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Our ref : RJ-EFRAG 567
Direct dial : 0031-20-3010235
Date : 8 January 2014
Re : **Comment letter on EFRAG Draft Comment Letter (Re. DP review of the Conceptual Framework)**

Dear members of the EFRAG Technical Expert Group,

In respect of your request for input for the EFRAG draft comment letter (the 'DCL') on the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (the 'DP') we have the following comments.

In general, we much support the work EFRAG has done regarding the review of the Conceptual Framework, including the Bulletins which have been very helpful in this respect. We have also discussed the DP as well as the DCL in an outreach/roundtable organized by EFRAG and DASB in Amsterdam (30 October 2013), in which some 40 people participated.

The DASB has discussed this DP in several meetings, also because it considers this to be a very important project. However, the DASB hesitates to see whether it would be really possible to address (all) issues in the Conceptual Framework, some issues can be better addressed at the level of individual standards. The more so to ensure that this review of the Conceptual Framework is concluded in due time. However, the Conceptual Framework should not be about 'codifying' existing practice in current standards or 'defining' without any concrete stakeholder needs.

The DASB largely concurs with the DCL [see appendix]. However, regarding the following issues we would like to request EFRAG to reconsider its (draft) conclusions:

- The DASB understands why certain issues and details are not addressed in the DP, but would like EFRAG to express more strongly the point that some fundamental principles, which were hardly addressed in the earlier limited review in 2010 of (i.e. IFRS-US GAAP convergence of some chapters of) the Conceptual Framework, should be included in the current review. Fundamental aspects of financial reporting, such as prudence, accountability or stewardship should be addressed and defined in the review of the Conceptual Framework.

The DASB considers a Conceptual Framework not addressing these aspects to be insufficient.

- The DASB considers it important to conceptually define financial performance, i.e. performance reporting, also in order to define income, expenses, gains and losses. In our opinion there is a tension between financial performance and financial position which should be addressed in the Conceptual Framework, for instance to enable stakeholders to really understand the notion of OCI, compared to net income. The DASB does not consider the proposed definitions in the DP for income and expense to be adequate, these definitions cannot be merely derived from the balance sheet approach.
- The DASB does not think a split between equity or liability claims should be regulated at the level of the Conceptual Framework, but in the individual standard(s) concerned.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix

Regarding the questions in the DCL (see also [Appendix H](#) of Discussion Paper A Review of the Conceptual Framework for Financial Reporting) DASB has the following comments.

Question 1:

DASB concurs with the response in EFRAG's draft comment letter.

Question 2:

DASB disagrees with the response in EFRAG's draft comment letter, because DASB considers the proposed definitions not significantly easier to understand. Regarding the definition of an 'economic resource controlled by the entity' it is important that will be explained what 'control' means in this respect. Moreover, the proposed definition of 'capable to producing economic benefits' seems to be a rather low threshold for the existence of an asset.

Question 3:

DASB concurs with the response in EFRAG's draft comment letter. However, it may be useful but at least very difficult to (even try to) distinguish between 'existence uncertainty' and 'outcome uncertainty'

Question 4:

DASB does not support the idea that income and expenses can be defined solely on the basis of changes in assets and liabilities. DASB acknowledges tension between financial performance vis-à-vis financial position, a good start would be a conceptual definition of financial performance to be included in the Conceptual Framework.

Question 5:

DASB concurs with the response in EFRAG's draft comment letter.

Question 6:

DASB concurs with the response in EFRAG's draft comment letter.

Question 7:

DASB concurs with the response in EFRAG's draft comment letter, although DASB thinks that additional guidance regarding distinguishing between equity and liability should be (better) provided in an individual standard instead of the Conceptual Framework.

Question 8:

DASB concurs with the response in EFRAG's draft comment letter. DASB is concerned that the proposed broad definition of an asset would imply items currently not recognized in financial statements.

Question 9:

DASB concurs with the response in EFRAG's draft comment letter.

Question 10:

DASB concurs with the response in EFRAG's draft comment letter

Question 11:

DASB concurs with the response in EFRAG's draft comment letter.

Question 12:

DASB concurs with the response in EFRAG's draft comment letter.

Question 13:

DASB concurs with the response in EFRAG's draft comment letter.

Question 14:

DASB concurs with the response in EFRAG's draft comment letter.

Question 15:

DASB concurs with the response in EFRAG's draft comment letter.

Question 16:

DASB concurs with the response in EFRAG's draft comment letter.

Question 17:

DASB concurs with the response in EFRAG's draft comment letter.

Question 18:

DASB concurs with the response in EFRAG's draft comment letter.

Question 19:

DASB concurs with the response in EFRAG's draft comment letter.

Question 20:

DASB concurs with the response in EFRAG's draft comment letter.

Question 21:

DASB concurs with the response in EFRAG's draft comment letter, but due to the tension between financial performance and financial position DASB considers it important to conceptually define financial performance, including income, gains and losses in the Conceptual Framework.

Question 22:

DASB concurs with the response in EFRAG's draft comment letter.

Question 23:

DASB concurs with the response in EFRAG's draft comment letter. The DASB considers the notion of business model to be important and already applied in some standards, thus playing a role in financial reporting. DASB supports the view that there is a distinction between business model and management intent.

Question 24:

DASB concurs with the response in EFRAG's draft comment letter.

Question 25:

DASB concurs with the response in EFRAG's draft comment letter.

Question 26:

DASB concurs with the response in EFRAG's draft comment letter, although DASB wants to point out that the aspect of capital maintenance is (much) broader than how to account for inflation.