

AGENDA

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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Contacts

Samuel Prestidge
Richard Thorpe
Henry Rees

Due Process Handbook Review:

Overview of feedback on agenda decisions

Introduction and purpose of this paper

1. This paper provides the Due Process Oversight Committee (DPOC) with an overview of comments received relating to agenda decisions. It includes a summary of feedback on the three main aspects of the proposed amendments:
 - (a) to better explain the objective and nature of explanatory material in an agenda decision (see paragraphs 11–19);
 - (b) to reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change (see paragraphs 20–25); and
 - (c) to provide the International Accounting Standards Board (Board) with the ability to publish agenda decisions (see paragraphs 26–30).
2. The paper also summarises respondents' comments on the due process relating to agenda decisions (see paragraphs 31–47).
3. As noted in AP 1F(a), the staff recommend that the most prudent and responsive approach would be for the DPOC to have an initial discussion of the comments received on agenda decisions at this meeting. The proposed extra meeting can then be used for a focused discussion about how the comments will be addressed in finalising the amendments, as well as any further matters that may arise in the interim period through further analysis of the feedback. Consequently, we are not asking the DPOC to make decisions on this aspect of the Handbook review at this meeting.

4. The focus of the Handbook is primarily about the due process around the technical activities of the Foundation. Therefore the staff recommend that the DPOC address the due process for agenda decisions, rather than the status of agenda decisions in IFRS Standards.
5. In developing proposals for the next DPOC discussion, staff will focus on three areas:
 - (a) how to improve the description in the Handbook of the explanatory material in agenda decisions.
 - (b) whether the incremental benefits of Board agenda decisions (even with additional specification about when and how they can be used) justify the complexity that many respondents think they would introduce.
 - (c) whether there is a need to change the due process procedures for agenda decisions: in particular, the voting requirements and the Board's involvement in the process.
6. In reviewing this paper, the DPOC might have regard to the following:
 - (a) The section below on the status of agenda decisions (paragraphs 7-10 below) sets out respondents' comments on the status. Although few respondents disagree with the status set out in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, many ask for greater clarity about that status in the description of agenda decisions in the Handbook. The DPOC will need to address those comments in finalising the Handbook revisions against the backdrop that, as described in IAS 8, agenda decisions are not part of IFRS Standards.
 - (b) There is widespread support for communicating the information contained in agenda decisions, but respondents also identify tension in the explanation proposed in paragraphs 8.4 and 8.5 (see paragraphs 15-18 below). The DPOC will need to have regard to this tension in finalising the Handbook revisions.
 - (c) In the draft revisions to the Handbook, explanatory material is characterised as 'providing new information', not as 'new information' per se. The deliberations of the Committee and any resulting explanatory material in an agenda decision are intended to provide insights for stakeholders that will

help in understanding how IFRS Standards apply in particular circumstances. The comments (see paragraphs 15-17 below) suggest that the distinction could productively be clarified.

Status of agenda decisions

7. Although not the subject of the Handbook review, several respondents provide comments on the status of agenda decisions. Some explicitly agree with the status and welcome the clarifications proposed in the Exposure Draft. However, a few respondents disagree, explaining that, in practice, agenda decisions have the status of IFRS Standards and the description in the Handbook should reflect this reality. They say they do not support the proposed amendments to Sections 5 and 8 of the Handbook because the tension between the status in practice and as described by the IFRS Foundation has not been resolved. For example, one accounting firm says:

In our view, the Due Process Handbook, the definition of 'IFRSs' in paragraph 5 of IAS 8, and the process required for the finalisation of an agenda decision should be amended to grant most IC Agenda Decisions the mandatory status they already enjoy in practice, which is the approach we advocated in 2018. [Deloitte]

8. Some respondents comment on the consequences if the status were to change. For example, some say that if the status is the same as IFRS Standards, then the due process requirements should be same as those related to issuing amendments to the Standards. Others suggest that only small changes would be required to the current due process if the status were to change because of the objective to improve consistency of application. Some note that a change in status might affect endorsement processes.
9. As noted in the Introduction to the Invitation to Comment on the Exposure Draft (reproduced in Appendix B to this paper), the Board recently considered the status of agenda decisions and confirmed that agenda decisions are not part of IFRS Standards. They did so in response to comments received on an Exposure Draft (published in 2018) proposing amendments to IAS 8. The comments received in response to that IAS 8 Exposure Draft regarding status are similar to those now received in response to the Handbook review.

10. Because of the Board’s recent consideration of the status of agenda decisions, the staff recommend no further discussion about status as part of this Handbook review.

Question for the DPOC
Does the DPOC agree with the approach outlined above regarding the proposed amendments to the Handbook relating to agenda decisions?

Summary of feedback on the proposed amendments to Section 8 of the Handbook

The objective and nature of explanatory material in an agenda decision

11. Proposed paragraphs 8.2–8.5 of the Due Process Handbook (reproduced in Appendix A to this paper) explain the objective and nature of explanatory material in an agenda decision. Paragraphs 13–18 of the Introduction to the Invitation to Comment in the Exposure Draft explain the basis for those proposed amendments (Appendix B to this paper reproduces those paragraphs).
12. Several respondents welcome the initiative to clarify the objective and nature of explanatory material in an agenda decision, and support the clarifications proposed. However, other respondents comment on aspects of the proposed clarifications or suggest additional clarifications. Respondents say:
- (a) the proposed amendments do not adequately clarify the nature of explanatory material in agenda decisions (see paragraphs 13-14 below);
 - (b) the reference to ‘new information’ is inconsistent with the nature of explanatory material (see paragraphs 15-18 below); and
 - (c) it would be helpful to link the explanation to requirements in IAS 8 (see paragraph 19 below).

Clarifying the nature of explanatory material

13. Some respondents (including some accounting firms) say the proposed amendments do not adequately clarify the nature of explanatory material because of the wording in proposed paragraph 8.4—that paragraph says the material should be seen as ‘helpful,

informative and persuasive'. Those respondents say there is a risk that entities might consider the application of explanatory material to be optional, even when the material specifically addresses the circumstances of the entity. In their view, this could be addressed by clarifying what is meant by the 'persuasive' nature of agenda decisions. Some others say clarifying that agenda decisions do not have the status of IFRS Standards might hinder consistent application, making them difficult to enforce.

14. In contrast, some respondents (including preparer representative groups, a regulator and a national standard-setter) suggest stating explicitly that the application of explanatory material in an agenda decision is non-mandatory and non-binding. A few respondents comment that the following wording in proposed paragraph 8.5 could imply that the application of explanatory material is mandatory: (emphasis added) '...an entity might determine that it *needs to* change an accounting policy...'

Provision of new information

15. Proposed paragraph 8.4 states '...Agenda decisions (including any explanatory material contained within them) ...cannot add or change requirements in the Standards'. Proposed paragraph 8.5 states '[t]he process for publishing an agenda decision might often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained...'. The wording in paragraph 8.5 of the proposed amendments was included to be helpful in explaining the Board's view that a change in accounting that results from an agenda decision is often not the correction of a prior period error (as defined in IAS 8).
16. Several respondents say these explanations are inconsistent—if explanatory material provides new information, then is it appropriate to say that IFRS Standards provide an adequate basis to determine the applicable accounting and, thus, is it possible for an agenda decision to include new information and yet *not* add or change existing requirements?
17. An accounting firm says confirmation of how to analyse and apply IFRS Standards in particular circumstances could be considered to constitute 'new information' and, accordingly, understands the inclusion of the wording in proposed paragraph 8.5. That said, it also acknowledges that the wording in proposed paragraphs 8.4 and 8.5 is confusing. (Regarding the comments on the provision of new information in

paragraphs 15-17, paragraph 6(c) of this paper suggests possible attention by the DPOC.)

18. In order to determine any accounting consequences, IAS 8 distinguishes between a change in accounting policy, a change in accounting estimate and the correction of a prior period error. Some respondents comment on the interaction of the proposed amendments with the requirements in IAS 8—some support clarity that a change resulting from an agenda decision is often not the correction of an error; others say the proposed amendments imply that all changes are accounting policy changes, which might override the requirements in IAS 8; and a few say it is inconsistent with IAS 8 to apply a change resulting from new information retrospectively.

Requirements in paragraph 9 of IAS 8

19. A few respondents suggest linking the Handbook amendments to the requirements in paragraph 9 of IAS 8, by for example noting that agenda decisions are not an integral part of IFRS Standards. Paragraph 9 of IAS 8 states:

IFRSs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether it is an integral part of IFRSs. Guidance that is an integral part of the IFRSs is mandatory. Guidance that is not an integral part of the IFRSs does not contain requirements for financial statements.

Timing of application

20. Proposed paragraph 8.5 of the Handbook (reproduced in Appendix A to this paper) captures the Board's expectation that an entity would be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision and to implement any such change. Paragraphs 19–20 of the Introduction to the Invitation to Comment in the Exposure Draft explain the basis for that proposed amendment:

19. Even though agenda decisions cannot add or change requirements in IFRS Standards, the explanatory material in an agenda decision might provide new information. As a result, an entity might determine it needs to change its previous accounting policy. Agenda decisions do not have an effective date like a Standard and, therefore, some entities

might view the information provided in an agenda decision as having immediate effect upon its publication. If so, an entity could find it difficult in some circumstances to consider the information and determine whether to change its accounting because of it, and implement any resulting change.

20. Accordingly, in 2018 the Board considered whether to undertake standard-setting to address these timing concerns. The Board concluded that there was no obvious way for it to address this matter because agenda decisions are not part of IFRS Standards. However, it stated that it expects an entity to be entitled to sufficient time both to determine whether to make any accounting change as a result of an agenda decision and to implement any such change. Given that the Handbook provides the authoritative explanation about the role of agenda decisions, the DPOC proposes to capture in the Handbook the Board's expectation about the timing of application of accounting policy changes that result from an agenda decision.

Support and how long is 'sufficient'?

21. Several respondents agree with including the Board's view on the timing of application in the Handbook. Some respondents note that the Board's view is reasonable and pragmatic, although a number of those respondents suggest clarifying what constitutes a 'sufficient' period of time to ensure changes resulting from agenda decisions are applied at about the same time.
22. A number of those requesting clarity on 'sufficient' refer to a feature published by Sue Lloyd in March 2019 explaining the Board's view regarding sufficient time—'[Agenda Decisions—Time is of the essence](#)'. The feature addressed how long is 'sufficient'; the following are some extracts from the feature:

The short answer is that it depends on the particular facts and circumstances. It will depend on the accounting policy change and the reporting entity. Preparers, auditors and regulators will need to apply judgement to determine what is sufficient. But as a rule of thumb I think it is fair to say that we had in mind a matter of months rather than years.

...companies need to consider agenda decisions and implement any necessary accounting policy changes on a timely basis—in other words, as soon and as quickly as possible...

...Given that agenda decisions typically consider specific transactions or narrow fact patterns, reflect existing requirements and the Committee has determined that standard-setting is not required, the Board does not anticipate that companies would require extensive periods of time...

23. Several respondents suggest incorporating some of the explanation from the feature into the Handbook or including factors an entity could consider in making this assessment.

Disagreement

24. Nonetheless, several respondents disagree with including the Board’s view on timing in the Handbook, mainly because they disagree with the view itself. In their view, the statement contradicts the status of agenda decisions. For example, a respondent representing a group of regulators says:

...setting an expectation that [entities] would be entitled to 'sufficient time' to apply agenda decisions would be inconsistent with the status of this type of pronouncements. Agenda decisions have no authoritative value in themselves as they derive their practical relevance from the underlying IFRS requirements whose application they merely illustrate. As these requirements are, in most cases, already applicable, there cannot be any expectation that [entities] would be entitled to an arbitrary delay in their application on the basis of the specific illustration provided by an agenda decision. [European Securities and Markets Authority]

Specifying a date for each agenda decision

25. A few respondents suggest requiring the Committee to specify an effective date in each agenda decision. A few others suggest introducing a ‘backstop’ date by which time an agenda decision should be applied or a rebuttable presumption of application within a specified time period after the agenda decision is published.

Board agenda decisions

26. Proposed paragraph 8.6–8.7 of the Handbook (reproduced in Appendix A to this paper) would enable the Board to also publish an agenda decision. Paragraphs 21–25 of the Introduction to the Invitation to Comment in the Exposure Draft explain the basis for that proposed amendment:

21. ...The DPOC proposes to amend the Handbook to enable the Board also to publish an agenda decision—a Board agenda decision. This proposed amendment is intended to enhance the Board’s ability to support the consistent application of IFRS Standards.

22. The need for the Board to be able to publish agenda decisions may arise because, for example, in some cases, the Board considers application questions in the period after a Standard is issued but before the Standard becomes effective or has become widely implemented. The Board is generally best placed to respond to application questions in these circumstances because such a Standard would have only recently been issued and practice would not yet have had an opportunity to develop. For example, the Board may become aware of application questions through discussions at a Transition Resource Group. The Board would then consider if there is a need for standard-setting to address the questions. If the Board concludes that standard-setting is not required, it currently has no formal mechanism to publish material that could explain how to apply the principles and requirements in the Standard. The Board’s decision that standard-setting is not required would be reported in the relevant IASB update and the Board paper would be available on the IFRS Foundation website. However, the Board would need to use mechanisms such as a webcast to disseminate any helpful information about the application of the requirements in the Standard. These mechanisms do not allow the Board to consult currently, however a Board agenda decision would.

23. With a due process tool of the kind described the Board could decide not to undertake standard-setting but at the same time publish an agenda decision containing explanatory material for stakeholders to support the consistent application of IFRS Standards. Material contained in such an agenda decision would also be more widely

disseminated to stakeholders, more readily retrievable and have greater permanence than other mechanisms currently available to the Board when it decides not to undertake standard-setting. It is anticipated that Board agenda decisions would contain explanatory material.

24. The DPOC proposes that the due process currently applied to agenda decisions published by the Committee would also be applied to agenda decisions published by the Board. In particular, Board agenda decisions would be subject to public deliberation and public comment.

25. The proposed amendments also clarify that:

(a) Board agenda decisions would not supplant the Committee’s existing process for dealing with application questions. Stakeholders will continue to submit such questions directly to the Committee.

(b) The Board is not expected to publish agenda decisions as often as the Committee does. Rather they are expected to be published infrequently when the Board both: considers an application question and concludes standard-setting is not necessary; and concludes that it should publish some explanatory material to support the consistent application of IFRS Standards. Stakeholders would have the ability to comment on a tentative Board agenda decision if they thought the Board was not holding itself to this threshold.

Support and steps needed before introducing Board agenda decisions

27. Some respondents (including a group representing preparers, a group representing national standard-setters and an accounting firm) agree with introducing Board agenda decisions. The group representing national standard-setters says it would be helpful as a replacement for other less formal tools that the Board uses to support consistent application.
28. Several respondents (including those who agree with introducing Board agenda decisions and those who disagree) suggest that, before introducing Board agenda decisions, it would be necessary to:
 - (a) clarify the situations in which the Board could publish an agenda decision—some respondents agree with the situations described in

paragraph 22 of the Invitation to Comment (see paragraph 26 of this paper) but suggested incorporating those situations into the Handbook.

- (b) outline specific criteria that would need to be met before the Board would publish an agenda decision.

Disagreement

- 29. Most respondents disagree with the proposal to introduce Board agenda decisions. Some do so because of their concerns expressed about Committee agenda decisions. Respondents also say introducing Board agenda decisions could:

- (a) *add unnecessary complexity*

Several respondents say introducing Board agenda decisions would introduce another tool for consistent application that, in their view, is unnecessary—the Board already has sufficient tools available to it to respond to questions before a Standard’s effective date. The Board could also refer such questions to the Committee, or the Committee could consult with the Board in situations in which the Board is best placed to address a question. A respondent representing a group of preparers observes that the Committee already works closely with the Board in supporting consistent application.

Some respondents say introducing Board agenda decisions would add to the confusion surrounding existing tools used to support consistent application. An accounting body says it is unclear what the difference is between an agenda decision, educational material and illustrative examples and, thus, it is difficult to know why Board agenda decisions are needed. An accounting firm notes the different due process for explanatory material in agenda decisions, educational material and illustrative examples and, yet, all include material to assist with consistent application of IFRS Standards.

A national standard-setter says because the Board is the standard-setter, there is a risk that stakeholders would consider Board agenda decisions to be part of IFRS Standards.

(b) *create confusion between the role of the Board and Committee*

Several respondents say introducing Board Agenda Decisions could blur the line between the mandate of the Board and the Committee. They note that the Committee has addressed questions on, for example, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* before their effective dates—they therefore question the need for Board agenda decisions.

Some respondents also say this proposal raises questions about (i) whether and how Board agenda decisions might differ from Committee agenda decisions; and (ii) whether the Board could override agenda decisions published by the Committee.

Other comments regarding Board agenda decisions

30. Some respondents make other comments, including the following:

- (a) a few respondents say the due process relating to Board Agenda Decisions is unclear.
- (b) a regulator suggests that Board agenda decisions be subject to review by an independent body in particular situations.
- (c) a respondent representing a group of preparers suggests Board agenda decisions have a comment period of 120 days (rather than the 60 days required for Committee agenda decisions).

Comments on due process relating to agenda decisions

31. The DPOC did not propose to change the due process relating to agenda decisions and, accordingly, did not ask a question in the Exposure Draft on that due process. Nonetheless, many respondents comment on the due process, suggesting changes to it. We have summarised those comments as follows:

- (a) Criteria for standard-setting (see paragraphs 32–35);
- (b) Submission criteria (see paragraphs 36–37);
- (c) Due process aligned with other IFRS Foundation materials (see paragraphs 39–41);

- (d) Voting requirements and comment period (see paragraphs 43–44);
- (e) Content of explanatory material in an agenda decision (see paragraphs 45-46); and
- (f) Other comments on due process (see paragraph 47).

The criteria for standard-setting

32. Paragraphs 5.16-5.17 of the existing Handbook sets out the criteria used by the Committee in deciding whether to add a project to the standard-setting agenda to address a question submitted—the Committee adds a project only when all the criteria are met. The DPOC proposed only editorial amendments to that criteria as part of the Handbook review. Those criteria are (as proposed in paragraph 5.16 of the Handbook):

- (a) the matter has widespread effect and has, or is expected to have, a material effect on those affected;
- (b) it is necessary to add or change requirements in IFRS Standards to improve financial reporting—i.e. the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the appropriate accounting;
- (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework*; and
- (d) the matter is sufficiently narrow in scope that the Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the Committee and stakeholders to undertake the due process required to change a Standard.

33. Some respondents say it is important to clearly define when standard-setting is required, thereby defining when to publish an agenda decision. Respondents suggest various different criteria for standard-setting, including the following that, if adopted, would potentially lead to more narrow-scope standard-setting and the publication of fewer agenda decisions with explanatory material:

- (a) *Diversity in reporting practices*: in assessing criterion (b)—whether the principles and requirements in the Standards provide an adequate basis for

an entity to determine the appropriate accounting, some suggest that the Committee consider the significance of diversity in reporting. Others suggest that standard-setting is needed if (i) there is any diversity in reporting; or (ii) the Committee's conclusion would lead a significant and pervasive change in reporting. Another respondent suggests not publishing an agenda decision if it might increase diversity in reporting.

- (b) *Usefulness of information:* the Committee should consider the usefulness of the information provided before publishing an agenda decision with explanatory material. Some respondents say there are situations in which IFRS Standards might provide an adequate basis to address a particular matter, but application of the Standards might not result in the provision of useful information. In these situations, the Committee should first consult the Board and reserve the right not to publish an agenda decision. For example, a national standard-setter says:

An [agenda decision] confirms that standards provide an adequate basis to address an issue raised in a submission. However, an [agenda decision] might evidence that a standard might not, in specific circumstances, meet all the qualitative characteristics of useful information as per the Conceptual Framework. In other words, clarity does not necessarily exclude standard-setting. In such a case, ANC recommends that the [agenda decision] be "suspended" until the Board eventually decides on amending the standard. We therefore suggest introducing in § 5.18 of the DPH the possibility of a suspensive clause to an AD when reported to the Board. [Autorite des Normes Comptables (France)]

- (c) *The requirements and transition:* in assessing criterion (b) (see paragraph 32(b) above), the Committee should consider the clarity of the applicable requirements, and the extent to which it is possible to make any resulting accounting policy change applying the transition requirements in IAS 8.
- (d) *The complexity of the matter:* a few respondents representing groups of preparers suggested that standard-setting is required for all complex accounting matters.

34. A national standard-setter suggests reconsidering criterion (a)—the matter has widespread effect and has, or is expected to have, a material effect on those affected. That national standard-setter suggests that the Committee does not restrict its discussions to only matters that have widespread effect because, even if not widespread, the matter is important for any entity affected.
35. Some respondents say the need to include explanatory material in an agenda decision suggests that IFRS Standards do not provide an adequate basis for an entity to determine the appropriate accounting and, accordingly, standard-setting is needed in those situations. Some of those respondents say the explanatory material could be added to the applicable Standard or included as an illustrative example or implementation guidance through the annual improvements process.

Submission criteria

36. Paragraph 5.13 of the Handbook currently notes that the Committee considers matters that ‘could include the identification of divergent practices that have emerged for accounting for particular transactions, cases of doubt about the appropriate accounting treatment for a particular circumstance or concerns expressed by investors about poorly specified disclosure requirements’. Most questions considered by the Committee are formally submitted by stakeholders, however occasionally the Committee has addressed questions raised more informally and documented by staff (for example, there was a recent investor submission about disclosure requirements).
37. An accounting firm suggests that the Committee address only formal submissions prepared by external parties to ensure the Committee is addressing ‘issues that preparers, regulators and accounting networks are encountering in practice’.
38. Another accounting firm suggests amending the Handbook—to add criteria for submissions—to ensure the Committee and staff use their time in the best way. The respondent says:

We believe there are some submissions that should not be presented to the Committee for discussion either because the submission asks a question that can only be addressed by amending a standard or because the submission has identified only one view that is supported by the standards... Addressing such issues is not a good use of time

by the Committee and the staff. We suggest that the [Handbook] is amended to include a process by which the staff, with Board supervision, determine which issues should be put to the Committee. This process might include targeted research and outreach. Transparency could be maintained through a process similar to that used by the transition resource groups; by keeping a public record of items not put to the Committee and by explaining in public at each Committee meeting the issues that have not been presented to the Committee. [PwC]

Due process aligned with other IFRS Foundation materials

39. Some respondents suggest that agenda decisions with explanatory material follow the same due process as that related to amendments to IFRS Standards—this is because, in their view, agenda decisions already have the status of IFRS Standards in practice.
40. Other respondents suggest aligning the due process for such agenda decisions with the other materials used by the Board or Committee to support consistent application. For example, an accounting firm says:

The [Handbook] proposes *different* due process requirements for three types of guidance [agenda decisions, illustrative examples and educational material] that, in substance serve the same purpose: providing material that assists the consistent implementation and explains the application of IFRS Standards in particular facts and circumstances...

In our view, Section 8 should be comprehensively reworked so that there is one process applied to all material developed that supports the implementation and consistent application of IFRS Standards [Deloitte]

41. A few respondents suggest providing a tiering graphic, which would illustrate where agenda decisions fit with IFRS Standards and other material (eg webcasts, etc.) published by the IFRS Foundation. One respondent, a national standard-setter, suggests that this illustration could then be used to determine the appropriate level of due process relating to agenda decisions and other materials.
42. Without developing a tiering of various Foundation publications and communications, the DPOC can nonetheless recognise the particular nature of agenda decisions.

Notably, they constitute a decision not to undertake standard-setting; they represent the involvement of the Committee, which has a status within the Constitution, as well as the Board; they represent the consequences of a detailed review of a specific set of facts or circumstances; they have been exposed for comment by stakeholders. The DPOC can consider whether there is a need to change the due process, by for example introducing greater oversight by the Board.

Voting requirements and comment period

43. Publication of an agenda decision currently requires approval by a simple majority of Committee members present. Some respondents say the support of only a narrow majority of Committee members (for example, eight members for versus six members against) is insufficient to conclude that IFRS Standards provide an adequate basis to address a particular matter. These respondents suggest introducing a higher threshold (such as a super-majority of Committee members present) for the approval of an agenda decision, in particular for those matters for which the Committee concludes that IFRS Standards provide an adequate basis for an entity to determine the appropriate accounting.
44. Two respondents representing groups of preparers suggests that the comment period for tentative agenda decisions be extended from 60 days to between 90 and 120 days (unless the matter is urgent). They note that such an increase would allow entities sufficient time to assess the effects of the agenda decision (if finalised). In contrast, a national standard-setter suggests that the Committee be allowed flexibility to reduce the comment period to as little as 30 days for any question that requires an urgent response.

Content of explanatory material in an agenda decision

45. A few respondents note explicitly that explanatory material in an agenda decision facilitates better understanding of the principles in IFRS Standards and enhances consistency in the application of those Standards. An accounting firm says the quality and clarity of the explanatory material in agenda decisions has improved significantly in recent years.

46. Some respondents make specific suggestions about the content and structure of agenda decisions. In particular:
- (a) a few respondents say agenda decisions should not conclude on, or prescribe an accounting treatment for, specific fact patterns. Instead, agenda decisions should refer only to the applicable requirements and the path an entity would follow when applying those requirements.
 - (b) a few respondents say agenda decisions should only reference requirements in IFRS Standards (and not material accompanying IFRS Standards, such as the basis for conclusions). They say if an agenda decision needs to refer to material other than the applicable requirements, this demonstrates that the requirements themselves do not provide an adequate basis to address the matter.
 - (c) a preparer says limiting the scope of an agenda decision to the question asked can result in all relevant aspects of a topic not being considered fully, or not being discussed at all—in its view, this can limit the value of the agenda decision. Similarly, a few national standard-setters suggest including in an agenda decision information about additional matters considered when analysing a particular question, or an explanation of why alternative views are inappropriate.

Other comments on due process

47. The following table includes other suggestions made by respondents regarding the due process relating to agenda decisions:

	Area	Respondents’ comments
A	The Committee’s responsiveness	A national standard-setter suggests increasing the use of video-conferencing to respond quickly to ‘relatively simple questions’. In contrast, others suggest potentially increasing the time taken to respond or being less responsive—by, for example, (a) increasing the time taken to conduct outreach; (b) allowing the Committee flexibility in when to deal with questions to avoid potential disruption to the implementation of a Standard; and (c) publishing as few agenda decisions as possible because, doing so, risks changing a principles-based framework into one that is

		<p>rules-based—this would also reduce the pressure on the related due process.</p> <p>A national standard-setter says: We urge the DPOC to reassess in a broader manner the role, name (since name may be not be meaningful in certain jurisdictions) and need of [agenda decisions], considering that the demand for interpretations is potentially higher due to the wider adoption of IFRS around the world...the DPOC should consider creating mechanisms to avoid the exponential growth of submissions, which is nor useful, neither viable. For example, some of our members believe that National Standard Setters could be the local body to receive and deal with application issues that would be submitted to the IFRS IC only when the local body was not able to address the issue. [Brazilian Accounting Pronouncement Committee]</p>
B	Incorporation into the Standards	Some respondents suggest developing a formal process to incorporate agenda decisions into IFRS Standards, and to ensure that agenda decisions are appropriately included/excluded when new IFRS Standards are issued.
C	Appeals process	A respondent representing a group of regulators notes that one of its members suggests developing a formal appeals process (such as, to the Monitoring Board) to allow stakeholders to appeal agenda decisions—however, other members disagree.
D	Name	A few respondents suggest changing the name of agenda decisions to ‘consensus’, ‘decision’ or something else that would give more prominence to the technical aspects of the publication, rather than the Committee’s process.
E	Detailed process	An accounting firm suggests that the Handbook codify the exact process followed by the Committee in discussing a new matter—this would include, for example, each question on which the Committee votes and that the Committee discusses the wording of any tentative agenda decision.
F	Agenda papers	One respondent representing a group of preparers appreciates agenda papers being made available in advance of Committee meetings. However, the respondent suggests that it would be helpful to also provide summaries of the matters to be discussed at upcoming Committee meetings.
G	Timing in dealing with submissions	A national standard-setter suggested that the Committee: [...] should have the power to decide upon the appropriate timing for dealing with a submission. In particular if a submission has the potential of disrupting implementation of a new requirement issued but not yet effective, the Committee should have the means to decide whether, when and how the query is being addressed [Accounting Standards Committee Germany].

Appendix A—extract from Exposure Draft (proposed paragraphs 8.2-8.7)

Agenda decisions

Interpretations Committee agenda decisions

8.2 If the Interpretations Committee decides not to add a project to the standard-setting agenda to address a question submitted (see paragraph 5.16), it explains why in a tentative agenda decision in IFRIC Update and on the IFRS Foundation website. The Interpretations Committee requests comments on tentative agenda decisions, the comment period for which is at least 60 days. After considering those comments, the Interpretations Committee will:

- (a) confirm its decision and publish an agenda decision;
- (b) add a project to the standard-setting agenda; or
- (c) refer the matter to the Board. The Board is not asked to ratify agenda decisions published by the Interpretations Committee.

8.3 In addition to explaining why the Interpretations Committee decides not to add a project to the standard-setting agenda, in many cases an agenda decision includes explanatory material. The objective of such explanatory material is to improve the consistency of application of IFRS Standards. An agenda decision typically includes explanatory material when the Interpretations Committee's reason for not adding a project to the standard-setting agenda is that the principles and requirements in the Standards provide an adequate basis for an entity to determine the appropriate accounting. Explanatory material is subject to comment as part of a tentative agenda decision.

8.4 Explanatory material explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision. By providing such explanation, additional information is provided. Agenda decisions (including any explanatory material contained within them) do not have the status of the Standards and therefore cannot add or change requirements in the Standards. However, such explanatory material should be seen as helpful, informative and persuasive.

8.5 The process for publishing an agenda decision might often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained. Because of this, an entity might determine that it needs to change an

accounting policy as a result of an agenda decision. It is expected that an entity would be entitled to sufficient time to make that determination and implement any change (for example, an entity may need to obtain new information or adapt its systems to implement a change).

Board agenda decisions

8.6 In supporting the consistent application of IFRS Standards, the Board might publish an agenda decision that includes explanatory material. It does so when it has decided not to add a project to the standard-setting agenda but, nonetheless, concludes that consistency of application of the Standards would be improved by providing material that explains how the applicable principles and requirements in the Standards apply to a particular transaction or fact pattern. The publication of an agenda decision by the Board follows the process described in paragraphs 8.2–8.5 for publication of an agenda decision by the Interpretations Committee. A Board agenda decision has the same due process status as an Interpretations Committee agenda decision.

8.7 Although the Board might publish agenda decisions stakeholders submit application questions to the Interpretations Committee, and not to the Board. Accordingly, the Board is expected to publish an agenda decision only in rare circumstances.

Appendix B—extract from the Introduction to the Invitation to Comment in the Exposure Draft (paragraphs 13-18 of the Introduction)

13. Currently the Handbook specifies that an agenda decision³ is one of the due process tools for use by the Committee when it addresses questions submitted to it about the application of IFRS Standards. For each question submitted, the Committee is required to consider at a public meeting whether to add a project to its standard-setting agenda (which might include developing an IFRIC Interpretation). If the Committee decides not to recommend standard-setting in response to a submitted question, it publishes an agenda decision to explain its decision. In many cases the Committee publishes an agenda decision because, in the Committee's view, IFRS Standards provide enough information for an entity to determine its accounting.

14. The Committee may decide to include information in agenda decisions to help entities apply IFRS Standards. This information explains how the applicable principles and requirements in the Standards apply to the question submitted.

15. Agenda decisions, including any explanatory information, do not add or change requirements in IFRS Standards and therefore do not have the same status of IFRS Standards. Nonetheless, as currently explained in the Handbook, they should be seen as 'helpful, informative and persuasive'.

16. The Board has confirmed the current status and role of agenda decisions^[2]. The Board noted that an agenda decision is published only after the Committee has concluded not to undertake standard-setting because amending IFRS Standards is not necessary.

17. The Board also noted that agenda decisions often quote material that is already in IFRS Standards. In addition, the explanatory material often links the existing requirements in the Standards to relevant explanations in the basis for conclusions. A basis for conclusions accompanies, but is not part of, a

³ Although the *Handbook* currently refers to a 'rejection notice', in practice this due process tool has been referred to as an 'agenda decision'. The proposed amendments to the *Handbook* reflect this development in terminology.

^[2] In December 2018, the Board discussed feedback on the status and role of Agenda Decision received in response to the Exposure Draft *Accounting Policy Changes* (Proposed amendments to IAS 8). Although the status of agenda decisions was not the subject of the Exposure Draft, some respondents said the proposed amendments raised questions about the status of agenda decisions and their role in the application of IFRS Standards. These respondents suggested reconsidering the status of, and due process requirements for, agenda decisions. The Board confirmed that the current status and role of agenda decisions was appropriate.

Standard. If agenda decisions were to have the same status as IFRS Standards, the material quoted from the Standards would create duplication in the Standards and potential confusion. In addition, the status of the material quoted from accompanying materials such as the basis for conclusions and illustrative examples would in effect be changed.

18. The DPOC has confirmed its view that the due process relating to agenda decisions is appropriate. However, the DPOC noted that the Handbook currently provides limited information about agenda decisions and the explanatory material that they may contain. Therefore, the DPOC proposes to update the Handbook to clarify:

(a) the objective of including explanatory material in agenda decisions—i.e. to improve consistency in the application of IFRS Standards; and

(b) the nature of explanatory material in an agenda decision—i.e. such material should explain how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision; and although explanatory material often provides additional information, it cannot add or change requirements in the Standards.