



Project:	IASB ED/2018/1 Accounting Policy Changes	Meeting:	AASB June 2018 (M165)
Topic:	Consider draft comment letter to the IASB	Agenda Item:	10.1
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		Decision-Making:	Low
		Project Status:	Draft Letter

Objective

- The objective of this paper is to:
 - seek the Board's views on the draft AASB comment letter to the IASB on its Exposure Draft ED/2018/1 *Accounting Policy Changes*; and
 - agree on the process for finalising the AASB submission.

Attachments

- Agenda item 10.2 Draft AASB comment letter
- Agenda item 10.3 AASB ED 285 *Accounting Policy Changes*

Background

- The AASB issued ED 285 in April 2018, incorporating the IASB ED/2018/1. Comments to the AASB are due by 27 June 2018. No submissions have been received on ED 285 as of 30 May 2018.
- In its May 2018 meeting, the Board decided to make a submission to the IASB on its ED/2018/1. Comments on ED/2018/1 are due by 27 July 2018. The Board made tentative decisions about the views to be presented in the draft submission for consideration at the June meeting.
- The IASB observed that when an IFRS Interpretations Committee agenda decision is published, some entities are dissuaded from voluntarily changing their accounting policy, even though applying the agenda decision might lead to more appropriate and useful financial statements. This is because entities consider the impracticability threshold that permits

transition on a partial retrospective basis or a prospective basis as onerous to apply, and the costs of retrospectively applying the accounting policy change would likely outweigh the benefits to the users.

- 5 To facilitate voluntary changes in accounting policy resulting from IFRS Interpretations Committee agenda decisions, the IASB proposes introducing a new threshold for such changes. Full retrospective application would be limited “to the extent that the cost to the entity of determining either the period-specific effects or the cumulative effect of the change exceeds the expected benefits to users”. This lower threshold would not apply to other voluntary changes of accounting policies.

Draft submission

- 6 The staff recommendations and Board decisions are reflected in the attached draft AASB comment letter.
- 7 At the meeting in May, Board members expressed a range of views regarding whether the proposed lower threshold should apply to all voluntary changes in accounting policy, not only to those resulting from an agenda decision published by the IFRS Interpretations Committee. The view of the majority of Board members was that it is important to limit the IASB’s proposals to agenda decisions. Voluntary changes driven by IFRS Interpretations Committee agenda decisions can be distinguished from other voluntary changes in accounting policy. In many respects, agenda decisions published by the IFRS Interpretations Committee are similar to mandatory changes in accounting policy, particularly in practice. Being issued by an authoritative body after a due process, these agenda decisions are often viewed as ‘persuasive’ and being ‘effective immediately’, which cannot be said about other voluntary changes in accounting policy. Accordingly, providing a lower threshold for voluntary changes that result from IFRS Interpretations Committee agenda decisions can be likened to providing transitional relief for mandatory changes in accounting policy.
- 8 Based on paragraph 19(b) of IAS 8, changes in accounting policy, whether mandatory or voluntary, are required to be applied retrospectively, subject to any specific transitional provisions in a Standard. Full retrospective application provides greater comparability than partial retrospective application or prospective application. Therefore, the better approach would seem to be to limit the scope of any lowering of the threshold for the use of anything other than full retrospective application. Accordingly, the proposed lower threshold should not be extended to all voluntary changes in accounting policy.
- 9 The IASB’s proposal effectively represents the establishment of transitional provisions for voluntary accounting policy changes resulting from IFRS Interpretations Committee agenda decisions. The agenda decisions cannot include transitional provisions because they cannot override the general requirements in IAS 8, given that they are not authoritative.

Question 1 for Board members

Do Board members agree with the draft submission? If not, what aspects of the submission would Board members like to be amended or further developed?

- 10 Staff will update the draft submission to reflect Board members' comments following the Board meeting. Given that the AASB comment letter would need to be submitted before the AASB's next meeting, staff recommend that the AASB submission be finalised out of session by the Chair, having regard to any feedback received from stakeholders. At the May meeting, Board members were inclined to the view that a sub-committee was not needed.

Question 2 for Board members

Do Board members agree with the staff recommendation for the AASB submission to be finalised out of session by the Chair?