



Comments on Exposure Draft "Accounting Policy Changes" issued by IASB

Thank you so much for giving the opportunity to comment on the exposure draft titled "Accounting Policy Changes" issued by IASB. The exposure draft seeks to provide authoritative status to agenda decisions of IFRIC. It recognises that any change resulting from such decisions could result in either an error or change in accounting policy. However, the cost-benefit criterion is included only for retrospective application of change in accounting policy. We are not in agreement with the amendments proposed. Given below are the reasons for our disagreement:

1. Each amendment in a standard or an interpretation or each introduction of new standard or interpretation is evidenced by a separate document. For IFRIC agenda decisions, there is no separate document being issued. Thus, in the long run, it will be very difficult to track and /or refer to any agenda decision. The IASB may provide authoritative status to agenda decisions only after it identifies a unique reference code for each agenda decision and publishes a document that contains only agenda decisions. The unique reference code should have a reference of the applicable standard no., date of agenda decision and serial number of agenda decision. Each of the agenda decision should have basis for conclusions being part of agenda decision.
2. Agenda decision has been defined as:
"An agenda decision is a decision published by the IFRS Interpretations Committee explaining its rationale for not adding a particular matter to its standard-setting agenda."
IFRIC agenda decisions explaining its rationale for not adding a particular matter to its standard-setting agenda are of various types as follows:
 - a. An agenda decision of IFRIC could be that the issue is not widespread and therefore, not addressed
 - b. An agenda decision of IFRIC could be that the IASB has an ongoing project that deals with the issue and therefore, not addressed
 - c. An agenda decision of IFRIC could be that the standard provide adequate guidance to account for the issue and therefore, no amendment to the standard or an interpretation is required. However, the appropriate accounting is clarified by the IFRIC in the agenda decision.
 - d. An agenda decision of IFRIC could be that there are two views to the issue under consideration and both are appropriate

The IASB should first codify the various types of agenda decisions. The agenda decisions in points c and d above may be given authoritative status once the IASB identifies those decisions with unique reference as indicated above and publishes the same in a separate section in the IFRS blue book, red book and green book.

3. IFRIC should clarify in its agenda decision whether a change that results from its decision would be accounted as change in accounting policy or correction of error. In our view, the agenda decision in point 2c above, results in correction of error and the agenda decision in point 2d above could result in change in accounting policy. Therefore, before making agenda



decisions authoritative, a standard format of agenda decision should be publicly exposed and finalised by IASB.

4. As per the conceptual framework, cost is a pervasive constraint on the information that can be provided by financial reporting. The cost constraint should be analysed only by the IASB or, in case of agenda decisions, by the IFRS Interpretations Committee through the outreach it conducts. Leaving the assessment of cost-benefit to individual entities will only make financial statements incomparable. The IASB may publish the guidance on application of cost-benefit criterion in a framework document on IFRIC agenda decisions so as to inform users of how the committee concludes that benefits of retrospective application for a particular matter will exceed the costs. If the IASB intends to keep the cost-benefit application to individual entity level, it must provide sufficient examples explaining how the benefits of applying a particular requirement of a standard could benefit users of one entity and not others when the primary users identified in the conceptual framework are broadly the same for all entities and the economic decisions for which they use financial reports are also similar.
5. Till date, Accounting Standards Board of The Institute of Chartered Accountants of India (ASB) has never invited any comments from its members on IFRIC agenda decisions. Further, the comments submitted by ASB to IFRIC agenda decisions privately, if any, are not made available to the public. Thus, insofar as the members are concerned, they have no information of the IFRIC agenda decisions. In fact, IFRIC agenda decisions are not made part of Ind AS. Under, the Ind AS framework, the IFRICs and SICs are appended to relevant Ind AS as an appendix. How will the agenda decisions be appended is a question to be considered? The ASB should start putting in place a mechanism that identifies the IFRIC agenda decisions sequentially, invite comments on those decisions and publish them for the information of the members. The decisions of ITFG are non-authoritative and keep changing. Further, the ITFG clarifications need not be in line with how the requirement is applied in IFRS. Thus, ITFG clarifications cannot be a substitute for IFRIC Agenda decisions in India unless ITFG clarifications go through the same rigours as required for a standard introduction or amendment and are given statutory recognition. In the present set of things, if IASB makes IFRIC agenda decisions authoritative, as proposed, it will create a significant difference between Ind AS and IFRS.