IFRS Foundation
30 Cannon Street
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25 November 2015

Dear Sirs

Exposure Draft ED/2015/4 *Updating References to the Conceptual Framework (Proposed amendments to IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32)*

The UK Financial Reporting Council (FRC) is in broad agreement with the proposals set out in the Exposure Draft and our responses to the questions are included in the Appendix to this letter.

If you would like to discuss these comments, please contact me or Annette Davis on 020 7492 2322.

Yours sincerely

M McLaren

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Appendix: Questions for respondents

Question 1—Replacing references to the *Conceptual Framework*
The IASB proposes to amend IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 so that they will refer to the revised *Conceptual Framework* once it becomes effective. Do you agree with the proposed amendments? Why or why not?

A1 We agree that references to the *Conceptual Framework* should be updated once the revised *Conceptual Framework* becomes effective. We also agree with the explanation given in paragraph BC4 that the proposed changes will not have a significant effect on the requirements in these Standards. We therefore agree with the proposed amendments to IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32. See below for our comments on the proposed amendments to IFRS 2.

A2 We also agree with the proposal not to amend IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 38 *Intangible Assets*. We note that both these Standards directly quote definitions of elements in the existing *Conceptual Framework* and the explanation given in paragraph BC6 as to why IAS 37 and IAS 38 should not be amended says that:

"…the IASB's aim in revising the definitions in the *Conceptual Framework* was to provide more clarity, not to fundamentally change how the definitions are applied in any existing Standard. Accordingly, the IASB concluded that there would be little benefit in updating these quotes now, and updating them could run the risk of unintended consequences."

A3 We consider that this paragraph appears to be inconsistent as it says that the revised definitions should not fundamentally change how the definitions are applied in any existing Standard and then goes on to say that updating the definitions may give rise to unintended consequences and that is why IAS 37 and IAS 38 are not being updated. We consider that this explanation could be improved by explaining that the judgements required by these standards go to the very heart of the definition of a liability and definition of an asset and therefore before any amendments in wording could be proposed a comprehensive project would be necessary to ensure that potential consequences are identified and analysed.

IFRS 2

A4 The Exposure Draft proposes to update the definition of a liability which is included as a footnote to the definition of equity instrument in Appendix A of IFRS 2.

A5 The term "equity instrument" is defined in paragraph 11 of IAS 32 *Financial Instruments: Presentation* and it does not include a cross-reference to the definition of a liability. We consider that the footnote to the definition of an equity instrument in IFRS 2 is unnecessary and therefore should be deleted in its entirety rather than updated.

Question 2—Effective date and transition
The IASB proposes that: (a) a transition period of approximately 18 months should be set for the proposed amendments. Early application should be permitted.

(b)	the amendments should be applied retrospectively in accordance with IAS 8, except for the amendments to IFRS 3. Entities should apply the amendments to IFRS 3 prospectively, thereby avoiding the need to restate previous business combinations.
Do you agree with the proposed transition provisions and effective date? Why or why not?	

(a) Transition Period

A6 We agree that a transition period of approximately 18 months is appropriate and that early application should be permitted.

(b) Prospective or retrospective amendment

A7 We agree that the proposed amendments, except for IFRS 3, should be applied retrospectively in accordance with IAS 8.

A8 We note that paragraph BC9 states that the IASB rejected the option to allow entities to retain their exiting accounting policy where there are changes in accounting policies resulting from the proposed amendments because it "could result in financial statements being prepared on the basis of concepts that could be inconsistent with those included in the revised *Conceptual Framework*". We agree with this reasoning.

Question 3—Other comments
Do you have any other comments on the proposals?

A9 We agree with the proposal in Appendix A to remove the clarifying footnotes from IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32.

A10 We note that IFRIC 12 *Service Concession Arrangements* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* lists the *Framework for the Preparation and Presentation of Financial Statements* in the References section of the Interpretation, with a related footnote referring to the 2010 *Conceptual Framework*. We consider that these footnotes need to be deleted and the References sections updated to refer to the revised *Conceptual Framework*.