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Dear Françoise

**EFRAG Draft Comment Letter:**  
***A Review of the Conceptual Framework for Financial Reporting***

The FRC is pleased to have the opportunity to comment on the EFRAG draft comment letter (DCL) on the IASB's Discussion Paper "A Review of the Conceptual Framework for Financial Reporting" (DP/2013/1).

Our views on the proposals in the Discussion Paper are set out on our comment letter, a copy of which will be forwarded to you when it is finalised.

We agree with many of the points made in the DCL. In particular, we agree that:

- Accountability (or stewardship) should be identified as a primary objective of financial reporting, with equal emphasis to that of decision-usefulness.
- The Conceptual Framework should identify prudence as a qualitative characteristic of financial information.
- The replacement of reliability with faithful representation should be reconsidered, so that the Conceptual Framework recognises the need to achieve a balance between relevance and reliability/faithful representation.
- The Conceptual Framework should also state that financial statements should provide information that assists in an assessment of the entity's business model.

However, we are more critical than the DCL of the Sections of the Discussion Paper on Measurement (Section 6) and Presentation in the Statement of Comprehensive Income–Profit or Loss or Other Comprehensive Income (Section 8).

Our responses to the Questions for Constituents set out in the DCL are:

*Should the definition of ‘economic resource’ be amplified by adding the words ‘to the entity’ (DCL ¶20-26)?*

In our view, it is not necessary to add the words ‘to the entity’, and we would therefore prefer not to do so, as it would merely make the definition more complex. However, we do not agree that the addition would cause any difficulty as suggested in paragraph 25.

*Do you think it is useful to distinguish between existence uncertainty and outcome uncertainty? Please explain. Do you agree with the DP that existence uncertainty is rare? (DCL ¶33,34)*

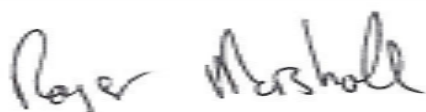
A distinction between existence uncertainty and outcome uncertainty seems to be helpful in that it acknowledges the variety of the practical limitations that constrain financial reporting. Acknowledging the distinction in the Conceptual Framework may clarify thinking in considering how particular circumstances might be reflected in accounting standards. However, the Conceptual Framework should not prescribe a specific approach to existence uncertainty as not all possible cases can be foreseen. We therefore agree with the Discussion Paper that existence uncertainty should be considered in the development of standards.

*Do you support EFRAG’s tentative position on the implications of the business model for Conceptual Framework, expressed in paragraphs 412-423? If not, please explain your reasoning. (DCL ¶425)*

As stated above, we support EFRAG’s tentative position on the implications of the business model for the Conceptual Framework.

If it would be helpful for us to expand on any of the issues relating to the Discussion Paper, please contact me or Andrew Lennard ([a.lennard@frc.org.uk](mailto:a.lennard@frc.org.uk)).

Yours sincerely



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