

14 January 2014

The Chairman
IASB

By email

Dear Sir

Re: Discussion Paper DP/2013/1 A Review of the Conceptual Framework for Financial Reporting

Westworth Kemp Consultants value the opportunity to provide feedback into the consultative process surrounding the development of a conceptual framework for financial reporting. We are a boutique consultancy specialising in financial reporting, assurance and compliance issues, particularly in the context of litigation and dispute resolution (www.westworthkemp.com.au). The nature of our work is such that we often see instances where financial reporting has failed as a communication tool for stakeholders and we are therefore keen to contribute to the establishment of sound conceptual underpinnings for the development of accounting standards.

While we congratulate the IASB on its adoption of this challenging but essential project, we are disappointed in some aspects of this discussion paper. The section on Profit and OCI reads as if the drafters have tried to back-fill a conceptual foundation for standards that have already been written by justifying a variety of accounting treatments, whereas in our view a conceptual framework should be a clear, succinct aspirational framework for standard setters to work towards as they prepare a consistent, cohesive suite of standards. It may be that a new standard is not fully in line with the conceptual framework for political or cost/benefit reasons, but the framework should nevertheless be set as a goal or aspiration. As such it should sit outside the suite of standards, to inform standard setters and be available to be drawn on as guidance by practitioners in the absence of specific requirements.

Recent projects on issues such as reducing the burden of disclosure, integrated reporting, non GAAP measures and management discussion and analysis reflect dissatisfaction among users with current financial reporting practices and attempt to meet their perceived needs. A review of the Conceptual Framework provides an opportunity to explore this disconnect between what accountants believe financial reporting should be and what users want.

We therefore recommend that the IASB in formulating its framework address the following issues:

1. The framework should be aspirational, as described above.
2. The needs of users are paramount. Without users financial reporting has no purpose. The question "Who are the users and what information do they need?" should be at the forefront of every standard setting project.
3. Regardless of the balance sheet focussed work that has been done at a conceptual level, preparers and users still want information on "profit" and appear to perceive it as something other than the difference between two balance sheets. The notion of profit should be explored and explicitly incorporated into the framework. This

notion of there being multiple profits is inherent in terms such as “underlying profit” and even EBIT and informs the whole of the OCI debate.

4. The framework should be transaction neutral and capable of application across sectors and types of entity. Although the not for profit sector is outside the IASB’s mandate, the credibility of financial reporting is enhanced by consistency between sectors.

We attach hereto our responses to the questions for specific comment.

Yours faithfully



C N Westworth, LLB, FCA, FAICD