



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

October 19, 2015

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2015/3 Conceptual Framework for Financial Reporting

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on **ED/2015/3 Conceptual Framework for Financial Reporting**. Overall, we support the main proposals in this ED, such as the improvement of management's stewardship, prudence and other qualitative characteristics, the reporting entities, certain amendments of element definitions and its guidance, the description of the statement of profit or loss and the other comprehensive income, and etc. Notwithstanding, FAP proposes to clarify and provide more guidance on the issues of the measurement uncertainty, the recognition criteria and derecognition process, the measurement bases with its factors, the going concern principle, and the recycling concept. In addition, FAP partially disagrees on the concept of more than one measurement basis since it is costly to entities and information overload to users. Also, the business activity concept should be separately included in the related standard.

Please find our responses to the specific questions raised in **ED/2015/3 Conceptual Framework for Financial Reporting** in an attachment. We believe that this proposed amendment will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



Exposure Draft ED/2015/3 Conceptual Framework for Financial Reporting

Question 1—Proposed changes to Chapters 1 and 2

Do you support the proposals:

- (a) to give more prominence, within the objective of financial reporting, to the importance of providing information needed to assess management's stewardship of the entity's resources;
- (b) to reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;
- (c) to state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form;
- (d) to clarify that measurement uncertainty is one factor that can make financial information less relevant, and that there is a trade-off between the level of measurement uncertainty and other factors that make information relevant; and
- (e) to continue to identify as the two fundamental qualitative characteristics of useful financial information?

Why or why not?

FAP: We agree with the proposed changes to Chapter 1 and 2. Management's stewardship of the entity's resources is a highly recommended issue to be addressed in the Conceptual Framework. The notion of Prudence is currently applied in several IFRSs such as IAS 2 and IAS 8. The level of measurement uncertainty may be too much detailed and needed more clarification. Relevance and Faithful Representation are strongly supported as the components of fundamental qualitative characteristics of useful financial information.

Question 2—Description and boundary of a reporting entity

Do you agree with:

- (a) the proposed description of a reporting entity in paragraphs 3.11–3.12; and
- (b) the discussion of the boundary of a reporting entity in paragraphs 3.13–3.25?

Why or why not?

FAP: We agree with the description of a reporting entity and the discussion of the boundary of a reporting entity. The reporting entity based on control principles provides solid supports with current financial reporting prepared by firms.



Question 3—Definitions of elements

Do you agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity):

- (a) an asset, and the related definition of an economic resource;
- (b) a liability;
- (c) equity;
- (d) income; and
- (e) expenses?

Why or why not? If you disagree with the proposed definitions, what alternative definitions do you suggest and why?

FAP: We broadly agree with the definitions of elements. The definition of asset will include all transactions in the financial reporting based on the control principles especially the assets for previous operating lease. The definitions of other elements remain the same.

Question 4—Present obligation

Do you agree with the proposed description of a present obligation and the proposed guidance to support that description? Why or why not?

FAP: We agree with the descriptions of present obligation. Liabilities should occur from the present obligation as defined in the current conceptual framework. However, the executory contract is currently defined in IAS 37 as one type of liability. Further discussion about the executory contract in the conceptual framework may not add any information.

Question 5—Other guidance on the elements

Do you have any comments on the proposed guidance?

Do you believe that additional guidance is needed? If so, please specify what that guidance should include.

FAP: We agree with the guidance provided.

Question 6—Recognition criteria

Do you agree with the proposed approach to recognition? Why or why not? If you do not agree, what changes do you suggest and why?

FAP: We agree with the Conceptual Framework for providing the main principles; relevance, representation faithfulness, benefits over cost. Nevertheless, the previous recognition criteria defined clearly while this proposed recognition process mentions much more concerns about judgement and factors, circumstances and probability without practical guidelines for making decision about recognition. IASB might need to consider whether more guidelines to support the recognition decision should be added.



Question 7—Derecognition

Do you agree with the proposed discussion of derecognition? Why or why not? If you do not agree, what changes do you suggest and why?

FAP: We wonders about equivocal proposed recognition process. Since the derecognition principles focus on both the derecognised elements and the remaining elements, and the remaining elements can be viewed as the recognised elements, this proposed derecognition process should find the solution for the recognition process before settling the derecognition process.

Question 8—Measurement bases

Has the IASB:

- (a) correctly identified the measurement bases that should be described in the Conceptual Framework? If not, which measurement bases would you include and why?
- (b) properly described the information provided by each of the measurement bases, and their advantages and disadvantages? If not, how would you describe the information provided by each measurement basis, and its advantages and disadvantages?

FAP: We broadly support the identified measurement bases described in the Conceptual Framework and the associated information provided by each of the measurement bases and their advantages and disadvantages. However, we have some concerns as the Standards named the measurement bases differently from the proposed Conceptual Framework. More attention and clarification should be added on the fair value especially from the estimation process.

Question 9—Factors to consider when selecting a measurement basis

Has the IASB correctly identified the factors to consider when selecting a measurement basis? If not, what factors would you consider and why?

FAP: Since we casts some doubt on the measurement bases in the Standards, though we support the factors to consider when selecting a measurement basis, IASB may need to consider whether the Conceptual Framework should provide the practical guideline to deal with those concerns before discussing the factors.

Question 10—More than one relevant measurement basis

Do you agree with the approach discussed in paragraphs 6.74–6.77 and BC6.68? Why or why not?

FAP: We would like to provide different view on this topic. The single measurement basis chosen would be an appropriate practice. The more information disclosed, the more cost to the entity and the information overload to users of the financial statements.



Question 11—Objective and scope of financial statements and communication

Do you have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools?

FAP: We agree with the discussion provided in the Conceptual Framework. We also prefer the Conceptual Framework to address more on the Going Concern Principle in this topic since this principle would be the fundamental issue of financial statement presentation and communication. We encourage IASB to extend the scope of financial statements to concern more on non-financial information that may impact to the financial statements.

Question 12—Description of the statement of profit or loss

Do you support the proposed description of the statement of profit or loss? Why or why not? If you think that the Conceptual Framework should provide a definition of profit or loss, please explain why it is necessary and provide your suggestion for that definition.

FAP: We agree with the proposed description of the Statement of Profit or Loss since the Statement provides all the performance of the entity.

Question 13—Reporting items of income or expenses in other comprehensive income

Do you agree with the proposals on the use of other comprehensive income? Do you think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income? Why or why not?

If you disagree, what alternative do you suggest and why?

FAP: We agree with the proposals on the use of other comprehensive income. The separate section of other comprehensive income would provide more relevant information and would not distort the current operating performance of the entity.

Question 14—Recycling

Do you agree that the Conceptual Framework should include the rebuttable presumption described above? Why or why not?

If you disagree, what do you propose instead and why?

FAP: We would like to propose the Conceptual Framework to discuss clearly the reasons to assign items that can or cannot be reclassified into the statement of profit or loss in some future period. The reasons would be used as the basis for future different items that can or cannot be reclassified into the statement of profit or loss.

Question 15—Effects of the proposed changes to the Conceptual Framework

Do you agree with the analysis in paragraphs BCE.1–BCE.31? Should the IASB consider any other effects of the proposals in the Exposure Draft?

FAP: We suggest the IASB to discuss and plan to deal with the effects of the proposed changes to the Conceptual Framework.



Question 17—Long-term investment

Do you agree with the IASB's conclusions on long-term investment? Why or why not?

FAP: We agree with IASB's proposal that one factor to be considered when selecting a measurement basis should be depended on the business conducted and also how the asset and liability contributes to future cash flows. However conceptual framework should provide fundamental concept of measurement as well as concept on recognition within profit or loss or other comprehensive income, including recycling and not recycling.