Accounting policy changes

Proposed amendments to IAS 8

PROPOSED COMMENTS BY INDAS IMPLEMENTATION COMMITTEE OF WIRC

Below draft is prepared based on suggestions received from various members in the meeting dated 24th April 2018

Overall the group was in agreement with the amendment with few comments mentioned below

1. The agenda decisions published by IFRS Interpretation committee affecting policy decisions, will be less mandatory with respect to its retrospective effects. This makes sense since the changes are based on agenda decisions
2. Guidance on qualification of benefits is needed to more specific and robust model.
3. To avoid repetition of disclosure, only entity related disclosures may only be made mandatory.
4. Application guidance should include some additional examples for clarity.
5. For relaxation from retrospective application of accounting policy resulting from agenda decisions IAS 8, exposure draft introduces threshold of expected benefits to the users of financial information and cost to the entity due to retrospective application. However, these are very organisation specific and subjective terms which will not facilitate standardization.
6. As per para 25A and 25B, if the cost to the entity of determining the period-specific effects or cumulative effect exceeds the expected benefits to users then the new accounting policy should be applied prospectively from the earliest date for which the expected benefits to users of applying the change prospectively exceeds the cost to the entity. Here again the determination of date from which the accounting policy should be applied prospectively is left to the organisation which depends on determining benefits and cost.
7. Para BC7 and BC8 raises the issue of relaxation from retrospective application for all voluntary changes as opposed to the changes arising from agenda decisions. If the relaxation is given to all voluntary changes then it can result into loss of comparability and more frequent changes in accounting policy.
8. As per para BC3, there is no specific time mentioned for transition which needs a consideration
9. In case of agenda decision changes result in changes relating to transactions with related parties, the exemption from retrospective effect should not be provided, for the sake of transparency, since in such cases, data should always be available.
10. Para 27A states the word "is permitted" The same should be replaced by the word "is mandatory".
11. In general, the experience is computerization and digitization make the practicability of obtaining retrospective data easier. Hence, entities having reached well standardized computerization levels, should be able to ensure obtaining data with much more benefits than costs involved. So, it is high time, IFRS body and IFRS interpretation committee takes note of this development in accounting field and make it mandatory to provide retrospective effects for such changes to the entities who have reached higher computerization levels. While for other entities, they should disclose period within which they will achieve standard high levels of computerized. At least for publicly traded entities should be made such changes mandatory.