

Accounting Standards Board

IASB and FASB Publish First Discussion Paper on the Conceptual Framework

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The Accounting Standards Board (ASB) notes that the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) have issued the first discussion paper on their joint project to develop a common conceptual framework.

The discussion paper sets out the preliminary views of the IASB and the FASB on the objective of financial reporting and the qualities that make the information useful for decision-making. While the framework is not an accounting standard, it will form the basis for the development of future standards. The proposals in this first phase will also influence later phases of the project, for example measurement, where the debate on fair value has already started in earnest.

The ASB has concerns with a number of proposals in this first discussion paper. In particular:

- a. the proposal that the objective of financial reporting should focus only on decision-usefulness, with stewardship being subsumed within this rather than a specific part of the objective, or a separate objective. In the ASB's 'Statement of Principles for Financial Reporting', the objective refers specifically to stewardship;
- b. the focus on financial reporting, not just the financial statements – can the same framework be more widely applied?
- c. the widening of the definition of the primary users of financial reports to cover 'present and potential investors and creditors, and their advisors' – does this mean that the focus will move even further away from meeting the needs of the existing shareholders?
- d. the proposal to drop 'reliability' as a qualitative characteristic and to replace it with 'faithful representation'; and
- e. the introduction of verifiability as a component of faithful representation.

Commenting on the preliminary views paper Ian Mackintosh, ASB Chairman, said:

"While many may think of the conceptual framework project as simply an academic subject far removed from the practical day to day world of accounting, that is not the case. The framework will have far-reaching practical implications in influencing the future direction of financial reporting. The ASB believes that it is important that all constituents are made aware of the proposals and their implications and we will be playing an active role in the debate on these issues. The ASB will be responding to the IASB and FASB on the discussion paper, and encourages UK and Irish constituents to do the same."

"It is interest to note that the two IASB members who have expressed an alternative view are UK residents and agree with our concern on the downgrading of stewardship as an objective."

To facilitate debate on the issues, the ASB is to hold a public meeting in London on the morning of Thursday 21 September 2006 on the proposals in the preliminary views discussion paper. The event will be open to the public, but places are limited and will be allocated on a first-come, first-served basis. Anyone interested in attending should indicate their interest by e-mailing Mary Evans at the ASB on m.evans@frc-asb.org.uk.

Notes to Editors

1. The IASB and FASB are undertaking a joint project to develop a common conceptual framework that both Boards can use in developing new and revised accounting standards. The project is being undertaken in phases, as follows:

Phase	Title
A	Objectives and qualitative characteristics
B	Elements, recognition and measurement
C	Measurement
D	Reporting entity
E	Presentation and disclosure
F	Purpose and status

G Application to Not-for-Profit entities
H Finalisation

2. A 'Preliminary Views' discussion paper on the first phase (A) of the project was issued by the IASB and FASB on 6 July. Copies of the preliminary views discussion paper can be downloaded, free of charge, from the IASB website at www.iasb.org. Hard copies can be ordered, price £10.00, from the IASCF Publications Department – e-mail: publications@iasb.org.uk. Web: www.iasb.org. Comments have been requested by 3 November 2006.
3. The ASB is an operating board of the Financial Reporting Council (FRC). The Financial Reporting Council (the FRC) is a unified, independent regulator. Its aim is to promote confidence in corporate reporting and governance. The FRC has six operating bodies: the Accounting Standards Board, the Auditing Practices Board, the Board for Actuarial Standards, the Financial Reporting Review Panel, the Professional Oversight Board and the Accountancy Investigation and Discipline Board.
4. The role of the ASB is to issue accounting standards. The ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards are developed with due regard to international developments.
5. The ASB has up to ten Board members, of whom two (the Chairman and the Technical Director) are full-time, and the remainder, who represent a variety of interests, are part-time.
6. All press enquiries should be addressed to Ian Mackintosh, ASB Chairman (020 7492 2434) or David Loweth, ASB Acting Technical Director (020 7492 2420).