

Conceptual Framework Discussion

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Overview

Papers

- Barker & Teixeira: gaps in the framework
- Van Mourik & Katsuo: inconsistent p&l approach

Comment

- Agree with analysis
- Assume IASB would like theoretically viable CF
- Why are there gaps?

Why are there gaps?

Constrained by history

- Accounting rules pre-date framework
- Framework made to fit existing gaap

Constrained by constituents

- Constituents fear CF is blueprint for change
- IFRS appliers use in absence of standard

Consistency of standards unachievable target

- Victim of history
- Consistency can give silly accounting

Unspoken constraints

FASB

- IASB prefer not to deviate too far from US CF

Preference for incremental change

- IASB not looked at fundamental change
- Believe gaps can be eliminated over time?
- Fear unexpected consequences of change

Some issues not for discussion

- E.g. Business model
- Not to be mentioned, confusion with intent

What to do?

Review constraints

Throw away 40 year old CF model

Persuade constituents that theoretical robustness
does not mean end of pragmatism

Forget consistency across standards

Forget comparability with other companies

What to do?

Personal preferences:

Start again from investor needs

Focus on business model

Allow investors to assess performance of BM

Nothing to it!