

Highlights on Exposure Draft: *Conceptual Framework for Financial Reporting*

Although the existing *Conceptual Framework* has helped the IASB when developing International Financial Reporting Standards (IFRS):

- (a) some important areas are not covered;
- (b) the guidance in some areas is unclear; and
- (c) some aspects of the existing *Conceptual Framework* are out of date.

In 2011 the IASB carried out a public consultation on its agenda. Most respondents to that consultation identified the *Conceptual Framework* as a priority project for the IASB.

The objective of the project is to improve financial reporting by providing a more complete, clear and updated set of concepts.

Thus, this Exposure Draft:

- (a) is more complete than the existing *Conceptual Framework* because it addresses the following areas that are either not covered, or not covered in enough detail, in the existing *Conceptual Framework*:
 - (i) measurement;
 - (ii) financial performance (including the use of other comprehensive income);
 - (iii) presentation and disclosure;
 - (iv) derecognition; and
 - (v) the reporting entity.
- (b) clarifies some aspects of the existing *Conceptual Framework*. For example, this Exposure Draft:
 - (i) clarifies that the information needed to meet the objective of financial reporting includes information that can be used to help assess management's stewardship of the entity's resources;
 - (ii) explains the roles of prudence and substance over form in financial reporting;
 - (iii) clarifies that a high level of measurement uncertainty can make financial information less relevant;
 - (iv) clarifies that important decisions on, for example, recognition and measurement, are driven by considering the nature of the resulting information about both financial performance and financial position; and
 - (v) provides clearer definitions of assets and liabilities, and more extensive guidance to support those definitions.

- (c) updates the parts of the existing Conceptual Framework that are out of date. For example, this Exposure Draft clarifies the role of probability in the definitions of assets and liabilities.

The IASB will consider the comments received on this Exposure Draft (from both the comment letters received and other consultations) when developing the revised Conceptual Framework. The IASB aims to finalise the revised *Conceptual Framework* in 2016.