

STAFF PAPER

April 2019

ASAF Meeting

Project	Accounting Policy Changes (Proposed amendments to IAS 8)		
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](#) (ED). 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 ED. All comment letters can be accessed via the [project page](#) on our website.
3. The objective of this meeting is to ask ASAF members for their views on the project direction regarding the Board’s proposal to introduce a new cost-benefit threshold for changes in accounting policy that result from an Agenda Decision.

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.

Background—overview of the proposed amendments

4. 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 determining that it needs to change its previous accounting policy.
5. 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.
6. 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.
7. 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.
8. 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 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.
9. Question 1 of the ED asked for feedback on the proposed cost-benefit threshold for accounting policy changes that result from an Agenda Decision.

Update on Board discussions

10. At its December 2018 meeting, the Board received a summary of feedback on all aspects of the ED. At that meeting, the Board considered the comments received on the timing of application of an accounting policy change that results from an Agenda Decision, and tentatively decided not to amend IAS 8 in this respect. The Board will discuss other aspects of the ED—specifically its proposal to introduce a new cost-benefit threshold for accounting policy changes that result from an Agenda Decision (Q1 of the ED)—at a future meeting.

Structure of the papers

11. This paper explains the objectives of this meeting and includes an overview of the proposed amendments to IAS 8.
12. Agenda Paper 5A includes our preliminary views on the project direction in the light of the comments received on the proposed cost-benefit threshold for changes in accounting policy that result from an Agenda Decision.
13. Agenda Paper 5B reproduces Agenda Paper 12C of the Board’s December 2018 meeting. This paper summarises feedback on Question 1 of the ED and has been included for ease of reference.