

Conceptual Framework: Elements Tentative Board Decisions Reached to Date as of July 28, 2021

The Tentative Board Decisions Reached to Date is provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Concepts Statement.

Topic	Relevant Board Discussions	Meeting Date
<i>Agenda Decision</i>	The Board discussed the overall Conceptual Framework project and added to its technical agenda a project on elements.	May 3, 2017
<i>Working Definitions</i>	<p>The Board discussed working definitions of an asset and a liability.</p> <ol style="list-style-type: none"> 1. The Board decided to eliminate the terms <i>probable</i>, <i>future economic benefits</i>, <i>sacrifices of economic benefits</i>, and <i>past transactions or events</i> from the Board's revised definitions. 	August 30, 2017
<i>Working Definitions</i>	<p>The Board discussed working definitions of revenues and expenses, which are currently defined in FASB Concepts Statement No. 6, <i>Elements of Financial Statements</i>, and the relationship of those definitions with the definitions of gains and losses. The Board provided the following tentative leanings and reactions to the working definitions:</p> <ol style="list-style-type: none"> 1. Retain the phrase <i>or other activities</i> in the working definitions of revenues and expenses to ensure the terms are sufficiently inclusive 2. Excluding the phrase <i>carrying out</i> from the working definitions was an improvement 3. Do not remove the phrase <i>that constitute the entity's ongoing major or central operations</i> in the working definitions at this time. 	October 11, 2017

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<i>Application Issues</i>	<p>The Board discussed application issues associated with the agreed-upon tentative definition of a liability. The Board decided that:</p> <ol style="list-style-type: none"> 1. The requirement to have a present obligation adequately distinguishes business risks from liabilities. 2. The present description of constructive obligations provides an adequate basis to reach standards-level conclusions related to constructive obligations. 3. The term <i>stand-ready obligation</i> should not be used and the concepts should explain that there are present obligations with an uncertain outcome. The Board also agreed that present obligations with an uncertain outcome do not result from engaging in business activities absent a law or contract establishing such an obligation or the entity creating such an obligation consistent with other constructive obligations. 	June 27, 2018
<i>Distinguishing Liabilities from Equity</i>	The Board discussed various concepts related to distinguishing liabilities from equity. The Board made no decisions.	August 22, 2018
<i>Definition of a Liability</i>	<p>The Board continued its discussion of the definition of a liability. The Board decided that:</p> <ol style="list-style-type: none"> 1. All present obligations to transfer assets and obligations to deliver shares sufficient in number to satisfy a determinable or defined obligation should meet the definition of a liability. 2. An analysis discussing the measurement of obligations to issue a fixed number of shares is unnecessary for the Board to deliberate on in the elements phase. 	February 27, 2019

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<i>Definition of an Asset</i>	<p>The Board continued its discussion of the definition of an asset. The Board decided that:</p> <ol style="list-style-type: none"> 1. The identifiable and separability notions should be included in the explanatory paragraphs of the asset definition to help assess whether an intangible item meets the definition of an asset. 2. The term <i>control</i> should not be included in the definition of an asset. 	June 19, 2019
<i>Definitions of Equity (Net Assets), Investments by and Distributions to Owners, and Comprehensive Income; Not-for-Profit Net Asset Classification</i>	<p>The Board continued its initial deliberations on the elements phase of the Conceptual Framework project. The Board decided that:</p> <ol style="list-style-type: none"> 1. The definition of <i>equity</i> (net assets) should remain as the residual interest in the assets of an entity that remains after deducting its liabilities. 2. Subject to drafting improvements, the term <i>owner</i> should be explained as the holder of an instrument (or other arrangements, such as partnerships or proprietorships) that creates no obligation of the entity other than in liquidation. 3. The definition of <i>comprehensive income</i> should remain as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to owners. 4. The Concepts Statement should be consistent with the amendments in Accounting Standards Update No. 2016-14, <i>Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities</i>. 	November 13, 2019

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<p><i>Definitions of Revenues, Expenses, Gains, and Losses; Definitions of Investments by and Distributions to Owners; Permission to Ballot and Comment Period</i></p>	<p>The Board discussed the definitions of several elements to be included in a proposed Concepts Statement chapter on elements of financial statements. The Board decided that:</p> <ol style="list-style-type: none"> 1. The definitions of the elements <i>revenues, expenses, gains, and losses</i> should be defined as follows: <ol style="list-style-type: none"> a. Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities. b. Expenses are outflows or other using up of assets of an entity or incurrences of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities. c. Gains are increases in equity (net assets) from transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners. d. Losses are decreases in equity (net assets) from transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners. 2. Subject to drafting improvements, the elements <i>investments by and distributions to owners</i> should be defined as follows: <ol style="list-style-type: none"> a. Investments by owners are increases in equity of a particular business enterprise resulting from transfers to it from other entities of something valuable to obtain or increase ownership interests (or equity) in it. 	<p>January 22, 2020</p>
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	<p>b. Distributions to owners are decreases in equity of a particular business enterprise resulting from transferring assets, rendering services, or incurring liabilities by the enterprise to owners. Distributions to owners decrease ownership interest (or equity) in an enterprise.</p> <p>The Board directed the staff to draft a proposed Concepts Statement chapter on elements of financial statements for vote by written ballot. The Board decided on a comment period of 120 days.</p>	
<i>Definition of an Asset</i>	<p>The Board discussed the feedback from comment letter respondents on issues related to the asset definition in the proposed FASB Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting</i>—Chapter 4, <i>Elements of Financial Statements</i>. The Board decided the following:</p> <ol style="list-style-type: none"> 1. To remove the terms probable and future and the phrase past transactions or events from the current asset definition. 2. To add more language on the identifiable criteria to Chapter 4 to help with identifying whether internally generated intangible items meet the definition of an asset. 3. Determining when research and development activities qualify as an asset is a standards-level decision. <p>The Board also asked the staff to draft two alternatives of the asset definition, one including the term <i>control</i> and one without, along with potential explanatory language on the issue, to present to the Board at a later date.</p>	April 21, 2021

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<p><i>Definitions of Revenues, Expenses, Gains and Losses</i></p>	<p>The Board discussed the feedback from comment letter respondents on issues related to the definitions of revenues, expenses, gains, and losses in the proposed FASB Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting</i>—Chapter 4, <i>Elements of Financial Statements</i>. The Board decided the following:</p> <ol style="list-style-type: none"> 1. To remove the phrases <i>ongoing major or central operations</i> from the definitions of revenues and expenses and <i>peripheral or incidental transactions</i> from the definitions of gains and losses. 2. To retain the use of the term <i>other activities</i> when defining revenues and expenses. 3. To make drafting improvements that link the concepts for distinguishing revenues from gains and expenses from losses to the presentation factors in the forthcoming Chapter 7, <i>Presentation</i>, of Concepts Statement 8. 	<p>May 12, 2021</p>
<p><i>Definition of a Liability and Use of the Term Control in the Definition of an Asset</i></p>	<p>The Board discussed the feedback from comment letter respondents on issues related to the liability definition and the term <i>control</i> in the asset definition in the proposed FASB Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting</i>—Chapter 4, <i>Elements of Financial Statements</i>. The Board decided to:</p> <p><i>Definition of a Liability</i></p> <ol style="list-style-type: none"> 1. Remove the terms <i>probable</i> and <i>future</i> and the phrase <i>past transactions or events</i> from the current liability definition. <p><i>Distinguishing between Liabilities and Equity</i></p> <ol style="list-style-type: none"> 2. Reaffirm the decision that an obligation that requires an entity to transfer or otherwise provide economic benefits to others should meet the definition of a liability. 3. Improve the discussion of distinguishing between liabilities and equity in the drafting process, but not include examples illustrating the application of the definition to specific instruments and not change the 	<p>June 2, 2021</p>

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	<p>discussion on an obligation to transfer a variable number of shares being a liability.</p> <p><i>Business Risks, Constructive Obligations, and Stand-Ready Obligations</i></p> <ol style="list-style-type: none"> 4. Not specifically address executory contracts, but add a paragraph stating that certain arrangements create rights and obligations, but that the circumstances under which the rights and obligations occur are so varied that when they should be recognized is inevitably a standards-level issue because recognition is so dependent upon those varying facts and circumstances. 5. Not address economic compulsion in the discussion on business risks. 6. Not add the phrase <i>little to no discretion</i> and remove it from paragraph BC4.26. 7. Remove the discussion on equitable obligations as well as references to moral and ethical from the explanatory language. 8. Remove the term <i>stand-ready obligation</i> from the explanatory language. <p><i>Definition of an Asset</i></p> <ol style="list-style-type: none"> 9. Remove the term <i>control</i> from the definition of an asset. 	
<i>Sweep Issues and Permission to Ballot</i>	<p>The Board discussed the feedback from comment letter respondents on the proposed FASB Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements</i>. The Board decided to:</p> <p><i>Element for Common Control Transactions of Not-for-Profit Entities</i></p> <ol style="list-style-type: none"> 1. Refrain from adding a new element to the proposed chapter to address equity transfers between not-for-profit entities under common control. <p><i>Recognized Assets and Liabilities in the Definition of Equity or Net Assets</i></p> <ol style="list-style-type: none"> 2. Refrain from incorporating the notion of <i>recognized</i> in the definition of equity or net assets. 	July 28, 2021

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	<p><i>Appendix A, Accrual Accounting and Related Concepts, of Proposed Chapter 4</i></p> <p>3. Relocate the content from what was Appendix A of the proposed chapter to the introduction to the Conceptual Framework.</p> <p><i>Permission to Ballot and Next Steps</i></p> <p>The Board directed the staff to draft a final chapter for vote by written ballot.</p>	
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