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# **UNCTAD-ISAR Workshop on the Future Direction of the Corporate Reporting Model**

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Workshop material:

***Major trends and initiatives in corporate reporting models to  
address issues of sustainable development***

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# Future Direction of Corporate Reporting Models

ISAR Workshop, Geneva

October 2014

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- The IASB's Conceptual Framework project
- Objective of general purpose financial reporting
- Focus of financial statements
  - Assets and liabilities, and changes in them
- Limitations of financial statements
- Financial reporting and development

# The IASB's Conceptual Framework project

July 2013  
Discussion Paper  
published  
6-month comment  
period  
(ended 14 Jan 2014)

Q1 2015  
Issue ED

2016  
Revised *Conceptual  
Framework*

# The IASB's conceptual framework project

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- Purpose of *Conceptual Framework* project
  - Not a fundamental rethink
  - Update, improve and fill in gaps
  - Focus on problems in the real world

to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. ...

*Conceptual Framework for Financial Reporting*  
paragraph OB2

- Resources and claims
  - What resources does the entity control?
  - What are the claims on the entity?
- Changes in resources and claims
  - What resources did it acquire / create?
  - What resources did it conserve / sell / transfer?
  - What revenue did it earn?
  - What expenses did it incur?
  - How did the [reported] value of resources and claims change?
  - What cash did it pay and receive?
- What equity was contributed to the entity, or distributed by it?

# Asset and liability definitions (likely 2015 Exposure Draft)

Asset [of an entity]	Liability [of an entity]
<ul style="list-style-type: none"><li>• A <b>present economic resource</b> controlled by the entity as a result of <b>past events</b></li></ul>	<ul style="list-style-type: none"><li>• a <b>present obligation</b> of the entity to transfer an <b>economic resource</b> as a result of <b>past events</b></li></ul>
<ul style="list-style-type: none"><li>• An economic resource = a right that is capable of producing economic benefits</li></ul>	



# Examples of assets (1): often 'recognised' in financial statements

- Rights over physical objects:
  - Ownership of land, buildings or machines
  - Rights to use land, buildings or machines (leases, licenses)
- Financial assets:
  - Receivables
  - Equity investments
- Intellectual property:
  - Patents acquired for cash

# Examples of assets (2) not often 'recognised'

- Intellectual property:
  - Patents developed internally
  - Know how
- Contractual assets:
  - With customers
  - With suppliers
  - With employees

Some of the above are sometimes recognised if:

1. Acquired for cash, either separately or in a business combination
2. Cash has been prepaid for goods or services

# Limitations of financial statements

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- Some economic resources are not recognised (ie included in the statement of financial position)
- Some economic resources are measured on a basis that does not capture their current value.
- Financial statements focus on financial information
  - Financial information is important, but so are other things
- Management commentary provides an important complement to financial statements

- Financial reporting:
  - can help to remove the frictions that impede the flow of capital.
  - should not try to encourage or discourage particular types of capital flows to particular destinations.
  - can help domestic capital formation.
- Digital reporting

# Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

