



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

July 27, 2018

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
United Kingdom

RE: ED/2018/1: Accounting Policy Changes - Proposed amendments to IAS 8 (ED)

Dear Board Members:

The "Group of Latin American Accounting Standard Setters"¹ – GLASS welcomes the opportunity to comment on ED/2018/1, Accounting Policy Changes - Proposed amendments to IAS 8 (the ED).

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in May 2018. All GLASS country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

We did not obtain a unanimous position regarding the modification proposed in the ED.

The majority of the TWG participants support the modification of the threshold for retrospective application when an entity makes a voluntary change in accounting policies from an IFRIC agenda decision; however, some countries propose not distinguishing such changes from other voluntary changes in accounting policy. Those who did not support the proposed change recognize the usefulness of IFRIC agenda decisions and made additional observations detailed in the attached document.

The majority consider paragraphs BC18 to BC22 to be sufficient to motivate a voluntary change in accounting policy that results from an IFRIC agenda decision; however, divergent opinions and other comments are detailed in the attached document.

Specific Comments

Attached please find our specific responses to the question presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Vice Chairman), Bolivia, Brazil (Chairman), Chile (Board Alternate), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board Alternate).



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Sincerely yours,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Eduardo Rocha Pocetti
Chairman
Group of Latin American Accounting Standard Setters (GLASS)



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GLASS Comment Letter on the ED/2018/1, Accounting Policy Changes - Proposed amendments to IAS 8

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.

The majority of the participants agreed with the introduction of a new threshold for voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee, since it will facilitate the application of such changes for the preparation of financial information and thereby, provide more useful information to users.

Some of those that agree with the proposal recommend that the new threshold be applied indistinctly to all voluntary changes in accounting policy made by an entity.

Those who did not support the proposed change recognize the usefulness of IFRIC agenda decisions; however, they made the following proposals:

1. The existing IAS 8 already establishes the criteria on which an entity should evaluate the possibility of making changes in its accounting policies, and the inclusion of additional criteria may lead to its application being practicable; however, an entity may decide not to make the change considering the expected benefits for users and the cost to determine the effects of its application, which would affect the usefulness of the information and may not accurately reflect the transactions.
2. The proposed changes may give higher or lower status to an agenda decision, depending on the reader's opinion and whether the Board decides to debate its status, which suggests to the Board that it consider the disclosure requirements when an entity decides not to adopt it, through a different reading of its own facts and circumstances.
3. The introduction of cost-benefit considerations to assess whether a change resulting from an agenda decision is retrospective or prospective is not useful and considers that it should be the same as other changes within IAS 8, or the Interpretations Committee should highlight the transition approach in the agenda decision (if applicable).
4. The amendment does not propose precise guidelines to perform the cost-benefit analysis and does not require disclosure of the result of such analysis that provides a basis for the voluntary change in accounting policy applied.



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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?

The majority agreed that paragraphs BC18 to BC22 are sufficient to determine the relevance and timeliness of the application of voluntary changes resulting from an IFRIC agenda decision as of its publication, especially the provisions of paragraph BC22 which highlights the professional judgment that must be applied to determine the "sufficient time" to implement the respective accounting policy change.

Those who disagreed indicated that they agreed with the problem, but not with the way in which the IASB addresses it, recommending that the Board change its Due Process Manual to reconsider the applicability of an agenda decision (or decision not to consider it in its agenda), and others indicated that paragraphs FC18 to FC22 are not very precise.

With respect to the timing of application, the opinion was almost unanimous that if the change of accounting policy results from an agenda decision is voluntary, no period of mandatory application is established, given the incoherence that would result from such a requirement; however, minority opinions indicated that entities should apply the voluntary change in the first period that begins after its publication, and others indicated that the application of changes resulting from an IFRIC agenda decision should be considered as mandatory, to be consistent with the standardization of financial information and the comparability of information for companies in common sectors.

Other proposals we received are summarized below:

1. That it must be taken into consideration for the analysis of this modification, that the relevance of an IFRIC agenda decision for the consulting entity that generated the decision is different from that of the rest of the entities that might consider it as a basis for a voluntary change of in accounting policy, and paragraphs FC18 to FC22 may not be sufficient motivation for the latter to make a decision on the respective change.
2. That in order for an IFRIC agenda decisions to be considered as a basis for improved application of IFRS or correction of accounting policies, they should be at the same level of access that as standards; that is, published in a freely accessible digital format and in all the



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languages to which the IFRS are translated.

3. That if this amendment of IAS is approved, the IASB must establish an action plan for the disclosure of all agenda decisions that have been issued by the IFRIC prior to the effective date of the aforementioned amendment.

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