



International Accounting Standards  
Board (IASB)  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

25 July 2018

Dear Board Member,

**Re: ED/2018/1: Accounting Policy Changes – Proposed amendments to IAS 8**

BusinessEurope welcomes the opportunity to comment on ED/2018/1 Accounting Policy Changes -Proposed amendments to IAS 8 (the ED).

We appreciate the effort made by the IASB to facilitate the changing of an accounting policy on a voluntary basis following the publication of an agenda decision by the IFRS Interpretations Committee.

Our comments on the questions posed in the ED are shown in the Appendix.

If you require any further information on our comments, please do not hesitate to contact us.

Yours sincerely,

Pedro Oliveira  
Director  
Legal Affairs Department



## APPENDIX

### 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.

We welcome the Board's tentative decision that an agenda decision (among other sources) can be a source of **voluntary** changes in accounting policy. This is consistent with the non-authoritative nature of agenda decisions. We also think that the lowering of the threshold for a method other than fully retrospective will facilitate the changing of accounting policies following an agenda decision, thus providing more useful information to users of financial statements.

We are, however, concerned by the statement in proposed paragraph 5 that an agenda decision may result in the correction of a prior-period error. It is counter-intuitive that a non-authoritative pronouncement can result in the determination of a prior-period error as defined in existing IAS 8. We think that the inclusion of this clause in the discussion may encourage regulators to consider agenda decisions to be authoritative and mandatory in nature. It would be helpful if this section were reworded to underline the non-authoritative nature of the pronouncement and to emphasise that the agenda decision can at most provide information which allows the preparer to assess whether there has been an error in the past.

We welcome the lowering of the threshold for the application of a change other than on a fully retrospective basis and agree that this is a principle-based approach which requires the application of a high degree of judgement. In order to avoid contestation and fruitless discussion with auditors and regulators, it should be acknowledged in the application guidance that the assessment of the expected benefits to users is of necessity based on a qualitative assessment and the comparison with the expected cost will be reliant on entity-specific judgement. The entity's judgement should be respected unless clearly unreasonable.

Finally, we think that the lowering of the threshold as proposed is actually more in line with the Conceptual Framework's requirement for consideration of materiality and cost constraints than the current threshold of impracticability for retrospective application. We would therefore strongly recommend that the Board reconsider applying the same threshold for **all** voluntary changes of accounting policy, provided, of course, that the condition of paragraph 14(b) of IAS 8 is satisfied ("providing reliable and more relevant information etc."). We think that this might encourage entities to change to policies which



are more comparable with other entities. We are not convinced by the arguments in BC8, which limit the scope of application, and consider that providing more useful information should not be subject to unnecessarily high barriers imposed via the transitional arrangements.

## **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?

In our view, it would be better for preparers if the Board were to include guidance or advice in the body of the standard about the timing of the voluntary application of a new accounting policy which is triggered by consideration of any non-authoritative source (agenda decisions, speeches by IASB members, IFRS Updates, Big-4 guidance). This could be based on the basis of the proposal in BC20 to apply changes from the beginning of the first annual period following the agenda decision, but perhaps with the addition of the possibility of earlier application being permitted. This might avoid the drawbacks described in the text.

We think that paragraph BC22 is helpful as it makes it clear that an entity should have sufficient time to enact a change in accounting policy which has been motivated by an agenda decision. We also welcome the statement that it is unreasonable to expect an entity to apply in its interim financial statements a change prompted by an agenda decision published in June. However, this leaves open the question of what a reasonable period would be: to apply the new policy by the end of the same accounting period with the effect taken in the same year, or to apply the change at the beginning of the following accounting year with the effect accounted for at that time?

Finally, the discussion in, for example, paragraphs BC2, BC19 and BC20 highlights the issue of the ambiguity of the status of the agenda decisions. Agenda decisions are “non-authoritative” and thus “any change that results from an agenda decision is not a change that is required by IFRS Standards” (Para.BC2, BC19). However, entities might “be expected to change, an accounting policy” (para.BC2) or “is expected to apply the change immediately, for example, due to local regulations” (para. BC20). Although the IASB cannot modify local regulations, it might be helpful to reinforce the non-authoritative status of agenda decisions in the proposed definition in paragraph 5 of the ED.