



28 June 2013

Our ref: ICAEW Rep 95/13

Ms Françoise Flores
Chairman
EFRAG
35 Square de Meeûs
B-1000 Brussels
Belgium

By email to commentletters@efrag.org

Dear Françoise

Getting a Better Framework: Uncertainty

ICAEW is pleased to respond to your request for comments on the *Getting a Better Framework* bulletin: *Uncertainty*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

Dr Nigel Sleigh-Johnson
Head of Financial Reporting Faculty

T +44 (0)20 7920 8793
E nigel.sleigh-johnson@icaew.com



ICAEW REPRESENTATION

GETTING A BETTER FRAMEWORK: UNCERTAINTY

Memorandum of comment submitted in June 2013 by ICAEW, in response to the European Financial Reporting Advisory Group *Getting a Better Framework* bulletin: *Uncertainty*, published in April 2013

Contents	Paragraph
Introduction	1
Who we are	2
Major points	5
Responses to specific questions	7

INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the *Getting a Better Framework* bulletin *Uncertainty* published by the European Financial Reporting Advisory Group (EFRAG) in April 2013, copies of which are available from this [link](#).

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 138,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The Faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

MAJOR POINTS

The *Getting a Better Framework* initiative

5. We welcome EFRAG's initiative in setting up the *Getting a Better Framework* project. As the IASB is preparing proposals for a revised conceptual framework, this is a good time to promote discussion on these issues. We note that the key conclusions set out in the bulletins are expressed as tentative and, as the IASB has not yet published its proposals, we believe that this is the right approach at this stage. For the same reason, our own comments on the bulletins should be seen as provisional views, pending the IASB's publication of its proposals, at which point we will be revisiting the issues discussed in the bulletins.

Uncertainty

6. We support the tentative view expressed in the *Uncertainty* bulletin that there should continue to be a probability threshold test involved in the recognition of assets and liabilities, but have no strong views at this stage on how best this should be reflected in the conceptual framework.

RESPONSES TO SPECIFIC QUESTIONS

Question (i): Are there any arguments for either of the views set out in the Bulletin that we have not discussed?

7. Not that we can think of at the moment.

Question (ii): Which view do you support? Why?

8. For the reasons set out in the bulletin, we believe that it is appropriate that uncertainty should be a factor in whether items are recognised, not just in how they are measured.

Question (iii): What are your views on the different ways in which a probability-threshold could be applied?

9. We have no strong views on this question at this stage, but we agree that there should be greater consistency in the use of probability thresholds in IFRS.

Other comments on the bulletin

10. Paragraph 8 of the bulletin draws attention to the different ways in which 'probable' is interpreted in IFRS, and the table at paragraph 9 lists various expressions in IFRS denoting different levels of uncertainty, whose meaning is not entirely clear. It would be helpful to have fewer expressions of this type in IFRS and greater clarity and consistency as to their meaning. For example, it would be helpful if the Framework made clear that the definition of 'probable' that is found in IAS 37 and IFRS 5 applies throughout IFRS. If that is not the intended meaning in certain standards, then a different (defined) term should be used.
11. We do not follow the argument at paragraph 14.
12. Paragraphs 25 and 26 imply that there is an objective way to measure uncertainties. We doubt whether this is the case. While one approach is indeed to rely on historical data (paragraph 26), this does not lead to objective measurements of probabilities. The key question with such data – as the financial crisis demonstrated – is the extent to which they will provide a reliable guide to the future. This is an unavoidably subjective judgement.

E brian.singleton-green@icaew.com

Copyright © ICAEW 2013
All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

icaew.com