.23–8.26.

Do you agree? Why or why not? If you agree, do you think that all items of income and expense presented in OCI should be recycled into profit or loss? Why or why not?

If you do not agree, how would you address cash flow hedge accounting?

ACAG's view on this matter would depend on how the concepts of profit or loss and OCI are distinguished, and on how these are presented in the financial statements. However, we believe that the relegation of items of income and expense to OCI should be minimised.

Question 21

In this Discussion Paper, two approaches are explored that describe which items could be included in OCI: a narrow approach (Approach 2A described in paragraphs 8.40–8.78) and a broad approach (Approach 2B described in paragraphs 8.79–8.94).

Which of these approaches do you support, and why?

If you support a different approach, please describe that approach and explain why you believe it is preferable to the approaches described in this Discussion Paper.

ACAG would prefer a different approach. ACAG believes that neither Approach 2A nor 2B have conceptual rigour. For example, the following statement at paragraph 8.40(a):

> "Principle 1: items of revenue and expense presented in profit or loss provide the primary source of information about the return an entity has made on its economic resources in a period."

is not very useful, because it immediately begs two questions: what is (or should be) the 'primary' source and what is a "return"? To be useful, these concepts would need to be more fully developed than they are in the Discussion Paper.

If the IASB does not wish to develop a conceptually rigorous distinction between profit or loss and OCI, ACAG suggests the presentation of the income statement be addressed at the IFRS level.

If the IASB does wish to investigate a conceptually rigorous distinction, ACAG suggests separating realised from unrealised income/expense. This would at least provide a logical basis for recycling ie when previously unrealised gains are realised.

Question 22

Chapters 1 and 3 of the existing **Conceptual Framework**

Paragraphs 9.2–9.22 address the chapters of the existing *Conceptual Framework* that were published in 2010 and how those chapters treat the concepts of stewardship, reliability and prudence. The IASB will make changes to those chapters if work on the rest of the *Conceptual Framework* highlights areas that need clarifying or amending. However, the IASB does not intend to fundamentally reconsider the content of those chapters.

Do you agree with this approach? Please explain your reasons.

If you believe that the IASB should consider changes to those chapters (including how those chapters treat the concepts of stewardship, reliability and prudence), please explain those changes and the reasons for them, and please explain as precisely as possible how they would affect the rest of the *Conceptual Framework*.

ACAG agrees that the IASB should not fundamentally reconsider Chapters 1 and 3 of the Conceptual Framework.

Question 23

Business model

The business model concept is discussed in paragraphs 9.23–9.34. This Discussion Paper does not define the business model concept. However, the IASB's preliminary view is that financial statements can be made more relevant if the IASB considers, when developing or revising particular Standards, how an entity conducts its business activities.

Do you think that the IASB should use the business model concept when it develops or revises particular Standards? Why or why not?

If you agree, in which areas do you think that the business model concept would be helpful?

Should the IASB define 'business model'? Why or why not?

If you think that 'business model' should be defined, how would you define it?

ACAG thinks it would be appropriate to use the business model concept when developing or revising standards. ACAG has no definite view on when this would be the case.

ACAG does not believe that the IASB should define 'business model'. This term is already well understood.

Question 24

Unit of account

The unit of account is discussed in paragraphs 9.35–9.41. The IASB's preliminary view is that the unit of account will normally be decided when the IASB develops or revises particular Standards and that, in selecting a unit of account, the IASB should consider the qualitative characteristics of useful financial information.

Do you agree? Why or why not?

ACAG agrees that the unit of account should normally be decided when the IASB develops or revises particular Standards. ACAG believes the issue is too specific to be decided at the Conceptual Framework level.

Question 25

Going concern

Going concern is discussed in paragraphs 9.42–9.44. The IASB has identified three situations in which the going concern assumption is relevant (when measuring assets and liabilities, when identifying liabilities and when disclosing information about the entity).

Are there any other situations where the going concern assumption might be relevant?

ACAG is not aware of any other situations where the going concern assumption might be relevant.

Question 26

Capital maintenance

Capital maintenance is discussed in paragraphs 9.45–9.54. The IASB plans to include the existing descriptions and the discussion of capital maintenance concepts in the revised *Conceptual Framework* largely unchanged until such time as a new or revised Standard on accounting for high inflation indicates a need for change.

Do you agree? Why or why not? Please explain your reasons.

ACAG has no view on this issue. The Australian public sector has not been in a high inflation environment for many years and the capital maintenance paragraphs in the existing Conceptual Framework are rarely used.