CONCEPTUAL FRAMEWORK LIMITED SCOPE UPDATE: NEXT STAGE (CHAPTER 3)

John Stanford, Senior Advisor

IPSASB Meeting – June 2023
Some respondents to ED 81 considered that the contrast between symmetry and asymmetry had been insufficiently explained. The IPSASB agreed with this observation. The IPSASB did not consider that the principle in paragraph 3.14B that the exercise of prudence does not imply a need for asymmetry should be modified. Rather, but further agreed that there should be a clarification of what is meant by ‘asymmetry’ in order to clarify the IPSASB’s conclusion. The IPSASB confirmed that the most common attribute of asymmetry is that a higher standard of evidence is required for the recognition of assets and revenue than for liabilities and expenses. While there is no universally accepted definition of asymmetry the IPSAS considered the application of asymmetry might include:

- The non-recognition of all unrealized gains; and
- Permitting preparers to measure an asset at an amount lower than an unbiased estimate and a liability at an amount higher than an unbiased estimate under the measurement bases selected for the asset and the liability.
- A requirement that all assets and liabilities are measured on the historical cost model.
A number of respondents expressed reservations about the additional sentence to in paragraph 3.32. These reservations highlighted two points. First, some respondents felt that the sentence risked undermining the principle in paragraph 6.9 of Chapter 6, *Recognition in Financial Statements*, that “the failure to recognize items that meet the definition of an element and the recognition criteria is not rectified by the disclosure of accounting policies, notes or other explanatory detail”. Second, some respondents felt that the sentence related to presentation and was therefore inappropriate for Chapter 3.
### Actioned following March Meeting

<table>
<thead>
<tr>
<th>Decision</th>
<th>Basis for Conclusions Reference</th>
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<tbody>
<tr>
<td>The approach to prudence in ED 81, should be retained in the updated Chapter 3, with some additional explanation of asymmetry.</td>
<td>BC 3.17G in Agenda Items 5.3.1 (clean) and 5.3.2 (marked-up with changes from March version)</td>
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<td>Guidance on obscuring information as a factor related to materiality judgments exposed in ED 81, should be included in updated Chapter 3, subject to deletion of the final sentence of paragraph 3.32 on the disclosure of material items that are not separately displayed or displayed sufficiently prominently on the face of a financial statement.</td>
<td>BC3.32E in Agenda Items 5.3.1 &amp; 5.3.2</td>
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Does the IPSASB agree that decisions from March meeting have been implemented appropriately?
### Agenda Item 5.1.2  page 4)

**Instructions**

Actioned following March Meeting

<table>
<thead>
<tr>
<th>Instruction</th>
<th>Basis for Conclusions Reference</th>
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<tr>
<td>Develop a description of asymmetry</td>
<td>BC 3.17G in Agenda Items 5.3.1 (clean) and 5.3.2 (marked-up with changes from March version)</td>
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<td>Clarify in Basis for Conclusions that more detailed guidance on obscuring</td>
<td>BC3.32C in Agenda Items 5.3.1 &amp; 5.3.2</td>
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<td>information will be provided elsewhere in IPSASB’s literature.</td>
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**Does the IPSASB agree that instructions from the March meeting have been implemented appropriately?**
Agenda Item 5.2.1 (Pages 6-10)

Approval of Updated Chapter 3, *Qualitative Characteristics*

IPSASB Due Process

A. **Staff** present revised content of exposed updated Chapter 3 – not a total replacement

   - See Agenda Item 5.3.1

B. **Program & Technical Director** advises whether Due Process followed effectively

   - PTD assertion

C. IPSASB confirms whether it is satisfied that Due Process has been followed effectively

   - Chair asks for confirmation

D. IPSASB votes on approval of Updated Chapter 3, *Qualitative Characteristics*

   - Staff recommend approval

E. IPSASB considers whether vote on re-exposure is necessary

   - No substantial changes

F. IPSASB sets effective date

   - No effective date

G. IPSASB issues Basis for Conclusions

   - See Agenda Item 5.3.1