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IN THIS THIRD ISSUE: THREE BULLETINS ISSUED - TENTATIVE DECISIONS OF THE IASB - INITIAL VIEWS EXPRESSED AT THE EFRAG CFSS MEETING

TENTATIVE DECISIONS OF THE IASB

At its March 2013 meeting, the IASB discussed the content of the forthcoming Discussion Paper (the DP) and made the following tentative decisions.

On **presentation and disclosure**, the DP should propose that no primary financial statement should have primacy over others. The statements should be presented in such a way that users can understand the linkage between the items in the individual statements.

The purpose of the notes should be to supplement and complement the primary financial statements and to provide any additional information to meet the objective of the financial statements. Notes should focus on an entity's existing resources and obligations and changes in these. Disclosure about future resources and obligations should be done outside the financial statements.

On **presentation in the statement of comprehensive income**, a majority of IASB members expressed support for an approach building on the understanding that 'profit or loss' is widely used as the main indicator of performance.

THREE BULLETINS ISSUED

EFRAG and the National Standard Setters of France, Germany, Italy and the United Kingdom have issued the first three Bulletins. They deal with: **Prudence** (i.e. the role of prudence when developing accounting standards); **Reliability** of financial information (i.e. whether the loss of the idea of a trade-off between relevance and reliability is appropriate) and **Uncertainty** (i.e. how uncertainty is best dealt with).

The Bulletins are published to promote discussion and ask for views on the issues considered. They are available on the partners' websites.

However, the DP would not propose to equate financial performance with 'profit or loss' but that all recognised items of income and expense provide information about financial performance. A set of principles, focusing on what best communicates an entity's financial performance, would be included for determining whether a recognised item of income or

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expense should be presented in profit or loss or in other comprehensive income (OCI). Two groups of income and expense were identified that would be eligible for presentation in OCI: bridging items (where different measurement bases are used for an item in the statement of financial position and in profit or loss) and mismatched remeasurements (where an item of income or expense represents an economic phenomenon so incompletely that it would have little relevance for assessing financial performance of a period). For items in both classes, the amounts originally reported in OCI would be 'recycled' to profit or loss in a later period. However, IASB staff would examine whether there are further items that would be reported in OCI and not recycled.

The IASB also debated **other issues**. It was tentatively decided that the DP should include a discussion of the factors to be considered in constructing cash-flow-based measures. The DP should also discuss whether economic compulsion should be considered when analysing the substance of a contract and in determining whether a claim against an entity is a liability or part of equity. The current paragraphs on capital maintenance and the definitions of income and expenses should remain mostly unchanged.

INITIAL VIEWS EXPRESSED AT THE EFRAG CFSS MEETING

On 3 April, National Standard Setters ('the members') met in the EFRAG Consultative Forum of Standard Setters to discuss their initial views on the direction of the IASB Conceptual Framework project. The purpose was to enable the European delegation to be fully representative of Europe's preliminary views at the first meeting of the Accounting Standards Advisory Forum (ASAF).

The members noted that the project would only deal with financial statements. While some agreed with this approach, others thought that the broader scope of financial reporting had to be considered. A compromise of considering the role of financial statements within the context of financial reporting was proposed.

The benefits of the definitions of assets and liabilities discussed by the IASB were questioned. Some members did not agree with moving criteria currently included in the defini-

tions to the recognition criteria. Others thought that it was less useful to have short definitions of assets and liabilities if it would be necessary to further define concepts included in these definitions. In addition, some members thought it should be debated whether income and expenses should be defined on the basis of changes in assets and liabilities.

Contrary to the IASB's tentative view, there was consensus among members that uncertainty about inflows and outflows should be taken into account before recognising assets and liabilities. Members also considered that such a certainty threshold related to assets had to be higher than for liabilities. Divergent views were expressed on whether the Conceptual Framework should include thresholds or just provide guidance on how these should be set on a standards level. (These issues are also considered in the Bulletin on Uncertainty).

The general principles for measurement tentatively agreed by the IASB and the idea of basing measurement on how an asset is expected to be used and a liability settled were considered sensible starting points.

Generally, members thought that the implications of many of the proposals of the DP and their alternatives should be further reasoned and illustrated with explanations of what the IASB wanted to achieve. The principles for the Conceptual Framework should not be deduced from current requirements. For example, the IASB should not develop criteria for what items should be included in OCI on the basis of current requirements. Instead some members thought the criteria should be developed by first describing what financial performance is and then what role profit or loss and OCI should play in presenting information on financial performance. Similarly, instead of considering fair value as defined in IFRS 13 as the alternative to cost based measures, the IASB should consider what characteristics a relevant current value measure should comprise.

Members acknowledged that the IASB's tentative ideas related to debt/equity could solve some (but not all) current issues relating to distinguishing debt from equity. However, the IASB's ideas also made some members think that it could be beneficial to consider from what perspective financial statements should be prepared (e.g. entity approach versus parent company approach).