



## Agenda Paper 7A

### Scope and interaction with the *Conceptual Framework* project

36. Sitzung IFRS-FA am 05.03.2015  
36\_07c2\_IFRS-FA\_ASAF\_FICE AP7a

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

# What advice did we get from ASAF?

- In September 2014, we asked ASAF for advice regarding the scope of the project
- ASAF members asked us to clarify the interaction between this project and the *Conceptual Framework* project
- ASAF members stated that:
  - IAS 32 had proved to be robust during the financial crisis, although new financial products were testing its requirements.
  - while a fundamental review of the requirements was necessary, the IASB should not necessarily start from an entirely blank sheet of paper.
  - therefore the IASB should seek to provide a better foundation for the requirements of IAS 32 to address issues emerging in practice.

# How will the project interact with the *Conceptual Framework* project

- The upcoming *Conceptual Framework* Exposure Draft will include proposed changes to the definition of a liability:
  - Those changes are directed at addressing problems to do with the application of the definition to uncertain or conditional liabilities.
- However, those changes do not address problems to do with the application of the definition to distinguishing liabilities from equity claims:
  - the IASB will consider these problems in this research project, and the research project will not be constrained by the proposed definitions in the *Conceptual Framework* ED
  - one possible outcome of the research is a recommendation to consider adding a project to amend the *Conceptual Framework* in relation to distinguishing between liabilities and equity
  - nevertheless, the IASB does not expect that any potential changes will reverse the clarifications to be suggested in the *Conceptual Framework* ED
- Highlight the above in the ED

# What did the IASB decide?

- We took ASAF's advice to the IASB, and in October 2014, it decided that this project should investigate potential improvements:
  - to the classification of liabilities and equity in IAS 32, including investigating potential amendments to the definitions of liabilities and equity in the *Conceptual Framework*; and
  - to the presentation and disclosure requirements for financial instruments with characteristics of equity, irrespective of whether they are classified as liabilities or equity.
- The IASB thinks that exploring ways to provide information by some combination of classification, presentation and disclosure, will increase the likelihood of the project successfully addressing the problems identified.

# How will we approach the project?

- We will not start with a blank sheet of paper
- Instead we will start with the existing classification requirements of IAS 32 and explore both:
  - *improvements* to those classification requirements to ensure that the underlying principles are robust enough to deal with instruments causing problems.
  - additional presentation and disclosure requirements within liabilities and within equity. This may provide an additional tool through which some of these problems could also be addressed.

# Thank you



Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.