

Press Release



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US FASB and IASB publish first draft chapters of joint conceptual framework

Boards seek constituents' feedback on proposal that defines objective of financial reporting and qualitative characteristics of decision-useful information

The US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) today each published for public comment a consultative document setting out their preliminary views on the first two chapters of an enhanced conceptual framework. The draft chapters define the objective of financial reporting, and the qualitative characteristics of decision-useful financial information.

The document is the first to result from the boards' joint project on the conceptual framework. This project was described in their Memorandum of Understanding published in February 2006, which laid out a joint programme of work for the FASB and the IASB. The work on the conceptual framework will inform both boards' efforts to achieve the objectives described in the Memorandum of Understanding.

At present, the boards are each guided by their own individual framework. These differ from each other in various respects, are incomplete, and are not up to date. The publication of the boards' joint preliminary views reflects their shared commitment to build upon, improve and

achieve the convergence of their existing conceptual frameworks. The boards believe that a common conceptual framework will improve the foundation and concepts that underlie global financial reporting and serve as a more effective guide in developing global financial reporting standards.

The preliminary views restate the existing frameworks' definition of the objective of general purpose external financial reporting as providing information that is useful to present and potential investors and creditors and others in making investment, credit and similar resource allocation decisions. The document also identifies relevance, faithful representation, comparability (including consistency) and understandability among the characteristics of financial information that make it decision-useful.

In discussing the publication of the proposals, Michael Crooch, a member of the FASB, commented,

A common goal of the boards and our constituents is for standards to be based on consistent principles rooted in fundamental concepts, rather than a collection of conventions. To achieve this, the boards need to affirm even the most basic building blocks of financial reporting, from which all other concepts will flow—in this case, what is financial information intended to do?

Sir David Tweedie, Chairman of the IASB, said,

The ideas set out in the document published today are some of the most fundamental in accounting. We are therefore keen to receive views on these proposed enhancements as we work towards establishing a more effective and sound foundation to guide us in the development of future accounting and reporting standards.

The FASB and the IASB invite comments on their preliminary views by 3 November 2006. When they have considered the responses received the boards plan to publish an exposure draft of these chapters in 2007.

END

How to obtain the document

The FASB is publishing its preliminary views document on its Website (www.fasb.org).

The IASB is publishing the preliminary views as a Discussion Paper. The primary means of publishing Discussion Papers is through the IASC Foundation's online Comprehensive Subscription service. Those wishing to subscribe should contact:

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Printed copies of the Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information* (ISBN 1-905590-08-3) will be available shortly, at £10 each, from IASC Foundation Publications Department.

From 17 July, the text of the Discussion Paper will be available freely from the IASB's Website.

Notes for editors

About the FASB

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector in the US for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its website at www.fasb.org.

About the IASB

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

About the joint project

The IASB added this project to its agenda in October 2004. The project is being conducted jointly with the FASB. The objective of the project is to develop a common conceptual framework, ie a single framework that brings together and improves upon the existing frameworks of both boards. In addition to the two draft chapters published today, the boards envisage further chapters including such matters as the definitions of assets, liabilities, revenues and expenses, how they are measured and recognised in financial statements, and the presentation of disclosure of information in financial statements.