STAFF PAPER

21 May – 25 May 2012

IASB Meeting

Project	**Effective date and transition methods**
Paper topic	Cover memo

CONTACT(S) Li Li Lian llian@ifrs.org +44 20 7246 6486

Purpose of this session

1. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is the default standard when there is a change in accounting policy. We have received some questions about some of disclosure requirements in IAS 8 during the course of the Board's discussion in regards to the effective dates and transition methods project. Paragraph 4 summaries the papers for discussion.

2. We do not intend to revisit the fundamental issues relating to changes in accounting policies in IAS 8 eg whether retrospective application should be the default method when there is a change in accounting policy. Such issues should only be considered if and when the Board reconsiders the requirements in IAS 8 more broadly in a separate project.

3. If the Board agrees to the proposals in papers 10A to 10D to amend IAS 8, the Board is asked if an exposure draft should be prepared. Please see paragraphs 5-9 for questions about this.

Papers to be discussed at this session

4. The table below summaries the papers to be discussed at this session.

Agenda ref	Purpose of the papers	Summary of staff recommendations
10A	In disclosing comparative information when an entity applies an accounting policy retrospectively, we received some questions whether: 1) an entity that presents more than one year of comparative information should adjust the information for those additional earlier years? 2) information included in historical summaries (e.g. 5-year summaries) presented with financial statements should also be adjusted?	1) Entities are only required to adjust comparative information for the preceding period. If the Board agrees to this staff recommendation, we also recommend disclosures of: (a) whether additional comparative information presented is adjusted and to label it clearly and (b) a description of the previous accounting policy that had been applied for that financial information if it has not been adjusted for the change in accounting policy. 2) Entities are not required to adjust comparative information that is not contained in financial statements.
10B	IAS 8 requires entities to disclose the quantitative effect between the old and the new accounting policy in the current year when there is a required change in accounting policy. Some preparers and auditors have raised concerns the cost to prepare this requirement outweighs the benefits of this disclosure.	This disclosure requirement should be removed. We also recommend that no additional amendments be made to the disclosure requirements in IAS 8 for circumstances in which transition requirements do not require retrospective application.
10C	When there is a voluntary in policy, entities are required to disclose the quantitative effect between the old and new accounting policy in the current year of change. Should this disclosure be removed? This issue is the same as discussed in paper 10B.	This disclosure requirement should be removed.

Agenda ref	Purpose of the papers	Summary of staff recommendations
10D	There is a view that the requirement for entities to disclose the impact that are not yet effective has not met the objective of providing relevant information. The Board is asked to decide whether to retain or delete this requirement.	1) Retain the requirement. 2) If the Board agrees to retain this disclosure: a) Clarify that this disclosure is only expected to be provided if and only if, applying a forthcoming IFRS, is expected to affect an entity's recognition of transactions or events in the financial statements or change the entity's measurement basis from the one currently applied. b) Clarify that this disclosure is only provided for IFRSs that were issued by the date of an entity's current statement of financial position. c) Amending IAS 8 to require disclosures of the entity's best estimates of the likely effect that the application of the IFRS will have on its financial statements.

Permission to prepare pre-ballot draft of an ED

5. If the Board agrees to amend IAS 8, we intend to prepare an exposure draft proposing amendments to IAS 8.

6. We recommend that the ED should have a comment period of 120 days because that is the typical period used for consultation documents.

Question 1
Do you agree that staff should prepare a pre-ballot draft of the exposure draft amending IAS 8?

Question 2
Do you agree that the comment period to amend IAS 8 should be for 120 days?

Due process

Mandatory steps

7. The following table analyses the mandatory due process steps in publishing an ED.

Due process steps	Comments
Developing and pursuing the IASB's technical agenda	The proposed amendments arose from the effective date and transition methods project.
Preparing and issuing IFRSs and publishing EDs, including any dissenting opinions	Yes
Establishing procedures for reviewing comments made within a reasonable period on documents published for comment	We propose to have a comment period for 120 days.
Consulting the Advisory Council on major projects	Advisory Council discussed some aspects of this proposed amendments to IAS 8 in February 2011
Publishing basis for conclusions	Yes

Non-mandatory steps

8. Below are non-mandatory steps specified in the existing *Due Process Handbook*. If the Board decided not to undertake these steps, it would have to explain reasons for not doing so:

   (a) Publishing a discussion document (eg a discussion paper)

   (b) Establishing working groups or other types of specialist groups

   (c) Holding public hearings

   (d) Undertaking field tests

9. We think that because the amendment to IAS 8 is to clarify or amend some disclosure requirements as a result of comments raised and we are not revisiting the fundamental objective of IAS 8, the Board does not have to undertake these non-mandatory steps.

Question 3
Is the Board satisfied that that it has: (a) performed all mandatory due process steps? (b) performed sufficient non-mandatory due process steps?