



## Brewing Over

# The role of IFRIC Agenda decisions

The International Accounting Standards Board (IASB) was established by the IFRS Foundation in 2001 with the objective of developing a single set of high-quality, understandable, enforceable, and globally accepted accounting standards. To achieve this objective, the IASB follows a comprehensive and transparent due process that involves public participation throughout all stages of the process. This process includes a periodic agenda consultation with stakeholders, a research programme involving discussion papers soliciting public comment, and a standard-setting programme comprising global stakeholder consultation and exposure drafts exposed for public comment. The development of a new Standard, or an amendment to an existing Standard, is thoroughly researched, discussed, and debated, which ultimately gives credibility to and global acceptance of the principles contained in the IFRS Standards. Nevertheless, despite the due process described above, it is inevitable that some of the IFRS principles will require further intervention to assist preparers in implementing them. This is where the maintenance programme

comes in. The maintenance programme comprises both proactive and reactive workflows. From a proactive perspective, the IASB regularly consults on the implementation of a new or amended Standard to identify any implementation problems that may need to be addressed through amendments to Standards, additional explanatory guidance or by developing educational material. However, the Board is not solely responsible for dealing with implementation issues that may arise, and it is assisted in this regard by the IFRS Interpretations Committee, which responds to application questions submitted for consideration. The Interpretations Committee comprises 14 voting members appointed by the Trustees of the IFRS Foundation, who are drawn from subject-matter experts from around the world, bringing an appropriate blend of technical, business and market experience relating to the application of IFRSs. Collectively, the Board and the Committee “seek to achieve a balance between maintaining the principle-based nature of the



Standards and adding or changing requirements in response to emerging application questions”. Any stakeholder is able to submit a question directly to the Committee for consideration. All eligible application questions are considered at public Committee meetings, during which the Committee decides whether it is necessary to add a standard-setting project to respond to the question submitted to its work-plan, or agenda. If the Committee decides to proceed with a standard-setting project, the resultant pronouncement (dubbed “IFRIC” in homage to the Committee that issues it) follows the same due process to that followed by the Board in developing IFRSs, and the IFRICs become authoritative pronouncements for companies reporting in terms of IFRSs. In some cases, the Committee may decide not to proceed with standard-setting, for instance, if standard-setting would be unnecessary because IFRSs already provide an adequate basis to apply the accounting principles to the given scenario in the submission, or where it appears that the matter is unlikely to have a widespread impact. In other instances, the Committee may conclude that the matter requires a larger Board project to be undertaken as the matter is not sufficiently narrow in scope and cannot be resolved efficiently and may choose to refer the matter to the Board for consideration. These decisions explaining why a standard-setting project has not been added to the agenda of the Committee are referred to as “agenda decisions”.

Where the decision arises from the Committee concluding that IFRSs already provide an adequate basis to address the problem described in the submission, the agenda decision usually includes explanatory material which sets out the Committee’s reasoning and basis for conclusions on the matter. Although the tentative agenda decisions containing explanatory material are exposed for public comment for a period of 60 days, the resultant final agenda decisions do not add to or change the requirements of the IFRSs, and therefore are not considered to be mandatory - at least not formally from the IASB’s perspective (regulators in some jurisdictions regard explanatory material in agenda decisions of an interpretative body such as the IFRIC to be authoritative and mandatory).

The explanatory material explains how the existing requirements of the relevant Standards should be applied to the particular fact pattern described in the submission. Since the existing requirements of the relevant Standards are mandatory for companies applying IFRSs, the implication is that a preparer would take into consideration the persuasive guidance provided by the explanatory material when using judgement to apply those requirements in determining its accounting policies. As noted previously, the explanatory material in an agenda decision specifically responds to a particular fact pattern, and it is unlikely that all preparers will be dealing with an



identical fact pattern. Nevertheless, the application of judgement implies that preparers will identify the core principle at the heart of the explanatory material and apply the relevant guidance by analogy to their respective situations where appropriate.

Historically, some preparers may have applied their accounting policies based on their interpretation of the standards differently to the manner in which the explanatory material would suggest. The introduction of new explanatory material in an agenda decision may highlight the need for preparers to amend their accounting policies to respond to this new and persuasive information so that the financial statements will provide reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows. Because such a change would be considered a voluntary change in accounting policy, IAS 8.19(b) requires the change to be applied retrospectively.

In its December 2018 meeting, the IASB proposed that its Due Process Handbook be amended to explicitly confirm its views that explanatory material in agenda decisions is intended to “promote consistency in the application of IFRS Standards” and that “it expects companies to be entitled to sufficient time to implement changes in

accounting policy that result from an agenda decision published by the IFRS Interpretations Committee”. This acknowledgement by the Board of the status of explanatory material included in agenda decisions highlights the importance for companies to remain up to date on developments arising from the work of the Interpretations Committee, as well as to consider the implications of any new explanatory material on the accounting policies that they have applied in the past and that they continue to apply.

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