

August 2010

IFRS Foundation

# The annual improvements process: Proposals to amend the Due Process Handbook for the IASB

Comments to be received by 30 November 2010



# **IFRS Foundation Consultation Document**

## **Criteria for Annual Improvements to IFRSs**

### **Proposed amendments to the Due Process Handbook for the International Accounting Standards Board**

*Comments to be received by 30 November 2010*

This consultation document is published by the Trustees of the IFRS Foundation to invite views on the criteria for the IASB's Annual Improvements to IFRSs. The IFRS Foundation publishes this document for comment only.

Comments should be submitted in writing so as to be received by **30 November 2010**.

Respondents are asked to send their comments electronically to [improvementscriteria@ifrs.org](mailto:improvementscriteria@ifrs.org)

All responses will be put on the public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence.

Copyright © 2010 IFRS Foundation®

All rights reserved. Copies of the consultation document may be made for the purpose of preparing comments to be submitted to the IFRS Foundation, provided such copies are for personal or intra-organisational use only and are not sold or disseminated and provided each copy acknowledges the IFRS Foundation's copyright and sets out the IFRS Foundation's address in full. Otherwise, no part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.



The IFRS Foundation logo, the IASB logo, the IFRS for SMEs logo, the 'Hexagon Device', 'IFRS Foundation', 'eIFRS', 'IAS', 'IASB', 'IASC Foundation', 'IASCF', 'IFRS for SMEs', 'IASS', 'IFRS', 'IFRSs', 'International Accounting Standards', 'International Financial Reporting Standards', 'SIC' and 'IFRIC' are Trade Marks of the IFRS Foundation.

**Copyright and publication enquiries should be addressed to:  
IFRS Foundation Publications Department,  
1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.  
Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749  
Email: [publications@ifrs.org](mailto:publications@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)**

CRITERIA FOR ANNUAL IMPROVEMENTS

## Introduction and invitation to comment

This document sets out proposed amendments to the Due Process Handbook for the International Accounting Standards Board (IASB) relating to the annual improvements process.

The IASB's work plan includes an annual improvements project. The primary objective of the project is to enhance the quality of existing International Financial Reporting Standards (IFRSs). This objective is achieved by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. Amendments are made to IFRSs through the annual improvements process when the amendment is considered non-urgent but necessary.

Following views expressed by interested parties internationally the Trustees of the IFRS Foundation agreed that the absence of detailed criteria within the IASB Due Process Handbook makes it difficult to assess the appropriateness of amendments to IFRSs for inclusion in annual improvements. Following a review by the Trustees, and with their support, the IASB has therefore proposed establishing enhanced criteria within the IASB Due Process Handbook to assist the IASB and interested parties in making such assessments.

Amendments made within annual improvements typically respond to two needs:

- (a) a need to clarify IFRSs.
- (b) a need to correct a relatively minor unintended consequence, a conflict or an oversight.

Some amendments will meet both needs.

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

Amendments that correct IFRSs may seek to resolve a conflict between existing requirements of IFRSs. They might also address an oversight or relatively minor 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 current ones, but, where necessary, may create an exception from an existing principle.

CONSULTATION DOCUMENT SEPTEMBER 2010

The proposed amendments to the IASB Due Process Handbook should assist:

- (a) the IASB when it determines whether a matter relating to the clarification or correction of IFRSs should be amended through the annual improvements process.
- (b) interested parties when they develop comments on clarifications and corrections proposed using that process.

The IFRS Foundation invites comments on all matters in this consultation document. Comments are most helpful if they:

- (a) indicate the specific paragraph or paragraphs to which the comments relate,
- (b) contain a clear rationale, and
- (c) include any alternative that the IFRS Foundation should consider.

In seeking views on this document, the IFRS Foundation would particularly welcome answers to the following question.

**Question for consideration**

The proposed amendments to the IASB Due Process Handbook are intended to provide enhanced criteria to assist the IASB and interested parties when determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

Do you think that the proposed criteria provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process? If not, what changes would you propose and why?

CRITERIA FOR ANNUAL IMPROVEMENTS

## Draft Amendments to the Due Process Handbook for the International Accounting Standards Board

Paragraphs 27A, 65A and 65B are added.

27A When considering whether to add an item to its active agenda, the IASB may determine that it meets the criteria to be included in the annual improvements process described in paragraph 65A. The primary objective of the annual improvements process is to enhance the quality of IFRSs by amending existing IFRSs to clarify guidance and wording, or correcting for relatively minor unintended consequences, conflicts or oversights.

65A In planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)-(d) must be met to qualify for inclusion in annual improvements.

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

(i) clarifying—the proposed amendment would improve IFRSs by:

- clarifying unclear wording in existing IFRSs, or
- providing guidance where an absence 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 would improve IFRSs by:

- resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or
- addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.

A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.

CONSULTATION DOCUMENT SEPTEMBER 2010

- (b) The proposed amendment has a narrow and well-defined purpose, ie the consequences of the proposed change have been considered sufficiently and identified.
  - (c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach a conclusion 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 would amend IFRSs that are the subject of a current or planned IASB project, there must be a pressing need to make the amendment sooner than the project would.
- 65B The IASB assesses annual improvements against the criteria in paragraph 65A before they are published in an exposure draft and before they are issued as amendments to IFRSs.