

# IFRIC Updates – Regulators are paying attention; are you?



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## Keep an eye on the Committee's output

As I prepare for my last meeting as a member of the IFRS Interpretations Committee, I've started to reflect on what's changed during my six years in the post.

To my mind, there have been some very significant developments both in the way the Committee carries out its role of helping the International Accounting Standards Board (the Board) to maintain IFRS® Standards, and in the value of its output to preparers and others.

Most significant, perhaps, is that – while the Committee's agenda decisions are technically non-authoritative – their importance and value for preparers is growing.

## Regulators pay close attention to agenda decisions

These days, if the Committee decides not to add a standard-setting project to the agenda, an 'agenda decision' will be issued that in many instances outlines how to apply the principles and requirements of IFRS to the scenario.

It's fair to say that some stakeholders probably only pay full attention to the Committee when it issues an Interpretation. But make no mistake – our **agenda decisions** are far more than reaching a decision not to take something on to our standard-setting agenda and are very much on the radar of regulators and others.

In fact, many regulators see our agenda decisions as quasi-authoritative and accounting firms consider them to be 'in-substance mandatory' – and will routinely change their guidance to reflect the decisions.

## So what's changed?

Not that many years ago, if a question wasn't considered by the Committee to be significant enough to trigger a standard-setting project, a brief rejection notice would be issued. All very open-and-shut...

But in response to outreach on the role of the Committee and how it might be improved, we've become more active during my tenure on the Committee in seeking to provide helpful guidance. Additional explanatory material now accompanies agenda decisions, which is intended to be informative and persuasive in providing guidance on the accounting for a particular issue.

This enhanced approach is an important tool in the Committee's toolbox to assist in the consistent application of IFRS. It's been helpful in dealing with an increase in the number of questions being submitted to the Committee over the past couple of years as a result of:

- regulators and others becoming more concerned about diverging accounting treatments;
- implementation issues with IFRSs 9, 15 and 16; and
- practice questions that have arisen from intersections between the old and new standards.

### What has the Committee been looking at?

During this busy time, I feel fortunate to have seen first-hand the added value that the Committee brings to the overall aim of enhancing consistency in the application of IFRS.

We last published an interpretation in June 2017 (*IFRIC 23 Uncertainty over Income Tax Treatments*) but, since then, over 30 separate agenda decisions have been issued.

These agenda decisions include practical guidance on how to apply the principles and requirements in IFRS to practice issues that have been submitted to the Committee for its consideration – and are summarised in the [IFRIC Update](#).

### How much time should be allowed to implement changes?

Given this upsurge in valuable content, you're probably thinking: if a preparer has an accounting policy that is inconsistent with the agenda decision, how quickly does this change need to be implemented?

I can tell you that this is a question that has been exercising both the Board and the Committee for some time...

Recently, the Board has acknowledged that it may take time to implement any resulting accounting policy change and preparers should therefore be entitled to 'sufficient time' to implement necessary changes. This view is reflected in the [March 2019 IFRIC Update](#) as well as in the recently published exposure draft [Due Process Handbook](#).

As far as what 'sufficient time' might mean, Sue Lloyd, Chair of the Committee, recently gave a flavour of how this might work in an [article](#) in which she suggests that the Board had in mind "a matter of months rather than years".

That said, it may be that some regulators will take a different view...

### How helpful is this development to stakeholders?

Although this may not be a 'perfect' solution in the sense that it may lead to debates about what is considered to be "timely" in a particular entity's circumstances, I view this overall as a helpful development. My expectation is that entities will implement agenda decisions in a timely manner – in other words, as quickly as possible. Clearly, there's going to be a need for judgement to determine how long is needed to make any resulting changes and this will depend on the specific facts and circumstances.

But in the absence of anything more definitive, the 'sufficient time' approach does at least give preparers some additional relief to carry out any work necessary. This might include changes to systems and processes, or time to collect data.

And in the meantime, in cases where an accounting policy is not immediately implemented as a result of an agenda decision, appropriate disclosures similar to those required under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* should be considered to alert investors and other financial statement users of the expected impacts and timeline for implementation.

## Keep an eye on the Committee's output

To sum up, I think the Committee is doing some really great work. It continues to play a crucial role in working towards the collective goal of high-quality, consistent application of IFRS.

But the evolutionary nature of its shift in focus towards improved helpfulness means that awareness around the growing importance of its output could be improved.

So, my parting message to preparers is: "Keep a close eye on the Committee's agenda decisions, and spread the word." 'Agenda decision' might sound procedural, but scratch the surface and you'll find a rich source of practical and timely guidance to help resolve some of the thorniest accounting issues of the day...

## About the author

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**NOTE:** From 1 July 2019, **Brian O'Donovan** – a KPMG partner and member of KPMG's International Standards Group – will succeed Reinhard as a member of the IFRS Interpretations Committee, for a three-year period.