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**Sent electronically through the IASB Website ([www.ifrs.org](http://www.ifrs.org))**

2 August 2018

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

Dear Hans,

**IASB Exposure Draft ED/2018/1  
*Accounting Policy Changes***

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing and ethics for professional accountants, in Hong Kong. HKICPA is grateful for the opportunity to provide you with our comments on this Exposure Draft.

HKICPA appreciates the IASB's efforts in encouraging entities to adopt non-authoritative explanatory material included in agenda decisions published by the IFRS Interpretations Committee (IFRIC agenda decisions).

HKICPA agrees that IFRIC agenda decisions might provide new information that lead a company to change its previous accounting policy. Given the non-authoritative nature of IFRIC agenda decisions, HKICPA recommends that the IASB should require companies that choose or plan to voluntarily change accounting policies resulting from IFRIC agenda decisions to apply them on a prospective basis, and also provide an option for companies to apply this kind of voluntary change in accounting policies retrospectively if practicable.

If the IASB decides to proceed with requiring a retrospective application, the IASB should specify when companies should apply clarifications arising from IFRIC agenda decisions. HKICPA considers that a date no later than the next annual reporting period is a possible solution, however, the IASB needs to be mindful of clarifications arising from IFRIC agenda decisions that are issued closer to the date of the next annual reporting date. In addition, HKICPA recommends that the IASB explains in the Basis for Conclusions why no transitional provisions are needed for voluntary change in accounting policies resulting from IFRIC agenda decisions.

In the spirit of encouraging more consistent application of IFRS Standards, HKICPA considers that issuing IFRIC agenda decisions as a method of clarifying Standards may not be as effective to promote consistent application. HKICPA therefore suggests the IASB to consider:

- For IFRIC agenda decisions that lead to a prevalent and significant change in practice, the IASB should consider reflecting those decisions via the Annual Improvements Process or issue an Interpretation. Agenda decisions that have



prevalent and significant effect in practice can be identified through the responses that IFRIC receives on its tentative agenda decisions consultation. Clarifications made this way are easier for stakeholders to follow.

- For IFRIC agenda decisions that are purely education in nature and do not lead to a prevalent/significant change in practice, the IASB could incorporate such agenda decisions into its education materials. The IASB could also consider other ways to raise the awareness of these agenda decisions through its education initiative.

In forming its views, HKICPA considered the views of its stakeholders who responded to its Invitation to Comment on ED/2018/1. The major feedback from Hong Kong financial institution preparers are in the Appendix.

If you have any questions regarding the matters raised in this letter, please contact me or Katherine Leung, Associate Director of the Standard Setting Department ([katherineleung@hkipa.org.hk](mailto:katherineleung@hkipa.org.hk)).

Sincerely,

A handwritten signature in black ink, appearing to read 'CNg'.

Christina Ng  
Director, Standard Setting Department



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29 June 2018

By email: [commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk) and by post

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Hong Kong

Dear Christina

**The Hong Kong Association of Banks's comments on HKICPA "Invitation to comment on IASB Exposure Draft ED/2018/1 Accounting Policy Changes"**

Thank you for your letter dated 11 April 2018 inviting our comments on the captioned IASB exposure draft. Our comments on the specific questions raised in the exposure draft are set out below for your consideration.

***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 have reservations with the proposed amendments.

In practice, it would be very difficult and onerous for preparers to implement this amendment, in particular regarding the need to assess the expected benefits to the users of the financial statements.

Paragraph BC10(c) states that "considering a user's perspective when making decisions about financial reporting would not be new for entities. For example, an entity considers a user's perspective when assessing materiality". We agree that entities currently consider users' perspective when assessing materiality, but the cost and

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benefit assessment for voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee (“the Committee”) is highly subjective, information regarding users’ perspective of benefits can be difficult to obtain, and the cost to the preparer will vary depending on operational set up.

Furthermore, most of the factors mentioned in paragraphs A8 to A10 of the application guidance are qualitative in nature. In the absence of more specific requirements on the benefit and cost assessment, there may be different interpretations and judgements being applied on the threshold, hence lower the comparability of the financial information among preparers.

The Committee publishes an agenda decision when the Committee concludes that principles and requirements in the standards provide an adequate basis for an entity to determine the appropriate accounting. Thus, if entities are applying the principles and requirements appropriately, the resulting accounting treatment should not be significantly different to the explanatory material included in IFRIC decisions and not applying the change retrospectively should not have significant impact on the trend in a financial statement over time with any potential impact on trends disclosed through IAS 8.29 requirements.

Therefore, we recommend that the examples in the application guidance should be enhanced to help users to quantify the cost and benefit for comparison purposes, and that additional illustrative examples are provided to demonstrate this thought process. Prospective application with disclosure as required by IAS 8.29 should be allowed for voluntary changes to incorporate explanatory material included in IFRIC decisions which does not result in a change to the standard unless the explanatory material have resulted in the previous accounting treatment being viewed as an error, in which case retrospective application should be required.

***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 believe that the explanation provided in paragraphs BC18 to BC22 will be helpful for an entity’s decision to apply a change in accounting policy that results from an agenda decision.

The purpose of the amendment is to encourage entities in providing more useful financial information by considering the agenda decisions. Paragraph BC22, states that an entity should be entitled to “sufficient time” to prepare for a change in



accounting policy that results from an agenda decision, but it does not provide guidance on the optimal implementation timeline.

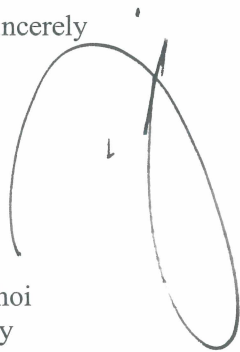
An unclear and undetermined implementation timeline of an agenda decision will result in different implementation time of the same decision across different entities and hence lower the comparability of the financial information. Therefore, we believe that it is better to have a clear implementation timeline and so is supportive of either option proposed in BC20.

In particular, we are of the view that the second option of “*requiring the application of such a voluntary change no later than the beginning of the next annual reporting period*” give entities sufficient time to prepare for any change, while having the flexibility applying the change earlier if required. It is also less judgmental so would improve comparability amongst entities regarding the accounting policies adopted. We believe by improving comparability it would provide better information to the users of financial statements.

Therefore, we suggest that paragraphs BC18 to BC22 is enhanced to specify that an agenda decision should include a suggestion on the optimal implementation timeline, depending on the nature, impact and implementation practicality of the decision. Additionally, it would be helpful to include the principles discussed in paragraphs BC18 to BC22 in the amendments to the standard.

Should you have any questions, please contact our Manager Ms Emily Ngan at 2526 6080.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized loop that starts on the left, goes up and over, then down and around to the right, ending with a vertical stroke.

Steve Choi  
Secretary