

## **Proposed amendments to the IFRS Foundation Due Process Handbook**

### **Consultation questions**

#### **Question 1 - Effect analysis**

The DPOC proposes to amend the section 'Effect analysis' to:

- embed explicitly the process of analysing the effects throughout the standard-setting process;
- explain the scope of the analysis;
- explain how the Board reports the effects throughout the process; and
- differentiate the effect analysis process from the final effect analysis report.

Do you agree with these proposed amendments?

#### DZ BANK Answer 1:

We agree and especially welcome the proposal that the handbook shall clarify that the IASB analyzes the effects of new or amended standards over the entire standard-setting process.

#### **Question 2 - Agenda decisions**

The DPOC has proposed the following amendments relating to agenda decisions:

- to provide the Board with the ability to publish agenda decisions;
- to better explain the objective and nature of explanatory material in an agenda decision; and
- to reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change.

Do you agree with these proposed amendments?

#### DZ BANK Answer 2:

#### **Agenda Decisions of the IASB**

We share the concerns put forward by EFRAG about the proposal that the handbook should allow the IASB to issue formal agenda decisions.

Such decisions would constitute a new type of official document which preparers would have to consider beyond the mass of existing official documents they must consider already.

We see a danger that IASB agenda decisions would contribute to a continuous fragmentation of IFRS.

This is because they shall explain explicitly how certain rules of IFRS standards have to be apply in specific circumstances or under unique fact patterns (see paragraph 8.6 of the ED). Such interpretations of IFRS for individual facts or circumstances should in our opinion remain to be only the task of the IFRS Interpretations Committee.

We fear that IASB agenda decisions might limit the possibility for preparers to exercise judgements in practice, because especially their auditors might expect them to exercise judgements in a certain way considering an agenda decision of the IASB.

The status of the proposed IASB agenda decisions within the system of formal documents issued by the IASB seems questionable to us. If the IASB considers explanations of IFRS standards as so important that it wants to put them up for public consultation first and make them widely known, then the IASB should integrate such explanations into the standards or the accompanying documents. In all other cases we consider simple publication in the IASB Update or on the IASB website as sufficient. A category of documents with a limited degree of authority appears inappropriate to us for a standard-setter like the IASB. The IFRS Foundation should not take over rules of procedure designed for the IFRS Interpretations Committee for the procedure of the IASB without adjustment. This is because the IFRS Interpretations Committee as an interpretative body has a different role to play than the IASB.

Even if IASB agenda decisions would be rare as expected by the ED they might accumulate to a substantial number as time goes by. This would add complexity to IFRS accounting.

Even without IASB agenda decisions it becomes increasingly difficult to keep up with a permanently growing number of agenda decisions of the IFRS Interpretations Committee which are nowhere accessible in systematic order.

### **Explanations within agenda decisions**

We welcome the proposal that the handbook shall describe the objective and nature of explanations within agenda decisions more precisely. We recommend to add a statement saying that explanations within agenda decisions should be formulated as short and focused on the main message as possible. Many issued agenda decisions seem overly long and detailed to us. We often find it difficult to see the core messages of those decisions.

It is contradictory, when after pages long of explanations an agenda decision concludes that the applicable IFRS are clear and no standard-setting is required. If the rules under examination were clear there would be no need to explain them extensively.

If the IFRS Interpretations Committee thinks that extensive explanations are required, presumably an IFRIC Interpretation or an amendment of a standard or its accompanying documents would be the most appropriate solution.

### **Sufficient time for implementing agenda decisions**

We welcome the proposal that paragraph 8.5 of the handbook shall formulate the expectation that preparers are entitled to sufficient time to examine whether they should adjust their accounting treatment because of an agenda decision and to implement such adjustments if necessary. We recommend to elaborate further on that principle. We propose to add that what sufficient time means depends on the circumstances of the individual

preparer and the fact pattern under consideration. The handbook should also state that a preparer may and must exercise judgement in order to decide on how to deal with an agenda decision.

Finally, we recommend a statement saying that an accounting treatment that differs from an agenda decision does not necessarily constitute an error of the accounting in the prior periods according to IAS 8.

For our additions we refer to Sue Lloyd and her Article “IFRS - Agenda decisions—time is of the essence” of 20. March 2019 (<https://www.ifrs.org/news-and-events/2019/03/time-is-of-the-essence/>)

### **Question 3 - other matters**

The DPOC has proposed to amend the Handbook on other matters including:

- the type of review required for different types of educational material;
- consultation in connection with adding projects to the Board’s work plan;
- clarifications of the IFRS Taxonomy due process and Taxonomy updates and the role of the DPOC in overseeing Taxonomy due process.

Do you agree with these proposed amendments?

DZ BANK Answer 3:

We have no concerns.

### **Question 4 - Consequential amendments to the IFRS Foundation Constitution**

The Trustees of the IFRS Foundation have proposed to amend the IFRS Foundation Constitution as a result of the proposed amendments to the Handbook relating to the role of the IFRS Advisory Council.

Do you agree with these proposed consequential amendments?

DZ BANK Answer 4:

We agree.