International Financial Reporting Standards



Review of the *Conceptual Framework* Guidance on liability definition—obligations conditional on entity's future actions

Mary Tokar IASB member Joan Brown, Manuel Kapsis IASB staff

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

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- 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

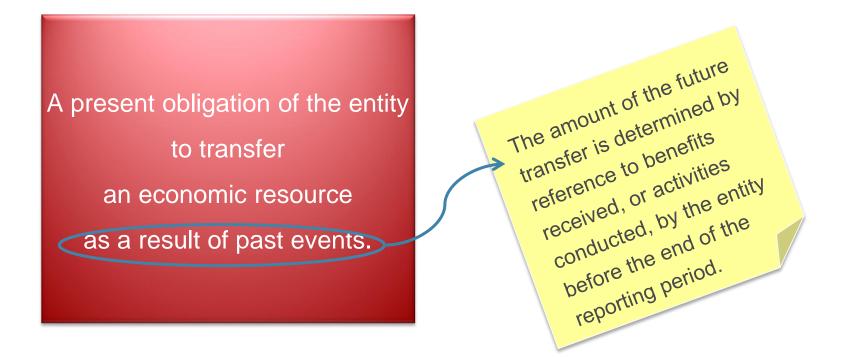
• New Conceptual Framework will not override existing IFRSs

Examples of variations in IFRS requirements

IFRS	Transactions addressed	Liability before conditions met?	Reason
IAS 37 <i>Provisions</i> + IFRIC 21 <i>Levies</i>	Many – eg levies payable only if entity is operating in a market on a future date.	Νο	Only obligations 'existing independently of an entity's future actions' are present obligations.
IAS 34 Interim Financial Statements	Lease payments contingent on entity exceeding annual sales threshold.	Yes as sales are made, <u>if</u> expect to exceed threshold.	Entity has 'no realistic alternative but to make the future lease payments'.
IFRS 2 Share-based payments	Cash-settled payments conditional on entity meeting vesting conditions.	Yes as vesting period progresses.	Entity has received services in exchange for which further payments might be required.
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Liability definition proposed in Discussion Paper

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View 1

An obligation that:

- arises from past events, and
- is strictly unconditional.

The entity has no ability to avoid the transfer through its future actions. The amount of the future

reference to benefits received, or activities

conducted, by the entity

before the end of the

reporting period.

View 2

An obligation that:

- arises from past events, and
- is practically unconditional.

The entity does not have practical ability to avoid the transfer through its future actions. transfer is determined by

View 3

An obligation that:

•

- arises from past events, and
- may be either unconditional or conditional on the entity's future actions.

On meeting any further conditions, the entity will have to transfer an economic resource that it would not have had to transfer in the absence of the past events.



Fact pattern

Levy charged on entities that operate trains on national rail network.

Levy charged at the end of each calendar year, at 1 per cent of revenue in excess of 100 million currency units (CU) in that year.

Train operator prepares financial statements for financial reporting year to 30 June.

It has earned revenue of CU60 million between 1 January and 30 June.

It expects to have earned revenue of CU120 million by end of calendar year and hence to be charged a levy of CU0.2 million* for the year.



* (CU120 million – CU100 million) x 1%

Analysis of whether train operator has a present obligation

Criteria	View 1	View 2	View 3
Past event?	Yes	Yes	Yes
Strictly unconditional?	No		
Practically unconditional?		Probably, in this case	
-	-	-	-
Present obligation?	No	Probably, in this case	Yes



'Present' obligation—IASB's preliminary views

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More information

- Discussion Paper
 <u>http://go.ifrs.org/DP-Conceptual-Framework-July-2013</u>
 - Discussion of future events in Section 3
 - Includes further examples
 - Comments to be received by 14 January 2014
- Snapshot
 <u>http://go.ifrs.org/Snapshot-DP-Conceptual-Framework-2013</u>
- Existing Conceptual Framework
 http://eifrs.ifrs.org/eifrs/bnstandards/en/2013/conceptualframework.pdf
- Conceptual Framework website
 <u>http://go.ifrs.org/Conceptual-Framework</u>



Conceptual framework project webcasts

Date	Торіс	
Tuesday 3 September 2013	Assets and liabilities—definitions and recognition criteria.	
Friday 13 September 2013	Profit or loss and other comprehensive income (OCI)	
Friday 27 September 2013	Definition of equity and distinction between liability and equity elements	
Wednesday 2 October 2013	Measurement	
Thursday 10 October 2013	Guidance on liability definition—obligations conditional on entity's future actions	
Tuesday 22 October 2013	Objective and Qualitative Characteristics	
Friday 15 November 2013	Presentation and disclosure	

