EACB Draft Comments on "A Review of the Conceptual Framework for Financial Reporting" – IASB DP/2013/1

Brussels, 10th December 2013

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Introduction

The EACB appreciates the IASB initiative to improve the Conceptual Framework for Financial Reporting and welcomes the opportunity to provide comments on its Review.

Answers to specific questions

<u>Section 1</u>

Question 1
Paragraphs 1.25–1.33 set out the proposed purpose and status of the Conceptual Framework. The IASB's preliminary views are that:
(a) the primary purpose of the revised Conceptual Framework is to assist the IASB by identifying concepts that it will use consistently when developing and revising IFRSs; and
(b) in rare cases, in order to meet the overall objective of financial reporting, the IASB may decide to issue a new or revised Standard that conflicts with an aspect of the Conceptual Framework. If this happens the IASB would describe the departure from the Conceptual Framework, and the reasons for that departure, in the Basis for Conclusions on that Standard.

Do you agree with these preliminary views? Why or why not?

We agree with the IASB, that, in a limited number of cases, a newly developed standard may be in conflict with the conceptual framework. Although we believe that the principles of the conceptual framework should be followed *in toto*, in exceptional cases it could make sense to deviate from the conceptual framework, avoiding unintended consequences and giving a true and fair view of specific features in the financial reporting.

<u>Section 2</u>

Question 2
The definitions of an asset and a liability are discussed in paragraphs 2.6–2.16. The IASB proposes the following definitions:
(a) an asset is a present economic resource controlled by the entity as a result of past events.
(b) a liability is a present obligation of the entity to transfer an economic resource as a result of past events.
(c) an economic resource is a right, or other source of value, that is capable of producing economic benefits.

Do you agree with these definitions? Why or why not? If you do not agree, what changes do you suggest, and why?

All in all, we agree with the definitions laid down in the Discussion Paper.

Question 3
Whether uncertainty should play any role in the definitions of an asset and a liability, and in the recognition criteria for assets and liabilities, is discussed in paragraphs 2.17–2.36. The IASB's preliminary views are that:
(a) the definitions of assets and liabilities should not retain the notion that an inflow or outflow is 'expected'. An asset must be capable of producing economic benefits. A liability must be capable of resulting in a transfer of economic resources.
(b) the Conceptual Framework should not set a probability threshold for the rare cases in which it is uncertain whether an asset or a liability exists. If there could be significant uncertainty about whether a particular type of asset or liability exists, the IASB would decide how to deal with that uncertainty when it develops or revises a Standard on that type of asset or liability.
(c) the recognition criteria should not retain the existing reference to probability.

Do you agree? Why or why not? If you do not agree, what do you suggest, and why?

We understand that the primary intention of the IASB is to solve existing conflicts between the conceptual framework and particular standards by adjusting the definitions of assets and liabilities. The focus thereby lies on elaborating the definitions to make them more adequate for all possible transactions. Accordingly, the IASB does not intend to extend the definitions in order to achieve the recognition of more items as assets and liabilities in the financial statements.
Nevertheless, the requirements for the recognition of transactions complying with these definitions will still be set out in the particular standards. Consequently, the revision of the conceptual framework will not necessarily lead to the recognition of additional assets and liabilities.
In our opinion, the elimination of the probability threshold currently included in the definitions must not lead to the need for a mandatory book entry for those transactions having a carrying amount of zero due to the low probability of the respective cash flows. This would counteract the intention of the IASB as described above. Therefore, the IASB should clarify in the Exposure Draft that the revision of the definitions of assets and liabilities only aims to optimisation purposes and that the recognition of assets and liabilities is set out in the particular standards.
In this context, we would like to emphasise that the wording of the section on recognition and derecognition (section 4 of the Discussion Paper) in the final conceptual framework should clearly be identifiable as only a basis or guiding principle for the development of a particular standard. With regard to the IASB's intention described above, the board should refrain from including comprehensive, detailed and concrete requirements for recognition criteria.

Question 4
Elements for the statement(s) of profit or loss and OCI (income and expense), statement of cash flows (cash receipts and cash payments) and statement of changes in equity (contributions to equity, distributions of equity and transfers between classes of equity) are briefly discussed in paragraphs 2.37–2.52.
Do you have any comments on these items? Would it be helpful for the Conceptual Framework to identify them as elements of financial statements?

Regardless of the final wording of the definitions of assets and liabilities, we agree with defining the elements of the statements of profit or loss and OCI as changes in assets and liabilities. Accordingly, we still prefer the balance sheet approach.

Section 3

Question 5

Constructive obligations are discussed in paragraphs 3.39–3.62. The discussion considers the possibility of narrowing the definition of a liability to include only obligations that are enforceable by legal or equivalent means. However, the IASB tentatively favours retaining the existing definition, which encompasses both legal and constructive obligations—and adding more guidance to help distinguish constructive obligations from economic compulsion. The guidance would clarify the matters listed in paragraph 3.50.
Do you agree with this preliminary view? Why or why not?

We agree with the preliminary decision of the IASB to retain the existing definition, which encompasses both legal and constructive obligations. The objective of financial reporting according to the IFRS is to provide the users of the financial statements with relevant and faithful information about the resources of and claims against the entity to depict an unbiased picture of the entity's economic situation. At this juncture, the principle of substance over form plays an important role as an information is only useful in making decisions if it depicts the actual economic impact of a transaction on the resources of the entity. The depiction of only the contractual terms may not suffice.

Question 6

The meaning of 'present' in the definition of a liability is discussed in paragraphs 3.63–3.97. A present obligation arises from past events. An obligation can be viewed as having arisen from past events if the amount of the liability will be determined by reference to benefits received, or activities conducted, by the entity before the end of the reporting period. However, it is unclear whether such past events are sufficient to create a present obligation if any requirement to transfer an economic resource remains conditional on the entity's future actions. Three different views on which the IASB could develop guidance for the Conceptual Framework are put forward:

(a) View 1: a present obligation must have arisen from past events and be strictly unconditional. An entity does not have a present obligation if it could, at least in theory, avoid the transfer through its future actions.

(b) View 2: a present obligation must have arisen from past events and be practically unconditional. An obligation is practically unconditional if the entity does not have the practical ability to avoid the transfer through its future actions.

(c) View 3: a present obligation must have arisen from past events, but may be conditional on the entity's future actions.

The IASB has tentatively rejected View 1. However, it has not reached a preliminary view in favour of View 2 or View 3.
Which of these views (or any other view on when a present obligation comes into existence) do you support? Please give reasons.

In the context of the revision of the rules on macro hedge accounting, the inclusion of deemed exposures (e.g. pipeline transactions) in hedging relationships is discussed. In our opinion, it is questionable whether those transactions comply with the proposed definitions and recognition criteria included in the conceptual framework. Therefore, the IASB should be careful not to create a conflict between the revised conceptual framework and the new standard on macro hedge accounting due to the simultaneous work on the respective projects.

Question 7
Do you have comments on any of the other guidance proposed in this section to support the asset and liability definitions?

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<u>Section 4</u>

Question 8
Paragraphs 4.1–4.27 discuss recognition criteria. In the IASB's preliminary view, an entity should recognise all its assets and liabilities, unless the IASB decides when developing or revising a particular Standard that an entity need not, or should not, recognise an asset or a liability because:
(a) recognising the asset (or the liability) would provide users of financial statements with information that is not relevant, or is not sufficiently relevant to justify the cost; or
(b) no measure of the asset (or the liability) would result in a faithful representation of both the asset (or the liability) and the changes in the asset (or the liability), even if all necessary descriptions and explanations are disclosed.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

We agree with basic idea of the IASB, that assets and liabilities should only be recognised if this provides the users of financial statements with information that is both relevant and sufficiently relevant to justify the costs of providing the information.
The IASB states in the Discussion Paper that the probability threshold included in the recognition criteria, i.e. an asset or a liability may only be recognised if the inflow or outflow of any future benefit related to the asset or liability is probable, may lead to misinterpretations. Therefore, the board proposes to eliminate this criterion. As an alternative, the IASB proposes to require, that an entity need not recognise an asset or a liability if the resulting information is not relevant or too costly and if not recognising the asset or liability leads to a faithful representation. As an example for an irrelevant information, the Discussion Paper includes criteria that are again based on probability (par. 4.26 (a) and (b)). This contradicts the intention of the IASB described above and does not solve the problem of misinterpretations.
In our opinion, the elimination of the probability criterion does not contribute to the improvement or simplification of the recognition criteria. The proposed criteria on when an asset or a liability is not to be recognised rather introduces a higher risk of individual judgement and subjective interpretations (esp. "information that is not relevant").

Question 9
In the IASB's preliminary view, as set out in paragraphs 4.28–4.51, an entity should derecognise an asset or a liability when it no longer meets the recognition criteria. (This is the control approach described in paragraph

4.36(a)). However, if the entity retains a component of an asset or a liability, the IASB should determine when developing or revising particular Standards how the entity would best portray the changes that resulted from the transaction. Possible approaches include:
(a) enhanced disclosure;
(b) presenting any rights or obligations retained on a line item different from the line item that was used for the original rights or obligations, to highlight the greater concentration of risk; or
(c) continuing to recognise the original asset or liability and treating the proceeds received or paid for the transfer as a loan received or granted.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

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<u>Section 5</u>

Question 10
The definition of equity, the measurement and presentation of different classes of equity, and how to distinguish liabilities from equity instruments are discussed in paragraphs 5.1–5.59. In the IASB's preliminary view:
(a) the Conceptual Framework should retain the existing definition of equity as the residual interest in the assets of the entity after deducting all its liabilities.
(b) the Conceptual Framework should state that the IASB should use the definition of a liability to distinguish liabilities from equity instruments. Two consequences of this are:
(i) obligations to issue equity instruments are not liabilities; and
(ii) obligations that will arise only on liquidation of the reporting entity are not liabilities (see paragraph 3.89(a)).
(c) an entity should:
(i) at the end of each reporting period update the measure of each class of equity claim. The IASB would determine when developing or revising particular Standards whether that measure would be a direct measure, or an allocation of total equity.
(ii) recognise updates to those measures in the statement of changes in equity as a transfer of wealth between classes of equity claim.
(d) if an entity has issued no equity instruments, it may be appropriate to treat the most subordinated class of instruments as if it were an equity claim, with suitable disclosure. Identifying whether to use such an approach, and if so, when, would still be a decision for the IASB to take in developing or revising particular Standards.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

Answers to points (a),(b)
The definition of equity remains a key question for cooperative banks. We therefore strongly support the intention of the IASB to maintain its existing approach and todefine equity as the residual interest after deducting all liabilities. In this context, we believe that IFRIC 2 provides a relevant elemnt: it aligns the definition of equity to the definition

of an asset, since the unconditional right to refuse the redemption of a share introduces the notion of control to capital within an entity: if a resource is under the control of the entity it is not a liability. We believe that this alignment creates some useful convergence

Moreover, we believe that another important advantage of IFRIC 2, at least for cooperative banks, is that it also allows to properly consider prudential aspects. From a prudential perspective it is important that an entity can control the outflow of capital, especially when the purpose of that capital is to ensure the absorption of losses.

In particular, we remain opposed to the approaches to equity/liability distinction in the FASB's and IASB's documents *"Financial Instruments with Characteristics of Equity".* Apart from the reasons addressed in the current discussion paper, we would like to remind that those approaches would have created enormous difficulties for non-joint stock companies, especially cooperatives, for which it would be impossible to present their instruments as equity.

Finally, we appreciate that the IASB suggests that whether a financial instrument or contract creates a liability depends not on the form of the contract, but on whether the contract creates a present obligation of the entity to transfer an economic resource as a result of a past event. In this respect, IFRIC 2 delivers important guidance: We therefore believe that, the content of IFRIC 2 "Members' Shares in Co-operative Entities and Similar Instruments" should be inserted in the conceptual framework. Due to IFRIC 2, an entity must consider all of the terms and conditions of a financial instrument, including relevant local laws, regulations and the entity's governing charter, to find out, whether its (cooperative) shares have to be treated as equity or liability.

Since, at least one type of claim cannot be remeasured directly without remeasuring the entire entity, we feel that there will always be a distinction between equity and liability, even if not called by that name.

We strongly support the "strict obligation approach", however we do not support the deliberations of the wealth transfer to describe changes in equity claims. This approach seems neither easy to understand nor reduce the complexity of the almost very complex financial reporting standards. Moreover we believe that the remeasurement of equity does not fit the characteristic of equity as a residual, even if this method would only reallocate equity within its classes and would not change total equity. In our view a requirement to update measures of equity claims through the statement of changes in equity would lead to additional administrative burden and we doubt whether this additional administrative burden will be justified by better/more transparency within the equity item.

<u>Section 6</u>

Question 11
How the objective of financial reporting and the qualitative characteristics of useful financial information affect measurement is discussed in paragraphs 6.6–6.35. The IASB's preliminary views are that:
(a) the objective of measurement is to contribute to the faithful representation of relevant information about:
(i) the resources of the entity, claims against the entity and changes in resources and claims; and

(ii) how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources.
(b) a single measurement basis for all assets and liabilities may not provide the most relevant information for users of financial statements;
(c) when selecting the measurement to use for a particular item, the IASB should consider what information that measurement will produce in both the statement of financial position and the statement(s) of profit or loss and OCI;
(d) the relevance of a particular measurement will depend on how investors, creditors and other lenders are likely to assess how an asset or a liability of that type will contribute to future cash flows. Consequently, the selection of a measurement:
(i) for a particular asset should depend on how that asset contributes to future cash flows; and
(ii) for a particular liability should depend on how the entity will settle or fulfil that liability.
(e) the number of different measurements used should be the smallest number necessary to provide relevant information. Unnecessary measurement changes should be avoided and necessary measurement changes should be explained; and
(f) the benefits of a particular measurement to users of financial statements need to be sufficient to justify the cost.

Do you agree with these preliminary views? Why or why not? If you disagree, what alternative approach to deciding how to measure an asset or a liability would you support?

We support the IASB's preliminary view that a single measurement basis for all assets and liabilities will not provide the most relevant information for users of financial statements; we think that a mixed measurement model is most useful. The selection of a measurement basis for a particular asset or liability should be determined in the respective accounting standards. We have some concerns whether limiting the number of measurement bases in the conceptual framework could lead to difficulties/conflicts with the respective standards.

We strongly support the IASB's view that the benefits of a particular measurement basis to users of the financial statements need to be sufficient to justify the cost for the preparers.

Question 12
The IASB's preliminary views set out in Question 11 have implications for the subsequent measurement of assets, as discussed in paragraphs 6.73–6.96. The IASB's preliminary views are that:
(a) if assets contribute indirectly to future cash flows through use or are used in combination with other assets to generate cash flows, cost-based measurements normally provide information that is more relevant and understandable than current market prices.
(b) if assets contribute directly to future cash flows by being sold, a current exit price is likely to be relevant.
(c) if financial assets have insignificant variability in contractual cash flows, and are held for collection, a cost-based measurement is likely to provide relevant information.

(d) if an entity charges for the use of assets, the relevance of a particular measure of those assets will depend on the significance of the individual asset to the entity.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

Basically we agree with the IASB's views expressed in the paragraphs 6.73-6.96. Nevertheless, it should be made clear that the measurement bases will be selected in the respective accounting standards and the conceptual framework will merely deliver the concept.

Question 13
The implications of the IASB's preliminary views for the subsequent measurement of liabilities are discussed in paragraphs 6.97–6.109. The IASB's preliminary views are that:
(a) cash-flow-based measurements are likely to be the only viable measurement for liabilities without stated terms.
(b) a cost-based measurement will normally provide the most relevant information about:
(i) liabilities that will be settled according to their terms; and
(ii) contractual obligations for services (performance obligations).
(c) current market prices are likely to provide the most relevant information about liabilities that will be transferred.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

Basically we agree. Please have a look at our answers to question 11 and 12.

Question 14
Paragraph 6.19 states the IASB's preliminary view that for some financial assets and financial liabilities (for example, derivatives), basing measurement on the way in which the asset contributes to future cash flows, or the way in which the liability is settled or fulfilled, may not provide information that is useful when assessing prospects for future cash flows. For example, cost-based information about financial assets that are held for collection or financial liabilities that are settled according to their terms may not provide information that is useful when assessing prospects for future cash flows:
(a) if the ultimate cash flows are not closely linked to the original cost;
(b) if, because of significant variability in contractual cash flows, cost-based measurement techniques may not work because they would be unable to simply allocate interest payments over the life of such financial assets or financial liabilities; or
(c) if changes in market factors have a disproportionate effect on the value of the asset or the liability (i.e. the asset or the liability is highly leveraged).

Do you agree with this preliminary view? Why or why not?

Basically we agree. Please have a look at our answers to question 11 and 12.

Question 15
Do you have any further comments on the discussion of measurement in this section?

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<u>Section 7</u>

Question 16
This section sets out the IASB's preliminary views about the scope and content of presentation and disclosure guidance that should be included in the Conceptual Framework. In developing its preliminary views, the IASB has been influenced by two main factors:
(a) the primary purpose of the Conceptual Framework, which is to assist the IASB in developing and revising Standards (see Section 1); and
(b) other work that the IASB intends to undertake in the area of disclosure (see paragraphs 7.6–7.8), including:
(i) a research project involving IAS 1, IAS 7 and IAS 8, as well as a review of feedback received on the Financial Statement Presentation project;
(ii) amendments to IAS 1; and
(iii) additional guidance or education material on materiality.
Within this context, do you agree with the IASB's preliminary views about the scope and content of guidance that should be included in the Conceptual Framework on:
(a) presentation in the primary financial statements, including:
(i) what the primary financial statements are;
(ii) the objective of primary financial statements;
(iii) classification and aggregation;
(iv) offsetting; and
(v) the relationship between primary financial statements.
(b) disclosure in the notes to the financial statements, including:
(i) the objective of the notes to the financial statements; and
(ii) the scope of the notes to the financial statements, including the types of information and disclosures that are relevant to meet the objective of the notes to the financial statements, forward-looking information and comparative information.

Why or why not? If you think additional guidance is needed, please specify what additional guidance on presentation and disclosure should be included in the Conceptual Framework.

In our opinion, the extent of the proposed disclosure requirements, especially regarding the nature and extent of the risks arising from an entities unrecognised assets and liabilities, is not appropriate. Such extensive disclosure requirements contradict the IASB's considerations not to include these assets and liabilities in the (primary) financial statements.
This contradiction becomes apparent especially in section 4 (recognition and derecognition). According to this section, the IASB plans to prohibit the recognition of assets and liabilities, if the resulting information is not relevant or does not justify the cost of providing the information. At the same time, section 4 (par. 4.27) requires extensive disclosures regarding unrecognised assets and liabilities and the reasons for

not recognising them. We do not understand how the information resulting from the recognition of an asset or liability can be irrelevant if information on the risks resulting from that irrelevant asset or liability is relevant.

Question 17
Paragraph 7.45 describes the IASB's preliminary view that the concept of materiality is clearly described in the existing Conceptual Framework. Consequently, the IASB does not propose to amend, or add to, the guidance in the Conceptual Framework on materiality. However, the IASB is considering developing additional guidance or education material on materiality outside of the Conceptual Framework project.

Do you agree with this approach? Why or why not?

We appreciate the IASB's approach of further clarifying the concept of materiality regarding the disclosure requirements. By assigning the decision-making authority regarding the relevance and usefulness of certain disclosures to the reporting entity, the economic situation of the entity can be best displayed.

Question 18
The form of disclosure requirements, including the IASB's preliminary view that it should consider the communication principles in paragraph 7.50 when it develops or amends disclosure guidance in IFRSs, is discussed in paragraphs 7.48–7.52.
Do you agree that communication principles should be part of the Conceptual Framework? Why or why not?

If you agree they should be included, do you agree with the communication principles proposed? Why or why not?

Corresponding to the general principle based approach of the IFRS, the conceptual framework should be designed as a foundation for the development and application of the disclosure requirements included in the particular standards. The inclusion of a vast amount of precise disclosure requirements as a sample set to chose from when developing standards would antagonise the aspired and urgently needed reduction of the "information overload" in the notes to the financial statements.
Therefore, the section "scope of the notes to the financial statements" (par. 7.35 – 7.42) should not be transferred to the Exposure Draft without adjustment. Especially, the detailed list of disclosure requirements to be included in the particular standards outruns the essential principle based approach and does certainly not counteract the "information overload" in the notes.
To include into the conceptual framework a foundation for the development and application of the disclosure requirements included in the particular standards, we think it is reasonable to define the objective of disclosure requirements in the framework. Furthermore, communication principles, as proposed by the IASB, should be included to serve as a basis for the development of the specific requirements. For this purpose, the communication principles should be formulated in a sufficiently abstract way as to retain the possibility of designing the specific requirements in a way that best depicts the individual transaction.

<u>Section 8</u>

Question 19
The IASB's preliminary view that the Conceptual Framework should require a total or subtotal for profit or loss is discussed in paragraphs 8.19–8.22.

Do you agree? Why or why not?
If you do not agree do you think that the IASB should still be able to require a total or subtotal profit or loss when developing or revising particular Standards?

We agree with the IASB's preliminary view that statement of profit or loss (P&L) is an important measure in the analysis of financial statements both for the reporting entity and the user of the financial statements. This fact should be considered in defining the presentation of the statement of comprehensive income.

Question 20
The IASB's preliminary view that the Conceptual Framework should permit or require at least some items of income and expense previously recognised in OCI to be recognised subsequently in profit or loss, i.e. recycled, is discussed in paragraphs 8.23–8.26.

Do you agree? Why or why not? If you agree, do you think that all items of income and expense presented in OCI should be recycled into profit or loss? Why or why not?
If you do not agree, how would you address cash flow hedge accounting?

We still favour the possibility of recycling (cp. Question 21).

Question 21
In this Discussion Paper, two approaches are explored that describe which items could be included in OCI: a narrow approach (Approach 2A described in paragraphs 8.40–8.78) and a broad approach (Approach 2B described in paragraphs 8.79–8.94).

Which of these approaches do you support, and why?
If you support a different approach, please describe that approach and explain why you believe it is preferable to the approaches described in this Discussion Paper.

We support the broad approach 2B as it is appropriate, especially for long-term positions, not to include the valuation yield into the statement of profit or loss (P&L). The presentation of these elements in the OCI enhances the relevance and understandability of the P&L.

<u>Section 9</u>

Question 22
Chapters 1 and 3 of the existing Conceptual Framework
Paragraphs 9.2–9.22 address the chapters of the existing Conceptual Framework that were published in 2010 and how those chapters treat the concepts of stewardship, reliability and prudence. The IASB will make changes

to those chapters if work on the rest of the Conceptual Framework highlights areas that need clarifying or amending. However, the IASB does not intend to fundamentally reconsider the content of those chapters.
Do you agree with this approach? Please explain your reasons.

If you believe that the IASB should consider changes to those chapters (including how those chapters treat the concepts of stewardship, reliability and prudence), please explain those changes and the reasons for them, and please explain as precisely as possible how they would affect the rest of the Conceptual Framework.

In our opinion, the conceptual framework should include the concept of prudence as it ensures a certain degree of diligence in applying judgement in situation of uncertainty. We do not interpret the concept of prudence as a deliberate over- or underestimation of assets or liabilities. Prudence should be defined and applied as a cautious selection of the most conservative alternative from a spectrum of IFRS-conform parameters.

Question 23
Business model
The business model concept is discussed in paragraphs 9.23–9.34. This Discussion Paper does not define the business model concept. However, the IASB's preliminary view is that financial statements can be made more relevant if the IASB considers, when developing or revising particular Standards, how an entity conducts its business activities.
Do you think that the IASB should use the business model concept when it develops or revises particular Standards? Why or why not?

If you agree, in which areas do you think that the business model concept would be helpful?
Should the IASB define 'business model'? Why or why not?
If you think that 'business model' should be defined, how would you define it?

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Question 24
Unit of account
The unit of account is discussed in paragraphs 9.35–9.41. The IASB's preliminary view is that the unit of account will normally be decided when the IASB develops or revises particular Standards and that, in selecting a unit of account, the IASB should consider the qualitative characteristics of useful financial information.

Do you agree? Why or why not?

We agree with the IASB's preliminary decision that the unit of account should normally be decided when the IASB develops or revises particular standards. Nevertheless, the conceptual framework should explicitly state that the IASB needs to consider the unit of account in the development of a particular standard or the guidance to the standard. In this context, we would again like to point out the development of the new standard on macro hedge accounting. The determination of the hedging item, according to the current proposals, deviates from the original unit of account of the respective financial instruments. The IASB should adjust the respective wording of the final conceptual framework and the standard on macro hedging in order to avoid conflicts between the particular standard and the framework.

Question 25
Going concern
Going concern is discussed in paragraphs 9.42–9.44. The IASB has identified three situations in which the going concern assumption is relevant (when measuring assets and liabilities, when identifying liabilities and when disclosing information about the entity).
Are there any other situations where the going concern assumption might be relevant?

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Question 26
Capital maintenance
Capital maintenance is discussed in paragraphs 9.45–9.54. The IASB plans to include the existing descriptions and the discussion of capital maintenance concepts in the revised Conceptual Framework largely unchanged until such time as a new or revised Standard on accounting for high inflation indicates a need for change.
Do you agree? Why or why not? Please explain your reasons.

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Contact:

The EACB trusts that its comments will be taken into account.

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