# STAFF PAPER

April 2019

## ASAF Meeting

| Project | Accounting Policy Changes (Proposed amendments to IAS 8) | | |
|---|---|---|---|
| Paper topic | Possible ways forward | | |
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## Purpose

1. Agenda Paper 5 for this meeting summarises the proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* included in the Exposure Draft *Accounting Policy Changes*—Proposed Amendments to IAS 8 (ED).

2. This paper discusses the possible project direction in the light of feedback received on Question 1 of the ED—ie the Board's proposal to introduce a new cost-benefit threshold for changes in accounting policy that result from an Agenda Decision. In developing this paper, we have considered what we view as the main comments raised by respondents on Question 1.

3. The Board was presented with a summary of comments received on Question 1 at its December 2018 meeting (Agenda Paper 5B for this meeting) but has not yet redeliberated its proposal to introduce a new cost-benefit threshold in the light of those comments—it will do so at a future Board meeting.

4. This paper asks ASAF members for their views on the project direction. We will consider those views in developing recommendations for the Board. This paper

therefore includes our preliminary views, which are subject to change depending on input received at this meeting and further consideration thereafter.

## Structure of the paper

5. This paper includes:
   (a) objectives of the proposed amendments;
   (b) overview of feedback;
   (c) project direction; and
   (d) question for ASAF members.
6. Appendix A to this paper analyses feedback on the main comments raised by respondents.

## Objectives of the proposed amendments

7. Paragraphs BC3–BC4 of the ED discuss the challenges entities face in applying an accounting policy change that might result from an Agenda Decision. Those paragraphs explain that because an Agenda Decision does not add or change requirements in IFRS Standards, neither the Board nor the Committee can develop specific transition requirements for any such accounting policy change—the requirements for a voluntary change in accounting policy in IAS 8 apply. Paragraphs BC3-BC4 go on to explain that:

> BC3. …This can be problematic in some situations because:
>
> (a) the expected benefits to users of financial statements from applying a voluntary change in accounting policy retrospectively may not outweigh the cost to the entity of determining the effects of the change, even though the

> change might result in financial statements providing more useful information overall.
>
> (b) explanatory material in an agenda decision might be viewed as being effective immediately upon publication, because the Committee often addresses the application of IFRS Standards that are already effective. However, entities may find it difficult to obtain the necessary information to determine the effects of retrospective application—particularly entities with interim or annual reporting dates close to the date of publication of an agenda decision.
>
> BC4. The problems noted in paragraph BC3 might dissuade entities from making the related change in accounting policy, or from submitting questions to the Committee for consideration. In addition, the Committee might recommend undertaking standard-setting solely because of concerns about transition, rather than because of a need to change or add to the principles and requirements in IFRS Standards. Frequent changes to the Standards could be a burden to stakeholders and create unnecessary disruption.

8. The proposed amendments to IAS 8 are therefore intended to (a) remove a barrier to making changes that improve the usefulness of information for users of financial statements (users), and (b) encourage greater consistency in the application of IFRS Standards.

## Overview of feedback

9. As discussed in paragraphs 6–11 of Agenda Paper 5B for this meeting, respondents expressed mixed views on the proposed amendments. Some respondents agreed, some disagreed, and some said they would agree if the Board were to extend the scope of the proposed cost-benefit threshold. The extended

scope suggested would include all voluntary changes in accounting policy and not just those that result from an Agenda Decision.

10. Regulators expressed concerns about the proposed amendments while responses from other stakeholder groups were generally mixed.

11. Respondents who generally agreed with the proposed amendments did so because they said the proposed amendments would remove part of the challenge entities face when changing an accounting policy as a result of an Agenda Decision.

12. Respondents who disagreed with, or expressed concerns about, the proposed amendments said they:

   (a) *are unnecessary because the existing requirements in IAS 8 are adequate*
   Some respondents said IAS 8 already provides relief from retrospective application of an accounting policy change to the extent it is impracticable to do so. In their view, further relief is not necessary.

   (b) *result in a fundamental change that could lead to unintended consequences for users*
   A few respondents said, applying the proposed amendments, some entities might not apply some accounting policy changes retrospectively and different entities might apply the same change differently depending on the facts and circumstances. One respondent[1] said the principle of retrospective application 'remains a cornerstone to ensure that comparable information is provided between [entities] and across different reporting periods and to promote enforceability of IFRS.' In their view, the proposed amendments could result in a lack of (a) trend information for users and (b) comparability between entities in respect of prior period information.

[1] European Securities and Markets Authority [CL18].

13. The main comments raised regarding the proposed cost-benefit threshold relate to:

(a) *the scope of the proposed cost-benefit threshold*

Many respondents disagreed with limiting the scope of the proposed cost-benefit threshold to only accounting policy changes that result from an Agenda Decision. These respondents suggested that the Board extend the scope of the proposed cost-benefit threshold to all voluntary accounting policy changes. Many said limiting the scope of the proposed cost-benefit threshold would:

(i) create an arbitrary distinction between different types of voluntary accounting policy changes;

(ii) elevate the status of Agenda Decisions; and

(iii) create practical challenges particularly in assessing whether an accounting policy change results from an Agenda Decision.

(b) *application of the proposed cost-benefit threshold*

Many respondents said applying the proposed cost-benefit threshold could be both (a) challenging and costly, and (b) difficult to audit and enforce. Because of the subjective nature of the assessment (particularly that of expected benefits), some respondents said entities might not use the proposed cost-benefit threshold as often as the Board might have anticipated.

### *Nature of change*

14. Some respondents also disagreed with the Board's decision not to amend IAS 8 to provide requirements on determining the nature of a change that results from an Agenda Decision (eg whether the change is an accounting policy change or the correction of a prior period error). In particular, some said the proposed amendments increase the importance of assessing the nature of a change that

results from an Agenda Decision—this is because, applying the proposed amendments, different requirements would apply depending on the nature of the change.

15. In paragraphs A26–A30 of Appendix A to this paper, we analyse the comments received on the nature of a change. Our preliminary view is that the Board should not amend IAS 8 to address the nature of a change that results from an Agenda Decision on the grounds that IAS 8 already includes requirements in this respect.

## Project Direction

16. Appendix A to this paper presents our preliminary analysis of the main comments received. In the light of that analysis, we have identified two possible approaches in terms of the direction of the project:

| Approach | Summary description |
|---|---|
| **Modified ED** | Proceed with finalising the proposed amendments to IAS 8, subject to extending the scope of the proposed cost-benefit threshold so that an entity could apply it to all voluntary changes in accounting policy. |
| **Do Not Proceed** | Do not proceed with the proposed amendments. |

### *Modified ED Approach*

17. Applying this approach, the Board would proceed with the amendments to IAS 8, expanding the scope of the cost-benefit threshold to all voluntary accounting policy changes.

18. When developing the proposed amendments, the Board considered whether to propose this expanded scope. Paragraph BC8 of the ED (see paragraph A2 of

Appendix A to this paper) explains the Board's rationale for limiting the scope to only accounting policy changes that result from an Agenda Decision. If the proposed cost-benefit threshold were to apply to all voluntary accounting policy changes, the Board was concerned about a potential loss of comparability between entities and a loss of information for users if voluntary accounting policy changes (other than those that result from an Agenda Decision) were to occur frequently. In considering scope, the Board had also identified that the challenges it was aiming to address arise for accounting policy changes that result from an Agenda Decision but would not generally be expected to arise for other voluntary accounting policy changes.

19. Nonetheless, feedback on the proposals has identified that the potential loss of information for users is expected to be limited for voluntary accounting policy changes other than those that result from an Agenda Decision—this is because the principles and requirements in IFRS Standards limit the range of voluntary accounting policy changes that can be made. In addition, an entity can make such accounting policy change only if it results in reliable and *more* relevant information (paragraph 14 of IAS 8). Our preliminary analysis in paragraphs A2–A12 of Appendix A to this paper also highlights that:

   (a) a loss of comparability might not be relevant for voluntary accounting policy changes (other than those that results from an Agenda Decision) because the accounting between entities might already be different in situations in which such a change can be made; and

   (b) the proposed cost-benefit threshold is not a low hurdle and would not provide a 'free pass' to prospective application.

20. Accordingly, our preliminary view is that if the Board decides to proceed with amendments to IAS 8, it could extend the scope of the proposed cost-benefit threshold to all voluntary accounting policy changes.

21. This approach would not directly address concerns raised about applying the proposed cost-benefit threshold. Based on our analysis of those concerns (see paragraphs A13–A25 of Appendix A to this paper), our preliminary view is that the Board could amend IAS 8 so that an entity could apply the cost-benefit threshold but would not be required to do so. An entity could then apply the threshold when that application would itself be cost-beneficial. We see no particular benefit in making application of the threshold mandatory.

### *Do Not Proceed Approach*

22. As explained in paragraphs 7–8 of this paper, the Board developed the proposed amendments to remove a barrier to making changes that improve the usefulness of information for users; it did not do so for conceptual or other reasons. Preparers however expressed mixed views on the proposed amendments—some said the proposed amendments would be helpful while others said the proposed amendments would be challenging and costly to apply. In addition, regulators and many auditors said the proposed amendments would be difficult to enforce and audit.

23. The feedback also raises doubts about the potential benefits of the proposed amendments. This is because entities might not apply the cost-benefit threshold if they think doing so would be challenging and costly. Based on our analysis of the feedback (see paragraphs A13–A25 of Appendix A to this paper), we think it is not possible to significantly change the proposed cost-benefit threshold and/or its related application guidance.

24. Accordingly, the Board could decide not to proceed with the amendments on the basis that the expected benefits of the amendments would not outweigh the expected costs.

| Question for ASAF members |
| --- |
| 1. Would you suggest proceeding with the Modified ED Approach or not proceeding with the proposed amendments (Do Not Proceed Approach)? Please explain why. If you would not suggest either of these approaches, what approach would you suggest and why? |

## Appendix A—Analysis of feedback on main aspects of the proposals

A1. This appendix provides our analysis of the main comments raised by respondents on the ED in response to Question 1. In particular, it provides our analysis and preliminary views on feedback related to:

(a) scope of the proposed cost-benefit threshold (paragraphs A2–A12);

(b) application of the proposed cost-benefit threshold (paragraphs A13–A25); and

(c) nature of change (paragraphs A26–A30).

## Scope of the proposed cost-benefit threshold

### *Board's considerations in developing the ED*

A2. In developing the proposed amendments, the Board considered whether the proposed cost-benefit threshold should apply to all voluntary changes in accounting policy or only those that result from an Agenda Decision. Board members had mixed views, explained in paragraphs BC7–BC8 of the ED:

> BC7. Some Board members suggested application of the proposed threshold to all voluntary changes in accounting policy. This is because, in their view:
>
> (a) applying the threshold to all voluntary changes in accounting policy would make it easier for an entity to voluntarily apply any accounting policy that improves the usefulness of information provided to users of financial statements.
>
> (b) narrowing the application of the proposed threshold only to voluntary changes in accounting policy that result from an agenda decision might:
>
> (i) create what some would view as an arbitrary distinction between these voluntary changes and other voluntary changes in accounting policy. This is because such a distinction would make it easier for entities to

apply voluntary changes in accounting policy that result from an agenda decision.

(ii) be viewed as giving authoritative status to an agenda decision.

BC8. Nonetheless, the Board proposes limiting the scope of the proposed threshold to voluntary changes in accounting policy that result from an agenda decision because:

(a) the proposed threshold would apply to a smaller and known population of changes in accounting policy than if it were to apply to all voluntary changes. Applying the new threshold to a wider population might, for example, result in a loss of comparability between entities and a loss of information for users of financial statements if voluntary changes in accounting policy (other than those that result from an agenda decision) were to occur frequently.

(b) the distinction created between a voluntary change in accounting policy that results from an agenda decision and other voluntary changes would not be arbitrary given the process for developing and publishing agenda decisions[5].

(c) doing so would not change the non-authoritative status of agenda decisions; instead, it would simply identify agenda decisions as a source of voluntary changes in accounting policy.

[5] The Committee first publishes a tentative agenda decision, which is open for comment for 60 days, before it considers comments and decides whether to finalise the Agenda Decision.

### *Respondents' comments*

A3. As discussed in paragraphs 13–25 of Agenda Paper 5B for this meeting, two respondents explicitly supported the proposed scope for the reasons outlined in paragraph BC8 of the ED. However, many respondents disagreed with, or expressed concerns about, the scope. Those respondents suggested that the Board extend the scope to all voluntary accounting policy changes, saying in particular that:

(a) there is no basis for distinguishing between different types of voluntary changes in accounting policy;

(b) they disagree with the Board's rationale in the ED;

(c) the proposed amendments would elevate the status of Agenda Decisions;

(d) the proposed amendments could create practical challenges particularly in assessing whether a change in accounting policy results from an Agenda Decision.

A4. Other respondents said the impracticability threshold in IAS 8 is a very high hurdle and suggested that the Board consider revising this threshold—any revised threshold would then apply more generally to all accounting policy changes as well as corrections of prior period errors.

A5. Paragraphs 17–25 of Agenda Paper 5B provide more detail on these comments.

### *Staff analysis*

#### *Extending scope to all voluntary changes in accounting policy*

A6. The proposed amendments were intended to simplify the application of accounting policy changes that result from an Agenda Decision. However, the feedback suggests that limiting the scope of the proposed cost-benefit threshold to only accounting policy changes that results from an Agenda Decision may not work as intended by the Board.

A7. One of the main reasons the Board proposed limiting the scope of the cost-benefit threshold was because it was concerned about a potential loss of comparability between entities and a loss of information for users if voluntary accounting policy changes (other than those that result from an Agenda Decision) were to occur frequently

A8. We agree with some respondents who say:

(a) extending the scope of the proposed cost-benefit threshold to all voluntary accounting policy changes might not result in frequent changes in accounting policy. This is because:

(i) the principles and requirements in IFRS Standards limit the range of voluntary accounting policy changes that can be made;

(ii) the requirement in IAS 8 for a voluntary accounting policy change to result in reliable and more relevant information[3] naturally limits the number of other voluntary accounting policy changes; and

(b) a loss of comparability might not be relevant for voluntary accounting policy changes (other than those that results from an Agenda Decision) because the accounting between entities might already be different in situations in which such a change can be made.

[3] Paragraph 14 of IAS 8 states:

‘An entity shall change an accounting policy only if the change:

(a) …; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

(c) the proposed cost-benefit threshold is not a low hurdle—it would not provide a 'free pass' to prospective application; it is designed to achieve a balance of cost and expected benefits on the initial application of a change in accounting policy.

A9. We do not agree with respondents who say:

(a) the distinction created between an accounting policy change that results from an Agenda Decision and other voluntary changes would be arbitrary. All Agenda Decisions are subject to due process including exposure for comment. We continue to agree with the Board that the process for developing and publishing Agenda Decisions provides a basis for the distinction.

(b) limiting the scope of the proposed cost-benefit threshold to accounting policy changes that result from an Agenda Decision would elevate the status of Agenda Decisions—we continue to agree with the Board that doing so would simply identify Agenda Decisions as a source of voluntary accounting policy changes.

(c) it might be difficult to assess whether an accounting policy change results from an Agenda Decision. We think that an accounting policy change results from an Agenda Decision when the explanatory material included in an Agenda Decision results in an entity determining that it needs to change its accounting policy—this would be the case even if an entity's fact pattern is similar to (but not the same as) that described in the Agenda Decision.

A10. Considering the feedback and based on our analysis, on balance our preliminary view is that if the Board decides to proceed with the amendments to IAS 8, it could extend the scope of the proposed cost-benefit threshold to include all voluntary changes in accounting policy.

*Extending scope to corrections of prior period errors and replacing the impracticability threshold*

A11. We think the requirements in IAS 8 that apply to the correction of prior period errors are appropriate and we are not aware of significant concerns in this regard. Accordingly, we think the Board should not extend the scope of the proposed cost-benefit threshold further to also include the correction of errors.

A12. We also do not recommend replacing the impracticability threshold in IAS 8 with the proposed cost-benefit threshold. This is because the two thresholds are different and are intended to apply to different situations, and thus replacing one with the other could have unintended consequences. For example, the impracticability threshold applies if making assumptions about management's intentions in a prior period or estimating the amounts recognised, measured or disclosed in a prior period would require the use of hindsight. However, the proposed cost-benefit threshold may not capture situations that require the use of hindsight.

## Application of the proposed cost-benefit threshold

### *Board's considerations in developing the ED*

A13. Paragraphs BC9–BC10 of the ED state:

> BC9. There are different ways the Board might have determined the proposed new threshold. In particular, the Board considered whether the new threshold should include consideration of only the cost to the entity of determining the effects of retrospective application or, instead, should also include consideration of the expected benefits to users of financial statements. Some Board members asked how practical it might be for entities to assess expected benefits from a user's perspective. These Board members also

noted that when the Board or Committee provide relief from retrospective application of new requirements, it is the Board or Committee, not an entity itself, that assess the expected benefits and cost.

BC10. The Board proposes including consideration of the expected benefits to users of financial statements as well as the cost to an entity for the following reasons:

(a) for almost all recent IFRS Standards or amendments for which the Board did or did not provide relief from retrospective application, its main consideration was the expected benefits to users of financial statements. Accordingly, the Board decided that considering the expected benefits to users should be part of the new threshold.

(b) requiring entities to assess the expected benefits and cost would not be entirely new. Other IFRS Standards already include requirements based on benefits and cost or other similar thresholds. For example, in applying the expected credit loss impairment model, IFRS 9 *Financial Instruments* requires an entity to consider all reasonable and supportable information that is available without undue cost or effort.

(c) considering a user's perspective when making decisions about financial reporting would not be new for entities. For example, an entity considers a user's perspective when assessing materiality.

(d) the assessment of the expected benefits to users of financial statements and cost to the entity would require judgement depending on the particular facts and circumstances. However, applying judgement is an essential part of a principle-based framework—it does not, in itself, lead to inconsistent application or inappropriate accounting

A14. The Board acknowledged that entities might face some practical challenges in assessing cost and, particularly, expected benefits to users. Accordingly, the Board developed the proposed application guidance in the ED to provide a framework to support entities in applying the judgement required to assess expected benefits and costs.

### *Respondents' comments*

A15. Of those who commented on the application of the proposed cost-benefit threshold, one national standard-setter and one respondent (representing three organisations of preparers) agreed with the cost-benefit threshold. They said (a) entities are used to making such assessments, and (b) the proposed application guidance is well developed and can be put into practice. However, many expressed concerns. Those respondents said applying the proposed cost-benefit threshold could be both (a) challenging and costly, and (b) difficult to audit and enforce. The assessment, particularly of expected benefits, would be subjective and would require entities to apply significant judgement. Accordingly, some said entities might not use the proposed cost-benefit threshold as often as the Board might have expected.

A16. Specific comments raised included:

(a) *practical challenges*—respondents said it might be difficult to (i) determine the point in time at which expected benefits exceed cost, and (ii) to compare expected benefits (which would generally not be quantified) with costs (which entities might be able to quantify).

(b) request for illustrative examples or a step-by-step guide.

(c) *alternative approaches*—respondents suggested, amongst other things (i) using concepts already in IFRS Standards such as ‘undue cost or effort’, and (ii) making the application of the proposed cost-benefit threshold optional.

Paragraphs 26–41 of Agenda Paper 5B provide more detail on these comments.

## Staff analysis

### *Possible changes to proposed cost-benefit threshold and related application guidance*

A17. The proposed application guidance on assessing the expected benefits and costs is extensive, particularly with respect to assessing expected benefits. It includes 10 paragraphs of application guidance, five factors to consider when assessing expected benefits and 11 examples supporting these factors. Those examples generally provide contrasts explaining when information provided by retrospective application might be more or less beneficial to users.

A18. Although we would consider any improvements that could be made to the wording of the proposed application guidance, we have not identified significant changes or improvements to that guidance that the Board could make.

### *Illustrative examples*

A19. Some respondents suggested providing illustrative examples or including a step-by-step guide to help entities apply the proposed cost-benefit threshold. As noted above, the proposed application guidance already provides many examples. Paragraph A8 of the ED discusses five factors an entity could consider when assessing expected benefits to users. Within each of these factors, the proposed application guidance provides examples of situations in which users are more likely to benefit from retrospective application of a new accounting policy and situations in which they are less likely to do so. For example, one of the factors to consider is the nature of the change. In relation to that factor, paragraph A8(a) of the ED states:

> the nature of the change—the more significant the effect of the change in accounting policy because of its nature, the greater the likelihood that a user's decision-making could be affected by an entity not applying the change retrospectively. For example
>
> (i) users are likely to benefit more from retrospective application of a new accounting policy that would result in the initial recognition or derecognition of an asset or liability. Users are likely to benefit less from retrospective application of a new accounting policy that would affect only one aspect of a particular cost-based measurement of an asset or liability.
>
> (ii) users are likely to benefit more from retrospective application of a new accounting policy that affects transactions reported in the financial statements over several periods.

A20. Because the assessment of expected benefits and costs very much depends on the applicable facts and circumstances, we think it would be neither useful nor practical to develop one comprehensive example or provide a step-by-step illustration of how an entity would assess expected benefits and cost of implementing a particular change in accounting policy.

### *Use of a concept already in IFRS Standards*

A21. Some respondents suggested the Board consider using a concept already used in IFRS Standards such as 'undue cost or effort' in IFRS 9 *Financial Instruments* or 'excessive cost' in IFRS 8 *Operating Segments*.

A22. Appendix C to Agenda Paper 12A of the Board's September 2017 meeting summarised the use of cost-benefit and other similar thresholds in IFRS Standards and IFRS for SMEs. During its deliberations, the Board discussed, but decided not to use, a concept already used in other IFRS Standards.

A23. We continue to agree with the Board's decision on this matter. This is because those other concepts and any related application guidance apply in a different context—for example 'undue cost or effort' in IFRS 9 is used mainly in the context of assessing whether reasonable and supportable information is available when determining significant increases in credit risk or when measuring expected credit losses. Accordingly, the related application guidance in IFRS 9 necessarily focuses on the types of information an entity considers within that particular context. The concept of 'undue cost or effort' in IFRS 9 and its related application guidance could not simply be used in the context of assessing expected benefits and costs of retrospective application of a new accounting policy without significant modification and/or provision of additional application guidance. We think using the same concept with two different sets of application guidance would be confusing and could potentially give rise to new questions.

*Requirement to apply of the cost-benefit threshold*

A24. A few respondents said applying the proposed cost-benefit threshold could be costly in some situations and making this assessment might itself not be cost-effective. Accordingly, these respondents suggested that the Board not require an entity to apply the proposed cost-benefit threshold.

A25. We agree with these respondents—the objective of the proposed amendments is to simplify the application of accounting policy changes that result from an Agenda Decision and we see no particular benefit in requiring entities to assess whether expected benefits exceed cost in situations in which making that assessment would itself not be cost-beneficial.

## Nature of a change

### *Board's considerations*

A26. Paragraphs BC15–BC17 of the ED state:

> BC15. In proposing amendments that would apply only to a voluntary change in accounting policy that results from an agenda decision, the Board considered whether to provide guidance 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 amendment was needed because IAS 8 provides a framework to determine the nature of a change that results from an agenda decision.
>
> BC16. Applying IAS 8, an entity first assesses whether the accounting policy previously applied meets the definition of a prior period error in paragraph 5. In some situations, the accounting previously applied could have resulted from the entity failing to use, or misusing, information that was available or could reasonably be expected to have been obtained. However, in other situations, an entity would appropriately treat a change that results from an agenda decision as either a change in accounting estimate or a voluntary change in accounting policy. The Board noted that the information in an agenda decision may provide new information that is helpful, informative and persuasive. The matters submitted to the Committee are generally complex in nature and have resulted in entities applying different reporting methods. The Committee publishes an agenda decision after research, analysis and discussion of these matters. The Committee first publishes a tentative agenda

decision, and then considers comments received before finalising the agenda decision. This process often provides information that would not otherwise be available and could not otherwise reasonably be expected to have been obtained.

BC17. Accordingly, the Board has not proposed to amend the definition of prior period errors or to provide guidance on how to apply that definition. The Board acknowledged that assessing the nature of a change that results from an agenda decision could require judgement. However, as stated in paragraph BC15, it is the Board's view that the requirements in IAS 8 provide an adequate basis for making that judgement. The Board also noted that it would be inappropriate to characterise all changes that result from an agenda decision as the correction of an error, a voluntary change in accounting policy or a change in accounting estimate in part because the nature of the change is likely to vary by entity.

### *Respondents' comments*

A27. One respondent said it is helpful that the proposed definition of an Agenda Decision in the ED acknowledges that a change that results from an Agenda Decision is not always the correction of a prior period error.[4] However, some respondents expressed concerns about the Board's decision and views in this respect. In particular some respondents said:

[4] The proposed definition of an Agenda Decision in the ED: '..a decision published by the IFRS Interpretations Committee explaining its rationale for not adding a particular matter to its standard-setting agenda. An Agenda Decision may result in a voluntary change in accounting policy, a change in accounting estimate or the correction of a prior period error. An entity shall apply the requirements of this Standard to determine the nature of, and the required accounting for, any change that results from an Agenda Decision.'

(a) the proposed amendments increase the importance of assessing whether a change that results from an Agenda Decision is the correction of a prior period error or a change in accounting policy—this is because, applying the proposed amendments, different requirements would apply in these situations. Accordingly, some respondents suggested providing additional guidance, including illustrative examples, to help entities make this assessment.

(b) a change that results from an Agenda Decision is always the correction of a prior period error while others said an Agenda Decision cannot result in the correction of a prior period error because Agenda Decisions do not have the status of IFRS Standards.

Paragraphs 42–49 of Agenda Paper 5B of this meeting provide more detail on these comments.

### *Staff analysis*

A28. We continue to agree with the Board's decision not to amend IAS 8 in this respect because IAS 8 already provides a framework to determine the nature of a change in accounting. We also agree with the Board that it would be inappropriate to characterise all changes that result from an Agenda Decision as either the correction of an error, a voluntary change in accounting policy or a change in accounting estimate for the reasons outlined in paragraphs BC15–BC17 of the ED.

A29. We think the proposed amendments would not significantly increase the importance of assessing whether a change that results from an Agenda Decision is the correction of a prior period error or an accounting policy change. That assessment is already important—an entity is required to disclose a correction of an error separately from accounting policy changes, and as noted earlier the cost-benefit threshold would not be a low hurdle. In our view, the proposed amendments to IAS 8 would not significantly change the distinction already in IAS 8.

A30. We also think because the assessment of the nature of a change that results from an Agenda Decision depends on the applicable facts and circumstances, it would be neither useful nor practical to develop examples in this respect.