

The Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, Ontario  
Canada  
M5V 3H2

Attention: Alex Milburn, PhD, FCA

**Re: Toward a Measurement Framework for Financial Reporting by Profit-Oriented Entities**

Dear Mr. Milburn,

The Polish Accounting Standards Committee (Polish ASC) is pleased to comment on the research paper: *Toward a Measurement Framework for Financial Reporting by Profit-Oriented Entities*, issued by the Canadian Institute of Chartered Accountants in 2012 r.

After having analyzed the proposal of the framework for measurement of assets and liabilities the Polish ASC would like to present its opinion recognizing the advantages as well as disadvantages of the proposed solutions.

1. We endorse the author's position expressed in paragraph 5 of the research paper stating that still the IASB and the FASB have not elaborated yet the common and coherent measurement bases for assets and liabilities, and the current binding standards encompass different principles without any sound underlying conceptual measurement framework.
2. The discussed approach is based on the assumption, that the objective of the economic activity of an entity is to create value (creation of the wealth) which is realized by controlling future cash flows (paragraph 13). Therefore the ultimate objective of the financial reporting is to provide information that allows to develop predictions about the amount, timing and uncertainty of these cash flows (paragraph 15). From this point of view it seems justified to acknowledge the Current Market Value as the measurement base – since according to the Schmalenbach's dynamic balance sheet theory it is the balance sheet which should reflect possible realizable future economic benefits. Moreover adopting the proposed measurement formula allows to assess the degree of the entity's accommodation to the requirements of the market on which the entity operates.
3. The assessed conceptual model is coherent, logical and it has an overreaching dimension encompassing in its scope the measurement of all assets and liabilities. It constitutes a certain turning point in the traditional perception of the accountancy and it should be treated as an intellectual challenge - an interesting contribution to further discussions on establishing a unified conceptual framework for measurement.

In our opinion the shortcomings of the proposed solutions could be noted mainly in the area of their possible practical application.

4. Our doubts are connected with a considerable cost of keeping accounting records, as well as a high degree of difficulty in conducting the audit.
5. We are also concerned about the reliability of the information gathered, especially when for some assets and liabilities there is a lack of prices deriving from the active market. It results in the necessity of applying different measurement models basing on

the subjective assumptions of the management which distorts the comparability of information.

6. The total amount composed of the values of each single asset and liability does not fully reflect the possible realizable future economic benefits of the entity. As a result this model does not meet its primary objective. It would be feasible only under the condition that the intellectual capital could be measured, which is beyond the scope of the assessed model.
7. The proposed solutions would significantly hinder the realization of the basic functions of the accountancy, especially for the small and medium-sized entities, such as: settlements with contractors, assets/capital protection, the measurement of tax liabilities and the determination of the possible payable dividends. Presumably, a parallel separate bookkeeping based on the historical cost would be needed.
8. We share doubts expressed by EFRAG (in its draft comment letter) on the feasibility of measurement of the financial result and stewardship under the described circumstances.

We are of the opinion that further work should be carried out on establishing of a unified conceptual framework for measurement and the discussed approach may constitute a significant input to this work.

Kind regards,

Joanna Dadacz  
Chairman of the Polish ASC