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Topic

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**Discussion of Criteria for Assessing Scope of Annual Improvements**

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**Purpose of the paper**

1. The purpose of this paper is to brief the Advisory Council on the proposed criteria for assessing the suitability of issues for inclusion in *Annual Improvements* that will be discussed with the Trustee Due Process Oversight Committee in July. The discussion of these criteria with the Council will also provide Council members with the opportunity to provide their advice to the IASB staff in preparation for the Trustees meeting in July.

**Background**

2. The Trustees of the International Accounting Standards Committee Foundation (the Trustees) have asked the IASB to give full consideration to whether there are sufficient, publicly available criteria to judge the appropriate scope of *Annual Improvements* and to present the Trustees with enhanced criteria in determining the scope for *Annual Improvements*.
3. The Trustees' request is in response to criticisms that have been made that it is difficult for constituents to assess from the current criteria whether Annual Improvements is the appropriate mechanism through which to address particular issues.

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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretation Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

## Nature of annual improvements

4. *Annual Improvements* is a standing process available to the IASB to make improvements to IFRSs by amending the standards in a streamlined manner rather than on a piecemeal basis. The amendments made within *Annual Improvements* typically respond to two key needs:

- (a) a need to clarify IFRSs.
- (b) a need to correct an error, conflict or an oversight.

Some amendments will meet both needs

5. Amendments that clarify IFRSs generally address unclear wording in the standards or provide additional guidance to fill a gap in the literature. These amendments maintain consistency with the principles of IFRSs and do not introduce new principles or make changes to existing ones.

6. Amendments that correct IFRSs may seek to resolve a perceived or actual conflict between existing requirements of IFRSs. They might also address an oversight or unintended consequence of the requirements of existing IFRSs. For example, an amendment might address an omitted consequential amendment from a recent change to IFRSs. These amendments do not propose new principles or change existing ones, but where necessary may create an exception from an existing principle.

## Scope and efficiency

7. The original intention of *Annual Improvements* was that the amendments would be 'minor' in nature. This concept is captured in the proposed enhanced criteria by the expectation that proposed amendments will have a narrow and well defined purpose. It is also reflected in the expectation that the Board will reach agreement on how an issue will be resolved on a timely basis. Difficulty in reaching agreement would suggest that the issue is too broad for *Annual Improvements*.

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8. The proposed criteria also require consideration of current Board projects. It is not efficient to address an issue through *Annual Improvements* if it can be addressed through a current Board project in the near future.

**Logistics**

9. A copy of the proposed criteria to be discussed with the Trustees is included in the appendix to this paper. If the Trustees agree, the proposed criteria will be published for public comment in August 2010, with the aim of presenting the analysis of the comments received to the Trustees in January 2011.

**Question for Council members**

1. What advice and comments do Council members have for the staff on the proposed criteria for *Annual Improvements*?

**Appendix – Proposed criteria for assessing individual issues for inclusion in *Annual Improvements***

1. The IASB assesses proposed amendments for inclusion in *Annual Improvements* against the following criteria.

(a) *The proposed amendment has one or both of the following characteristics:*

(i) **Clarifying:** *The proposed amendment improves IFRSs through one or both of the following:*

(a) *Clarifying unclear wording in existing IFRSs.*

(b) *Providing guidance where a current lack of guidance is causing concern.*

*A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.*

(ii) **Correcting:** *The proposed amendment improves IFRSs through one or both of the following:*

(a) *Resolving a perceived or actual conflict between existing requirements of IFRSs.*

(b) *Addressing an oversight or unintended consequence of the existing requirements of IFRSs.*

*A correcting amendment does not propose a new principle or a change to an existing principle. It may create an exception to an existing principle, for example an omitted consequential amendment from a recent change to an IFRS.*

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- (b) *The proposed amendment has a narrow and well-defined purpose, i.e., the consequences of the proposed change have been considered sufficiently and identified.*
- (c) *It is probable that the IASB will reach agreement on the issue on a timely basis. An inability to reach agreement on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within Annual Improvements.*
- (d) *If the proposed amendment is to IFRSs that are the subject of a current or planned IASB project, there is a pressing need to make the amendment sooner.*