
Project	Agenda decision
Topic	IAS 8 <i>Accounting policies, Changes in accounting Estimates and Errors</i>—Hierarchy of guidance to select an accounting policy

Introduction

1. The IFRS Interpretations Committee (the Interpretations Committee) received a request to clarify the guidance in IAS 8 regarding the use of management's judgement in developing and applying accounting policies, when a particular event, transaction or other condition is not specifically addressed by IFRSs.
2. The Interpretations Committee discussed the issue at its meeting in January 2011 and issued a tentative agenda decision not to take the issue on to its agenda.

Comment letters analysis

3. The full staff analysis that was presented at the Interpretations Committee in January 2011 was set out in agenda paper 5, which can be found on the public website¹.
4. Two comment letters² were received that agree with the Interpretations Committee agenda decision. Both comment letters supported the tentative agenda decision and its reasons. However, one of the comment letters made

¹ <http://www.ifrs.org/NR/rdonlyres/1B94CE38-C2C8-4928-8EF7-1A70D9A8C5DD/0/051101obs05IAS8Hierarchyofguidance.pdf>

² Canadian Accounting Standards Board, Deloitte.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee.

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 IFRS Interpretations Committee 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 IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*.

Interpretations are published only after the IFRS Interpretations Committee 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*.

IASB Staff paper

editorial suggestions, which the staff recommend to incorporate into the proposed wording, for clarification purposes.

Staff recommendation

5. Given the support for the tentative agenda decision, the staff recommend that the Interpretations Committee should finalise the agenda decision as proposed in Appendix A.

Question to the Interpretations Committee

Question 1—final agenda decision

Does the Interpretations Committee agree with the staff's recommendation for finalising this Agenda Decision?

IASB Staff paper
Appendix A

Appendix A—proposed wording for agenda decision

A1 The staff proposes the following wording for the final agenda decision (new text is underlined and deleted text is struck through):

**IAS 8 *Accounting Policies, Changes in Accounting estimates and Errors*—
application of the IAS 8 hierarchy**

IAS 8 requires that management should use judgement in developing and applying an accounting policy that results in information that is relevant and reliable, in the absence of an IFRS that specifically applies to a transaction. IAS 8 specifies that management shall refer to and consider the applicability of requirements in IFRSs dealing with similar and related issues. The Committee received a question as to whether it could be appropriate to ~~only~~ consider only certain aspects of an IFRS being analogised to, or whether all aspects of the IFRS being analogised to would be required to be applied.

The Committee observed that when management develops an accounting policy through analogy to an IFRS dealing with similar and related matters, it needs to use its judgement and apply all aspects of the IFRS that are ~~relevant~~ applicable to the particular issue.

The Committee concluded that the process for developing accounting policies by analogy does not need to be clarified in paragraphs 10–12 of IAS 8 because the current guidance is sufficient.

Consequently, ~~Therefore~~, the Committee decided that this issue should not be added to its agenda.

Mr Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@ifrs.org

14 February 2011

Dear Mr Garnett,

Tentative agenda decision: IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors – Application of the IAS 8 hierarchy.

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretation Committee's publication in the January 2011 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for an Interpretation of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, with respect to providing guidance on whether, in absence of an IFRS that applies specifically to a transaction, it would be appropriate to consider only certain aspects of an IFRS being analogised to, or whether all aspects of the IFRS being analogised to would be required to be applied.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,



Veronica Poole
Global Managing Director
IFRS Technical

February 14, 2011

(by e-mail to ifric@ifrs.org)

IFRS Interpretations Committee

30 Cannon Street,

London EC4M 6XH

United Kingdom

Dear Sirs,

Re: Tentative agenda decision on IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Application of the IAS 8 hierarchy

This letter is the response of the staff of the Canadian Accounting Standards Board (AcSB) to the IFRS Interpretation Committee's tentative agenda decision on whether IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires all aspects or only certain aspects of an IFRS to be applied when developing and applying an accounting policy through analogy to an IFRS dealing with similar or related issues. This tentative agenda decision was published in the January 2011 IFRIC Update.

The views expressed in this letter take into account comments from AcSB staff but do not necessarily represent a common view of the AcSB or its staff. Views of the AcSB are developed only through due process.

We agree with the Committee's decision not to add this item to its agenda for the reasons provided in the tentative agenda decision. However, we think the tentative agenda decision should be modified to avoid using the term "relevant" twice with different meanings. The first

paragraph uses relevant as defined in the *Conceptual Framework for Financial Reporting* to explain the requirements of paragraph 10 of IAS 8. In contrast, the second paragraph uses relevant to refer to the aspects of an IFRS that by analogy are considered applicable to the issue.

The Appendix includes suggested amendments to the tentative agenda decision.

We would be pleased to provide more detail if you require. If so, please contact me or Kathryn Ingram, Principal, Accounting Standards at +1 416 204-3475 (e-mail kathryn.ingram@cica.ca).

Yours truly,



Peter Martin, CA

Director,

Accounting Standards

peter.martin@cica.ca (+1 416 204-3276)

Appendix

We suggest clarifying the tentative agenda decision as follows:

IAS 8 Accounting Policies, Changes in Accounting eEstimates and Errors – Application of the IAS 8 hierarchy

IAS 8 requires that management use judgement in developing and applying an accounting policy that results in information that is relevant and reliable, in the absence of an IFRS that specifically applies to a transaction. IAS 8 specifies that management shall refer to and consider the applicability of requirements in IFRSs dealing with similar and related issues. The Committee received a question as to whether it could be appropriate to only consider certain aspects of an IFRS being analogised to, or whether all aspects of the IFRS being analogised to would be required to be applied.

The Committee observed that when management develops an accounting policy through analogy to an IFRS dealing with similar and related matters, it needs to use its judgement and ~~apply~~adopt all aspects of the IFRS that are ~~relevant~~applicable to the particular issue.

The Committee concluded that the process for developing accounting policies by analogy does not need to be clarified in paragraphs 10–12 of IAS 8 because the current guidance is sufficient.

Therefore, the Committee [decided] that this issue should not be added to its agenda.