

29 June 2018

Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West Victoria 8007  
AUSTRALIA

Dear Kris

**ED 285 Accounting Policy Changes – Proposed amendments to AASB 108**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the Exposure Draft. The views expressed in this submission represent those of all Australian members of ACAG.

ACAG does not support the proposed amendments in the Exposure Draft to introduce a cost versus benefit threshold for voluntary changes in accounting policies that result from an agenda decision.

The attachment to this letter addresses the AASB's specific matters for comment outlined in the Exposure Draft. Also attached is ACAG's response to the International Accounting Standards Board (IASB) Exposure Draft ED/2018/1 *Accounting Policy Changes – Proposed amendments to IAS 8*.

ACAG appreciates the opportunity to respond and trust that you find our comments useful.

Yours sincerely



Andrew Greaves  
**Chairman**  
**ACAG Financial Reporting and Accounting Committee**

**AASB Specific Matters for comment**

- 1. Whether there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
  - (a) not-for-profit entities; and**
  - (b) public sector entities, including GAAP/GFS implications.**

ACAG believes the threshold of cost versus benefit may have GFS implications as the threshold introduces the concept of cost that is not considered as part of the *Australian System of Government Finance Statistics: Concepts and Methods Manual* (GFS Manual). Paragraph 17.79 of the GFS manual states that material revisions affecting prior-period statistics are made to prior periods if:

- the information could reasonably have been expected to be known in the past
- it is material in at least one of the affected periods and
- can be reliably assigned to the relevant period(s).

- 2. Whether, overall, the proposals would result in financial statements that would be useful to users.**

ACAG is not in a position to comment on whether the proposals would result in financial statements that would be useful to users.

- 3. Whether, the proposals are in the best interests of the Australian economy?**

ACAG is not in a position to comment on whether these proposals are in the best interests of the Australian economy.

- 4. Unless already provided in response to specific matters for comment 1-3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

ACAG anticipates the proposals may not result in cost savings relative to existing requirements as changes in accounting policies from agenda decisions are voluntary and, based on our experience in the public sector, rare. ACAG does not see the need to prescribe a cost versus benefit threshold to help entities determine whether to apply this to their financial statements. We consider the current impracticability threshold and materiality considerations sufficient to help entities determine whether to change their accounting policies or not.

**Other comments**

ACAG has no further comments on the proposals.

29 June 2018

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**Exposure Draft ED/2018/1 Accounting Policy Changes – Proposed amendments to IAS 8**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the Exposure Draft. The views expressed in this submission represent those of all Australian members of ACAG.

ACAG does not support the proposed amendments in the Exposure Draft to introduce a cost versus benefit threshold for voluntary changes in accounting policies that result from an agenda decision.

ACAG appreciates the opportunity to respond and trust that you find our comments useful.

Yours sincerely



Andrew Greaves  
**Chairman**  
**ACAG Financial Reporting and Accounting Committee**

## Matters for comment

### 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.**

No, ACAG does not agree with the proposed amendment to introduce a cost versus benefit threshold for voluntary changes in accounting policies that result from an agenda decision.

Given that the decision to apply an agenda decision is voluntary, ACAG questions the need to alter the impracticability threshold by introducing a cost versus benefit threshold. ACAG believes the current impracticability threshold and materiality considerations are sufficient to help entities determine whether to change their accounting policies or not.

If the entity assesses that the agenda decision would have a material impact on its financial statements (and benefit users) the expectation is that the accounting policy would reflect the agenda decision irrespective of the cost, unless it is impracticable. However, if it would not materially affect the entity's financial statements, ACAG questions the relevance of the cost versus benefit threshold and why entities would still be required to assess the revised threshold from this perspective.

The proposals introduce a concept of cost versus benefit that does not feature in other standards. ACAG does not believe the cost versus benefit concept is the same as 'undue cost or effort' in the:

- expected credit loss impairment model in IFRS 9 *Financial Instruments* (paragraphs 5.5.17(c)) as referred to in paragraph BC10(b). AASB 9 refers to undue cost and effort of obtaining information, not whether the cost of making financial statement disclosures exceed the benefits to financial statement users
- amendments to IAS 8 paragraph 54F as outlined in the 'Amendments to References to the Conceptual Framework in IFRS Standards'. Paragraph 54F refers to 'undue cost or effort' of making a retrospective change, not whether the cost of the retrospective change exceeds the benefits to financial statement users.

ACAG is concerned that the cost versus benefit threshold introduces an additional element of judgment required for financial statement preparers and auditors, which by nature is inherently subjective to apply in practice. This subjectivity increases the likelihood of differing and potentially inconsistent outcomes.

## 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?**

As noted above, ACAG does not agree with the introduction of the cost versus benefit threshold.

However, if this threshold were to be introduced, ACAG believes entities should use their judgement when determining the timeframe to apply such changes, consistent with the current practice of adopting voluntary accounting policy changes.

If the IASB decides that guidance on the timing of applying changes from agenda decisions is necessary, ACAG believes that such guidance should be in the Basis for Conclusions, rather than the Standard. ACAG believes the alternatives considered by the Board in paragraph BC20 are not appropriate as:

- a specific timeframe should not be set for applying voluntary changes in accounting policies. Entities should be able to use their judgement in determining the appropriate timeframe when considering the nature and significance of the change
- agenda decisions are non-authoritative, and any accounting policy changes resulting from these are therefore voluntary, therefore any guidance on the timing of these changes should also be non-authoritative.