MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

14 January 2014

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
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Dear Mr. Hoogervorst

DISCUSSION PAPER DP/2013/1 — A REVIEW OF THE CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Discussion Paper DP/2013/1 on *A Review of the Conceptual Framework for Financial Reporting*.

We appreciate the IASB's effort towards revising the *Conceptual Framework*. Having reviewed the Discussion Paper, we agree with the IASB's preliminary views on the topical areas. However, we believe that there are some views which are rather too prescriptive in nature and not conceptually driven.

Our detailed comments are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms. Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,

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Chairman

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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?

Response

We agree with the IASB's preliminary views on the primary purpose of the revised *Conceptual Framework*.

However, instead of permitting departures from the *Conceptual Framework*, we believe the *Conceptual Framework* should set a parameter by providing sufficiently robust explanation to enable the IASB to develop Standards that would cater to the evolving business environment.

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?

Response

We agree with the definitions.

In addition, we welcome the IASB's plan to develop further guidance to explain the proposed new definition of 'economic resource' by clarifying what 'economic benefits' are (paragraphs

3.4 to 3.15). We believe such guidance would be helpful to the IASB in addressing emerging issues, for example the current project on *Narrow-scope amendment: IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*. During its deliberations the IASB noted that explaining the notion of 'consumption of economic benefits' would require a broader project that might result in changing the principles on which depreciation of property, plant and equipment / amortisation of intangible assets is based.

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?

<u>Response</u>

We agree with the IASB's preliminary views that the asset must be 'capable' of producing economic benefits without a specified minimum probability threshold.

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?

<u>Response</u>

We believe it would be helpful for the *Conceptual Framework* to provide a principle / guidance for the IASB to distinguish the items to be reported in profit or loss from items to be reported in OCI. Please see our response to Question 21.

We also note that there is a lack of explanation on the importance of the statement of cash flows. Although the statement of cash flows forms part of the primary financial statements, however, the usefulness of the statement is not communicated within the *Conceptual Framework*. In this regard, the IASB may wish to revisit the objectives of the statement of cash flows and whether current requirements meet those objectives.

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?

<u>Response</u>

We agree with the definition of liability to encompass both legal and constructive obligation. We also welcome the IASB's proposal to provide more guidance to help distinguish constructive obligations from economic compulsion.

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.

Appendix

Which of these views (or any other view on when a present obligation comes into existence) do you support? Please give reasons.

<u>Response</u>

We support View 2 as it is much more inclusive than the other views. Although View 1 may be theoretically correct, it could result in omission of liabilities that entities have no practical ability to avoid the transfer of resource. We also note that View 2 is consistent with the control model of IFRS 10 *Consolidated Financial Statements*, which requires the element of practical ability to ascertain substantive rights in assessing the existence of control.

We also concur with the IASB observation that the assessment of whether an entity has the practical ability to avoid any remaining conditions would require judgement and that guidance might be needed in individual Standards to identify the types of condition that an entity might not have the practical ability to avoid.

Question 7

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

<u>Response</u>

As mentioned in our response to Question 2, we support the IASB's plan to develop further guidance to explain the proposed new definition of 'economic resource' by clarifying what 'economic benefits' are (paragraphs 3.4 to 3.15).

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?

<u>Response</u>

We agree with the IASB's preliminary view in (a). However, we believe that the preliminary view stated in (b) is a measurement matter rather than recognition and we are concerned it may create confusion with the fundamental concept of faithful representation.

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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?

Response

We agree with the IASB's preliminary views.

We believe that for partial derecognition situation, it is important to distinguish whether the portion retained is considered as a 'new' asset / liability, or as a 'portion' of the original asset / liability. If this notion is clear, it would help the IASB to determine the measurement basis of the retained asset / liability.

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?

<u>Response</u>

We agree with the IASB's preliminary views on the distinction between liabilities and equity instruments.

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?

Response

We agree with the IASB's preliminary views.

We believe that the objective of measurement should be a subset of and should not be overlapping with the objective of financial reporting. The objective of measurement should also lay out the process in arriving at the measurement basis of a selected item.

We also agree that a single measurement basis does not provide the most relevant information for users of financial statements and we believe that a mixed measurement model would be more appropriate.

In addition, we noted business model may be relevant when the IFRSs use different measurement bases (e.g. cost, fair value, etc.). Business model may play a role in assisting the IASB in determining an appropriate measurement basis that is most reflective of the economic reality of an asset or liability vis-à-vis the operation of the reporting entity. Please see our response to Question 23 for further comments.

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.

Appendix

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.

Response

We agree with the IASB's preliminary views.

Nevertheless, we believe that the preliminary view in (d), which requires the selection of a particular measurement basis to be dependent on the significance of the individual asset to the entity, lacks conceptual basis.

We are of the view that the 'significance' concept is not well articulated in the proposal, e.g. how would the 'significance' concept be different from the 'materiality' concept. Accordingly, we would recommend the IASB to consider using the same term if it intends to convey the same meaning.

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.

Response

We disagree with the preliminary views as we are of the view that the *Conceptual Framework* should provide a neutral principle on measurement basis. We believe that there should not be different measurement principles for liabilities with or without stated terms.

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 (ie the asset or the liability is highly leveraged).

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

Response

We agree with the IASB's preliminary view. However, we believe that the preliminary view is not conceptually driven; but rather it is very prescriptive.

In addition, as mentioned in our response to Question 1, we believe that the *Conceptual Framework* ought to set a parameter to mitigate departures from occurring too frequently.

Question 15

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

Response

We recommend the IASB to clarify the principle on discounted cash flows; for example, when to apply probability weighted cash flow (expected value) versus the most likely outcome approach.

We also believe the *Conceptual Framework* should provide guidance / factors for consideration to reflect the different levels of uncertainty that is inherent in the amount and timing of the cash flows.

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*.

<u>Response</u>

We agree with the IASB's preliminary views that the scope and content of guidance should be included in the *Conceptual Framework* as it covers a broad concept on presentation and disclosure.

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?

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Response

We agree with the approach.

We believe Implementation / Education Guidance on the concept of materiality will be helpful.

We agree with the IASB's view that the concept of materiality when applied in practice, is a major cause of the current disclosure problem in financial reporting. One of the reasons that caused excessive checklist / boiler-plate type of disclosures is due to the lack of clear understanding how to exercise judgment in assessing materiality for disclosure purpose.

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?

Response

We agree that communication principles should be part of the *Conceptual Framework*. We believe that disclosure should be a form of communication to the users of financial statements guided by the Standards and not mere compliance with requirements by the Standards. Necessitating the disclosure requirements to be based on communication principles is in line with the overall objective of general purpose financial reporting which is to provide useful information (relevant and faithfully represented), whereby the benefits would outweigh the costs associated with providing this information.

We also agree with the communication principles proposed.

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 amending Standards?

Response

We agree with the IASB's preliminary view.

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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?

<u>Response</u>

We agree with the IASB's preliminary view.

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.

<u>Response</u>

We support the broad approach as it would permit more items to be recognised in OCI.

As mentioned in our response to Question 4, we believe the *Conceptual Framework* should provide a principle / guidance for the IASB to distinguish the items to be reported in profit or loss from items to be reported in OCI. In addition, we believe the recycling principle should be further clarified within the *Conceptual Framework* because currently no explanation is provided in the IFRS literature as to why only certain IFRSs allow recycling.

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*.

Response

We agree with the approach.

We are of the view that the *Conceptual Framework* should not reinstate the concept of prudence as a 'qualitative characteristic' in its own right.

Nevertheless, we believe that prudence should be explained as some current IFRSs do embed the concept of prudence in the recognition or measurement principles.

We believe the *Conceptual Framework* should be developed as the core foundation to assist the IASB in developing a new Standard or in amending a current Standard. The *Conceptual Framework* should not be "modified" to "endorse" the requirements in the current IFRSs. Once the *Conceptual Framework* is finalised, some of the current IFRSs should be re-examined for improvement / amendments.

In addition, we agree that many have misunderstood the term "reliability" in the predecessor framework. We also agree that the term "faithful representation" in the existing *Conceptual Framework* is clearer in conveying the meaning intended.

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?

Response

We agree that the business model concept should be clearly defined and articulated in the *Conceptual Framework* and not merely referred to either explicitly or implicitly in the individual IFRSs on an ad-hoc basis.

In other words, the impact and implications of how an entity conducts its business activities should be considered before deciding the proper accounting treatment so as to reflect the economic substance of a particular transaction. For example, in Islamic finance, *'ijarah'* is a contract of exchange of a right-of-use for a consideration. It is often translated as 'a lease' but the concept can be used for various activities which include consumer financing (e.g. *ijarah muntahia bittamleek*), debt issuances (e.g. *sukuk ijarah*) and - of course - leases. It is appropriate that financial reporting should reflect the differences in economic substance that arise from the various applications of the contract.

In addition, we believe it is important for the *Conceptual Framework* to clarify how the business model meets the Qualitative Characteristics of useful financial information in the *Conceptual Framework*, particularly on the 'comparability characteristics' as the business model concept makes comparison between entities difficult. Again taking the example of *ijarah*, it is obvious that *ijarah* by a leasing company would most likely be treated differently from *ijarah* offered by a retail bank. Some may decry that the differing treatment impairs comparability of *ijarah* by the two entities. But this is precisely the point; they must be treated differently because they are conducted differently, and it is most useful to stakeholders that the difference is made clear rather than obfuscated in the name of 'uniformity'.

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?

Response

We agree with the view that the unit of account will be decided when the IASB develops or revises particular Standards, and in doing so the IASB should consider the qualitative characteristics of useful financial information.

However, we propose that the guidance as set out in paragraphs 9.38 – 9.41 in selecting the unit of account should be incorporated as part of the *Conceptual 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?

Response

We agree with the three situations in which the going concern assumption is relevant.

We have no further comments on any other situations where the going concern assumption might be relevant.

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.

Response

We agree with the IASB's plan on capital maintenance concepts until there is a need to address the accounting for inflation.