AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

TOKYO 23 MAY 2017 **Agenda ref 1D(i)**

Conceptual Framework: Due process summary for the *Conceptual Framework for Financial Reporting*

1. Attached is the text of the paper that was presented to the International Accounting Standards Board ('the Board') at its February 2017 meeting (Agenda Paper 10F), summarising the due process steps undertaken throughout the Conceptual Framework project and requesting the Board's permission to begin the balloting process for the revised *Conceptual Framework*.

2. The IASB® Update for that meeting reports that: "All 12 Board members confirmed that they are satisfied that the Board has completed all the necessary due process steps on the project to date and instructed the staff to commence the drafting process. No Board member expressed the intention to dissent from the publication of the revised *Conceptual Framework*."[1]

1 The February 2017 *IASB Update* can be accessed at: https://s3.amazonaws.com/ifrswebcontent/2017/IASB/February/IASB-February-Update-2017.pdf

STAFF PAPER

February 2017

IASB Meeting

Project	**Conceptual Framework**		
Paper topic	Due process summary for the *Conceptual Framework for Financial Reporting*		
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Purpose and structure of this paper

1. This paper gives a high-level overview of the Conceptual Framework project to date and explains the due process undertaken in developing the revised *Conceptual Framework for Financial Reporting* (the *Conceptual Framework*). Further, it discusses the effective date of the revised *Conceptual Framework,* asks the Board for permission to ballot and asks if any Board member intends to dissent.

2. The paper is structured as follows:

   (a) project history

      (i) background (paragraphs 4–8).

      (ii) Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (paragraphs 9–16).

      (iii) Exposure Draft *Conceptual Framework for Financial Reporting* (paragraphs 17–28).

      (iv) tentative decisions to date (paragraphs 29–31).

   (b) analysis of compliance with due process steps (paragraphs 32–60)

      (i) mandatory steps (paragraphs 34–39).

      (ii) non-mandatory steps (paragraphs 40–59)

   (c) re-exposure (paragraphs 61–66);

(d) effective date (paragraphs 67–70);

(e) permission to ballot (paragraph 71); and

(f) intention to dissent (paragraph 72).

3. The due process steps undertaken in the development of the Exposure Draft *Updating references to the Conceptual Framework* will be discussed at a future meeting.

Project history

Background

4. In 2004, the IASB[2] and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to revise their *Conceptual Frameworks*. In September 2010, the IASB and the FASB (the boards) issued two chapters of the revised *Conceptual Framework*:

   (a) The objective of general purpose financial reporting; and

   (b) Qualitative characteristics of useful financial information.

   These chapters came into effect as soon as they were issued and now form part of the IASB's existing *Conceptual Framework*.

5. The IASB and the FASB also worked jointly on the reporting entity concept, leading to the publication of both a Discussion Paper and an Exposure Draft on this topic. In addition, they carried out some work on the definitions of the elements of the financial statements, and on measurement. However, in November 2010, the boards suspended work on the joint *Conceptual Framework* in order to concentrate on other projects.

6. In 2011, the IASB carried out a public consultation on its agenda. Many respondents to that consultation identified the *Conceptual Framework* as a priority project. In the light of those responses, in 2012, the IASB restarted its Conceptual Framework project. This project is no longer being conducted jointly with the FASB[3].

[2] In this paper 'the IASB' is sometimes used instead of 'the Board' to distinguish better between 'the Board' and the FASB.

[3] The FASB has also restarted the work on its Framework. Its initial focus is on presentation, disclosure and measurement. The FASB issued an exposure draft on presentation in August 2016.

7. In their previous work, the IASB and the FASB planned to carry out revisions to the *Conceptual Framework* in eight phases, and completed one phase. However, the phased approach made it difficult for both respondents and the boards to assess how possible approaches to particular areas would affect the *Conceptual Framework* as a whole. Consequently, the IASB decided to carry out its remaining work on the *Conceptual Framework* in one single phase.

8. In developing the revised *Conceptual Framework*, the IASB has built on the existing *Conceptual Framework*—updating, clarifying and filling in the gaps—rather than fundamentally reconsidering the existing *Conceptual Framework*. Specifically, the IASB is proposing changes to only some aspects of those chapters of the *Conceptual Framework* that were issued in 2010 (see paragraph 4).

Discussion Paper A Review of the Conceptual Framework for Financial Reporting

9. In July 2013, the Board published a Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (the Discussion Paper). In developing the Discussion Paper, the Board discussed 60 agenda papers at eight public meetings. The Discussion Paper had a 180-day comment period that ended in January 2014.

10. The Discussion Paper suggested that the Board would not fundamentally reconsider those chapters of the existing *Conceptual Framework* that were issued in 2010. Those chapters deal with the objective of financial reporting and the qualitative characteristics of useful financial information (see paragraph 4).

11. The Discussion Paper did not discuss the concept of the reporting entity, because the IASB and the FASB had issued a Discussion Paper on that topic in 2008, followed by an Exposure Draft in 2010. The feedback received on those documents fed into the development of the reporting entity part of the Exposure Draft *Conceptual Framework for Financial Reporting* (the Exposure Draft) (paragraphs 17–28). In developing the 2013 Discussion Paper, the Board decided that it did not need further input on the reporting entity before issuing an Exposure Draft of the *Conceptual Framework* as a whole.

12. The Board received 221 comment letters in response to the Discussion Paper. In addition, Board members and staff conducted over 150 outreach meetings. Paragraph 45 discusses these outreach meetings in more detail.

13. In March 2014 the Board discussed summaries of the comment letters and outreach activities. Comments that were submitted too late for inclusion in comment letter summaries were included in subsequent agenda papers. The comment letters, the summaries of the feedback received, and the agenda papers are available on the *Conceptual Framework* page of the IFRS Foundation's website.

14. Respondents to the Discussion Paper expressed support for many of the suggestions included in the Discussion Paper, for example:

    (a) the Board's decision to build on the existing *Conceptual Framework*—updating, improving and filling in the gaps rather than fundamentally reconsidering all aspects of the *Conceptual Framework*;

    (b) the revised definitions of an asset and of a liability, that focused more on the resource or obligation than on the flows that might result from them. Respondents also supported the removal of the notion of 'expected' flows which was replaced by the notion that the resource or obligation is capable of generating future flows.

15. However, some respondents expressed the view that:

    (a) the Discussion Paper was underdeveloped in particular areas. For example, while respondents agreed with a mixed measurement approach, they expressed a view that the measurement section required more thought and analysis, merely codified existing practice and included too much Standards-level detail. Respondents cited the sections on presentation and disclosure, presentation in the statements of profit or loss and other comprehensive income (OCI) and the distinction between liabilities and equity as further examples of this concern.

    (b) the Discussion Paper appeared, in places, to simply justify existing practice rather than develop fundamental concepts.

(c) the Board should allow more time for in-depth discussions of the topics that will be included in the revised *Conceptual Framework*.

16. Many respondents also commented on the Board's proposal not to reconsider fundamentally those chapters of the existing *Conceptual Framework* that were issued in 2010 (see paragraph 4). They urged the Board to reconsider particular aspects of those chapters, notably the notions of stewardship, prudence, reliability and substance over form.

Exposure Draft Conceptual Framework for Financial Reporting

17. In May 2015, the Board published the Exposure Draft *Conceptual Framework for Financial Reporting*. In developing the Exposure Draft, the Board discussed 82 agenda papers at ten public meetings in 2014 and 2015.

18. The Exposure Draft had a 150-day comment period, ending in October 2015. However, the Board decided in September 2015, after requests from stakeholders, to extend the comment period until November 2015.

19. The Exposure Draft included chapters dealing with the objective of financial reporting and the qualitative characteristics of useful financial information. These chapters were based on those issued in 2010 but proposed changes to some aspects of those chapters (see paragraph 20). The Exposure Draft also included a chapter on the reporting entity which had been developed in light of the feedback received on both the Discussion Paper and Exposure Draft on the reporting entity (see paragraph 11).

20. Key changes since the proposals in the Discussion Paper included:

(a) **The objective of financial reporting**—The Exposure Draft proposed to give more prominence, within the overall objective of financial reporting, to the importance of providing information needed to assess management's stewardship of the entity's resources.

(b) **The qualitative characteristics of useful financial information—**The Exposure Draft proposed to:

(i) reintroduce an explicit reference to prudence (described as the exercise of caution when making judgments under conditions of uncertainty) in the *Conceptual Framework*.

(ii) state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form.

(c) **Measurement**—The measurement chapter was changed to focus on describing the different measurement bases and a discussion of the factors to consider when selecting a measurement basis. Detailed discussion of the implications of the measurement decisions for particular types of assets and liabilities was removed.

(d) **Presentation and disclosure**—The section on presentation and disclosure was changed to remove a discussion of the distinction between primary financial statements and notes and remove Standards-level detail. The Exposure Draft focused on the communication role of financial statements and presentation and disclosure in financial statements as a whole.

(e) **Presentation in profit or loss and OCI**—A discussion of the categories of items that can be included in OCI was removed. Instead, the Exposure Draft emphasised the role of profit or loss as the primary source of information about an entity's performance for the period and proposed high-level guidance to the Board on the use of OCI and on recycling of OCI items into profit or loss.

21. The Board did not propose any substantive changes to the distinction between liabilities and equity in the existing *Conceptual Framework*, but confirmed it would continue deliberations on that topic within its research project on *Financial Instruments with Characteristics of Equity*.

22. Also, except for editorial improvements, the Board did not propose any changes to the existing chapter on the concepts of capital and capital maintenance.

23. The Board received 233 comment letters in response to the Exposure Draft. In addition, Board members and staff conducted over 80 outreach meetings. Paragraph 45 discusses these outreach meetings in more detail.

24. In March 2016 the Board discussed summaries of the comment letters and of outreach activities. The comment letters and the summaries of the feedback

received are available on the Conceptual Framework project page of the IFRS Foundation's website.

25. Most of the respondents to the Exposure Draft expressed support for the Board's decision to revise the *Conceptual Framework*. Some commented that the Exposure Draft is a significant improvement on the Discussion Paper and expressed support for particular aspects of the proposals, for example:

    (a) the reintroduction of an explicit reference to the notion of prudence;

    (b) giving more prominence to the importance of providing information needed to assess management's stewardship of the entity's resources;

    (c) the definitions of an asset and a liability, and the additional guidance on uncertain liabilities.

26. Some other respondents welcomed improvements since the Discussion Paper but commented that the proposed *Conceptual Framework* still needed more work, especially on:

    (a) measurement; and

    (b) the definition of profit or loss and the distinction between profit or loss and OCI.

27. A few respondents thought that the proposals in the Exposure Draft were an inappropriate mix of concepts and rules. In addition, some stated that the guidance in some areas was too specific whereas in other areas it was not specific enough. A few respondents also expressed the view that the Exposure Draft appeared in places to simply justify existing practice rather than develop fundamental concepts.

28. Some respondents encouraged the Board to undertake a more extensive effects analysis so that they could better assess possible implications of a revised *Conceptual Framework* for potential future changes to IFRS Standards (see paragraphs 47–49.

Tentative decisions to date

29. The Board discussed the feedback received on the Exposure Draft and deliberated the proposals for inclusion in the revised *Conceptual Framework*. At 11 public meetings in 2016 and 2017, 85 agenda papers were discussed.

30. The Board started its redeliberations on the Exposure Draft proposals in April 2016. At each Board meeting, the staff provided a summary of the tentative decisions the Board had made to that date (Agenda Paper 10A *Summary of tentative decisions*). Each of those summaries is available on the Conceptual Framework project page on the IFRS Foundation's website.

31. The key decisions since the Exposure Draft proposals include:

    (a) **The objective of financial reporting**—The Board tentatively decided to clarify further the link between the objective of financial reporting and management's stewardship of the entity's resources.

    (b) **The qualitative characteristics of useful financial information**—The Board confirmed its proposal to reintroduce an explicit reference to the notion of prudence. In addition, the Board tentatively decided to include in the revised *Conceptual Framework* a clarification that prudence does not imply the need for asymmetry but to acknowledge the possibility that assets (income) might be treated differently from liabilities (expenses) if that provides useful information.

    (c) **Guidance on 'present obligation'—**The Board tentatively decided to:

        (i) refine the concepts on the meaning of the term 'obligation', in particular, by adding a statement that the factors considered in interpreting the phrase 'no practical ability to avoid' would depend on the type of transaction under consideration.

        (ii) clarify the meaning of the phrase 'as a result of past events'.

    (d) **Measurement—**The Board tentatively decided to retain the Exposure Draft proposals, but to improve them by explaining more clearly how various factors, such as the characteristics of an asset or a liability, affect the selection of a measurement basis.

(e) **Presentation in profit or loss and OCI—**The Board tentatively decided to remove the rebuttable presumptions about:

(i) the use of the statement of profit or loss. This will be replaced with a principle that income and expenses should be included in the statement of profit or loss unless the relevance or faithful representation of the information provided in the statement of profit or loss for the period would be enhanced by including in OCI the income or expenses arising from a change in the current value of an asset or a liability; and

(ii) recycling. This will be replaced with a principle that income and expenses included in OCI should be recycled to profit or loss when doing so would enhance the relevance or faithful representation of the information in the statement of profit or loss for that period.

(f) **Business model and long-term investment** —The Board tentatively decided to retain the discussion of how the way in which an entity conducts its business activities may affect decisions about the unit of account, measurement, and presentation and disclosure rather than introducing business activities as an overarching concept that affects all areas of financial reporting. Further, the Board tentatively decided to confirm the approach to long-term investment (both long-term investment as a business activity and the accounting for long-term investments held) proposed in the Exposure Draft.

Analysis of compliance with due process steps

32. The following section sets out the mandatory (minimum safeguards) and non-mandatory (comply or explain) steps undertaken in developing the revised *Conceptual Framework*. Those due process steps are set out in paragraphs 3.43–3.44 of the *IASB and IFRS Interpretations Committee Due Process Handbook* (the *Due Process Handbook*), issued in February 2013 and amended in May 2016.

33. This section should be considered in conjunction with the appendix to this paper which contains a detailed assessment of the due process steps followed.

Mandatory steps

Debating any proposals in one or more public meetings

34. The Board has held public meetings since the restart of the Conceptual Framework project in 2012. Agenda papers for these meetings were posted to, and are available on, the IFRS Foundation's website. All tentative decisions were made in those public meetings, and summaries of the tentative decisions reached were posted on the IFRS Foundation's website after each meeting.

35. In addition, before the Conceptual Framework project was suspended in 2010, the IASB and the FASB discussed elements, measurement and the reporting entity at their joint public meetings.

Exposing for public comment a draft of any proposed new Standard—with minimum comment periods

36. In May 2015, the Board issued an Exposure Draft of a revised *Conceptual Framework* with an accompanying Basis for Conclusions. The Exposure Draft was approved by 11 of the 14 Board members. The comment period for the Exposure Draft was initially set at 150 days. This was extended to 180 days in response to requests from stakeholders. Both the initial and the extended comment period exceeded the usual minimum comment period of 120 days for Exposure Drafts.

Considering in a timely manner those comment letters received on the proposals

37. The Board received 233 comment letters on the Exposure Draft. Comment letter summaries were presented to the Board in March 2016, covering all comment letters received. The comment letters on the Exposure Draft are available on the IFRS Foundation's website.

Considering whether the proposals should be exposed again

38. The staff recommend that the Board should not re-expose for public comment the proposed revised *Conceptual Framework* (see paragraphs 61–66).

Reporting to the IFRS Advisory Council on major projects

39. The IFRS Advisory Council (the Advisory Council) was updated on the progress of the Conceptual Framework project, as part of the reports on the technical work

programme, at every meeting since the project was restarted. In addition, the Advisory Council discussed the *Conceptual Framework* at its June 2013, October 2013, June 2014, October 2014 and February 2016 meetings. Further, the staff held optional education sessions for Advisory Council members in June 2014 and June 2015.

Non-mandatory steps

Publishing a discussion document (eg a Discussion Paper) before an Exposure Draft is developed

40. In July 2013 the Board published for comment the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*. The comment period for the Discussion Paper was 180 days and the Board received 221 comment letters. Comment letter summaries were presented to the Board in March 2014. Some comment letters were received too late for inclusion in the comment letter summary. However, feedback from these comment letters was included in subsequent agenda papers and discussed with the Board.

Establishing consultative or other specialist advisory groups

41. The purpose of a consultative group is to provide additional practical experience and expertise. The consultative group for the Conceptual Framework project is the Accounting Standards Advisory Forum (ASAF). The ASAF is an advisory group to the Board, consisting of national accounting standard-setters and regional bodies with an interest in financial reporting. ASAF members have experience and expertise relevant to the Conceptual Framework project.

42. The Board has consulted the ASAF at 14 out of the 15 ASAF meetings during April 2013 and December 2016. In addition, at each meeting, the ASAF was provided with an update on the progress of the project. The Board has sought ASAF members' views on many aspects of the *Conceptual Framework*, including strategy for the development of the Exposure Draft, measurement, presentation in profit or loss and OCI, distinction between liabilities and equity, business model, prudence, and the implications of long-term investment for the *Conceptual Framework*. ASAF members have also submitted their own papers on the *Conceptual Framework* for discussion at the meeting.

43. ASAF meetings are held in public. Papers discussed at ASAF meetings and summaries of the discussions are available on the Conceptual Framework project page on the IFRS Foundation's website.

44. In addition to meetings with the ASAF and the Advisory Council, the staff and the Board have held meetings with the following groups during the course of the project:

    (a) **Capital Markets Advisory Group (CMAC**)—Board members and staff have regularly provided updates and sought input from this group of investors and analysts. In particular, selected proposals from the Discussion Paper and the Exposure Draft were discussed at six out of 13 CMAC meetings since the project has been restarted. At these meetings, CMAC members discussed the notions of reliability, stewardship, and prudence, the distinction between liabilities and equity, measurement, presentation and disclosure and presentation in profit of loss and OCI.

    (b) **Global Preparers' Forum (GPF)**—With this group of preparers of financial statements, Board members and staff discussed presentation in profit or loss and OCI, the asset and liability definitions and supporting guidance, the purpose and status of the *Conceptual Framework,* the distinction between liabilities and equity, measurement, recognition and derecognition. These topics were discussed at seven out of 13 GPF meetings during November 2012 and January 2017; and

    (c) **World Standard-setters (WSS)**—Board members and staff have provided updates and sought input at each annual WSS meeting since 2012. Members of the WSS and staff discussed the asset and liability definitions, measurement, presentation in profit or loss and OCI, and the qualitative characteristics of useful financial information. Further, the implications of the revised *Conceptual Framework* for a future review of IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets* were discussed.

Public hearings

45. Public hearings are undertaken to raise awareness of proposals and exchange views on them. The Board and the staff have undertaken extensive outreach and consultation with a broad range of stakeholders over the course of the Conceptual Framework project including:

    (a) joint public round-table meetings on measurement in London, Hong Kong and Norwalk in 2007;

    (b) public round-table meetings in London, Toronto, São Paolo and Tokyo in October and November 2013;

    (c) outreach meetings organised by local standard-setters in Southern Africa, Europe, Asia, Latin America, North America and Australia and New Zealand from 2013 to 2015;

    (d) presentations and debate at IFRS conferences in Paris, Zurich, London, Amsterdam, São Paolo and Frankfurt from 2012 to 2016.

Undertaking fieldwork

46. The nature of the *Conceptual Framework* makes field testing of the proposals difficult. The effect of a revised concept cannot be known in detail until a new or revised Standard is developed based on that revised concept. However, where possible, the staff have sought to identify the likely effects of the revised *Conceptual Framework*.

47. In particular, the staff have:

    (a) tested the asset and liability definitions and the concepts supporting those definitions as proposed in the Exposure Draft. This exercise included discussing illustrative examples with participants at the World Standard-setters Meeting in September 2016.

    (b) analysed whether and how the proposed definitions and supporting concepts could help the Board reaching decisions in some of its Standard-setting and research projects.

    (c) sought to identify inconsistencies between existing Standards and the concepts in the revised *Conceptual Framework*. Such inconsistencies

could lead to changes to the affected Standards if the Board were to decide in the future to amend or replace those Standards. Any decision to amend or replace an existing Standard would need to go through the Board's normal due process for adding a project to its agenda (see also paragraph 68).

48. The outcome of the testing and analysis discussed in paragraph 47(a) and (b) was presented to the Board in October 2016. In response to the feedback received at the WSS meeting, the Board tentatively decided to clarify the meaning of the phrase 'as a result of past events' that appears in the definitions of an asset and of a liability.

49. The outcome of the exercise to identify inconsistencies (see paragraph 47(c)) is discussed in Agenda Paper 10C for this Board meeting.

Reporting to IFRS Foundation Trustees and the Due Process Oversight Committee

50. As part of the reports on the technical work programme, the IFRS Foundation Trustees and the Due Process Oversight Committee (DPOC) have been informed of the status and progress of the project at every meeting since the project was restarted. The latest update provided to the DPOC was at its January 2017 meeting. The next update will be provided in May 2017. In addition, the DPOC discussed three agenda papers at meetings in 2014 and 2015. Topics discussed were the feedback from users of financial statements on the Discussion Paper, the due process summary for the Exposure Draft and an extension to the 150-day comment period of the Exposure Draft.

Effects of the revised Conceptual Framework

51. The *Conceptual Framework* describes the objective of, and the concepts for, general purpose financial reporting. The Board has tentatively decided that the purpose of the revised *Conceptual Framework* will be to assist:

    (a) the Board in developing Standards that are based on consistent concepts;

(b) preparers in developing consistent accounting policies when no Standard specifically applies to a particular transaction or other event; and

(c) all parties in understanding and interpreting the Standards.

52. The *Conceptual Framework* is not a Standard and does not override the requirements of any Standard. However, because the Board will use the revised *Conceptual Framework* in developing and revising Standards, it will have an effect on any new or revised Standard. Consequently, the revised *Conceptual Framework* will affect other parties when they adopt any such new or revised Standard. It will also affect other parties when they develop new accounting policies for transactions or events that are not specifically addressed in an existing Standard[4].

53. Agenda papers presented to the Board in developing the revised *Conceptual Framework* have considered the effects that the revised *Conceptual Framework* could have on various parties. Agenda Paper 10D for this month summarises the work the staff have done to understand these effects.

54. The revised *Conceptual Framework* will not cause immediate changes to existing Standards. This is because any decision to start developing amendments to an existing Standard would require the Board to go through its normal due process for adding a project to its agenda, including the required periodic agenda consultation. In addition, when the Board considers whether to start a project to amend an existing Standard, the existence of any possible inconsistences between the Standard and the *Conceptual Framework* is only one factor the Board would consider. As stated in paragraph 4.23 of the *Due Process Handbook*, amending a Standard is not an automatic consequence of revisions to the *Conceptual Framework*. Instead, changes to Standards are made to address deficiencies in financial reporting.

55. Consistent with the provisions of the *Due Process Handbook*, a discussion of the work that the Board has done to assess the possible effects of the revised

[4] This assumes that the Board approves the proposal to update the reference to the *Framework* in paragraph 11(b) of IAS 8 *Accounting Policies, Changes in Accounting Policies and Errors* as discussed in Agenda Paper 10E, January 2017.

Conceptual Framework will be included in the Feedback Statement on the Exposure Draft.

Information on the IFRS Foundation website

56. The staff have made use of the IFRS Foundation's website to provide interested parties with regular updates on the Conceptual Framework project. Specifically, the Conceptual Framework project page includes:

    (a) the Discussion Paper, the Exposure Draft, and the Bases for Conclusions in English as well as translations into Spanish, Japanese and French;

    (b) accompanying material such as 'Snapshots' of the Discussion Paper and the Exposure Draft, and articles, such as articles in the Board's series 'Investor Perspectives';

    (c) comment letters and feedback summaries;

    (d) Agenda papers, decision summaries (IASB *Update*) and recordings of Board meetings;

    (e) papers discussed by the Board with its advisory bodies (ASAF, Advisory Council, CMAC, GPF) and recordings of those meetings; and

    (f) a summary of the Board's tentative decisions to date on the Exposure Draft proposals.

57. The Conceptual Framework page of the IFRS Foundation's website also contains information about the work on the project before it was suspended in 2010.

Webcasts and podcasts

58. Throughout the project, staff and Board members have recorded webcasts and podcasts providing updates on the project and key messages. Further, the staff recorded a series of webcasts that explained the proposals in the Exposure Draft and included a case study on possible implications.

Email alerts

59. Interested parties have received updates on major project news through subscriber email alerts. As of the end of January 2017, there were more than 5,000 subscribers to the *Conceptual Framework* email alerts.

Compliance with due process steps

60. In the appendix of this paper the staff have summarised the due process steps undertaken in developing the revised *Conceptual Framework*. The staff think that the Board has undertaken and completed all of the activities identified as being 'mandatory' in the *Due Process Handbook.* In addition, the staff think that the Board has undertaken sufficient 'non-mandatory' steps for it to be in a position to finalise the *Conceptual Framework.*

Question 1
Does the Board agree with the staff conclusion that the Board has: (a) undertaken all mandatory due process steps; and (b) undertaken sufficient non-mandatory steps to be in a position to finalise the *Conceptual Framework*?

Re-exposure

61. The re-exposure criteria are set out in paragraphs 6.25 and 6.29 of the *Due Process Handbook* as issued in February 2013 and amended in May 2016. In considering whether there is a need for re-exposure, the Board:

    (a) identifies substantial issues that emerged during the comment period on the Exposure Draft that it had not previously considered;

    (b) assesses the evidence that it has considered;

    (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and

    (d) considers whether the various viewpoints were appropriately aired in the Exposure Draft and adequately discussed and reviewed in the Basis for Conclusions.

62. This paper summarises the steps that the Board has undertaken to ensure that it has:

    (a) gathered appropriate evidence;

    (b) sufficiently understood the issues, implications and likely effects of the revised *Conceptual Framework*; and

    (c) sought the views of interested parties.

63. The Exposure Draft discussed the major topics that will be included in the revised *Conceptual Framework*. Hence, the staff think that the various viewpoints were appropriately aired in the Exposure Draft. In addition, the feedback and comments received on the Exposure Draft will be adequately discussed and reviewed in the Basis for Conclusions on the revised *Conceptual Framework*.

64. No new substantial issues have been identified by the staff during the course of redeliberations on the Exposure Draft. However, in light of the comments received on the Exposure Draft, the Board has tentatively decided on several refinements to the proposals in the Exposure Draft (see paragraph 31).

65. In developing these refinements, the staff sought advice from the ASAF and other groups. Consequently, the staff consider that all substantial issues were appropriately discussed in the Exposure Draft or at subsequent meetings of the Board or consultative groups.

66. Having considered all the steps undertaken, the staff do not think that there are any substantive changes on which respondents have not had the opportunity to comment and, thus, it is unlikely that re-exposure will reveal any new concerns or new information. On this basis, the staff recommend that the Board does not re-expose the proposed *Conceptual Framework* for another round of public comment.

Question 2
Does the Board agree with the staff recommendation not to re-expose the *Conceptual Framework*?

Effective Date

67. In developing the Exposure Draft, the Board discussed the effective date of the revised *Conceptual Framework* for the Board and the IFRS Interpretations Committee.[5] The Board decided to propose that both the Board and the IFRS Interpretations committee start using the revised *Conceptual Framework* as soon as it is issued.

68. At its September 2014 meeting, the IFRS Interpretations Committee discussed and agreed with the Board's proposal that the IFRS Interpretations Committee should also start applying the revised *Conceptual Framework* as soon as it is issued. When the IFRS Interpretations Committee is faced with inconsistencies between a Standard (including those developed on the basis of the existing *Conceptual Framework*) and the concepts in the revised *Conceptual Framework*, it is required by the *Due Process Handbook* to refer the issue to the Board.[6]

69. Although no explicit question was asked about this issue, a few respondents to the Exposure Draft explicitly agreed with the proposal that the Board and the IFRS Interpretations Committee should start using the revised *Conceptual* Framework as soon as it is issued. There was no significant disagreement with this proposal.

70. Hence, the staff continue to recommend that both the Board and the Interpretations Committee start using the *Conceptual Framework* as soon as it is issued.

Question 3
Do you agree with the staff recommendation that the Board and the IFRS Interpretations Committee start using the *Conceptual Framework* as soon as it is issued?

Permission to ballot

71. Apart from sweep issues that might arise during the drafting stages of the balloting process, the Board has now completed redeliberations of all technical issues. If the Board agrees that all due process requirements have been met, the

[5] At its January 2017 meeting, the Board tentatively decided on a transition period of approximately 18 months for preparers that develop accounting policies based on the *Conceptual Framework*.
[6] See paragraph 7.8 of the *Due Process Handbook.*

staff think that the Board is ready to proceed to balloting the revised *Conceptual Framework*.

Question 4
Does the Board grant the staff permission to begin the balloting process for the revised *Conceptual Framework*?

Intention to dissent

72. Decisions on all issues discussed by the Board were tentatively approved by the majority of the Board. In accordance with paragraph 6.23 of the *Due Process Handbook*, any members of the Board who intend to dissent from the revised *Conceptual Framework* are required to make that intention known at this time.

Question 5
Do any Board members plan to dissent from the publication of the revised *Conceptual Framework*?

Appendix A: Due process steps followed in the development of the revised *Conceptual Framework for Financial Reporting*

Step	*Required / Optional*	*Metrics or evidence*	*Examples of evidence that could be provided to DPOC*	*Actions*
Consideration of information gathered during consultation				
The Board posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	Required if request issued	Letters posted on the project pages.	The Board has reported on progress as part of its quarterly report at Trustee meetings, including summary statistics of respondents.	The Board received 233 comment letters on the Exposure Draft. All letters have been posted on the IFRS Foundation's website and a link to the comment letters is provided on the Conceptual Framework project page. Comment letter summaries, covering all comment letters that were received, were presented to the Board in March 2016 and are also available on the Conceptual Framework project page.
Round-table meetings between external participants and members of the Board.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	The Board hosted public round-table meetings in London, Toronto, São Paolo and Tokyo when developing the Exposure Draft (October–November 2013). No round table-meetings were held during the development of the final document but outreach meetings similar to round-tables were undertaken in several countries.
Board meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	Meetings held. Project website contains a full description with up-to-date information. Meeting papers posted in a timely fashion. Extent of meetings with consultative group held and confirmation that critical issues have been reviewed with them.	The Board and the DPOC have discussed progress on major projects, in relation to the due process being conducted. The Board and the DPOC have reviewed the due process over the project life cycle, and how any issues about the due process have been/are being addressed. The DPOC has met with the Advisory Council to understand stakeholders' perspectives. The DPOC has reviewed and responded to comments on due process as appropriate.	**Board meetings** The Board held public meetings, including public education sessions, in developing: • the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*, from September 2012 to May 2013; • the Exposure Draft *Conceptual Framework for Financial Reporting*, from March 2014 to October 2014; and • the revised *Conceptual Framework for Financial Reporting*, from March 2016 to February 2017. In addition, the IASB and the FASB held public meetings on the joint Conceptual Framework project in 2004–2010. **Project website** The Conceptual Framework project page of the IFRS Foundation's website has been in place over the course of the project. It contains a description of the project objective and history, meeting papers, summaries of the tentative decisions made (IASB *Update*), and recordings of the meetings, as well as papers discussed with the Board's advisory bodies. It contains comment letters on the Discussion Paper and the Exposure Draft and summaries of the feedback received. It also contains information about the work performed by the IASB and the FASB before the joint project was suspended in 2010. **Meeting papers** All meeting papers have been posted on the IFRS Foundation's website prior to the meeting dates.

Step	*Required / Optional*	*Metrics or evidence*	*Examples of evidence that could be provided to DPOC*	*Actions*
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	Publication of the Effect Analysis.	The Board and the DPOC have reviewed the results of the Effect Analysis and how it has considered such findings in the proposed Standard. The Board has provided a copy of the Effect Analysis to the DPOC at the point of the Standard's publication.	The *Conceptual Framework* is not a Standard and does not override the requirements of specific Standards. The revised *Conceptual Framework* will: • assist the Board to develop Standards that are based on consistent concepts; • assist preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and • assist all parties to understand and interpret the Standards. The revised *Conceptual Framework* will not necessarily lead to changes to existing Standards. As stated in paragraph 4.23 of the Due Process Handbook, amending a Standard is not an automatic consequence of revisions to the *Conceptual Framework*. Instead, changes to Standards are made to address deficiencies in financial reporting. Any decision to amend an existing Standard would require the Board to go through its normal due process for adding a project to its agenda and for developing an Exposure Draft and an amendment to that Standard. In addition, when the Board considers whether to start a project to amend an existing Standard, the existence of any possible inconsistences between the Standard and the *Conceptual Framework* is only one factor the Board would consider. The revised *Conceptual Framework* is expected to have a limited direct effect on parties other than the Board. The Board has considered effects of the revised *Conceptual Framework* on parties other than the Board in its redeliberations of the Exposure Draft. For example, the Board discussed the transition period for entities that apply the *Conceptual Framework* in developing accounting policies and has tested the effects of the revised asset and liabilities definitions during a World Standard-setter meeting. A discussion of the work that the Board has done to assess the possible effects of the revised *Conceptual Framework* will be included in the Feedback Statement to be issued with the revised *Conceptual Framework*. A summary of this work will also be provided to the DPOC.
Email alerts are issued to registered recipients.	Optional	Evidence that alerts have occurred.	The DPOC has received a report of outreach activities.	Interested parties have been notified when updates to the Conceptual Framework project website have been made using the project page and subscriber email alerts. As of January 2017 there were over 5,000 participants registered for *Conceptual Framework* email alerts.
Outreach meetings to	Optional	Extent of meetings held,	The DPOC has received a report	Before the Conceptual Framework project was suspended in 2010, the IASB and the FASB had

Step	*Required / Optional*	*Metrics or evidence*	*Examples of evidence that could be provided to DPOC*	*Actions*
promote debate and hear views on proposals that are published for public comment.		including efforts aimed at investors.	of outreach activities.	round-table meetings on measurement, published Discussion Papers and Exposure Drafts on the 'reporting entity', 'the objective of general purpose financial reporting' and 'the qualitative characteristics of useful financial information'. That work fed into the development of the Discussion Paper. In addition, in January 2013, the Board held a public discussion forum on disclosure that also fed into the development of the proposals in the Discussion Paper. Both after the publication of the Discussion Paper and of the Exposure Draft, Board members and staff have conducted outreach and consultation with a broad range of interested parties from various jurisdictions. There were more than 230 outreach meetings conducted, including the following: (a) public round-table meetings in London, Toronto, São Paolo and Tokyo held in October-November 2013; (b) outreach meetings organised by local standard-setters in Southern Africa, Europe, Asia, Latin America, North America, Australia and New Zealand; (c) discussions with the Board's advisory bodies (ASAF, Advisory Council, CMAC and GPF); (d) presentations and debates at various conferences, including World Standard-setters and IFRS conferences; and (e) meetings with groups or individuals, from various backgrounds, including preparers, auditors, national standard-setters, academics, regulators and targeted outreach with investors and analysts.
Regional discussion forums are organised with national standard-setters and the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	Many of the outreach meetings were organised with either regional standard-setters or national standard-setters.
Finalisation				
Due process steps are reviewed by the IASB.	Required	Summary of all due process steps have been discussed by the IASB before a Standard is issued.	The DPOC has received a summary report of the Board paper summarising the due process steps that were followed before the Standard is issued.	This document presents the project's compliance with due process, and is to be reviewed during this meeting. This paper will be presented to the DPOC in May 2017.

Step	*Required / Optional*	*Metrics or evidence*	*Examples of evidence that could be provided to DPOC*	*Actions*
Need for re-exposure of a Standard is considered.	Required	An analysis of the need to re-expose is considered at a public IASB meeting, using the agreed criteria.	The IASB has shared its thinking on the issue of re-exposure with the DPOC.	Paragraphs 61–66 of this paper consider the need for re-exposure. The staff think that it is unlikely that a re-exposure would reveal any new concerns that have not already been considered by the Board. The staff recommend that the Board does not re-expose the proposed *Conceptual Framework* for public comment.
The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	Effective date set, with full consideration of the implementation challenges.	The IASB has discussed any proposed shortening of the period for effective application with the DPOC.	In January 2017, the Board tentatively decided on a transition period of 18 months for preparers who use the *Conceptual Framework* to develop accounting policies. The Board will be asked to re-confirm this in a separate agenda paper that will be discussed at a future Board meeting. Question 3 of this paper asks the Board to confirm that the Board and the IFRS Interpretations Committee will start using the *Conceptual Framework* as soon as it is issued.
Drafting				
Drafting quality assurance steps are adequate.	Required	The Translations team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued.	The Translations team will be consulted as part of the balloting process to take into account the need for language in the revised *Conceptual Framework* that is translatable into other languages.
	Required	The IFRS Taxonomy team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued.	The IFRS Taxonomy Team will be consulted as part of the balloting process to ensure that any implications of the revised *Conceptual Framework* for the IFRS Taxonomy are identified.
	Optional	The Editorial team has been included in the review process. In addition, external reviewers used to review drafts for editorial review and the comments collected have been	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued, including the extent to which external reviewers have been used in the drafting process.	The staff will liaise with the editorial team and provide drafts for them to review when finalising the *Conceptual Framework*. The staff intend to send a draft of the *Conceptual Framework* to external parties for review before finalisation. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The external review process does not grant external parties the opportunity to question the Board's technical decisions.

Step	*Required / Optional*	*Metrics or evidence*	*Examples of evidence that could be provided to DPOC*	*Actions*
		considered by the IASB.		
	Optional	Draft for editorial review has been made available to members of the IFASS and the comments have been collected and considered by the IASB.	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued.	The staff will make a draft of the revised *Conceptual Framework* available on an internal site accessible by national standard-setters, and regional bodies, who are members of IFASS.
	Optional	Draft for editorial review has been posted on the project website.	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued.	The staff do not intend to publish a draft of the revised *Conceptual Framework* on the project website. This is because the staff expect the external review process to provide sufficient feedback on the draft.
Publication				
Press release to announce final Standard.	Required	Press release has been announced in a timely fashion. Media coverage of the release.	The DPOC has received a copy of the press release and a summary of the media coverage.	To be completed in due course.
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.	Required	Publication of the Feedback Statement.	The IASB has provided a copy of the Feedback Statement to the DPOC at the point of the Standard's publication.	To be completed in due course.
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	Number of podcasts held.	The DPOC has received a report of outreach activities.	To be completed in due course.

Step	***Required / Optional***	***Metrics or evidence***	***Examples of evidence that could be provided to DPOC***	***Actions***
Standard/ *Conceptual Framework* is published.	Required	Official release.	The DPOC has been informed of the release.	To be completed in due course.