American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

November 24, 2015

Via Electronic Mail

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Ladies and Gentlemen:

Re: ED/2015/3 Conceptual Framework for Financial Reporting

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants (AICPA) is pleased to comment on the International Accounting Standards Board's Exposure Draft ED/2015/3, *Conceptual Framework for Financial Reporting*.

FinREC supports the Board's effort to revise the Conceptual Framework to improve financial reporting by providing a more complete, clear, and updated set of concepts. We believe the revised Conceptual Framework will serve as a useful tool in standard setting. Our specific comments follow in the order of presentation in the Exposure Draft along with other comments.

We support the way "prudence" is described in paragraph 2.18, within the concept of neutrality, as the exercise of caution when making judgments under conditions of uncertainty. The result of that application is that assets and income are not overstated and liabilities and expenses are not understated. Likewise, the exercise of prudence does not allow for the understatement of assets and income or the overstatement of liabilities and expenses. However, we understand that in some jurisdictions "prudence" has been interpreted as including a conservative bias. If prudence is reinstated as a concept of neutrality, we encourage the Board to consider clarifying that the notion of prudence is distinguished from the concept of conservatism.

We believe that paragraph 3.6 should specifically state that a complete set of financial statements includes a statement of cash flows. Chapter 3 should also specifically state that changes in the components of net assets or equity are required to be presented in a separate statement or in a note to the financial statements.

Paragraph 3.17 states that: "Financial statements are sometimes prepared for two or more entities that do not have a parent-subsidiary relationship with each other." We believe that indicators of when combined financial statements may also be appropriate should also be addressed.

Paragraph 4.23 states that if an entity holds an economic resource as an agent, it does not have an asset, nor does it have a liability. We believe the concept of “agent” in this context is not sufficiently clear. We recommend revising the concept to provide clarity for certain common agent transactions. We suggest providing examples using sales taxes collected on behalf of taxing authorities, repurchase agreements, and pledged securities, in each case emphasizing the element of control.

We observe that the revised Conceptual Framework does not distinguish between revenue and expenses and gains and losses. We believe that making that distinction would be helpful. We also observe that other income statement concepts such as other comprehensive income are not fully developed. Furthermore, we believe the Conceptual Framework should contain more-well-defined principles on when it is relevant to recycle and when it is not.

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We appreciate the opportunity to provide comments on the Exposure Draft. In addition, we are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

James A. Dolinar
Chair
Financial Reporting Executive Committee