

STAFF PAPER

December 2018

IASB® Meeting

| Project | Accounting Policy Changes (Proposed amendments to IAS 8) | | |
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| Paper topic | Cover paper | | |
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Introduction and objective of this meeting

1. In March 2018, the International Accounting Standard Board (Board) published the [Exposure Draft Accounting Policy Changes—Proposed amendments to IAS 8](#) (Exposure Draft). The proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* aim to simplify the application of accounting policy changes that result from an Agenda Decision¹ by lowering the threshold for retrospective application of such changes.
2. One hundred and five respondents commented on the Exposure Draft. All comment letters can be accessed via the project page on our website.²
3. The objective of this meeting is to:
 - (a) provide the Board with a summary of feedback on the Exposure Draft;and

¹ An Agenda Decision is a decision published by the IFRS Interpretations Committee explaining its rationale for not adding a particular matter to its standard-setting agenda.

² <https://www.ifrs.org/projects/work-plan/accounting-policy-changes/>

- (b) ask the Board:
 - i. for its views on aspects of the feedback that the Due Process Oversight Committee of the Trustees (DPOC) will consider in January 2019; and
 - ii. to decide whether to amend IAS 8 to address when an entity applies an accounting policy change that results from an Agenda Decision.
- 4. The Board will be asked to decide upon all other aspects of the proposed amendments at a future meeting. Paragraphs 11–17 of this paper explain the reasons for this approach.

Background—overview of the proposed amendments

- 5. Applying IAS 8, an entity changes an accounting policy only if the change is required by an IFRS Standard or results in improving the usefulness of information provided to users of financial statements. A common reason for voluntarily changing an accounting policy is to reflect explanatory material included in an Agenda Decision published by the IFRS Interpretations Committee (Committee). The objective of including explanatory material is to improve consistency in the application of IFRS Standards. An Agenda Decision might therefore provide new information that results in an entity changing its previous accounting policy.
- 6. Applying an accounting policy change that results from an Agenda Decision can be challenging in some situations. Part of the challenge is because IAS 8 requires an entity to apply an accounting policy change retrospectively as if it had always applied the new policy, except to the extent it is impracticable to do so. Explanatory material in an Agenda Decision might also be viewed as being effective immediately upon publication.
- 7. To simplify the application of accounting policy changes that result from an Agenda Decision, the Board proposed amending IAS 8 to lower the threshold for retrospective application of such changes. The proposed threshold would include

consideration of the expected benefits to users of financial statements of applying the new accounting policy retrospectively and the cost to the entity of determining the effects of retrospective application.

8. The Board also proposed including application guidance on expected benefits and cost in order to provide a framework to support entities in applying the judgement required to assess the expected benefits and the cost.
9. The Board considered whether to provide requirements to help determine whether a change that results from an agenda decision is the correction of a prior period error, a voluntary change in accounting policy or a change in accounting estimate. The Board concluded that no additional requirements were needed in this respect because IAS 8 already provides a framework to determine the nature of a change in accounting. Paragraphs BC15–BC17 of the Exposure Draft explained the Board’s rationale for this decision.
10. The Board also considered whether and how it might address the timing of application of an accounting policy change that results from an Agenda Decision. The Board decided not to propose amending IAS 8 in this respect, but instead to outline in the Basis for Conclusions its views on the time needed to apply such changes. Paragraphs BC18–BC22 of the Exposure Draft explained the Board’s rationale for this decision and its views on applying accounting policy changes that result from an Agenda Decision.

Feedback on the status of Agenda Decisions

11. The proposed amendments to IAS 8 reflect the current status of Agenda Decisions, as outlined in the [Due Process Handbook](#) (Handbook), ie Agenda Decisions do not have the (mandatory) status of IFRS Standards and therefore do not provide mandatory requirements but should be seen as helpful, informative and persuasive (paragraph 5.22 of the Handbook).
12. In commenting on the proposed amendments to IAS 8, some respondents also commented on the status of Agenda Decisions. Such feedback links to matters of due process, and therefore we intend to report it to the DPOC. The DPOC is in the process of reviewing the Handbook, so this feedback will form part of their

considerations in conducting that review. Paragraph 11 of Agenda Paper 1G(i) for the DPOC's October 2018 meeting stated:

The Board has recently received some feedback on aspects of Agenda Decisions, including points relating to their authority or status. This feedback is in response to the Board's March 2018 Exposure Draft proposing amendments to IAS 8 for changes in accounting policies that result from the Committee's Agenda Decisions. The Board will discuss the feedback on this Exposure Draft in the fourth quarter of 2018. The relevant discussion, and any effect on the current Agenda Decision discussion, will be conveyed to the DPOC and discussed as appropriate at its January 2019 meeting.

13. The Board's views on the feedback and status of Agenda Decisions are relevant to the DPOC's discussions about the Handbook.
14. Accordingly, Agenda Paper 12B for this meeting analyses the feedback on the status of Agenda Decisions and asks the Board for its views. Discussing the matters relevant to the Handbook at this meeting enables these discussions to be aligned with the timetable for the review of the Handbook. We will report the Board's views to the DPOC in January 2019, together with the feedback in comment letters.
15. In addition, the proposed amendments to IAS 8 reflect the current status of, and due process for, Agenda Decisions. Accordingly, we think it would be helpful for the DPOC to first consider whether, in the light of the feedback on the Exposure Draft, any changes are required to the due process for Agenda Decisions before the Board makes decisions about the proposed amendments. Accordingly, we are not asking the Board to make decisions on whether and how to proceed with the proposed amendments at this stage.

When to apply accounting policy changes that result from an Agenda Decision

16. In developing the proposed amendments, the Board decided not to amend IAS 8 to address when an entity applies an accounting policy change that results from an Agenda Decision (timing of application). Instead, the Board decided to outline in the Basis for Conclusions its views on the timing of application as a means of helping entities apply a change in accounting policy that results from an Agenda Decision. As discussed further in Agenda Paper 12B, some respondents who agreed with the Board’s views suggested including this information on the timing of application in other locations, such as the Handbook.

17. We think it would be useful for the DPOC to consider this feedback when reviewing the Handbook, and thus to consider it at its January 2019 meeting. Accordingly, we are asking the Board to make decisions related to the timing of application at this meeting (see Agenda Paper 12B). In our view, the matter of the timing of application is sufficiently distinct from other aspects of the proposed amendments so that the Board can decide on the timing of application before concluding on those other aspects.

Structure of the papers

18. This paper explains the objectives of this meeting and includes an overview of the proposed amendments to IAS 8.

19. Agenda Paper 12B:
 - (a) analyses the feedback on:
 - i. the status and role of Agenda Decisions; and
 - ii. the timing of application of accounting policy changes that result from an Agenda Decision.

 - (b) asks the Board:
 - i. for its views on aspects of the feedback that the DPOC will consider in January 2019; and

- ii. to decide whether to amend IAS 8 to address the timing of application.

20. Agenda Paper 12C summarises feedback on other aspects of the Exposure Draft. We welcome any comments and questions Board members may have on Agenda Paper 12C, but are not asking the Board to make decisions on the matters discussed in that paper at this meeting.