

## Session 2: Gaps in the IFRS Conceptual Framework and Profit or loss in the IASB Conceptual Framework

The discussion covered the following topics:

- the use of business model in conceptual framework was suggested by the academic discussant but some participants and IASB staff noted that the term 'business model' can be confusing, specifically:
  - in IFRS 9 *Financial Instruments* describes only 3 types of business models, but many others could be found based on the specificities of an entity. IASB staff also noted that, instead of 'business model', the current CF uses 'business activities'. The question to be considered is: is the business activity what the entity is doing or what it could do?
- one participant noted that the unit of account was an important factor when considering the business model, as was the liquidity of the assets being considered
- one participant also noted that under the current or any approach it is difficult to capture a single number either for financial performance or for financial position.
- one participant emphasised that shifting the focus on the income statement should involve considering the implications of digital reporting to derive items from performance
- one participant questioned whether there will be a post-implementation review of conceptual framework and, if yes, what would that include?
  - another participant suggested that, if there was a PIR of CF, it could include whether the CF would answer the following questions: 1) should be internally generated assets be expensed or capitalised? 2) how should performance be defined and should amounts be reclassified between OCI and profit or loss? 3) was an entity's obligation to transfer its own shares a liability?
  - another participant noted that every new standard should consider the CF
- one participant noted that the objective of this revision was not a fundamental change of the conceptual framework. Stakeholders did not want that.
- one participant queried what realised/unrealised means in practice. He noted the 'realisation concept' might work conceptually, but not in practice. For example, when is a gain from a derivative realised, when the risk is hedged?