

Agenda Item 5: Consequential Changes from Chapters 1-4 of Conceptual Framework

John Stanford
Technical Director

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Objective and Material Presented

- **Objective**
 - Consider and approve proposed approaches, so that ED can be brought to September meeting.
- **Material(s) Presented**
 - Agenda Item 5.1 Issues Paper

Introduction (Issues Paper paragraphs 1-3)

- Project approved: March 2015
- First four Framework Chapters cover:
 - Role and authority
 - Objectives and users
 - Qualitative characteristics (QCs) and constraints on information included in general purpose financial reports (GPFRs)
 - Reporting entity

Introduction (Issues Paper paragraphs 1-3)

- Changes proposed in:
 - QCs and Constraints
 - Hierarchy in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*
 - Replacement of term “economic entity” with term “group entity”

Background (Issues Paper paragraphs 4-8)

- IPSAS 1, *Presentation of Financial Statements*
 - Summary of the QCs of financial reporting and the constraints on relevant and reliable information
 - Adopted by the IPSASB in 2000
 - Drawn from IASC's 1989 Framework
- Staff proposal to delete as editorial in early 2013 rejected

1. QCs and Constraints (Issues Paper paragraphs 10-12)

- Deletion of current Appendix A, IPSAS 1
 - Staff does not support new Appendix A
- Deletion of references to Appendix A
 - Contents page of IPSAS 1
 - IPSAS 3.13
 - IPSAS18.15(c)
 - IPSAS 24.27
 - Implementation Guidance in IPSAS18

1. QCs and Constraints continued (Issues Paper paragraphs 13-18)

- Recognition criteria not consistent with Framework
- Recognition not in scope of this project
- Three interim approaches identified:
 1. Retain “reliably”
 2. Replace “reliably” with “faithfully representative”
 3. Bring recognition within scope of project
- Staff view: Retain “reliably” in recognition criteria with explanatory footnote
- *Matters for Consideration: Do members support (a) deletion of Appendix A with no replacement and (b) staff view on recognition?*

2. Accounting policies and hierarchy in IPSAS 3 (Issues Paper paras.19-23)

- Revisions to paragraphs 12 -15 on developing policy in absence of IPSAS applying to transaction event or condition
- Paragraph 12
 - 12(a): Add “accountability”
 - 12 (b): Replace “reliable” with “represent faithfully”
 - 12 (b) (i)-(iii): Retain “complete” and “neutral” and add “free from material error”

2. Accounting policies and hierarchy in IPSAS 3 (Issues Paper paras.23-27)

- Include references to, and explanation of, relationship between faithful representation and “substance over form” and “prudence”
- Paragraph 14(b): replace reference to “other IPSASs” with “Conceptual Framework”
 - Is this premature?
- Paragraph 15: Delete reference to IASB’s Conceptual Framework, but retain references to IFRICs and SICs

Matter for Consideration: Do members support these changes?

3. Replacement of term economic entity with group entity (Issue Paper paragraphs 28-30)

- Framework: “group reporting entity” in Chapter 4
- “Economic entity” defined in IPSAS 1
- High level approach in Framework
- Staff views:
 - Definition of economic entity not at odds with Framework
 - Confusing to have different terms for same phenomenon.
 - Replace “economic entity” with “group entity”

Matter for Consideration: Do members support staff view?

Approach to Exposure of Proposed Changes and Next Steps (Issues Paper paragraphs 31 & 32)

- Staff proposal to expose in broader Improvements ED
 - a) Minor changes derived from IASB improvements
 - b) Non-IFRS-related minor improvements
 - c) Framework Chapters 1-4 consequential

Matter for Consideration: Do members support staff view?



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