

Press Release



29 May 2008

IASB and US FASB seek views on two consultative documents on the conceptual framework

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) today published consultative documents that seek public comment on two of the eight phases of their joint project to develop an improved conceptual framework. The objective of the project is to develop an improved conceptual framework that provides a sound foundation for developing future accounting standards.

Exposure draft of Chapters 1 and 2 of the framework

The first document published today is an exposure draft of chapters 1 and 2 of the framework. It seeks views on an improved objective of financial reporting, the qualitative characteristics of information provided by financial reporting and constraints on the provision of that information. The draft reflects the boards' updated proposals in the light of comments received on an initial consultation document published in July 2006. The exposure draft now proposes that the objective of financial reporting is to provide financial information that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. It also presents an improved description of 'faithful representation', one of the qualitative characteristics that financial information should possess if it is to provide a useful basis for economic decisions.

Preliminary views on the reporting entity concept

The second document published today sets out the boards' preliminary views on the reporting entity concept and related issues. Although the reporting entity concept determines some

important aspects of financial reporting, the boards' existing frameworks do not address it specifically. The boards' preliminary views are:

- a reporting entity is a circumscribed area of business activity of interest to present and potential equity investors, lenders and other capital providers.
- control is the basis for determining the composition of a group reporting entity.
- consolidated financial statements should be prepared from the perspective of the group reporting entity.

The IASB and the FASB invite comments on both documents by 29 September 2008.

The exposure draft *An improved Conceptual Framework for Financial Reporting: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information*) and the consultative document *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity* are available on www.fasb.org and for eIFRS subscribers on <http://eifrs.iasb.org/> from today. The documents will be available on the public website of the IASB – www.iasb.org - from 2 June 2008. Those wishing to subscribe to eIFRSs should visit the online shop at www.iasb.org or contact:

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Printed copies (ISBN for the set of two documents 978-1-905590-67-4) will be available shortly, at £10.00 plus shipping, from the IASC Foundation Publications Department.

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Notes for editors

About the conceptual framework project

The IASB and FASB added this project to their agenda in October 2004. The objective is to develop an improved common conceptual framework that provides a sound foundation for developing future accounting standards. Such a framework is essential to fulfilling the boards' goal of developing standards that are principle-based and internally consistent, and lead to financial reporting that provides the information capital providers need to make decisions in their capacity as capital providers. The new framework, which will deal with a wide range of issues, will build on the existing IASB and FASB frameworks and consider developments since those frameworks were created. The project is being undertaken in eight phases, of which four are currently active (phases A to D). The boards are currently working on initial consultative documents for phases B and C, currently planned for publication in 2009.

Phase	Topic
A	Objectives and qualitative characteristics.
B	Definitions of elements, recognition and derecognition
C	Measurement
D	Reporting entity concept
E	Boundaries of financial reporting, and presentation and disclosure
F	Purpose and status of the framework
G	Application of the framework to not-for-profit entities
H	Remaining Issues, if any

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.

About the FASB

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector in the US for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its website at www.fasb.org.