27 July 2018

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans,

AOSSG comments on IASB Exposure Draft ED/2018/1 *Accounting Policy Changes*

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB's ED/2018/1 '*Accounting Policy Changes* (the "ED")'. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan, and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG Presentation and Disclosure Working Group.

We received six comments from Australia, Hong Kong, India, Korea, New Zealand and Saudi Arabia. There were mixed views for the proposed amendments. The views of the AOSSG for each question are provided in Appendix.

The AOSSG hopes that our comments will be helpful for the IASB's future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,

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APPENDIX – Detailed comments from the AOSSG on ED/2018/1 *Accounting Policy Changes*

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.

There are mixed views for the proposed amendments.

Nature of an agenda decision published by the IFRS Interpretations Committee

One member believes that the agenda decision can be viewed as either an application guidance on how to apply complicated requirements of a standard, the proper application of the requirements of a standard, or an alternative acceptable understanding of the requirements of a standard. They are of the view that if an entity accepts the agenda decision as it is the proper understanding of the requirement, then it would mean that the earlier understanding of the entity is wrong, which would result in an accounting error rather than an accounting policy choice. If it is seen as an alternative acceptable understanding of the requirements of a standard, then it is an accounting policy choice.

One member believes that an agenda decision published by the IFRS Interpretations Committee provides new information that result in a company changing its previous accounting policy. **One** member believes that the agenda decision does not provide new requirements or authoritative interpretations, but rather confirms or clarifies current IFRSs requirements. The agenda decision is non-authoritative and includes the explanatory material outlining the IFRS Interpretations Committee's view on how to apply the principles and requirements. Therefore, the agenda decision may work almost the same as providing a technical inquiry service, that is, providing answers to questions about specific accounting issues. They believe that voluntary changes in accounting policy according to the agenda decision are substantially the same as correction of errors in numerous cases.

Distinguishing voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee from other voluntary changes and lowering threshold for retrospective application for changes in accounting policy that result from the agenda decision

Some members note that agenda decisions published by the IFRS Interpretations Committee are similar to mandatory changes in accounting policy 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 the basis for other voluntary changes in accounting policy. Providing a lower threshold for voluntary changes in accounting policy that result from the agenda decision can be likened to providing transitional relief for mandatory changes in accounting policy. Although the agenda decision is non-authoritative, it is viewed as ‘mandatory’, and because no effective date is included in the decision, they are treated as being effective immediately upon publication. This does not provide entities sufficient time to apply the clarification retrospectively, which then becomes a burden to entities.

Other members are of the view that there is no advantage in distinguishing voluntary changes in accounting that result from the agenda decision from other voluntary changes and applying different thresholds. The agenda decision can be viewed as either the proper understanding of the requirements of a standard or an alternative acceptable understanding of the requirements of a standard. Both situations are already covered in IAS 8. Therefore, changes in accounting policy or correction of errors as a consequence of the agenda decision are not different from other changes in accounting policies or correction of errors. Introducing a new threshold for voluntary changes in accounting policy that result from the agenda decision has no conceptual and rational difference from other voluntary changes in accounting policy. It is not appropriate for the IASB to set out requirements for the agenda decision, which is non-authoritative, in IAS 8, which is authoritative.

Assessment of the expected costs and benefits

Some members note that when the IASB develops new or amended Standards these pronouncements may contain transitional provisions to relieve entities from some aspects of retrospective application of new requirements. These provisions are an exception to the general principle of full retrospective application and are based on the standard-setter’s cost-benefit considerations. Permitting entities to apply a cost-benefit consideration is unusual, given their inherently subjective nature. The requirement for full retrospective application and the impracticability threshold exist to make voluntary changes in accounting policy less frequent and thus improve comparability. Therefore, widening the circumstances in which entities are permitted to apply their own cost-benefit considerations may be inappropriate, and thus the proposed scope for the lower threshold should be limited to the changes in accounting policy that result from the agenda decision.

Other members note that it is difficult for entities to apply the proposed application guidance on assessment of the expected costs and benefits because making a judgement on assessing the costs and benefits by using the guidance and proving the judgement for the assessment on the basis of quantitative, specific and objective information are difficult and subjective. It would be difficult for entities to assess ‘benefits’ from the users’ perspective appropriately, as the same would vary with various differing facts and circumstances. The cost to entities also vary depending on the operational set up. The cost-benefit analysis should be assessed by the IASB, not by entities. Leaving the assessment of cost-benefit to individual entities will only make the financial statements incomparable.

Other suggestions

One member suggests that the IASB develop the principle for prospective application and retrospective application. **One** member makes a suggestion in the spirit of encouraging more consistent application of IFRS Standards. They consider that, for the agenda decisions that lead to a prevalent and significant change in practice, the IASB should consider reflecting those decisions via the Annual Improvements Process or issue an Interpretation. For the agenda decisions that are purely education in nature and do not lead to a prevalent and significant change in practice, the IASB could incorporate such agenda decisions into its education materials.

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?

There are mixed views for the proposed amendments.

Some members agree with the IASB's decision not to address the timing of application of voluntary changes in accounting policy that result from the agenda decision. It is difficult for the IASB to address this matter because of the non-authoritative nature of the agenda decision. One member considers that a date no later than the next annual reporting period is a possible solution, however, the IASB needs to be mindful of clarifications arising from the agenda decisions that are issued closer to the date of the next annual reporting date.

Other members do not agree with the proposal concerning the timing of applying a change in accounting policy that results from the agenda decision because they basically do not agree with the proposed amendments.