



Project	Annual Improvements Project – 2008-2010 cycle - Comment letter analysis
Topic	IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Change in terminology to the qualitative characteristics

Introduction

1. In the *Annual Improvements* exposure draft published in 2009, the Board proposed to update IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to reflect the use of new terminology for some of the qualitative characteristics of financial reporting arising from the development of the new *Conceptual Framework*.
2. The objective of this paper is:
 - (a) To provide background information on the issue,
 - (b) To analyse the comment letters we received, and
 - (c) To recommend the IFRIC not to change the proposed amendment.

Background

3. The issue was discussed at the IASB and FASB Board meeting in March 2009; it was set out in agenda paper reference 2 that can be found on the public website¹.

¹ <http://www.iasb.org/NR/rdonlyres/627A3E88-D60D-4E55-AECF-CBB08381DD58/0/CF0903joint2obs.pdf>

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

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4. At the joint meeting in March 2009, the IASB decided not to make consequential amendments to other standards because:
- (a) nothing in the *Framework* should override any specific standards, and
 - (b) updating standards, even to update terminology, would consume more resources than currently available and delay publication of the chapters.
5. However, the IASB decided that paragraph 10 of IAS 8 should be amended through *Improvements to IFRSs*. These paragraphs are integral to the framework and the IASB's intent is to update them to reflect the use of new terminology for some of the qualitative characteristics of financial reporting arising from the development of the new *Conceptual Framework*.

Analysis of comments received

6. The Board received 74 comment letters on the 2009 Annual Improvements of which 55 commented on the subject.
7. The comment letters breakdown as follows:

Yes:	23
Yes, but expressed comments:	12
No:	<u>20</u>
Total:	55

Staff analysis in response to the comments raised

8. Many respondents disagree with the proposed amendments on the grounds that:
- (a) The chapters on qualitative characteristics of financial reporting are not finalised yet, therefore no change should be made before completion and publication of these chapters,

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- (b) Reviewing and updating other IFRSs when they are being amended for other reasons brings about inconsistencies between updated and non-updated standards,
 - (c) Amendments to other IFRSs are usually considered in conjunction with the new IFRS being finalised, and are dealt with through consequential amendments of this new IFRS.
9. The staff understands that the main concern is using terms that come from non yet published literature, hence non authoritative. However, the staff is also aware that finalisation of the qualitative characteristics of financial reporting of the improved *Framework* should be finalised at the same time as the 2008-2010 Annual Improvements cycle.
10. As to inconsistencies between updated and non-updated standards, the staff notes that, of all standards, IAS 8 and IAS 1 *Presentation of Financial Statements* are the standards that specifically refer to the qualitative characteristics of financial reporting of the *Framework*. Other standards may also refer to the *Framework*, but for definitions and recognition principles only.
11. The staff observed that no similar amendment was proposed to IAS 1. An active project on Presentation of Financial Statements is expected to lead to an exposure draft in the second quarter of 2010. The staff then believes that amending IAS 1 now would be inefficient.
12. Finally, there is a mechanical reason not to do consequential amendments on issuance of a revised *Framework*. As stated in paragraph 2 of the *Framework*, the *Framework* does not override the standards, hence there are no consequential amendments process of the new *Framework* to the standards.

Staff recommendation

13. The staff acknowledges the high number of negative comments on this issue.
14. The staff nevertheless recommends no change be made and the proposed modifications be finalised for the reasons set out in paragraphs 9 to 12.

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Questions to the IFRIC

Question 1 – Proposed changes

Does the IFRIC agree with the staff recommendation in paragraph 14 for the reasons set out in paragraphs 9 to 12?