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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

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|-------------------|---|
| Sitzung: | 30. IFRS-FA / 01.09.2014 / 14:30 – 15:30 Uhr |
| TOP: | 06 – Conceptual Framework |
| Thema: | Aktuelle Entwicklungen |
| Unterlage: | 30_06_IFRS-FA_CF_CoverNote |

1 Sitzungsunterlagen für diesen TOP

- 1 Für diesen Tagesordnungspunkt (TOP) der Sitzung liegen folgende Unterlagen vor:

| Nummer | Titel | Gegenstand |
|--------|---------------------------------|--|
| 30_06 | 30_06_IFRS-FA_CF_CoverNote | Cover Note |
| 30_06a | 30_06a_IFRS-FA_CF_Entwicklungen | Update bzgl. der vorläufigen Entscheidungen des IASB |

Stand der Informationen: 20.08.2014.

2 Ziel der Sitzung

- 2 In der Sitzung sollen die jüngsten, vorläufigen Entscheidungen des IASB hinsichtlich der Überarbeitung des Rahmenkonzepts für die IFRS-Rechnungslegung durch den Projektverantwortlichen vorgestellt und eine erste Meinungsbildung vom IFRS-FA erörtert werden. Hierfür liegen dem IFRS-FA mit der Sitzungsunterlage **30_06a** die vom IASB im Juli 2014 vorläufig getroffenen Entscheidungen vor.

3 Aktueller Stand des Projekts

- 3 Im Anhang zu dieser Cover Note ist, thematisch gruppiert, ein Gesamtüberblick zum Stand der *Redeliberation* des IASB zum Diskussionspapier bzgl. der Vorschläge zur Überarbeitung des Rahmenkonzeptes beigefügt.
- 4 Die vom IFRS-FA eingesetzte Arbeitsgruppe wird am 10. September 2014 tagen; als Themenschwerpunkte der zweiten AG-Sitzung sind die überarbeiteten Vorschläge des IASB hinsichtlich der Abgrenzung von Vermögenswert und Verbindlichkeit sowie die entsprechenden konzeptionellen Bewertungsgrundlagen angesetzt.



Anhang – Gesamtüberblick zum Stand der *Redeliberation* des IASB zum Diskussionspapier

1 Purpose and status of the Conceptual Framework (April Agenda Paper 10E)

5 The IASB tentatively decided that:

- a. The purpose of the *Conceptual Framework* should be to identify the concepts that:
 - i. assist the IASB to develop and revise the Standards;
 - ii. assist preparers to develop accounting policies when no Standard applies to a particular transaction, event or condition; and
 - iii. assist all parties to understand and interpret the Standards.
- b. The existing status of the *Conceptual Framework* should be 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 the departure in the Basis for Conclusions on the Standard in question.

All IASB members agreed.

2 Revised chapter 1 and 3

2.1 Stewardship

6 The IASB tentatively decided to amend Chapter 1 of the *Conceptual Framework* to increase the prominence of stewardship within the overall objective of financial reporting. It would do this by identifying the information needed to assess the stewardship of management as not overlapping fully with the information needed to help users assess the prospects of future net cash inflows to the entity. Fifteen IASB members agreed.

2.2 Reliability

7 The IASB tentatively decided:

- a. not to replace the qualitative characteristic of faithful representation with reliability;
- b. not to include any reference to reliability as either an additional qualitative characteristic or an aspect of either relevance or faithful representation; and



- c. to consider in drafting whether it is possible to give greater prominence to the idea expressed in paragraph QC16 of the existing *Conceptual Framework* that if the level of uncertainty associated with an estimate is sufficiently large, that estimate might not provide relevant information. All IASB members agreed.

2.3 Prudence

8 The IASB tentatively decided:

- a. to reintroduce a reference to prudence in the *Conceptual Framework*. All IASB members agreed;
- b. to describe prudence as the exercise of caution when making judgments under conditions of uncertainty. The exercise of prudence is consistent with neutrality and should not allow the overstatement or understatement of assets, liabilities, income or expenses. All IASB members agreed; and
- c. to discuss in the Basis for Conclusions the significance of prudence for preparers in preparing financial statements and for the IASB when setting Standards. Eleven IASB members agreed.

2.4 Business model (July Agenda Paper 10H)

9 The IASB tentatively decided that the Exposure Draft should not provide a single overarching description of how the nature of an entity's business activities would affect standard-setting. Instead, the IASB should describe, for each area affected, how consideration of an entity's business activities would affect standard setting. The IASB also indicated that the nature of an entity's business activities is likely to affect measurement, the unit of account, the distinction between profit or loss and OCI, and presentation and disclosure. It is less likely to affect other areas covered by the *Conceptual Framework*.

Fourteen IASB members agreed with these decisions.

2.5 Going concern

10 The IASB tentatively decided that:

- a. The going concern assumption should be treated as an underlying assumption. The revised *Conceptual Framework* should include the current description of the going concern assumption, except that the phrase 'curtail materially the scale of its operations' should be replaced by 'cease trading'. That wording is used in IAS 1 *Presentation of Financial Statements* and IAS 10 *Events After the Reporting Period*.



- b. The IASB should not provide additional guidance in the *Conceptual Framework* on the going concern assumption.
- c. This project should not address:
 - i. the preparation of financial statements by entities that are not going concerns; and
 - ii. disclosures about going concern.

Fourteen IASB members agreed.

2.6 Other aspects within the context of *Chapters 1 and 3*

- 11 The IASB discussed Chapters 1 and 3 of the *Conceptual Framework* and tentatively decided:
- a. to amend Chapter 3 *Qualitative Characteristics of Useful Financial Information* to explain that, when the legal form of an item is different from its underlying economic substance, reporting that item in accordance with its legal form would not result in a faithful representation;
 - b. to make no changes to the description of the primary user group identified in Chapter 1 *The Objective of General Purpose Financial Reporting*;
 - c. not to elevate understandability from an enhancing qualitative characteristic to a fundamental qualitative characteristic; and
 - d. not to add a discussion of complexity to the *Conceptual Framework*.

All IASB members agreed.

3 Reporting entity

3.1 General

- 12 The IASB tentatively decided that:
- a. A reporting entity is an entity that chooses, or is required, to present general purpose financial statements. Thirteen IASB members agreed.
 - b. A reporting entity need not be a legal entity, and could be an unincorporated entity, a portion of an entity, or two or more entities. Twelve IASB members agreed.
 - c. The *Conceptual Framework* should not discuss joint control and significant influence. All IASB members agreed.
 - d. Generally, consolidated financial statements are more likely than unconsolidated financial statements to provide information that is useful to more users. Thirteen IASB members agreed.
 - e. When an entity is required to present consolidated financial statements, that entity may also choose, or be required, to present unconsolidated financial statements. Those unconsolidated financial statements should disclose how users may obtain consolidated financial statements. Eleven IASB members agreed.



- f. The *Conceptual Framework* should not specify which combinations of entities could constitute a reporting entity that could legitimately prepare combined financial statements. Twelve IASB members agreed.

3.2 Perspective

- 13 The IASB tentatively confirmed that financial statements should be prepared from the perspective of the reporting entity as a whole. Fifteen IASB members agreed.

4 Elements of financial statements

4.1 Definitions of assets and liabilities

- 14 The IASB tentatively decided that:
- a. Assets should be viewed as rights, or bundles of rights, rather than as underlying physical or other objects. All IASB members agreed. The IASB noted that in many cases an entity would account for an entire bundle of rights as a single asset, and describe that asset as the underlying object. An entity would account separately for rights within a bundle only when needed to provide a relevant and faithful representation, at a cost that does not exceed the benefits.
 - b. The reference to future economic benefits should be placed in a supporting definition (of an economic resource), rather than in the definitions of an asset and of a liability. Fifteen IASB members agreed.
 - c. The definition of an economic resource should not include the notion of 'other source of value' that was suggested in the Discussion Paper. The guidance supporting the definition of an economic resource should confirm that the notion of a 'right' is broad enough to capture any know-how that is controlled by keeping it secret. Fourteen IASB members agreed.
 - d. The term 'present' should be retained in the definition of a liability and, as proposed in the Discussion Paper, should be added to the definition of an asset. All IASB members agreed.
 - e. The phrase 'as a result of past events' should be retained in both the definition of an asset and the definition of a liability. Fourteen IASB members agreed.
- 15 The IASB also discussed the role of uncertainty in the definitions of an asset and of a liability and tentatively decided that:
- a. The definitions of assets and liabilities should not retain the notion that an inflow or outflow needs to be 'expected'. Twelve IASB members agreed.
 - b. The definition of an economic resource should, as proposed in the Discussion Paper, specify that an economic resource must be capable of generating economic benefits. The term 'capable' indicates that the economic benefits must arise from some feature that already exists within the economic resource. The term 'capable' is not intended to impose a minimum probability threshold, but rather to indicate that, in at least some outcomes, the economic resource will generate economic benefits. Twelve IASB members agreed.



- c. The notion 'is capable of' should not appear explicitly in the proposed definition of a liability. The supporting guidance should clarify that an obligation must contain an existing feature that is capable of requiring the entity to transfer an economic resource. Ten IASB members agreed.

4.2 Asset definition: control (July Agenda Paper 10D)

16 The IASB tentatively decided:

- a. not to move the requirement for control from the asset definition to the asset recognition criteria;
- b. the definition of an asset should continue to require an economic resource to be 'controlled' by the entity. The definition should not be changed so that it instead (or in addition) requires the entity to have exposure or rights to the significant risks and rewards of ownership of the resource;
- c. supporting guidance should identify exposure to the significant risks and rewards of ownership as an indicator of control (but explain that it is only one factor to consider in the overall assessment);
- d. the terminology relating to control should be consistent with that in IFRS 10 *Consolidated Financial Statements*. Instead of using the term 'risks and rewards of ownership', the *Conceptual Framework* should use wording that explains the meaning of that term, ie 'exposure, or rights, to variations in benefits'; and
- e. the *Conceptual Framework* should state that an entity controls an economic resource if it has the present ability to direct the use of the economic resource and obtain the economic benefits that flow from it.

Fourteen IASB members agreed with these decisions.

17 In addition, the IASB tentatively decided that the *Conceptual Framework* should include supporting guidance on the meaning of control, based on the guidance suggested in paragraphs 3.26-3.32 of the Discussion Paper but:

- a. adding clarification that a component of control is the ability to prevent other parties from directing the use of, and obtaining the benefits from, the economic resource; and
- b. deleting some of the examples that were included in the Discussion Paper.

Fourteen IASB members agreed with this decision.

4.3 Liability definition—present obligation (July Agenda Paper 10C)

18 The IASB tentatively decided that an entity has a present obligation to transfer an economic resource as a result of past events if both:

- a. the entity has no practical ability to avoid the transfer; and
- b. the amount of the transfer is determined by reference to benefits that the entity has received, or activities that it has conducted, in the past.

Fourteen IASB members agreed with this decision.



19 The IASB noted that it will need to consider what ‘no practical ability’ means for transactions within the scope of particular Standards that it develops or amends. However, the *Conceptual Framework* should clarify that the fact that an entity intends to make a transfer or that the transfer is probable is not sufficient to conclude that the entity has no practical ability to avoid the transfer. The IASB tentatively decided that the *Conceptual Framework* should include the following general guidance:

- a. Most obligations arise from contracts, legislation or some other operation of the law. In the absence of legal enforceability, an entity has no practical ability to avoid transferring an economic resource if its customary practices, published policies or specific statements create a valid expectation in another party that the entity will transfer the resource to (or on behalf of) that other party. In such situations, the entity has a constructive obligation to transfer the resource.
- b. In some situations, an entity may be required to transfer an economic resource if it takes a particular course of action in the future, such as conducting particular activities or exercising particular options within a contract. In such situations, if the entity has no practical ability to avoid the particular course of action that would require the transfer, and the other criterion is also met (the amount of the transfer is determined by reference to benefits that the entity has received, or activities that it has conducted, in the past), the entity has a present obligation.
- c. Situations in which an entity has no practical ability to avoid a particular course of action include those in which all courses of action that avoid the transfer would cause significant business disruption or would have economic consequences significantly more adverse than the transfer itself.
- d. An entity that prepares financial statements on a going concern basis has no practical ability to avoid a transfer that could be avoided only by liquidating the entity or ceasing trading.

Fourteen IASB members agreed with this decision.

20 In addition, the IASB tentatively decided that no guidance is needed in the *Conceptual Framework* on the role of constrained discretion in the identification of assets. Fourteen IASB members agreed with this decision.

4.4 Economic resources and economic benefits (June Agenda Paper 10C)

21 The IASB tentatively decided that the *Conceptual Framework* should include:

- a. guidance on economic resources, based on paragraph 3.5 of the Discussion Paper, but avoiding excessive detail; and
- b. guidance on economic benefits, broadly consistent with the guidance in paragraph 3.6 of the Discussion Paper, and paragraph 35 of IFRS 15 *Revenue from Contracts with Customers*.

All IASB members agreed with these decisions.



4.5 Asset and liability definitions—executory contracts (June Agenda Paper 10D)

- 22 The IASB tentatively decided that the *Conceptual Framework* should include concepts explaining the nature of the assets and liabilities in executory contracts. It should state that:
- a. an enforceable executory contract contains a right and an obligation to exchange economic resources (or to pay or receive the difference in values between two economic resources if the contract will be settled net). The combined right and obligation would constitute a single asset or liability; and
 - b. if an entity enters into a forward contract to purchase a resource at a future date, the entity's asset is normally its right to buy the underlying resource, not the underlying resource itself. However, in some circumstances the terms of a forward contract to purchase a resource may give the purchaser control of that resource. In such circumstances, the purchaser should identify both an asset (the underlying resource that it already controls) and a liability (its obligation to pay for the resource). In these circumstances, the contract is not executory: the seller has substantively performed its obligations.

Thirteen IASB members agreed with these decisions.

4.6 Initial strategy: Liabilities and equity (April Agenda Paper 10B)

- 23 The IASB tentatively decided that the *Conceptual Framework*:
- should keep the existing binary distinction of liabilities and equity and build on the feedback received on the Discussion Paper to develop definitions of liabilities and equity; and
 - should not provide detailed guidance on how to distinguish liabilities from equity instruments.

4.7 Approach to defining income and expense

- 24 The IASB tentatively decided that the *Conceptual Framework* should continue to define income and expense by reference to changes in assets and liabilities. All IASB members present agreed.

The IASB noted that the approach to defining income and expenses does not predetermine which assets and liabilities should be recognised, how they should be measured and how income and expense should be aggregated, analysed and presented. For decisions on these matters, the IASB would continue to consider the nature of the information that would result in the statement of financial position, and also in the statement(s) of profit or loss and other comprehensive income.

4.8 Other elements (July Agenda Paper 10G)

- 25 The IASB tentatively decided that the *Conceptual Framework* should not define elements for the statement of changes in equity and for the statement of cash flows. Eleven IASB members agreed with this decision. Thus, the only elements would continue to be assets, liabilities and equity, and income and expenses.



5 Measurement

5.1 Initial strategy: Measurement (April Agenda Paper 10C)

- 26 The IASB tentatively decided to build on the proposals in the Discussion Paper, modified in the light of feedback received, rather than undertaking further research work on measurement.

5.2 Objective and the effect of the qualitative characteristics (July Agenda Paper 10J)

- 27 The IASB discussed the objective of measurement and tentatively decided that the Exposure Draft should:

- a. *not* define a separate measurement objective; and
- b. describe as follows how measurement contributes to the overall objective of financial reporting:

"Measurement is the process of quantifying in monetary terms information about the resources of an entity, claims against the entity and changes in those resources and claims. Such information helps users to assess the entity's prospects for future cash flows and assess management's stewardship of the entity's resources."

Fourteen IASB members agreed with these decisions.

- 28 The IASB also discussed the implications of the qualitative characteristics of useful financial information for measurement and tentatively decided that the Exposure Draft should:

- a. state that when the IASB selects a measurement basis, it should consider the nature and relevance of the resulting information produced in both the statement of financial position and the statement(s) of profit or loss and other comprehensive income (OCI). Fourteen IASB members agreed with this decision.
- b. state that:
 - i. the level of uncertainty associated with the measurement of an item is one of the factors that should be considered when selecting a measurement basis; and
 - ii. if a measurement is subject to a high degree of measurement uncertainty, that fact does not, by itself, mean that the measurement does not provide relevant information.

Twelve IASB members agreed with this decision.
- c. not make explicit use of the term 'reliability' when describing the level of measurement uncertainty associated with the measurement of an item. Thirteen IASB members agreed with this decision.
- d. retain the discussion of faithful representation included in the Discussion Paper. Ten IASB members agreed with this decision.
- e. discuss in the measurement section that a faithful representation by itself does not necessarily result in useful information. The information provided by the representation must also be relevant. Fourteen IASB members agreed with this decision.



- f. explain the need to weigh the benefits of introducing a new or different measurement basis against any increased costs or complexity. This would replace the statement in the Discussion Paper that the number of measurement bases should be the smallest necessary to provide relevant information. Nine IASB members agreed with this decision.
- g. retain the discussion of necessary and unnecessary changes in measurement bases included in the Discussion Paper. Fourteen IASB members agreed with this decision.
- h. retain the discussion of the other enhancing qualitative characteristics included in the Discussion Paper. Fourteen IASB members agreed with this decision.
- i. state explicitly in the measurement section that the cost-benefit constraint is one of the factors the IASB should consider when selecting a measurement. Nine IASB members agreed with this decision.

5.3 Measurement categories (July Agenda Paper 10K)

- 29 The IASB discussed an initial working draft of the description and discussion of measurement bases for the Exposure Draft. The IASB instructed the staff to bring a paper to a future meeting that:
- a. groups measurement bases into a small number of categories (for example, historical and current measurements); and
 - b. reduces the number of measurement bases described (for example, by combining similar measurement bases and eliminating the description of little-used measurement bases).

5.4 Cash flow-based measurements (July Agenda Paper 10L)

- 30 The IASB tentatively decided 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*. However, if the IASB decides in a particular Standard to use a cash flow-based measurement technique to implement a measurement basis that is not one of those described in the *Conceptual Framework*, the Basis for Conclusions on that Standard should explain why. Twelve IASB members agreed with this decision.

The IASB also tentatively decided that the Exposure Draft should include additional guidance on:

- a. the different approaches to dealing with uncertain cash flows;
- b. the use of discount rates. This guidance would state, among other things, that if an entity measures an item using a cash flow-based measurement technique, and the effect of the time value of money is significant for the cash flows associated with that item, then the entity should discount those cash flows to reflect the time value of money; and
- c. how to decide when the measurement of a liability should include the effect of a reporting entity's own credit standing.

Thirteen IASB members agreed with these decisions.



5.5 Others

- 31 The IASB also tentatively decided that the purpose of depreciation and amortisation is to depict consumption of the economic resource that constitutes an asset. Thirteen IASB members agreed with this decision.
- 32 The IASB tentatively decided that the *Conceptual Framework* should not address the measurement of executory contract assets and liabilities. Instead, the IASB should apply the general measurement concepts in the *Conceptual Framework* when specifying requirements for particular types of executory contract within the applicable Standard. All IASB members agreed with this decision.
- 33 The IASB noted that many existing Standards implicitly apply the same measurement bases for executory contract assets or liabilities as they specify for the assets or liabilities that arise when one of the parties subsequently performs its obligations. The result is that many executory contract assets and liabilities are measured at zero (and hence are not recognised) unless the contract is onerous.

6 Recognition and derecognition

6.1 Recognition

- 34 The IASB tentatively decided that the *Conceptual Framework* should not establish criteria that govern the recognition of an asset or liability in all circumstances. The *Conceptual Framework* should instead describe factors to consider in deciding whether to recognise an asset or liability. Those factors would include whether the resulting information would be relevant and provide a faithful representation, and the costs of providing information relative to the benefits. Information might not be relevant if, for example, it is uncertain whether the asset or liability exists, if it is unlikely that future flows of economic benefits will occur or if there is very significant measurement uncertainty associated with the item. May Agenda Paper 10B contains an initial draft describing those factors. The IASB directed the staff to develop that description in the light of the IASB's discussion. Nine IASB members agreed.
- 35 The IASB noted that its aim in revising the definitions of an asset and of a liability and the recognition criteria was to provide more clarity, not to broaden or narrow the range of recognised assets and recognised liabilities.

6.2 Derecognition (July Agenda Paper 10E)

- 36 The IASB tentatively decided that the *Conceptual Framework* should describe the approaches available, and discuss what factors to consider, in deciding at the Standards level:
- a. how best to portray the changes that result from a transaction in which an entity retains only a component of an asset or a liability, by either:
 - i. full derecognition—ie derecognise the original asset (or liability) entirely and recognise any retained right (or obligation) as a new asset (or liability);



- ii. partial derecognition—ie continue to recognise the component of the original asset (or liability) that is retained and derecognise the component that is not retained; or
 - iii. continued recognition—ie continue to recognise the original asset (or liability) and treat the proceeds received or paid for the transfer as a loan received (or granted); and
- b. how to account for modifications of contracts.

Fourteen IASB members agreed with these decisions.

7 Profit or loss and other comprehensive income (OCI)

7.1 Initial strategy: Profit or loss and other comprehensive income (April Agenda Paper 10D)

- 37 The IASB discussed how to develop the distinction between profit or loss and other comprehensive income (OCI). The IASB directed the staff to develop an approach that would emphasise the role of profit or loss as the primary source of information about an entity's performance and would provide high level guidance to the IASB on how it could use OCI.

7.2 General (June Agenda Paper 10B)

- 38 The IASB tentatively decided that the *Conceptual Framework* should:
- a. require profit or loss as a total or subtotal. All IASB members agreed with this decision.
 - b. describe profit or loss as the primary source of information about an entity's performance for the period but emphasise that it is not the only source of such information. For example, items included in OCI also provide information about an entity's performance. Fourteen IASB members agreed with this decision.
 - c. describe the dual objectives for profit or loss as depicting the return that an entity has made on its economic resources during the period, and providing information that is helpful in assessing prospects for future cash flows. Fourteen IASB members agreed with this decision.
 - d. include a rebuttable presumption that all items of income and expense should be included in profit or loss unless the IASB concludes in a particular Standard that including an item of income and expense—or a component of such an item—in OCI would enhance the relevance of profit or loss as the primary source of information about an entity's performance for the period. Eleven IASB members agreed with this decision.
 - e. state that one example when the rebuttable presumption discussed in d above could be rebutted is when the IASB concludes that one measurement basis is appropriate for an asset or a liability in the statement of financial position and another measurement basis is appropriate for profit or loss. In such cases, the resulting difference would be reported in OCI. Thirteen IASB members agreed with this decision.
 - f. include a rebuttable presumption that all items of income and expense included in OCI should be recycled to profit or loss. Ten IASB members agreed with this decision.



- 39 The IASB directed the staff to clarify particular aspects of the proposed approach:
- a. why profit or loss is the primary source of information about an entity's performance for the period; and
 - b. whether it is possible to find principles that identify some items of income and expense that can only be included in profit or loss rather than OCI, without providing a detailed list of such items.

7.3 Clarifying the proposed approach (July Agenda Paper 10B)

- 40 The IASB discussed why profit or loss is the primary source of information about an entity's performance for the period.
- 41 The IASB tentatively decided that the Exposure Draft should:
- a. propose that the presumption for including items of income and expense in profit or loss cannot be rebutted for items of income and expense that arise when cost-based measures are used for assets and liabilities.
 - b. propose that the presumption for including items of income and expense in profit or loss can only be rebutted for changes in current measures of assets and liabilities, and only if including those changes—or components of those changes—in OCI enhances the relevance of profit or loss as the primary source of information about an entity's performance for the period; and
 - c. emphasise that including items of income and expense resulting from changes in current measures of assets and liabilities—or components of those changes—in OCI is an application of the classification, aggregation and disaggregation principle for presentation and disclosure (discussed in July Agenda Paper 10F), which is designed to provide effective communication of financial information and to make that information more understandable.

Nine IASB members agreed with these decisions.

8 Presentation and disclosure

8.1 Scope and content (July Agenda Paper 10F)

- 42 The IASB tentatively decided that the Exposure Draft should:
- a. *not* introduce the notion of 'primary financial statements' that had been proposed in the Discussion Paper. Twelve IASB members agreed with this decision;
 - b. state that the objective of financial statements is to provide information about an entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's resources. As a result, financial statements provide information about the financial position, financial performance and cash flows of an entity. Nine IASB members agreed with this decision. One IASB member was absent;



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- c. discuss disclosures that the IASB would normally consider requiring in setting Standards (but should not provide examples of different types of disclosures). Thirteen IASB members agreed with this decision;
 - d. retain the discussion of disclosure of risks and forward-looking information proposed in the Discussion Paper. In particular:
 - i. the IASB would normally consider requiring disclosures about the nature and extent of risks arising from the entity's assets and liabilities; and
 - ii. the IASB should require forward-looking information to be included in the notes to the financial statements only if it provides relevant information about the assets and liabilities that existed at the end of, or during, the reporting period;

Thirteen IASB members agreed with this decision.

- e. retain the guidance on classification and aggregation, offsetting and comparative information proposed in the Discussion Paper; in particular that:
 - i. in order to present information that is understandable, an entity should classify, aggregate and disaggregate information about recognised elements in a way that reflects similarities in the properties of the information;
 - ii. offsetting items of dissimilar nature does not generally provide the most useful information; and
 - iii. comparative information is an integral part of an entity's financial statements for the current period because it provides relevant trend information.

Fourteen IASB members agreed with this decision.

8.2 Communication aspects (June Agenda Paper 10F)

43 The IASB tentatively decided:

- a. to reconfirm the proposal in the Discussion Paper that each Standard should have a clear objective for disclosure and presentation requirements;
- b. to reconfirm the proposal in the Discussion Paper that the IASB should develop disclosure and presentation requirements that promote effective communication of useful financial information;
- c. to include in the *Conceptual Framework* those communication principles proposed in the Discussion Paper that are primarily directed at the IASB and discuss how they relate to the qualitative characteristics of useful financial information. Specifically, the IASB tentatively decided that disclosure requirements should seek to:
 - i. promote the disclosure of useful information that is entity-specific;
 - ii. result in disclosures that are clear, balanced and understandable;
 - iii. avoid duplication of the same information in different parts of the financial statements; and
 - iv. optimise comparability without compromising the usefulness of the information disclosed; and



- d. not to include in the *Conceptual Framework* a discussion about financial statements in an electronic format.

All IASB members agreed with these decisions.

8.3 Materiality (June Agenda Paper 10G)

- 44 The IASB tentatively decided it would not amend the concept of materiality in paragraph QC11 of the existing *Conceptual Framework*, except to clarify that the term 'users' in that paragraph refers to the primary users mentioned in Chapter 1 of the *Conceptual Framework*. Fifteen IASB members agreed with this decision.

9 Unit of account (June Agenda Paper 10E)

- 45 The IASB tentatively decided that:
 - a. determining the unit of account is a Standards-level decision;
 - b. the *Conceptual Framework* should describe possible units of account; and
 - c. the *Conceptual Framework* should include a list of factors to consider when determining the unit of account but should not rank the priorities of the factors.

All IASB members agreed with these decisions.

10 Transition and effective date (July Agenda Paper 10I)

- 46 The IASB tentatively decided that:
 - a. the IASB and the IFRS Interpretations Committee should apply the revised *Conceptual Framework* immediately after its publication;
 - b. a transition period of no less than approximately 18 months should be allowed for entities that use the *Conceptual Framework* to develop and apply accounting policies for a transaction, other event or condition for which no IFRS specifically applies. Early application should be permitted; and
 - c. no additional guidance on transition should be provided in the revised *Conceptual Framework*. Consequently, entities would be required to apply the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to any changes in accounting policy arising from an application of the revised *Conceptual Framework*.

Fourteen IASB members agreed with this decision.