



## Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN  
Telephone: 020 7492 2300 Fax: 020 7492 2301  
www.frc.org.uk/asb

ASB PN 310

For immediate release on  
Monday 25 June 2007

### PRESS NOTICE

#### STRONG SUPPORT FOR STEWARDSHIP AS A CORE OBJECTIVE OF FINANCIAL REPORTING

#### EFRAG/ASB/STANDARD SETTERS RESPOND TO CHALLENGES THROWN UP BY IASB/FASB CONSULTATION EXERCISE

The European Financial Reporting Advisory Group (EFRAG), the Accounting Standards Board (ASB) and a number of other European accounting standard-setters have today published a brief paper discussing the rationale for including stewardship, or directors' accountability to shareholders, as a separate objective of financial reporting.

The IASB and FASB proposed in their July 2006 Discussion Paper (DP) *Preliminary Views on an improved Conceptual Framework for Financial Reporting* that the converged framework should specify only one objective of financial reporting, that of "decision-usefulness" for resource allocation. They argued that this objective "encompasses providing information useful in assessing management's stewardship".

The paper, prepared under EFRAG's Pro-active Accounting Activities in Europe (PAAinE) initiative, seeks to demonstrate that:

- there is a broad consensus amongst the majority of the respondents that the stewardship/accountability objective should be a separate objective of financial reporting;
- stewardship/accountability is linked to agency theory and is a broader notion than resource allocation as it focuses on both past performance and how the entity is positioned for the future. It should therefore be retained as a separate objective of financial reporting to ensure that there is appropriate emphasis on company performance as a whole and not just on potential future cash flows; and
- stewardship/accountability has implications for financial reporting which can be demonstrated by way of examples.

Although a majority of the IASB and FASB respondents were in favour of identifying stewardship as a separate objective of financial reporting, members of

the two Boards were still left with some doubts about the strength of the case for a separate objective. One was that the comment letters contained a number of different interpretations of the term 'stewardship' which implied that there was no common understanding of the term among the respondent.

Another question was that the impact on financial reporting of specifying stewardship as a separate objective had not been demonstrated by the respondents through examples.

The paper attempts to respond to these challenges. A core part of the research was to conduct a detailed review of the comment letters received by the IASB and FASB to ascertain whether these questions could be answered by reference to the respondents' views.

- END -

### Notes for Editors:

1. EFRAG and the European National Standard Setters, under the banner 'Proactive Accounting Activities in Europe' (PAAinE), have agreed to pool some of their resources and work together more closely so that Europe as a whole can participate more effectively in the global accounting debate. It was agreed that this initiative should in the beginning concentrate on long-term pro-active work. The objective of the initiative is to stimulate debate on important items on the IASB agenda at an early stage in the standard-setting process before the IASB formally issues its proposals. The initiative has the joint ambitions of representing a European point of view and exercising greater influence on the standard-setting process.
2. Given the importance attached to stewardship/accountability as an objective of financial reporting by European respondents to the IASB's July 2006 Discussion Paper, EFRAG, the ASB and a number of other European standard-setters agreed to undertake a short-term PAAinE project on the issue. The text of the paper is available for download from the FRC website at [www.frc.org.uk](http://www.frc.org.uk) and EFRAG's website at [www.efrag.org](http://www.efrag.org). The accounting standard-setters of Germany, Denmark, Italy and Poland are joint issuers of the paper with EFRAG and the ASB. A number of others (in France, Sweden, and the Netherlands) have made the paper available on their websites.

3. The ASB is an operating body of the Financial Reporting Council (FRC), the UK's independent regulator responsible for promoting confidence in corporate reporting and governance. Its functions are exercised principally by its operating bodies (the ASB, the Auditing Practices Board, the Board for Actuarial Standards, the Financial Reporting Review Panel, the Professional Oversight Board and the Accountancy Investigation and Discipline Board) and by the Council. The Committee on Corporate Governance, whose members are drawn from the Council, assists it in its work on the Corporate Governance.
4. The main role of the ASB is to issue accounting standards. The ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards are developed with due regard to international developments.
5. The ASB has eleven Board members, of whom two (the Chairman and the Technical Director) are full-time, and the remainder, who represent a variety of interests, are part-time.
6. All press enquiries to the ASB should be addressed to Ian Mackintosh (Chairman) on 020 7492 2434, David Loweth (Technical Director) on 020 7492 2420, or Seema Jamil O'Neill (Project Director) on 020 7492 2422.