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27 July 2018

Dear Sir

Exposure Draft ED/2018/1: Accounting Policy Changes - Proposed amendments to IAS 8

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network[1], this letter summarises views of member firms that provided comments on the ED.

We acknowledge and welcome the Board's willingness to consider the issue of the implementation of changes in accounting resulting from the issue of an agenda decision by the IFRS Interpretations Committee, and its issue of proposals that are intended to address certain of the concerns raised by constituents. However, we do not agree with the proposals, in particular the proposed introduction of an additional 'cost/benefit' analysis to determine whether retrospective restatement is required.

We also appreciate that the proposals are intended in particular to be helpful and assist with the tension between agenda decisions not forming part of the authoritative guidance and the approach taken by many securities regulators and others who view agenda decisions as determining a required accounting approach. However, we believe that by introducing direct reference to agenda decisions in part of the authoritative literature this tension would, if anything, be increased rather than reduced.

In our view, instead of amending IAS 8 as proposed, the quasi authoritative status of agenda decisions needs to be recognised. Consequently, we believe that it would be appropriate for some limited changes to be made to the due process for agenda decisions. These are the introduction of a higher threshold for the IFRS Interpretations Committee to approve an agenda decision, and a requirement for the Board to approve them on a 'do not object' basis (please see our response to question 1). Consideration might also be given to the timing of such Board approval, which could assist in dealing with the timing issue described in paragraphs BC18-BC22 of the ED (please see our response to question 2).

[1] Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network.

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Our responses to the questions in the ED are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)20 7893 3300 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan.

Andrew Buchanan

Global Head of IFRS

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 benefits 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 that you do or do not agree with? Please also explain any alternative that you would propose, and why.

We do not agree.

The proposed text to be added to paragraph 5 notes that:

> 'An agenda decision may result in a voluntary change in accounting policy, a change in accounting estimate or the correction of a prior period error...'

There are then extensive references to 'voluntary' changes in accounting policy elsewhere in the ED. While the form of agenda decisions might be that they could lead to a voluntary change in accounting policy, the substantive effect with securities and other regulators worldwide is that the approach set out in an agenda decision is required to be followed. We therefore disagree with the portrayal of a change in accounting policy as a result of an agenda decision as 'voluntary'.

We also disagree with the proposal that the accounting for a (required) change in accounting policy that results from an agenda decision, specifically whether the adjustments are applied retrospectively, is subject to an entity's assessment of whether the costs associated with that retrospective adjustment exceed the expected benefits to users. We believe that this has the potential for virtually all changes in accounting arising from agenda decisions to be portrayed as changes in accounting policy, with the cost/benefit analysis then concluding that no retrospective adjustments should be made.

Instead, we believe that the Board (and the IFRS Foundation) needs to acknowledge the way in which agenda decisions are applied in practice. This is that, although they are not part of the authoritative guidance, the approach set out in an agenda decision is typically required to be followed. We note that a review of due process is scheduled for later in 2018, and suggest that, in addition to the current due process, the following changes are made:

1. The voting majority required at the IFRS Interpretations Committee to approve an agenda decision is raised from a simple majority to the same level as is required for an IFRIC Interpretation.

2. After approval by the IFRS Interpretations Committee, agenda decisions are tabled at the next meeting of the Board on a 'do not object basis'. If, in an exceptional case, the Board does object to an agenda decision, it would then be returned to the IFRS Interpretations Committee for further consideration. However, we would expect this to be very rare in practice.

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?

We do not think that the explanation in paragraphs BC18-BC22 would be of significant assistance.

Paragraphs BC18-BC21 set out a number of concerns raised by constituents, and note that the Board decided not to amend IAS 8 to address certain of them. Paragraph BC22 then acknowledges that it is appropriate for an entity to have sufficient time to prepare for a change in accounting approach, including agenda decisions. However, although a statement is made that '...in the Board's view, it would generally be unreasonable to expect an entity to apply a change in accounting policy that results from an agenda decision immediately on publication of that agenda decision', it would appear that there is no proposal that would provide relief for entities operating in jurisdictions where the local regulator does require immediate application.

One way that would partially address the issue would be an extension of the limited due process that we have suggested in our response to question 1. This would be that the 'do not object' from the Board is carried out at the first meeting that is held in each calendar quarter. As a result, agenda decisions would not be finalised until that point, which would allow the maximum amount of time for entities to prepare (either for their next quarterly, half yearly or annual report). While it might be argued that this would have the potential to delay the issue of agenda decisions in final form we note that, during 2018, other than the January meeting (which was a videoconference with a limited agenda), all meetings of the IFRS Interpretations committee were or will be held in the second or third month of each calendar quarter. Consequently, we consider that the additional time would not constitute a significant delay.