



## ED/2018/1 ACCOUNTING POLICY CHANGES - PROPOSED AMENDMENTS TO IAS 8

Issued 31 July 2018

ICAEW welcomes the opportunity to comment on the *ED/2018/1 Accounting Policy Changes - proposed amendments to IAS 8*, published by IASB in March 2018, a copy of which is available from this [link](#).

This response of 31 July 2018 has been prepared by the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 150,000 chartered accountant members in over 160 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2018

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: [frf@icaew](mailto:frf@icaew)

## MAJOR POINTS

1. We do not support the proposed introduction of a new threshold for voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee (the Interpretations Committee). This is discussed further in our responses to questions 1 and 2 below.

## RESPONSES TO SPECIFIC QUESTIONS

***Question 1: The Board proposes to amend IAS 8 to introduce a new threshold for voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee. The proposed threshold would include consideration of the expected benefits to users of financial statements from applying the new accounting policy retrospectively and the cost to the entity of determining the effects of retrospective application.***

***Do you agree with the proposed amendments? Why or why not? If not, is there any particular aspect of the proposed amendments you do or do not agree with? Please also explain any alternatives you would propose, and why.***

2. No, we do not agree with the proposed amendments, introducing a new threshold for voluntary changes in accounting policy that result from an agenda decision published by the Interpretations Committee. While we support the objective of the proposed amendments, which is to facilitate the application of voluntary changes in accounting policy that result from an agenda decision, we are concerned that they will not achieve this objective and, further, may have unintended consequences.
3. In particular, we are concerned that the introduction of the new threshold may mean that some voluntary changes in accounting policy are not applied retrospectively, resulting in a loss of comparability between entities and a loss of information for users of financial statements.
4. We also do not think that voluntary changes in accounting policy that result from an agenda decision should attract a different accounting treatment from other voluntary changes in accounting policy. We share the concerns of some board members, as stated in BC7, and EFRAG, as stated in their [draft comment letter](#), that this may be viewed as creating an arbitrary distinction between voluntary changes in accounting policy that result from an agenda decision and other voluntary changes in accounting policy, thereby according authoritative status to voluntary changes in accounting policy that result from an agenda decision.
5. We do not, however, agree with EFRAG's suggestion that the new threshold should apply to all voluntary changes in accounting policy for the reasons given in paragraph 3 above. In our view, a better approach would be for the IASB to consider reviewing the use of the existing impracticability threshold, which arguably sets too high a hurdle and therefore does not facilitate the application of all voluntary changes in accounting policy.

### **Consideration of expected benefits and cost**

6. We are concerned that the consideration of the expected benefits to users of financial statements from applying the new accounting policy retrospectively and the cost to the entity of determining the effects of retrospective application is too subjective to be applied consistently and, further, may be possible to manipulate.

7. We note that the IASB has previously expressed concerns regarding the introduction of a similar exemption based on the assessment of undue cost, for example paragraph BC24 states:

*... the [IASB] decided that an exemption based on management's assessment of undue cost or effort is too subjective to be applied consistently by different entities. Moreover, the [IASB] decided that balancing costs and benefits is a task for the [IASB] when it sets accounting requirements rather than for entities when they apply those requirements...*

8. However, as discussed in paragraph 13 below, it may be helpful to apply a consideration of expected benefits and cost to the timing of applying a change in accounting policy that results from an agenda decision.

### **Process for publishing agenda decisions**

9. We are concerned about the process for publishing agenda decisions. Paragraph BC16 summarises the process as follows:

*... The matters submitted to the [Interpretations Committee] are generally complex in nature and have resulted in entities applying different reporting methods and that the [Interpretations Committee] publishes an agenda decision after research, analysis and discussion of these matters...*

10. The conclusions in agenda decisions are that the principles and requirements in IFRS Standards provide an adequate basis for an entity to determine the appropriate accounting. However, we would challenge these conclusions in the agenda decisions regarding the most complex and contentious matters.
11. As an alternative, we would propose resolving such matters by complementing or changing IFRS Standards using IFRIC Interpretations or narrow-scope amendments. If this is not possible, it might at the very least be helpful to ensure that the wording of the agenda decision makes clear when a complex or contentious issue has been subject to debate before a final decision was reached.

**Question 2: The Board decided not to amend IAS 8 to address the timing of applying a change in accounting policy that results from an agenda decision published by the IFRS Interpretations Committee. Paragraphs BC18–BC22 of the Basis for Conclusions on the proposed amendments set out the Board's considerations in this respect.**

**Do you think the explanation provided in paragraphs BC18–BC22 will help an entity apply a change in accounting policy that results from an agenda decision? Why or why not? If not, what do you propose, and why? Would you propose either of the alternatives considered by the Board as outlined in paragraph BC20? Why or why not?**

12. We agree that the timing of applying a change in accounting policy that results from an agenda decision published by the Interpretations Committee can be problematic because the agenda decision might be viewed as being effective immediately upon publication.
13. We would suggest that to help an entity apply a change in accounting policy that results from an agenda decision, rather than introducing either of the alternatives outlined in paragraph BC20, the IASB considers introducing a consideration of expected benefits and cost to the timing of applying a change in accounting policy that results from an agenda decision. As stated in paragraph BC22, determining what 'sufficient time' to implement a change is requires judgment, and application guidance on the expected benefits and cost of the timing of applying a change may support entities in applying this judgement.