

June 2013

KEEP UP WITH GETTING A BETTER FRAMEWORK



IN THIS FOURTH ISSUE: OUTCOME OF THE ASAF MEETING

In April 2013 the Accounting Standards Advisory Forum (ASAF) held its first meeting. Before the meeting the European members of ASAF met with the National Standard Setters in Europe in the EFRAG Consultative Forum of Standard Setters to discuss the initial European views on the direction of the IASB Conceptual Framework project. In April and May the IASB discussed the Conceptual Framework again. This newsletter summarises how the input of the ASAF is now reflected in the IASB's tentative decisions – including the decision to provide a 180-day comment period.

At the April meeting ASAF members were asked to provide input on measurement, presentation in the statements of profit or loss and other comprehensive income, and uncertainty.

MEASUREMENT

Some ASAF members (including the European delegation) supported the IASB's initial view that the most relevant measurement would depend on how an entity uses an asset or settles a liability. One non-European member, however, thought that this would reduce comparability and thought that overarching principles were needed so measurements

ASAF

The ASAF serves as a technical advisory body to the IASB and consists of various members of the global accounting standard-setting community. The European members are EFRAG and the National Standard Setters of Germany, Spain and the United Kingdom.

could be added together to get an aggregate that made sense. Also, a European member noted that in deciding on measurement, links between assets and liabilities had to be taken into account.

After the meeting, the IASB has not made any tentative decisions to change its initial view.

PRESENTATION IN THE STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Based on the IASB's tentative decisions, the discussion paper (the DP) will present proposals for how to distinguish

between profit or loss and other comprehensive income by describing what types of items could be presented in other comprehensive income. Some ASAF members thought that in order to be able to apply this distinction on a consistent basis, the IASB should define profit or loss, other comprehensive income or performance of an entity. However, some IASB members questioned whether that would be possible.

UNCERTAINTY

All members of the ASAF agreed with the tentative IASB proposal to consider two types of uncertainty. Uncertainty related to the existence of an asset and liability and uncertainty regarding the outcome of an asset and liability. However, members had different views on how to deal with uncertainty when recognising assets and liabilities.

The current Conceptual Framework includes recognition criteria stating that an item should (only) be recognised if it is probable that any future economic benefit associated with the item will flow to or from the entity. The European delegation thought that such recognition thresholds should be maintained although it should be discussed how the thresholds should be set and whether they should be similar for assets and liabilities (see also the Bulletin Uncertainty). Other ASAF members disagreed: they thought that the Conceptual Framework should not include any recognition thresholds. After the ASAF meeting the IASB tentatively decided that there should be no recognition criteria regarding outcome uncertainty and existence uncertainty. Instead the DP may propose that the IASB should not require recognition of an asset or a liability if the IASB concludes that such recognition would not be (sufficiently) relevant considering the cost constraint.

GENERAL AND OTHER ISSUES

ASAF members were also provided with an opportunity to express what additional issues they thought should be considered in the DP.

The role of the business model

The European delegation and other ASAF members thought that the role of the business model should be discussed in the DP, and the IASB has afterwards decided to include such a discussion. However, the DP would not define the term

‘business model’.

Unit of account

Some ASAF members (including the European delegation) thought that the DP should explain what the unit of account should be and consider the effect of this. The IASB has afterwards tentatively decided to include a short discussion on the issue in the DP, but has not made any decisions to propose specific principles for how to determine the unit of account.

Other issues

Other issues presented by the ASAF members included: the role of prudence (and consequences of removing the reference to it); more guidance on derecognition; the role of the going concern assumption; how to solve the current debt/equity issues; the perspective of which financial statements are prepared; consequences from having the assessment of stewardship as an objective of financial reporting; assumptions about and common information needs of users; intra-group transactions; whether payments received in advance is financing; how to determine ‘cost’; disclosure overload; what subtotals could be presented; and how to consider financial statements in the context of other sources of information. The IASB chairman thought that the IASB could not handle all of these issues at this point.

Comment period

The IASB had originally envisaged a comment period of 120 days on the discussion paper. The view of many ASAF members (including the European members) was that the comment period should be 180 days. At its meeting in May, the IASB decided to follow this recommendation.

NEXT DISCUSSION OF THE CONCEPTUAL FRAMEWORK BY THE ASAF

No further ASAF discussions of the Conceptual Framework are planned before the DP is issued. However, during the comment period, an ASAF meeting will be held where members can provide their views on the issues considered in the discussion paper.