



International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

27 November 2015

Dear Board Member,

Re: ED/2015/3 Conceptual Framework for Financial Reporting

BUSINESSEUROPE is pleased to take this opportunity to respond to the Exposure Draft *The Conceptual Framework for Financial Reporting* (the ED).

In our response to the IASB's Agenda Consultation, Business Europe strongly supported completion of this project ahead of any new major standard-setting activities and therefore we welcome the priority it is being given. It is important that this is completed before the IASB considers any major new standard-setting activity. We also recognise and welcome progress that the proposals in the ED represent compared with the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (the DP).

The following are the principal points we would bring to the Board's attention:

1. We continue to be concerned with the approach taken to the recognition of assets and liabilities in the ED. The approach still seems to be one of recognising all assets and liabilities by default, unless the Board decides that it is not relevant to do so. The factors that would indicate to the Board that recognition would not be relevant are not defined with sufficient rigour for them to be used as criteria. We expect that this will result in the Board either deciding that all assets and liabilities are recognised or making inconsistent decisions between standards.
2. As a consequence of the lack of clear recognition criteria, preparers will be unable to apply judgement when considering items that are not dealt with by a specific standard, and will thus be forced to recognise all such items if they correspond to the definition of an asset or a liability. We remain convinced that some form of "probability threshold" is the most effective way of resolving these issues of recognition.
3. While we recognise that the Board has made a good start on defining the purpose of the statement of profit or loss, we think that this should be further developed to enable the purpose of other comprehensive income (OCI) to be easily distinguished from it. In addition, it would be helpful to develop in parallel a definition of OCI in order to further clarify the distinction between the two.

4. As with the recognition criteria, the criteria proposed for the identification of items to be presented in OCI are insufficiently robust and could, in our opinion, result in the Board making inconsistent decisions about items to include in OCI. We think the three categories of items for inclusion in OCI discussed in the DP provided a good starting-point for this and regret they have not been built upon.
5. We think the role of the business model (or business activities) in the Framework has been underplayed. Rather than just list a consideration of the business model in specific areas of the ED, we think that the Board should see the business model as a pervasive notion: at each point in the development of an accounting model the Board should ask the question whether different business activities could justify different accounting models. This does not mean that there should always be different accounting models, but that the question should at the very least be considered in order to ensure that the financial reports contain information that is relevant and provides a faithful representation.
6. We welcome the return or increased prominence given to the notions of stewardship, prudence and "substance over form". However, we think that the role of stewardship is still understated, while the use of asymmetric prudence should be explicitly allowed for in the Conceptual Framework (the Framework). In addition, we find the articulation of the term relevance in relation to material uncertainty to be very confusing, and we suggest that a reintroduction of the notion of reliability instead of faithful representation could help resolve this.
7. In view of the fundamental nature of some of the proposed changes, it would be helpful if the Board would test these to ensure the new Framework will be operational, both from the perspective of standard-setting and from that of the preparer entity. The Board should also commit itself to a timetable for the conforming of existing standards to the new Framework.

Overall, our view is that the ED is not yet ready to be finalised as it stands. We think that a number of areas, as indicated above, will not be operational, either for the Board or for preparers, without a significant amount of tightening up of criteria and definitions. The new Framework should not be finalised until these areas have been re-worked and proved to be operational through testing by the Board and field-testing by other constituents.

Our detailed comments and responses to the question in the ED are set out in the appendix to this letter.

Please do not hesitate to contact us should you wish to discuss these issues any further.

Yours sincerely,



Jérôme P. Chauvin
Deputy Director General

APPENDIX

Question 1 – Proposed changes to Chapters 1 and 2 - Do you support the proposals ?:

(a) to give more prominence, within the objective of financial reporting, to the importance of providing information needed to assess management's stewardship of the entity's resources;

We recognise and welcome the fact that the ED gives more prominence to the importance of providing information in the financial statements to allow users to assess management's stewardship. However, we note that the objective of general purpose financial reporting as stated in paragraph 1.2 of the ED is unchanged from the current version of the Framework, that is, it is "to provide financial information about the reporting entity that is useful to existing and potential investors...in making decisions about providing resources to the entity. Those decisions involve buying selling or holding equity, and providing or settling loans and other forms of credit".

The wording of this objective seems to ignore an important role and right of current shareholders with respect to the entity, which is to hold management to account for its past performance as well making a judgement on how it is likely to perform in the future. The importance of providing information needed for assessing the stewardship of management is emphasised by its inclusion in Article 3 of the EU regulation on the application of IAS. We think that assessing the management's accountability for use of the resources of the entity is an important aspect of the objective of helping current investors in making their decisions not only about providing resources to the entity but also about whether to retain or replace, and how to reward, the management. This should be reflected in the definition of the objective in paragraph 1.2.

The financial statements are an essential vehicle in the relationship between current investors and the management of the entity. The representation of the entity must therefore be made in a language that is relevant to the activities of the entity in order to facilitate effective communication between investors and management. The performance of management has to be judged by what it has achieved in the context of the entity's business model, and the accounting model applied should depict the activities in the most appropriate way.

(b) to reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;

Although we welcome the reinstatement of the notion of prudence in the Conceptual Framework (the Framework), we think that its role and importance are still understated.

We agree that prudence is the exercise of caution when making judgements under conditions of uncertainty, as stated in paragraph 2.18 of the ED. We also agree with the pre-2010 Framework that the exercise of prudence does not allow deliberate understatement of assets and income or the deliberate overstatement of liabilities and

expenses. We also think that prudence equally does not allow for the deliberate overstatement of assets and income or understatement of liabilities and expenses. The use of prudence is the practice of not being unduly optimistic or pessimistic in the assessment of elements in the financial statements, thus is a means of achieving a lack of bias in a way helpful to users. As such, we do not think that prudence supports neutrality but is rather complementary (that is, of equal importance) to it.

Given that the first of the listed purposes of the Framework is to assist the IASB to develop standards that are based on consistent concepts, the Framework should articulate how the IASB should use prudence when developing standards. Paragraph BC2.9(b) shows that the IASB thinks that prudence clearly has a role in standard setting. In addition, past and recent standard setting by the Board has shown that there are circumstances and areas where the Board thinks that prudence requires that the recognition of an asset has a higher threshold than that of a liability (IAS 37), or that impairment be recognised before it is actually observed (IFRS 9). These are just two examples of cases where the Board has applied the notion of “asymmetric prudence” in standard setting. The usefulness of the notion of asymmetric prudence is acknowledged in paragraph BC2.14, and indeed the Board rejects some of the arguments against the use of this notion. However, the Board’s commitment to comply with, or explain departures from, the Framework (paragraph IN3) is a constraint on the use of asymmetric prudence, and rather than to deny its role it would be better if this were to be explicitly allowed in the Framework, thus avoiding the need to justify such “non compliance”. Some of the arguments and explanations of paragraph BC2.14 could usefully be incorporated in the Framework to facilitate this.

(c) to state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form;

We agree with the inclusion of this statement.

(d) to clarify that measurement uncertainty is one factor that can make financial information less relevant, and that there is a trade-off between the level of measurement uncertainty and other factors that make information relevant;

We do not agree that measurement uncertainty can make information less relevant. Indeed, it could equally be argued that measurement uncertainty should give rise to a requirement for more information, and that it is existence uncertainty that is a factor that could affect relevance. We find the discussion of this topic in paragraphs 2.12 and 2.13 in conjunction with the reference to paragraph 2.20 to be particularly confusing. We think that relevance is a characteristic that can be determined by reference to the context. Once an item of information is determined to be relevant, then any “trade-off” between various factors will affect how and where the item is presented in the financial statements (historical cost versus current cost, recognition in the financial statements versus disclosure in the Notes, etc.). This could be characterized as the trade-off between relevance and faithful representation (or reliability as we would prefer to call it – see our response to 1 (e) below). This trade-off was touched upon in paragraph 32 of the pre-2010 Framework: “Information may be relevant but so unreliable in nature or



representation that its recognition may be potentially misleading.”. We think that this is potentially a better approach than the current text or the proposals of the ED.

We think that it would be much clearer to follow a two-part approach to the determination of what financial information should be provided.

The first step is to decide whether a piece of information is relevant to achieving the objective of general-purpose financial reporting or not. If it is not relevant, then it is ignored for this purpose. Uncertainty about the existence of a financial element may be so high as to render its inclusion in the financial report unnecessary or misleading. If information is relevant, then it must be included in the financial statements or the Notes thereto.

The second step is to consider whether it is possible to provide a reliable depiction (faithful representation) of the item. It is at this stage that the consideration of measurement uncertainty comes into play, as it may influence the choice of the measurement base and the determination as to whether the item should be recognised in the financial statements or disclosed in the Notes.

and

(e) to continue to identify relevance and faithful representation as the two fundamental qualitative characteristics of useful financial information? Why or why not?

We agree that relevance is a fundamental quality for a piece of information to have in order for it to be included in financial reporting.

We remain unconvinced by the change introduced by the post-2010 Framework to define “faithful representation as the second of the two fundamental qualitative characteristics. Paragraph 31 of the pre-2010 Framework stated that “Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent.” This is, in our view, a clear and concise description of what is meant by reliability and if, as stated in paragraph BC2.22, it was understood in a narrower way than intended, then it would be better to explain the full scope and implications of the term rather than to change it to “faithful representation”.

Question 2– Description and boundary of a reporting entity - Do you agree with:

(a) the proposed description of a reporting entity in paragraphs 3.11–3.12 of the ED (replicated in paragraph 50(a) – (b) above); and

(b) the discussion of the boundary of a reporting entity in paragraphs 3.13–3.25 of the ED (summarised in paragraph 50(c) – (e) above)? Why or why not?

Why or why not? If you disagree with the proposed definitions, what alternative definitions do you suggest and why?

Although we agree with the general approach of this chapter, we think that two key elements that are missing:

- a) a discussion of the justification of the “entity” approach to the consolidation and its implications (including, for example, principles for the impact of changes in the perimeter of the consolidation), along with a summary of why the “proprietary” approach is not appropriate. This should support the assertion made about the entity perspective in paragraph 3.9.
- b) a discussion dealing with the basis for the inclusion of equity-accounted entities within the consolidation or individual financial statements.

Regarding the discussion in CF 3.25, we are concerned that the requirement to state in unconsolidated financial statements how users may obtain consolidated financial statements will cause confusion, since most unconsolidated financial statements are prepared in compliance with local regulations and/or GAAP rather than IFRS. We are not convinced that this is an appropriate topic for inclusion in the ED, but if it is judged to be necessary, then it should be drafted as a suggestion or recommendation rather than a requirement.

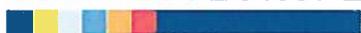
Finally, for the sake of consistency and the avoidance of doubt, we think it would be helpful to use the term “separate financial statements” (as defined in IAS 27) instead of the term “unconsolidated financial statements” used here.

Question 3 – Definitions of elements Do you agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity):

(a) an asset, and the related definition of an economic resource;

We remain concerned by the range of items which will satisfy the definition of an asset. The major factor leading to our concern is the definition of the economic resource and the statement that to qualify as having the “potential” to produce economic events, there has to be only one circumstance in which this may occur. This is a very low threshold which may cause entities to expend a great deal of effort in identifying all the possible circumstances in which the economic benefits might be produced. In our view, this is an inefficient approach and it would be better to introduce some limiting factor into this definition, such as a requirement that the circumstance be realistic, have commercial substance or be “reasonably probable” or a similar term, or to require that the entity make only a “reasonable effort” to identify the circumstance..

We are unsure about the effect of having deleted the term “or other source of value” from the definition of an economic resource. This term “or other source of value” better encapsulated the reason why know-how from development activity can be an asset than does the term “rights”. The words “other rights” used in their usual meaning may not be considered by all interested parties to cover situations such as those where an item is controlled because of the entity’s ability to prevent other parties from being able to benefit from the resource, other than through legal protection.



We think that the conceptual approach of paragraph 4.12, which states that each right is a separate asset, is not helpful as this could imply that the default approach for the standard setter should be to account for each of these separately. In our view this is too theoretical, and it is more useful to adopt the approach that a physical object or intangible asset should be accounted for as a single asset unless certain of the rights it embodies are controlled by another party, can be identified as such, and to account for such rights separately provides the most relevant information.

Finally, we do not think that paragraph 4.10 is necessary in this chapter, as the matter it deals with is more an issue of whether the entity has control over the resource.

(b) a liability;

While agreeing with the general direction taken in the definition of a liability, when taken in conjunction with the additional clarification, we have the same concerns as mentioned in (b) above about the broadening of the range of qualifying items leading to undue effort in trying to identify the circumstance which would result in a transfer of resources.

There is still a certain element of redundancy in the definition of a liability in its reference to past events: "A liability is a present obligation to transfer an economic resource as a result of past events". The definition of a "present obligation to transfer an economic resource" is : the entity has no practical ability to avoid the transfer and the obligation has arisen **from past events**. This could be resolved by omitting the reference to "past events" in the definition of a liability.

(c) equity;

We agree that equity should be defined as a residual interest.

(d) income; and (e) expenses

We think that the definition of income and expenses by reference to changes in assets and liabilities is insufficient. It would be more helpful if the definition of these two elements could be linked to their presentation in Profit or loss, and if a different term were used for items which should be presented in OCI.

In addition, the drafting of the ED implies that all changes in assets and liabilities other than contributions from holders of equity claims are income or expenses. We think that the proposed Framework should state that some changes in asset or liabilities result directly in changes in other assets, liabilities or equity. The passing mention to this in paragraph 5.23 (b) insufficiently reflects this important aspect of accounting. Elevating this to a clear principle could help the Board in its deliberations about the treatment of topics such as "NCI puts" and variable consideration in the context of both fixed assets and business combinations.

Question 4 – Present obligation *Do you agree with the proposed description of a present obligation and the proposed guidance to support that description? Why or why not?*

We agree that this is generally appropriate. We think that it would be helpful to complement the discussion of “no practical ability to avoid the transfer” by contrasting it with cases of “economic compulsion” which would not result in an obligation.

Question 5 – Other guidance on the elements *Do you have any comments on the proposed guidance? Do you believe that additional guidance is needed? If so, please specify what that guidance should include.*

In general, we agree with the definitions relating to a liability.

However, the discussion about the nature of an executory contract in paragraph 4.41 is not clear, since it states that the combined right and obligation constitute a single asset or liability. This implies that such a contract can always be characterised as an asset or a liability, whereas, in general, the combined rights and obligations where neither party has performed will be of the same value, representing a net zero. The sentence would be clearer if it stated this, that is, if the exchange is neither favourable nor unfavourable to the entity, the contract is recognised at a net zero (or not recognised).

We think that it would be beneficial to field-test the new definitions of the elements and the related guidance thoroughly before finalisation of the Framework, in order to ensure that they are understandable and can be put into operation without undue effort.

Question 6 – Recognition criteria: *Do you agree with the proposed approach to recognition? Why or why not? If you do not agree, what changes do you suggest and why?*

We are not convinced that the discussion in the sub-chapter “Recognition criteria” represents clear criteria for recognition to non-recognition that can be used effectively by the IASB when developing standards. The definition of an economic resource makes it clear that it need not be certain, or even probable, that economic benefits will be produced. The discussion of factors which may indicate that recognition would not be appropriate includes terms such as “uncertain(ity)”, “high level of ... uncertainty”, “low probability”, “very low probabilities”. In the absence of a clear definition, these subjective terms are very subjective and any use of them will require judgement.

The introduction to paragraph 5.9 (and the section on recognition criteria) is both too categorical and too negative in its approach. Notwithstanding the slight softening of this statement in the following sentence, this approach seems to place a burden of proof on the standard-setter and the preparer that it is acceptable not to recognise an element only when it can be demonstrated that it is not useful to do so. We do not think this is the most efficient approach. We also believe that it is irrelevant (and somewhat presumptuous) to say that the failure to recognise some assets and liabilities makes



financial statements less complete, and it depends what "complete" means. We suggest deleting that part of the text.

In general, the discussion of the requirements for relevance and faithful representation along with the uncertainties that can affect these is valid, but we can identify no tools or principles which could be used by the IASB to come to a decision when it needs to make a judgement about recognition. The proposed approach therefore leads to a presumption that all assets and liabilities should be recognised unless it can be demonstrated that this would not provide useful information. We think that this may lead either to inconsistent recognition principles at a standards level, or a systematic recognition of all items which correspond to the definition of an asset or liability, neither of which would be satisfactory. In addition, we do not think that this could be used by preparers to make decisions about the recognition of elements in the absence of a specific standard.

The reintroduction of some criteria, such as some form of threshold based on probability, would help make these criteria more concrete and operational. Finally, we think that the criteria must be made tighter and more practical, and then thoroughly tested by the Board and other constituents to ensure that they are workable.

Question 7 – Derecognition; *Do you agree with the proposed discussion of derecognition? Why or why not? If you do not agree, what changes do you suggest and why?*

We note that the concept of the loss of control is used for derecognition, and that risk and rewards (exposure to positive or negative variations) are used as an indicator of this. We think that this approach to derecognition would work only if robust principles for recognition are in place. The criteria for derecognition should mirror those for recognition.

Question 8 – Measurement bases *Has the IASB:*

(a) correctly identified the measurement bases that should be described in the Conceptual Framework? If not, which measurement bases would you include and why?

We welcome the improved focus of this chapter as an improvement over the DP.

We agree with the two principal categories of measurement base identified (historical cost, including amortised cost, and current value, incorporating fair value, value in use for assets and fulfilment value for liabilities).

(b) properly described the information provided by each of the measurement bases, and their advantages and disadvantages? If not, how would you describe the information provided by each measurement basis, and its advantages and disadvantages?

In general we are content with the discussion of the two measurement bases, although we are not sure whether the purpose of the information shown in Table 6.1 is



sufficiently clear. This table might therefore need to be complemented by a more detailed explanation than that of paragraph 6.47.

Question 9 – Factors to consider when selecting a measurement basis : *Has the IASB correctly identified the factors to consider when selecting a measurement basis? If not, what factors would you consider and why?*

As discussed under our response to 1(e) above, we think that the process of the selection of a measurement basis would be clarified by the use of relevance and reliability as the principal factors to be considered. We think that this section is also lacking a set of clear principles to help the IASB make its decision about the measurement base to use.

We agree that the choice of measurement base must be determined by considering both the initial measurement and the subsequent measurement. However, we think it would be helpful to provide a description, perhaps in paragraph 6.52, of the interrelation of historical cost and current value and to state that the measurement bases cannot be completely separated, since in some circumstances a change in basis subsequent to initial measurement can be relevant. For example, if an asset is measured at cost (e.g. property, plant and equipment accounted for under IAS 16) and is impaired, it is measured at its recoverable amount (the higher of value-in-use and fair value less costs to sell), which is a current value measurement basis.

Finally, at initial recognition there is a presumption that cost (represented by the transaction price) equals fair value at the transaction date (e.g. IAS 39.AG64; IFRS 13.AG76). The discussion in paragraphs 6.70 and 6.71 identifies occasions when this might not be the case. The last sentence of 6.71 appears to create a principle for dealing with such cases and would be better presented as a separate paragraph so that the principle it establishes can be clearly linked to both situations.

Question 10 – More than one relevant measurement basis *Do you agree with the approach discussed in paragraphs 6.74–6.77 and BC6.68? Why or why not?*

We agree with the consideration of the role of the business model in paragraph 6.76 and its implication for the selection of the measurement base. However, we think that when the way an element contributes to the cash flows of the entity implies that a certain measurement base should be used, the IASB should question whether it is justified to use two different measurement bases at the same time in the financial statements. The focus of users on the potential cash flows of the entity would imply that a base that reflects this is the most relevant.

Where, after full consideration, it is decided that the use of both bases represents the best approach, then the use of OCI for the difference is appropriate.

Question 11 – Objective and scope of financial statements and communication: *Do you have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools?*

It would be helpful if the IASB could distinguish between the individual terms “presentation” and “disclosure”. We understand that the former is generally used to refer to how items are included in the primary financial statements and the latter to refer to items in the Notes to the financial statements.

We are unsure about the possible implications of the statement in paragraph 7.3 that the notes to the financial statements include information about the nature of both recognised and unrecognised elements and about the risks arising from them. This reinforces the statement in paragraph 5.11 that if an item meeting the definition of an element is not recognised, disclosures may be needed. This could be seen as a requirement for extensive disclosures and we think that it is important to provide further qualification of these two statements in order to ensure that the objectives of the disclosure initiative are not negated.

Question 12 – Description of the statement of profit or loss. Do you support the proposed description of the statement of profit or loss? Why or why not? If you think that the Conceptual Framework should provide a definition of profit or loss, please explain why it is necessary and provide your suggestion for that definition.

We agree with the purpose of the statement of profit or loss as stated in paragraph 7.20, and with the statement in 7.21 that “income and expenses included in the statement of profit or loss are the primary source of information about the entity’s financial performance for the period”.

However, given the importance generally accorded to the net profit or loss line as the starting point for an understanding of the entity’s performance, we think that a fuller definition of this building on those paragraphs is necessary. In addition, to reinforce this, the terms income and expenses should be reserved for the profit and loss account with a different term used for elements in OCI, as stated in our response to questions 3(d) and (e) above.

Question 13 – Reporting items of income or expenses in other comprehensive income

Do you agree with the proposals on the use of other comprehensive income? Do you think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income? Why or why not? If you disagree, what alternative do you suggest and why?

We regret the fact that there is no definition or stated purpose of “other comprehensive income” (OCI) in the ED. In the absence of this, the current discussion understandably does not provide clear-enough criteria for the IASB to make its decisions about what should be allocated to profit or loss and what should be allocated to OCI. The current factors outlined in paragraph 7.24 (elements of income or expenses related to assets or liabilities measured at two different values and their exclusion from profit or loss if this enhances the relevance of the information for the period) are insufficient. The choice of items to be shown in OCI would be very much left to the whim of the IASB.



We think that, in order for the Board to be given clear direction by the Framework, it is necessary to have a definition of the purpose of OCI and indicators which help to identify the items that should go to OCI. We found the three categories (bridging items, mismatched remeasurements and transitory remeasurements) identified in the DP to be more useful than the proposals of the ED.

We also think that in addition to the recording in OCI of the change in the period caused by each type of item, the accumulated store of items by nature in OCI could provide more useful information. This would allow users to assess the potential impact in future periods of the recycling of these items.

Question 14 – Recycling. *Do you agree that the Conceptual Framework should include the rebuttable presumption described above? Why or why not? If you disagree, what do you propose instead and why?*

We agree that there should be a rebuttable presumption that all items included in OCI will be recycled in a future period. There will be very few cases, in our view, where it will not be possible to find an acceptable rational and systematic basis for recycling. However, we do not think that the failure to identify a basis for recycling should be used as grounds for not recognising items in OCI when originally generated. Rather, such a conclusion might be an indication that the measurement or recognition basis, or the presentation, is flawed.

Question 15 - Effects of the proposed changes to the Conceptual Framework *Do you agree with the analysis in paragraphs BCE.1–BCE.31 of the ED? Should the IASB consider any other effects of the proposals in the Exposure Draft?*

Some of the proposed changes to the Conceptual Framework are fundamental, such as those relating to the definition of the elements (liabilities and executory contracts, in particular) and their interaction with the recognition criteria. We think it is therefore important both for the IASB to test how it could apply the Framework in a standard-setting context, and for the definitions, recognition criteria and profit or loss/OCI distinction to be field-tested by entities.

The Board should commit itself to a systematic conforming of standards to the new Framework on a set timetable, and should also consider whether the Framework would stand up to the test of evolving ways of doing business and new forms of transaction.

Question 16 – Business activities *Do you agree with the proposed approach to business activities? Why or why not?*

No, the ED refers to the need to consider the business model only in passing (paragraphs 4.62(a)(iii) on the unit of account, 6.54(a) on measurement, and 6.76-6.77 and 7.10 on presentation and disclosure). This understates the importance of the business model, in our view. We think that the business model may have a role which needs to be considered in all aspects of the Framework, including recognition. Current standards include different approaches for different business models (the use of fair value or historical cost in IAS 2; the three models for financial assets in IFRS 9; the fair

value approach to subsidiaries of investment entities in IFRS 10; joint operations versus joint ventures in IFRS 11; the exclusion of non-monetary exchanges in IFRS 15) and the Framework should facilitate this. The Framework should therefore include a paragraph/short section which would formally require the IASB to consider in all areas of its standard setting whether there are any effects of a business model which should be taken into account.

This would not mean that different business models should always be reflected in the accounting approach, but that the question of the relevance of the business model should always be posed.

Question 17 – Long-term investment *Do you agree with the IASB's conclusions on long-term investment? Why or why not?*

We agree that the entity's business activity of long-term investment should not be referred to specifically in the Framework. However, as discussed in our response to Question 16 above, the question of whether it merits a specific accounting model should be should be considered by the Board in its standard-setting activity.

On the subject of the information needs of long-term investors, we think that when setting standards the Board should consider whether any additional information is required to enable users to judge management's stewardship of the entity, as described in our response to Question 1(a).

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