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ED/2018/1 Accounting Policy Changes **(Proposed amendments to IAS 8)**

Cover Note

Objective

- 1 The objective of the session is to discuss and agree to recommend to the EFRAG Board, a draft comment letter on ED/2018/1 *Accounting Policy Changes (Proposed amendments to IAS 8)*.

Background

- 2 On 27 March 2018, the IASB issued ED/2018/1 *Accounting Policy Changes (Proposed amendments to IAS 8)* (the 'ED'). The aim of the ED is to promote greater consistency in the application of IFRS Standards and reduce the burden on entities when they change an accounting policy as a result of an agenda decision issued by the IFRS Interpretations Committee.
- 3 A common reason why an entity voluntarily changes an accounting policy is to reflect non-authoritative explanatory material included in agenda decisions. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires all voluntary accounting policy changes to be applied retrospectively unless it is 'impractical' to do so.
- 4 To facilitate voluntary changes in accounting policy that result from an agenda decision, the ED proposes to amend IAS 8 to lower the impracticability threshold for retrospective application of such changes.

Lowered thresholds

- 5 The ED is proposing that, in deciding how far back to go in applying a change in accounting policy that results from an agenda decision, an entity will consider either:
 - (a) it is practicable; or
 - (b) the benefits to users exceed costs to the company of making the change.
- 6 The ED provides guidance on factors to consider when assessing the costs and benefits.

Timing of applying changes

- 7 The IASB decided not to amend IAS 8 to address the timing of applying a change in accounting policy that results from an agenda decision. The IASB is of the view that an entity should be entitled to sufficient time to prepare for a change in accounting policy that results from an agenda decision. But determining what 'sufficient time' to implement a change requires judgement and will depend on the nature of the change.

Prior discussions by EFRAG TEG

- 8 At its June 2017 meeting, EFRAG TEG had a preliminary discussion on the proposals expected to be included in the ED.
- 9 Only a few members expressed views at the time but those who did generally saw merit in lowering the threshold for voluntary changes in accounting policies and generally agreed that the proposed threshold could include a consideration of the benefits and costs of applying the change retrospectively.
- 10 However, members noted that there could be procedural issues that would warrant consideration; including the length of the comment period on agenda decisions and the timing between the publication of an agenda decision and its application date.

Questions for EFRAG TEG

- 11 Does EFRAG TEG agree with the tentative responses to the ED prepared by the EFRAG Secretariat?
- 12 Does EFRAG TEG agree to recommend the draft comment letter for consideration by the EFRAG Board at its April meeting?

Agenda Papers

- 13 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 04-02 – EFRAG Draft Comment Letter; and
 - (b) Agenda paper 04-03 – IASB's Exposure Draft ED/2018/1 *Accounting Policy Changes*.