

# AccountancyAge

## FRC urges IASB to reintroduce concept of prudence

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**PRESSURE** has been heaped onto the IASB by the UK reporting watchdog to reintroduce the concept of prudence into its conceptual framework.

Commenting in response to an IASB discussion paper, the FRC said the concepts of prudence, stewardship and reliability should be reintroduced into the framework that underpins international accounting standards.

"The conceptual framework should state that the role of prudence is in the development of accounting policies, particularly in ensuring that all losses and liabilities are

reflected promptly and that gains are not recognised except where there is adequate evidence," the FRC said in its response.

A specific reference to the concept of prudence was dropped by the IASB in 2010 in favour of the concept of neutrality - a move that has drawn criticism from many quarters. Last year, European politicians suggested that EU funding, which represents about a third of the IASB's total contributions, should be contingent on prudence being included.

The FRC's response also suggests that a more fundamental analysis of issues relating to measurement of assets and liabilities than that provided in the discussion paper is required, and that the objective of the statement of profit or loss needs to be specified.

A copy of the FRC response can be downloaded [here](#).

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