



INSTITUTE OF
PUBLIC
ACCOUNTANTS®

**Submission to IASB:
Exposure Draft 2018-1
Accounting Policy Changes**

July 2018

10 July 2018
The Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir

Exposure Draft 2018/1 *Accounting Policy Changes*

On behalf of the Institute of Public Accountants (IPA), I am writing to comment on Exposure Draft ED 2018/1 *Accounting Policy Changes – Proposed amendments to IAS 8*.

The IPA does not support the proposed amendments to IAS 8 espoused in the ED.

The IPA believes changes to accounting policies that result of an agenda decision are in fact errors in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. As agenda decisions do not give rise to interpretations or changes to the accounting standards, the conclusion must be that an application of the accounting standard not consistent with an agenda decision are a misapplication of an accounting standard and, therefore, an error.

The IPA considers the result of the proposed amendments will be detrimental to the quality of financial reporting. The proposals may well encourage “aggressive” and creative interpretation of accounting standards. If an agenda decision confirms that no change is required, and no interpretation required those prepares who have adopted an aggressive interpretation apply a lower threshold in relation to misstatement and the change is characterised as a voluntary accounting policy change.

The IPA believes the proposals are misleading and will result in an increase in diversity in practice.

The IPA believes that IFRIC agenda decisions lack prominence. They are not readily located on the IFRS website nor do they appear in IFRS publications. The IPA recommends that a tab on the IFRS website directly reference IFRIC agenda decisions. In addition, we suggest a summary of IFRIC agenda decisions be included as an addendum to the Basis of Conclusions for the relevant standard.

Our detailed comments and responses to the questions in the Exposure Draft are set out in Appendix A.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca (stephenlagreca@aol.com) or Mr Colin Parker (colin@gaap.com.au) (a former member of the AASB), GAAP Consulting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'V. Stylianou', with a stylized flourish at the end.

Vicki Stylianou
Executive General Manager, Advocacy & Technical
Institute of Public Accountants

CC – Ms Kris Peach Chair AASB

About the IPA

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 80 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.

APPENDIX A

Question 1

The Board proposes to amend 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 Interpretation 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 amendment you do or do not agree with? Please also explain any alternatives you would propose and why.

IPA response

The IPA does not support the introduction of a new threshold for changes in accounting policy arising from the IFRIC agenda decisions. The IPA is of the view that where IFRIC has determined that an interpretation is not required there is no change in the accounting standard. Therefore, to categorise the appropriate application of the standard as a change is inconsistent with the determination by IFRIC that the standard as drafted requires no clarification.

The IPA believes the scenario that the ED is attempting to address is in fact an incorrect application of an accounting standard and, therefore, must be considered an error under IAS 8 and be treated as such.

The IPA believes the proposals in the ED would encourage the “aggressive” interpretation of accounting standards as there would be no disincentive to apply such aggressive stance on the interpretation of an accounting standard due to the lower threshold proposed.

Question 2

The Board decided not to amend IAS 8 to address the timing of applying a change in accounting policy that results from agenda decision published by the IFRS Interpretations Committee. Paragraphs BC18-BC22 of the Basis for Conclusion on the proposed amendments set out the Board’s consideration in this respect.

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

IPA response

As the IPA is of the view that a change in accounting policy arising from an IFRIC agenda decision is an error in accordance with IAS 8, any change in accounting policy should be applied on a basis consistent with that of an error, i.e. the first reporting period after the error is detected in these circumstances the first reporting period after the agenda decision has been made.