Dear Sir/Madam,

In the present letter ICAC answers the questions raised on EFRAG's Draft Comment Letter on IASB's DP: “A review of the Conceptual Framework for Financial Reporting”.

**Question**

26 Which, if any, of the views presented above do you support, and why? If you do not support any of the views, what is your view on the proposed definition of an economic resource included in the DP?

ICAC believes that current approach relying on definition of assets and liabilities of the Conceptual Framework is appropriate. However we think that there is way to improve it as DP said.

ICAC is of the view, that the new definitions proposed in the Conceptual Framework (CF) don’t seem to be so different to those existing in the present CF. Basically the IASB has extracted the term “is expected” and when defining “economic resources” it has introduced the term “is capable”.

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We are of the view that an asset is an entity’s economic resource; there is an objective aspect which is the resource, and a subjective aspect which is the appropriation of the economic benefits by entity. Both together make the definition of the asset. This is what the DP proposals try to clarify and we agree with that.

This clarification is good in order to understand better the recognition criteria in current CF:

"83 An item that meets the definition of an element should be recognized if:

a) It is probable that any future economic benefit associated with the item will flow to or from the entity; and

b) The item has a cost or value that can be measured with reliability."

Applying the proposed definition the term element should be replaced by economic resource in the sense proposed by DP.

In ICAC’s view, the new definition does not need to add “to the entity” in the resource definition, because the appropriation of the economic resources is an issue included in the term “controlled by the entity”.

Question to constituents

33 Do you think it is useful to distinguish between existence uncertainty and outcome uncertainty? Please explain.

34 Do you agree with the DP that existence uncertainty is rare?

We can agree with this conceptual division, in order to clarify the current recognition criteria, so that if we try to allocate the concept in the reference in the recognition criteria, this is the result:
An item that meets the definition of an economic resource (existence uncertainty) should be recognized if:

- It is probable that any future economic benefit associated with the item will flow to or from the entity; and (outcome uncertainty)
- The item has a cost or value that can be measured with reliability.”

Measurement issue

We disagree with the interpretations in such a way that implies to delete the current recognition criteria.

The only important thing in definitions issues is that there is a primary analysis about the existence of asset or liability must take into account the probability that this resource become asset. Once the answer to this question is yes, the next step is measurement.

Question

116 Which, if any, of the views presented above do you support, and why? If you do not support any of the views, what is your view on the proposal included in the DP on recognition?

We share the view expressed in paragraph 100, the Conceptual Framework should include explicit probability thresholds. If recognising items does not produce relevant and reliable information, recognition should not take place.

The selection of a threshold that must be done from the application of the principle of prudence and, therefore, it should be different for assets and liabilities as
explained in steps two and three, without prejudice to possible exceptionality adequately justified in a specific standard.

Questions to constituents:

(a) Do you think the assumed meaning as used in the Bulletin makes sense from a financial reporting perspective?

(b) Do you support the tentative view that management intent and business model are distinct?

(c) Do you support the tentative view that the business model should play a role in financial reporting?

(d) Do you agree with the proposed implications for the IFRS literature identified in the Bulletin?

e) Do you have any other comments?

We are generally in line with the business model view expressed by EFRAG.

Madrid, December 20th 2013

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