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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 22 February 2007, London

Project: Annual improvement process

Topic: Status of implementation guidance (Agenda Paper 7A)

1. The staff of the Canadian Accounting Standards Board (AcSB) have referred the following issue to be considered via the annual improvements process (as agreed by the Board in July 2006).

Issue: How to resolve the perceived conflict in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the status of Implementation Guidance?

Staff recommendation

2. The staff recommend that the Board:
 - should add this issue to the annual improvements project; and
 - should amend IAS 8 as proposed in paragraph 12 of this paper.

Background

3. The staff of the AcSB have raised concerns that IAS 8 can be misinterpreted as requiring the mandatory application of Implementation Guidance.
4. IAS 8.9 states that ‘Implementation Guidance for Standards issued by the IASB does not form part of those Standards, and therefore does not contain requirements for financial statements’. Similarly, at the beginning of all Implementation Guidance there is a statement that ‘This guidance accompanies, but is not part of, [IFRS/IAS] X’.
5. The confusion stems from IAS 8.7, which states as follows (emphasis added):
‘When a Standard or an Interpretation specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard or Interpretation and considering any relevant Implementation Guidance issued by the IASB for the Standard or Interpretation.’
6. The AcSB report that this paragraph is misinterpreted by some to suggest that Implementation Guidance has a status within IFRSs. They note that, as this paragraph is in bold-type, there is a misconception that it is more important than and thus overrides IAS 8.9.

Staff analysis

7. The staff believe it is clear that the Board’s intention is for Implementation Guidance to be non-mandatory. However, in order to clarify this position further, the staff propose that IAS 8.7 could, with advantage, be amended to state the position beyond doubt.

Staff recommendation

8. IAS 8 should be amended as proposed in paragraph 10.
9. **Does the Board agree?**

Drafting

10. The staff recommend that IAS 8 should be amended as follows:

Accounting policies

Selection and application of accounting policies

- 7 When a Standard or an Interpretation specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard or Interpretation. In making that determination, an entity is encouraged to ~~and~~ ~~considering~~ any relevant Implementation Guidance published with ~~issued by the IASB for the Standard or Interpretation.~~

Basis for Conclusions on Proposed Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Status of Implementation Guidance

BC1 The Board has received representations that paragraph 7 of IAS 8 could be misinterpreted as requiring the mandatory application of Implementation Guidance. Implementation Guidance published with Standards issued by the IASB does not form part of those Standards, and therefore does not contain requirements for financial statements. The Board proposes to amend paragraph 7 of IAS 8 to put beyond doubt the intended status of Implementation Guidance as non-mandatory guidance.