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會計研究發展基金會
ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION

July 26, 2018

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Exposure Draft ED/2018/1 Accounting Policies Changes (Proposed amendments to IAS 8)

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments (Attachment 1) are our comments to this exposure draft. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email:margaret@ardf.org.tw).

Sincerely Yours,

Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

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Attachment 1

Exposure Draft ED/2018/1 Accounting Policies Changes (Proposed amendments to IAS 8)

Accounting Policies Changes

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.

Response to the above Question:

We basically support the proposed amendment to enhance the overall quality of financial reporting if the following practical issues can be clarified. First of all, we suggest that the IASB clarify the role of agenda decisions played in the implementation of IFRS. If the IASB intends to have the entities apply the accounting policy or make accounting policy choice in accordance with agenda decisions rather than only for reference, we believe it is more appropriate to reconsider the position of agenda decisions.

If the IASB decides to remain the position of agenda decisions, we still recommend that the IASB clarify whether a change resulting from an agenda decision is the correction of an error or a change in an accounting policy in the proposed amendments although the Board decided not to do so at the Board meeting in June 2017.

Regarding the proposed new threshold, we are concerned about different thresholds of retrospective application for changes in accounting policies resulting from an agenda decision (hereafter, the change from agenda) and those not resulting from an agenda decision(hereafter, the change from non-agenda). If the IASB intends to encourage entities to provide more relevant information and faithfully represent what they purport to represent and the loss of comparability is acceptable, the new threshold should also be applied to the change from non-agenda. Besides, we believe the different thresholds will introduce complexity.

For the cost-benefit analysis, which depends on the judgment of entities, we are concerned that an entity could improperly use the cost-benefit analysis unintentionally and intentionally.

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Therefore, we recommend adding more detailed guidance on how to compare costs and benefits and requiring preparers of financial statements to disclose such comparison as well as their decision over retrospective application. We believe this disclosure requirement can reduce manipulation.

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?

Response to the above Question:

We are of the view that if the position of agenda decisions remains an non-authoritative guidance and only for reference and therefore the changes from agenda are voluntary changes in accounting policy, we agree with the reason showed in the paragraph BC 19 of the ED that it is strange to develop an effective date for a voluntary change.

However, if the agenda decisions are required to be followed by entities, we recommend specifying an effective date for an agenda decision which is, depending upon the circumstance, no later than a specific annual reporting period. This is because an entity can manipulate earnings through choosing the date of initial application if there will be no effective date for the agenda decision and an unified effective date will improve the comparability between entities. We believe "no later than the beginning of a specified annual reporting period" requirement concurrently considers the need for sufficient time and reduction in the possibility of manipulation. We understand the limitation described in the paragraph BC20 of the ED. Nevertheless, we think the advantages of this approach are more important and even if there is no specific effective date of an agenda decision, it is possible that local regulations impose some limitation on the timing of application of agenda decisions.

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