

Review of the *Conceptual Framework* Definitions of assets and liabilities, and recognition criteria

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The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation.

Before we start...

- You can download the slides by clicking on the button below the slides window
- To ask a question, type into the designated text box on your screen and click submit
- A recording of the webcast will be available a few days after the presentation at <http://go.ifrs.org/Conceptual-Framework>
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Project overview

Project objectives

- Not a fundamental re-think
- Focus on weaknesses that have given problems in practice
- Filling in gaps, and updating and improving existing guidance

Discussion Paper objectives

- Preliminary views
- Starting point for further discussion and consultation
- Seeking your views by 14 January 2014

Project consequences

- New *Conceptual Framework* will not override existing IFRSs

Existing definitions and recognition criteria

Some problems

IASB's preliminary views to address those problems

Additional guidance for definitions

Existing definitions

Asset [of an entity]	Liability [of an entity]
<ul style="list-style-type: none">• a resource controlled by the entity	<ul style="list-style-type: none">• a present obligation of the entity
<ul style="list-style-type: none">• as a result of past events	<ul style="list-style-type: none">• arising from past events
<ul style="list-style-type: none">• from which future economic benefits are expected to flow to the entity	<ul style="list-style-type: none">• the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits

Proved useful tool for many years but for some problems

What is recognition?

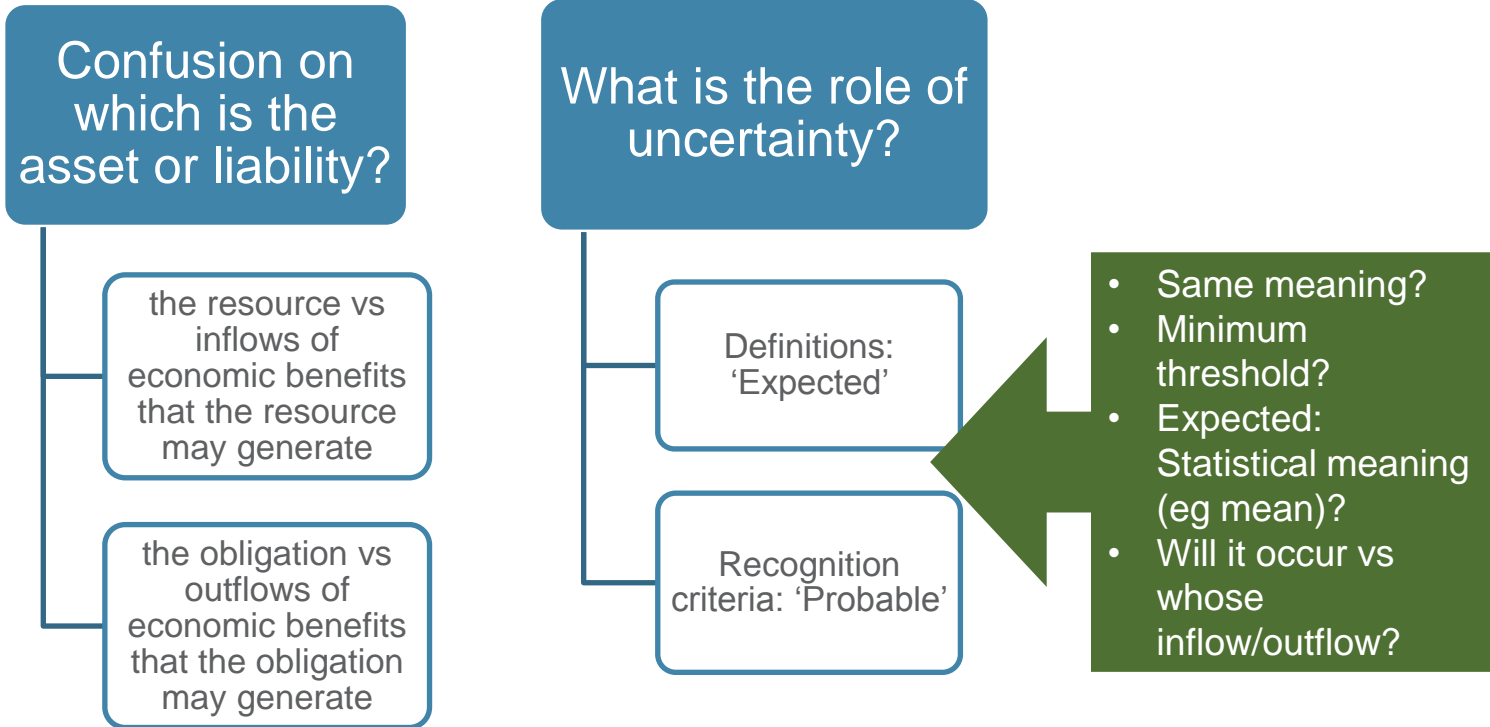
Identify the assets,
liabilities, income,
expenses

Depiction in words
and numbers

- Existing criteria:
- Meets definitions
 - Probable
 - Measured reliably

Proved useful tool for many years but for some problems

Some problems with existing definitions and recognition criteria



Which is the asset or liability?

The asset is the **resource**, not the ultimate future inflow
The liability is the **obligation**, not the ultimate future outflow

Example	Resource	Ultimate future inflows
Call option held on an underlying asset	Contractual right to buy the underlying asset	Underlying asset
Pharmaceutical research that is in progress	Know-how	Economic benefits that will arise if the research is successful
Lottery ticket	Right to participate in the lottery	Cash prize

Probability vs Expected

Existence uncertainty

- Does the resource or obligation exist?
- Eg litigation

Outcome uncertainty

- How likely is it that the resource (or obligation) will produce inflows or outflows?
- Eg options

Suggested approach to uncertainty

Existence uncertainty

- In most cases, it is clear
- But when unclear, IASB will determine threshold in particular Standards

Outcome uncertainty

- Asset/liability exists, but outcome is uncertain
- No specific probability threshold
- Addressed by recognition criteria [see next slides]

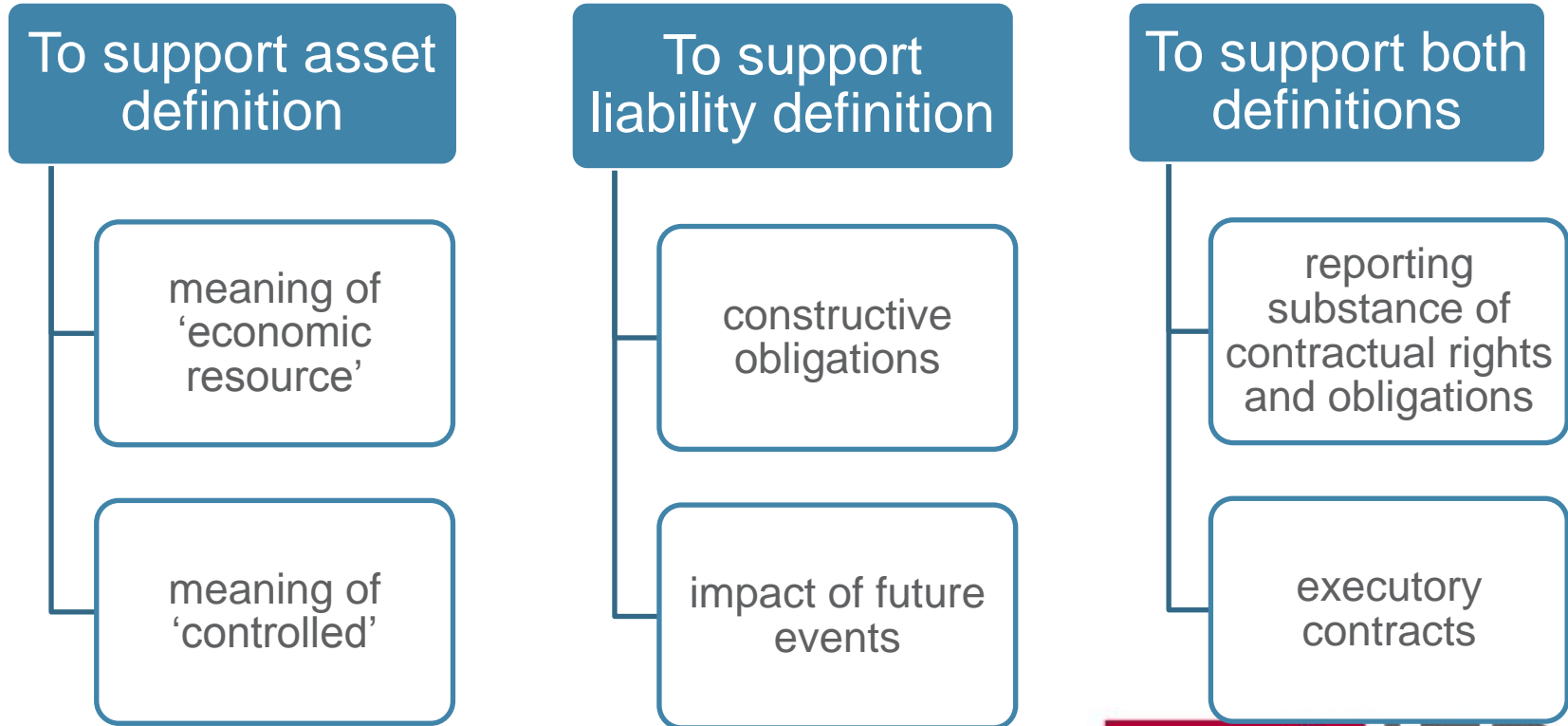
Suggested revised definitions

Asset [of an entity]	Liability [of an entity]
<ul style="list-style-type: none">A present economic resource controlled by the entity as a result of past events	<ul style="list-style-type: none">a present obligation of the entity to transfer an economic resource as a result of past events
<ul style="list-style-type: none">An economic resource = a right, or other source of value, that is capable of producing economic benefits	

Recognising items that meet definitions provides useful information

- But, there may be cases when an entity should not recognise some asset or liability:
 - If recognising would provide users with information that is not relevant, or not sufficiently relevant to justify the cost
 - If no measurement of the asset or liability would result in a faithful representation of the asset or liability, or of changes in the asset or liability.

Definitions: suggested further guidance





- Discussion Paper
<http://go.ifrs.org/DP-Conceptual-Framework-July-2013>
– Comments to be received by 14 January 2014
- Snapshot
<http://go.ifrs.org/Snapshot-DP-Conceptual-Framework-2013>
- Existing *Conceptual Framework*
<http://eifrs.ifrs.org/eifrs/bnstandards/en/2013/conceptualframework.pdf>
- *Conceptual Framework* website
<http://go.ifrs.org/Conceptual-Framework>

Questions



Expressions of individual views by members of the IASB and its staff are encouraged.

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