



## **EFRAG draft comment letter: Updating References to the Conceptual Framework**

ICAEW welcomes the opportunity to comment on the draft comment letter on the International Accounting Standards Board (IASB) exposure draft *Updating References to the Conceptual Framework* published by the European Financial Reporting Advisory Group (EFRAG) on 10 August 2015, a copy of which is available from this [link](#).

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## MAJOR POINTS

### Support for the draft letter

1. We welcome the opportunity to comment on EFRAG's draft comment letter, which we have taken into account in preparing our response to the IASB's exposure draft (ED), *Updating References to the Conceptual Framework*, which we are sending to EFRAG at the same time as these comments. We broadly support the draft comment letter and, like EFRAG, we are concerned that IASB's proposals could have onerous unintended consequences.
2. We do not think that it is completely clear what the approach adopted in the ED implies. We believe that it may well be interpreted as requiring entities to review those existing accounting policies which were adopted in the absence of requirements in a standard or where standards allow a choice, to see whether they are consistent with the revised framework and to change them where they are not. We note that this is also how EFRAG interprets the proposals.
3. We believe that mandating a review of existing accounting policies would be an unduly onerous obligation to impose on reporting entities. We are therefore suggesting to the IASB that it should be made clear that the amendments are applicable only when a reporting entity would in any case be developing a new accounting policy or reviewing an existing one, and that the amendments themselves would not require a review of existing policies. This approach would be consistent with the IASB's own approach to standard setting, which we support, of not revising existing accounting standards or instituting a review of them simply because of changes in the framework.
4. We are also suggesting to the IASB that it would be helpful to draw attention, when issuing the amendments, to the requirements of paragraph 14 of IAS 8, that 'an entity shall change an accounting policy only if the change:
  - (a) is required by an IFRS; or
  - (b) results in the financial statements providing reliable and more relevant information ...'and to clarify that the implementation of these amendments does not require a change under (a).

## OTHER POINTS

### Reasonable knowledge of accounting

5. We disagree with the proposed amendments to IFRS 4, *Insurance Contracts*, IAS 1, *Presentation of Financial Statements*, and IAS 8, where they delete the assumption that users have a reasonable knowledge of accounting. Although this change was made in the 2010 version of the conceptual framework, we believe that it should be reversed, as we propose in our response to the IASB's concurrent ED, *Conceptual Framework for Financial Reporting*.