



Ms. Françoise Flores
TEG Chair
EFRAG
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E-mail: Commentletters@efrag.org

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Ref.: ACC/AKI/HBL/SRO

Dear Ms. Flores,

Re: EFRAG Getting a Better Framework Uncertainty Bulletin

- (1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on EFRAG Getting a Better Framework Uncertainty Bulletin (the "Bulletin").
- (2) We support EFRAG's initiative, together with other national standard setters, to stimulate debate on key issues related to the IASB Conceptual Framework and to ensure that the European views are influential in this debate.
- (3) From a purely theoretical perspective, considering uncertainty solely as part of measurement may appear to be a sound option. Indeed, this ensures that the statement of financial position provides a complete picture of the rights and obligations of an entity. However, this completeness may be at the expense of relevance of the information produced.
- (4) In particular, if uncertainty is not considered as part of the recognition criteria, entities will end up having to measure contingencies with low level of probabilities. Measuring individual contingencies with low level of probabilities but potentially high outflow of economic resources can yield a wide range of values based on a high level of subjectivity. The relevance and reliability of the resulting information to users is questionable.
- (5) In such situations, users appear to be better served through adequate disclosures in the notes to the financial statements rather than unreliably measured assets or liabilities on the statement of financial position.
- (6) This is why, on balance, we agree with the Bulletin's tentative conclusion that uncertainty is not only a matter of measurement and that a probability-based threshold should be retained as part of the recognition criteria of assets and liabilities.
- (7) Additionally, we did not observe the "probability of outflow" criterion to have been a source of abuse or diversity in practice. Accordingly we do not believe that the elimination of this criterion would be warranted.

- (8) On the other hand, we do not believe that it is necessary to include uncertainty in the definition of assets and liabilities. We believe that establishing the characteristics of an item (asset, liability, income and expense) is a process distinct from determining whether the item should be recognised in the financial statements. The constraints that lead us to accept the incorporation of uncertainty as part of the recognition criteria do not extend to the identification process. In particular, we do not share the concern expressed in paragraph 39 of the Bulletin that this would impose a burdensome and redundant analysis on preparers. We do not believe that preparers would (should) feel compelled to undertake an extensive search of items that do not meet the recognition criteria unless this is required for another purposes, for example for disclosure purposes.
- (9) As indicated in paragraph 38 of the Bulletin, keeping the definition of assets and liabilities separate from the recognition criteria assists in establishing the scope of unrecognised elements that should be disclosed.
- (10) Finally, we agree with EFRAG that in relation to the probability-threshold in different standards and on the level of uncertainty, there does not appear to be sufficient clarity to ensure consistent application. Therefore, more clarity needs to be provided in order to improve consistent application in relation to the threshold level. As part of this work, consideration should be given to whether the threshold for recognition should be the same for assets and for liabilities.

For further information on this letter, please contact Hilde Blomme, FEE Deputy CEO at the FEE Secretariat on +32 2 285 40 77 or via e-mail at hilde.blomme@fee.be.

Yours sincerely,

A blue ink signature of André Killesse, consisting of several loops and a long horizontal stroke at the bottom.

André Killesse
President

A blue ink signature of Olivier Boutellis-Taft, featuring a large, stylized initial 'B' followed by a long horizontal stroke.

Olivier Boutellis-Taft
Chief Executive