

## Exposure Draft C: IFRS Conceptual Framework for Financial Reporting (March 2018)

Question	Agree	Disagree	No Comment
12 Do you agree with the proposals to amend section 2.1 (Concepts) of the Code which reflect the adoption of the <i>IFRS Conceptual Framework for Financial Reporting</i> (March 2018)? If not, why not? What alternatives would you suggest?	28 (80%)	1 (3%)	6 (17%)

	Issue	Secretariat Response
	<b>Question 12– Exposure Draft C: IFRS Conceptual Framework for Financial Reporting (March 2018)</b>	
12.1	The majority of respondents supported the proposed amendments.	No further comments.  <b>No further changes to the Code Draft.</b>
12.2	<p>An audit body notes that</p> <ul style="list-style-type: none"> <li>- paragraph 2.1.2.4 disapplies para 1.10 of the IASB Conceptual Framework, which sets out the users of financial statements, <u>and</u> sets out an expectation that they are reasonably knowledgeable</li> <li>- paragraph 2.1.2.5 states that financial statements are for service recipients.</li> <li>- paragraph 2.1.2.22 states that the financial statements are prepared for users with a reasonable knowledge of business and economic activities</li> </ul> <p>They suggest that the above are incompatible, given that some service recipients may not have reasonable knowledge.</p>	<p>This is an understandable but unintended reading.</p> <p>The Code Draft now includes a footnote to paragraph 2.1.2.22 which explains that although local authority financial statements should aim to meet the needs of a wider range of users than those described in the IASB Conceptual Framework, there is still an expectation that readers will have reasonable knowledge of the local authority’s business and economic activities.</p> <p><b>CIPFA/LASAAC is invited to consider this approach.</b></p>

	<b>Issue</b>	<b>Secretariat Response</b>
12.3	<p>The 1 local authority which disagrees with the ED suggests that the material on Measurement from 2.1.2.54 onwards is confusing:</p> <p><i>Why introduce terms such as historical cost and fulfilment value in that first paragraph - this is particularly confusing.</i></p> <p><i>I would suggest that the first paragraph is left as it was with no amendments.</i></p> <p><i>I would then suggest that the three methods of valuation are outlined:</i></p> <ul style="list-style-type: none"> <li>- <i>fair value</i></li> <li>- <i>current value</i></li> <li>- <i>depreciated historical cost</i></li> </ul> <p><i>I would then amend the table to show two headings of Circumstance and Valuation Method.</i></p> <p><i>I would then include infrastructure assets and associated method in the table after the PPE line.</i></p>	<p>The sentence 'A measurement basis is an identified feature, for example, historical cost, fair value or fulfilment value, of an item being measured' is a direct quote from the Conceptual Framework paragraph 6.1, but may be rather confusing. Deleting this sentence does not substantially reduce readability.</p> <p>The Code Draft deletes this sentence.</p> <p>When reviewing paragraph 2.1.2.54 the Secretariat noted that it uses the term 'current value' in both the narrow sense applied in the Code, and the wider sense used in conceptual discussions on standards.</p> <p>The Code draft replaces this with explanation that the Code uses the historical cost basis, fair value and various current value bases. This more closely echoes the drafting of the rest of Chapter Two.</p> <p>A definition of historical cost basis has been provided, based on the material in the IASB conceptual framework.</p> <p>When considering the suggestion relating to the table, the Secretariat agree that the second heading is confusing, and because the table was developed from a table focusing only on fair value, there are a number of areas where the explanation is incomplete. In the Code Draft the table has been refocused on those items which are not measured using historical cost, and various amendments have been made to the table and the preceding paragraphs on fair value and current value. The term 'measurement basis' is used in the Code Draft rather than 'valuation method'.</p> <p><b>CIPFA/LASAAC is invited to consider this approach.</b></p>

	<b>Issue</b>	<b>Secretariat Response</b>
12.4	Respondents pointed out typos in paragraphs 2.1.2.10 (missing 'not') and 2.1.2.14 ('or income' misplaced)	These comments were accurate and the suggested changes have been implemented.  <b>CIPFA/LASAAC is invited to review these corrections.</b>