



Agenda Item 2B: Conceptual Framework: Elements and Recognition

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IPSASB Meeting

Brussels, Belgium
September 15-18, 2014

Objectives and Materials (Paragraph 1)

- **Objectives**

- **Provide** directions on Issues Paper
- **Review** and Approve Chapters 5 & 6

- **Materials Presented**

Agenda Item 2B.1

Agenda Item 2B.2A

Agenda Item 2B.2B

Agenda Item 2B.3A

Agenda Item 2B.3B

Issues Paper

Draft Chapter 5 (marked-up)

Draft Chapter 5 (clean version)

Draft Chapter 6 (marked-up)

Draft Chapter 6 (clean version)

Background: Recent developments (1) (Paragraphs 3-5)

- Mark-Up shows changes from June agenda version
 - Staff Comment Boxes
- Revisions include:
 - In Section 3, *Liabilities* to distinguish present obligations and obligations that are not present obligations
 - Insertion of recognition criteria in Chapter 6

Key Issues (Paragraph 4)

1. Linkage of Elements to Particular Financial Statements
2. Distinguishing a Present Obligation and Obligations that are not Present Obligations
3. Definition of Revenue and Usage of Expense
4. Title of Section 5
5. Recognition Criteria
6. Re-Exposure

Key Issue 1: Linkage of Elements to Particular Statements (Paragraph 5)

- Introduction included linkages between elements and particular financial statements
- TBG and Staff View: Such linkages made elsewhere in Chapter and are unnecessary.

*Matter for Consideration: **Confirm** changes to section I or **provide** alternative directions*

Key Issue 2 :Distinguishing a Present Obligation and Obligations that are not Present Obligations (Paragraph 6)

- Material added to paragraph 3.2 of Section 3
- Distinguishing feature of a present obligation is that an entity has little or no realistic alternative to avoid the obligation

*Matter for Consideration: **Confirm** this explanation or **provide** alternative wording*

Key Issue 3: Definition of Revenue and Usage of Expenses (Circular): Paragraph 7.9 (4)

- Revised definition: *Increases in the net financial position of the entity , other than increases arising from ownership contributions*
- Not explicit whether increase “gross” or “net”
 - Property, Plant and Equipment
 - Inventories
- TBG View: Framework should be neutral
 - Paragraph BC60 attempts to reflect this view

Key Issue 3: Definition of Revenue and Usage of Expense (singular): Paragraphs 7-9 (2)

- Staff View:
 1. Definition reflects a “gross” notion of increase in financial position
 2. A “net” presentation may be necessary at standards level
- Use of singular “expense” rather than plural “expenses”

Matters for consideration

Key Issue 4: Title of Section 4 of the Final Chapter (Paragraph 10)

- June 2014: Direction that title of should be *Net Financial Position*
 - Previously *Other Resources, Other Obligations and Net Financial Position*
- View of some TBG members that approach is over-restrictive, may fetter discretion of Board in developing standards and favor reversion to longer title

Matter for Consideration: Confirm reversion to previous title

Key Issue 5: Recognition Criteria (Paragraph 11)

- The definition of an element has been satisfied and the element exists; and
- The element can be measured in a way that satisfies the Qualitative Characteristics (QCs)

*Matter for Consideration: **Confirm** the criteria in Chapter 6, or **provide** alternative recognition criteria.*

Process following consideration of key issues

- Page-by-page review
- Approval

Re-exposure of Chapter 5(1): Process (Paragraph 12)

- Under due process consideration of re-exposure after approval of revised Chapter 5
- Affirmative vote of two-thirds of Members necessary for re-exposure
- If two-thirds of Members do not vote for re-exposure Chapter 5 issued as approved
- Board judgment

Re-exposure of Chapter 5 (2): Guidance on Potential Grounds for Re-exposure (Paragraph 13)

- Substantial change to a proposal arising from matters not aired in ED, so that commentators to make their views known to PIAC before PIAC reaches conclusion
- Substantial change from matters not previously deliberated by PIAC
- **Substantial change to substance of proposed international pronouncement**

Re-exposure of Chapter 5 (3): Changes from Exposure Draft Proposals to Final Chapter (Paragraphs 14 & 15)

- Exposure Draft: Deferred Inflows (DIs) and Deferred Outflows (DOs) as elements
 - Restricted to non-exchange transactions
 - Specified time period
- Final Chapter: DIs and Dos not elements and acknowledgment that “other economic phenomena” * might need to be recognized in order to meet objectives of financial reporting
 - *Other resources and other obligations

Staff View: Substantial change to substance of international pronouncement

Re-exposure of Chapter 5 (4): Key Questions and Relevant Factors (Paragraphs 16-18)

1. Provision of new insights
 2. Costs to both constituents and IPSASB justify re-exposure
- Consultation on issues in Consultation Paper (CP) (2010) and Exposure Draft (ED) (2012)
 - Staff View that ED responses provided few views not expressed in CP response except detailed criticism of proposed definition of DIs and DOs
 - Paragraphs BC36-BC56 summarize development of IPSASB thinking
 - Five options considered at December 2013 meeting

Re-exposure of Chapter 5 (5): Staff View (Paragraph 19)

- Do not support re-exposure
- Do not expect new arguments that would change IPSASB's decisions as reflected in Section 4
- Do not think that benefits of re-exposure commensurate with costs
- Potential risk of re-opening other issues

Matter for Consideration: Does IPSASB agree with Staff View?



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