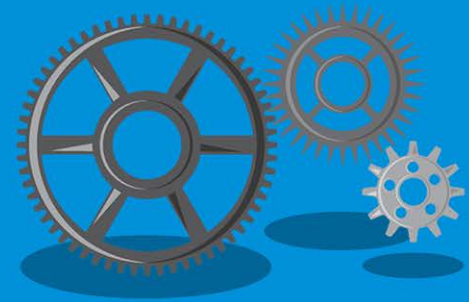


IFRIC agenda decisions



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The authority and role of IFRIC agenda decisions has never been clearer – and the need for companies to engage with IFRIC discussions, and the resulting agenda decisions, has never been more pressing.

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Companies need to engage with IFRIC discussions

Highlights

- Authority and role of IFRIC agenda decisions confirmed
- Due process for finalising agenda decisions enhanced
- Next steps – Companies need to engage with IFRIC discussions and agenda decisions

Updates to the IFRS Foundation's standard-setting manual – the *Due Process Handbook*¹ – focus on the work of the IFRS Interpretations Committee (IFRIC, or the Committee) and its agenda decisions. These updates include:

- confirming that a company is required to apply IFRS® Standards reflecting the explanatory material included in agenda decisions;
- explaining that a company is entitled to sufficient time to consider agenda decisions and implement any necessary resulting change in accounting policy; and
- enhancing due process by formally involving the International Accounting Standards Board (the Board) in the finalisation of agenda decisions.

The issues discussed by the Committee are significant, so the impact of the resulting accounting policy changes on a company's financial statements could be material. Any changes may need to be made in the next financial statements (interim or annual).

Authority and role of IFRIC agenda decisions confirmed

If the Committee decides not to add a standard-setting project to the agenda, then it issues an 'agenda decision' that explains why and often outlines how to apply the principles and requirements of IFRS Standards.

The updates to the handbook confirm that agenda decisions cannot add or change requirements in IFRS Standards, but rather aim to improve consistency in their application. However, the explanatory material in an agenda decision derives its authority from the IFRS Standards and often provides additional insights on how

1. The Due Process Handbook (the handbook) sets out the due process and principles that apply to the International Accounting Standards Board and the IFRS Interpretations Committee. The Trustees of the IFRS Foundation have a Due Process Oversight Committee that is responsible for monitoring compliance with due process.

to apply them. Therefore, companies are expected to change their accounting policy to the extent that their accounting differs from that described in the agenda decision.

Timing of implementation of agenda decisions

Agenda decisions do not have an effective date or transition provisions; they are expected to be applied as soon as possible – and retrospectively.

But, in practice, implementing agenda decisions may sometimes be difficult – especially when the decisions are issued near a reporting date. This is because effecting an accounting policy change may require companies to undertake a number of steps, such as collecting additional information to apply the new policy or to provide disclosures, or changing processes or systems.

The updates to the handbook reflect the Board's view that a company should be entitled to 'sufficient time' to determine whether to change an accounting policy as a result of an agenda decision and to implement any such change.

So what is meant by 'sufficient time'? In her article, [Agenda decisions – time is of the essence](#), Sue Lloyd, chair of the Committee, states that the Board "had in mind a matter of months rather than years."

Due process for finalising agenda decisions enhanced

Considering the importance of the agenda decisions in supporting consistent application of IFRS Standards, the updates enhance the due process by formally involving the Board in the finalisation of the agenda decision. Before it is published, Board members will be asked whether they object to:

- the Committee's decision that a standard-setting project should not be added to the work plan, and
- the Committee's conclusion that the agenda decision does not add or change requirements in IFRS Standards.

If four or more Board members object, the agenda decision is not published and the Board decides how to proceed.

Companies need to engage with IFRIC discussions

Companies are encouraged to review the [IFRIC Updates](#), where draft and finalised agenda decisions are published, to establish if any of their accounting policies differ from that described in an agenda decision. The issues discussed by the Committee are significant – for example, reverse factoring and cloud computing – so the impact on your financial statements could be material.

Agenda decisions are very much on the radar of regulators and others. And while companies are entitled to 'sufficient time' to implement that accounting, unless facts and circumstances indicate that more time is needed, you would be expected to apply a resulting change in accounting policy in the next financial statements (annual or interim) issued after the publication of the agenda decision.

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