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Dear Mr Satoh,

**Conceptual Framework: Phase A**

*Objective and qualitative characteristics of financial reporting*

I am writing to let you know that the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have completed the first phase of its Conceptual Framework project.

The first phase of this project comprised of two chapters, focussing on the objective and qualitative characteristics of financial reporting. It is a joint project with the FASB, and one of the initiatives under the boards' Memorandum of Understanding (MoU). The MoU seeks to complete the convergence of international US financial reporting standards by 2011.

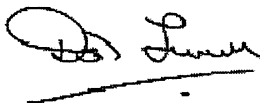
The aim of the Conceptual Framework project is to update and refine the existing concepts to reflect the changes in markets, business practices and the economic environment that have occurred since the concepts were first developed. Its overall objective is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged.

The recent global financial crisis brought a sharp focus on some of the fundamentals of financial reporting such as who are the primary users of financial reports. You will find details in the feedback statement of how the boards addressed this issue, and the rationale behind their approach, along with information on other important matters such as stewardship.

Should you have any questions about this project, or would like to arrange a meeting with a member of the Board or our staff, please contact Li Li Lian, who is the Conceptual Framework project manager and can be contacted by email at [llian@ifrs.org](mailto:llian@ifrs.org).

I also attach for your reference an IASB feedback statement document that provides an overview of the project for your consideration.

Yours sincerely,



Sir David Tweedie

Chairman, International Accounting Standards Board