Comment Letters
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

La Défense, July 25, 2018

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

Dear Hans,

Mazars welcomes the opportunity to comment on the International Accounting Standards Board’s Exposure Draft, Accounting Policy Changes - Proposed amendments to IAS 8, issued in March 2018.

We support the proposed amendments, for the following reasons:

- despite their non-authoritative status, agenda decisions constitute an important source of accounting documentation and regularly lead to changes in the application of IFRSs: it thus seems particularly useful, as proposed in the amendments (in paragraph 5), to include a definition of an agenda decision in IAS 8 which recognises that the exercise of judgment is required, based on the principles of IAS 8, to characterise the nature of the change resulting from an agenda decision and that such a change is not necessarily a correction of error, contrary to what is sometimes envisaged by some regulators;

- the current “impracticibility” threshold in IAS 8 is a very significant hurdle – to the point that it may prevent entities, in some cases, from implementing changes of accounting policy that would provide reliable and more relevant information; therefore, we consider any proposal to rethink this constraint in light of the usefulness of retrospective application as an improvement – to that end, a cost / benefit threshold appears more appropriate than the current “impracticibility” threshold;
however, we see no particular reason to limit the use of the new cost / benefit threshold to changes of accounting policy that result of an agenda decision only. As we do not perceive any significant risk in distinguishing between voluntary changes in accounting policies resulting from agenda decisions and other voluntary changes in accounting policies; we believe that, though a general reflection on the relevance of the current “impracticability” threshold in IAS 8 would be desirable (there would be valid conceptual and practical arguments to replace the current “impracticibility” threshold in IAS 8 by this new threshold), this should not prevent the IASB from finalising this project.

In conclusion, we believe that the proposed amendments bring significant improvements to some of the major issues arising from changes that result from agenda decisions and encourage the IASB, at a later stage and on the basis of the feedback received on the application of these amendments, to consider extending the use of the cost / benefit threshold in IAS 8.

Our detailed comments to the questions raised in the Exposure Draft are set out in the Appendix.

Please do not hesitate to contact us should you want to discuss any aspect of our comment letter.

Yours sincerely,

Michel Barbet-Massin

*Head of Financial Reporting Technical Support*
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 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.*

We agree with the proposed amendments.

We believe that the relief proposed is an effective solution to address some of the practical difficulties faced by preparers in the past in implementing a voluntary change of accounting policy as a result of an agenda decision.

However, we see no conceptual reason to limit the application of the proposed threshold to voluntary changes in accounting policy that result from an agenda decision (for instance, we believe that the loss of comparability between entities mentioned in BC8.(a) is not relevant for other voluntary changes: accounting policies for which a legitimate choice exists between several acceptable accounting policies are, by definition, not necessarily aligned across entities and it can only be assumed that this “lack of comparability” has in no way been considered detrimental to users of financial statements when the standard allowing this choice of accounting policy was issued – otherwise, this would be an indication that the standard is not appropriate and should be amended).

Accordingly, whilst we support the proposed amendments, we encourage the IASB to further extend the use of the cost / benefit threshold in IAS 8 to *all* voluntary changes in accounting policy, as well as to correction of errors. With regard to correction of errors we would specifically highlight the following:

a) this new threshold should not be a “free choice” offered to entities, allowing them to depart from retrospective application as they wish, but requires careful consideration from the entity – perhaps with a reinforced analysis of the “benefit” side of the cost / benefit analysis in the case of correction of errors, as the loss of comparability between entities can be an important factor; and

b) we believe that corrections of errors should be facilitated and not hindered.
With this viewpoint, we believe that the proposed amendments will give the IASB a good opportunity to assess the relevance of this new threshold and application guidance (to assist preparers in performing the cost/benefit analysis) and its application by preparers and users of financial statements, once the final amendment has been published and entered in application.

**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?*

1) We agree with the IASB that there is no obvious way to address the timing of applying a voluntary change in accounting policy that results from an agenda decision. We consider that providing explanations in the Basis of Conclusions, as proposed in the Exposure Draft, is probably the most appropriate solution, for the following reasons:

- because agenda decisions address specific questions and fact patterns, judgement is required to determine how and to what extent the content of the decision would cause an entity to change the way it applies the standards: it therefore seems inappropriate to set a mandatory timeline for any such change as the necessity, the nature (i.e. a voluntary change in accounting policy or a correction of error) and the extent of the change would depend on the entity (in addition, setting a mandatory timeline for a non-mandatory change – in case the change is qualified as non-mandatory – would be inherently contradictory);

- the absence of a mandatory timeline to implement a change in accounting policy that results from an agenda decision of course does not need to be specified in the body of the standard, but nevertheless it is helpful to specify, in the Basis for Conclusions, the reasons for reaching this decision (in this regard, the Board seems to have reached this decision not on the basis of the previous argument, but because of a concern that regulatory bodies in some jurisdictions might impose a different mandatory timeline to implement the change);
we believe that the real issue does not lie so much in the timeliness of implementation of changes that are either clearly mandatory (corrections of errors) or clearly non-mandatory (voluntary changes that remain optional), but rather in the timeliness of implementation of a change which some\(^1\) may consider to be mandatory, because an agenda decision has been published which specifies one accounting treatment as the only correct solution for a particular accounting problem whereas several accounting treatments might have been considered appropriate in practice: in this situation, we believe that the explanations in BC16 and BC22 are needed and helpful.

2) We believe that the difficulties raised in dealing with this issue underline the importance of making an appropriate distinction between the issues to be addressed through an agenda decision and those to be addressed through an amendment to the standards (which could sometimes take the form of additional application guidance) or a new interpretation, with specific transition requirements to be applied consistently by all entities. This difficulty cannot be solved by amending standards, as it concerns the process of developing standards itself.

Having said that, we are also aware that it may not always be possible to avoid situations where important clarifications regarding the application of standards remain at the level of agenda decisions. For this reason in particular, we support the proposed amendments which provide a pragmatic solution.

**Other comments**

As stated in the cover letter, we support the introduction of a definition of agenda decisions in IAS 8 (§5) and the accompanying clarification provided after this definition to specify that “the nature of, and the required accounting for, any change that results from an agenda decision” needs to be determined in accordance with the principles of IAS 8.

We believe that it would also be relevant to specify here (in the body of the standard) that agenda decisions do not constitute authoritative guidance and thus explicitly formulate the reasoning that was held in paragraph BC2 of the proposed amendments (namely: “because an agenda decision is non-authoritative, any change that results from an agenda decision is not a change that is required by IFRS Standards. Accordingly, unless it is the correction of an error, the entity accounts for that change as a voluntary change in accounting policy or a change in accounting estimate applying IAS 8”).

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\(^1\) In particular, regulators in certain jurisdictions.