



Accounting Standards Board

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Commentletter@efrag.org

Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
Avenue des Arts 13-14
1210 Brussels
Belgium

19 October 2006

Dear Stig

IASB Preliminary Views Discussion Paper: 'The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information'

This letter sets out the ASB's comments on EFRAG's draft comment letter on the above IASB Discussion Paper.

The ASB shares the views and concerns raised in the draft comment letter, with one exception.

The Board notes the concern in the draft comment letter (page 2 of the covering letter and Appendix 1, paragraph 3) of the status of the Framework as a non-mandatory document. The draft comment letter appears to argue for a rigid link between the Framework and the standards and a view that it should not generally be possible to issue new standards that are not consistent with the Framework, unless the inconsistency is 'relatively minor'. We do not agree. The ASB shares the view of the IASB that the Framework should set out the 'goal or ideal to which standard-setters and preparers of financial reports should strive' (paragraph OB 15 of the IASB Discussion Paper). We agree that, in general, new standards should be consistent with the Framework. But if there is an issue that needs to be addressed and what seems to be the right solution is inconsistent with the Framework, then in our view it is right to develop a new standard that is inconsistent with the Framework.

The ASB views the conceptual framework as continually evolving in response to changes in business environment and new thinking being established. However, the administrative task of amending the Framework may only be undertaken infrequently. That said, we do acknowledge that it is important that reasons for any departure from the Framework are transparent, and clearly explained. And we need

to know whether the departures are conceptual or motivated by practical concerns. In such a case the Board would expect such inconsistencies to be explained in the Basis for Conclusions of the relevant standard.

If you would like any further information on the comments made above then please contact Seema Jamil-O'Neill on 020 7492 2422, David Loweth on 020 7492 2420 or myself on 020 7492 2434.

Yours sincerely

A handwritten signature in black ink, appearing to read 'I. Mackintosh', written in a cursive style.

Ian Mackintosh
Chairman, Accounting Standards Board
DDL: 020 7492 2434