

18 December 2013

EFRAG, ANC AND FRC ISSUE A RESEARCH PAPER: 'THE ROLE OF THE BUSINESS MODEL IN FINANCIAL STATEMENTS'

The European Financial Reporting Advisory Group (EFRAG), the Autorité des Normes Comptables (ANC) in France, and the Financial Reporting Council (FRC) in the United Kingdom have published today a Discussion Paper, 'The Role of the Business Model in Financial Statements'. The Discussion Paper is the result of a joint project between EFRAG, the ANC and the FRC, as part of EFRAG's proactive agenda.

The term 'business model' appeared in the IFRS literature for the first time when IFRS 9 *Financial Instruments* was issued in 2009. The Research Paper considers the use of the term and shows that the notion has been an implicit part of IAS/IFRS for a long time. The business model provides insight into how value is captured and net cash flows generated through income in the normal course of a business and it is not clear why the notion has not been more broadly used in IFRS.

The Research Paper argues that the business model should play a role in financial reporting and be part of the revised Conceptual Framework. Therefore, all standards must be capable of representing faithfully the business model and, where applicable, the business model should explicitly be incorporated on a standard-by-standard basis. Its consequences for recognition, measurement, presentation and disclosures should be assessed, and decisions should be taken on whether and how the business model should affect financial reporting.

It is hoped that the Research Paper leads to a constructive debate within Europe and elsewhere. Those that have an interest in the role that the business model plays in financial reporting are strongly encouraged to respond to the invitation for comments. **The Research Paper is open for comment until 31 May 2014** and can be downloaded [here](#). There is also a short presentation on the contents of the paper that can be accessed [here](#).

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Notes for Editors:

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1. *About EFRAG (www.efrag.org)*

EFRAG, the European Financial Reporting Advisory Group, was set up principally for the purpose of:

- Providing pro-active advice to IASB (the International Accounting Standards Board);
- Advising the European Commission on the acceptability of International Financial Reporting Standards (IFRS) for endorsement for use in Europe in the consolidated accounts of all listed companies;
- Stimulating, coordinating and carrying out proactive accounting activities;
- Advising the European Commission on any resulting changes to be made to the accounting directives and related topics.

2. *About ANC (www.autoritecomptable.fr)*

The Autorité des Normes Comptables (ANC) is the French accounting standard setter. The ANC is in charge of three main tasks:

- Setting the accounting standards for French companies ;
- Participating in the international accounting standard-setting, including the adoption of international accounting standards in Europe;
- Fostering and participating into accounting research.

3. *About FRC (www.frc.org.uk)*

The FRC is the UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment. The FRC sets the framework of standards for the accounting, auditing and actuarial profession, oversees their conduct and develops and promotes the UK Corporate Governance and Stewardship Codes.

4. *Discussion paper*

The Discussion Paper can be downloaded, free of charge, from the following websites: EFRAG at <http://www.efrag.org/>, ANC at <http://www.autoritecomptable.fr>, and the FRC at <http://www.frc.org.uk>.

5. *Press enquiries*

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