

INTERNATIONAL FINANCIAL REPORTING BULLETIN 2010/18

THE ANNUAL IMPROVEMENTS PROCESS: PROPOSALS TO AMEND THE DUE PROCESS HANDBOOK FOR THE IASB



Background

The IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB), has published a Consultation Document (the CD) of proposed enhancements to the criteria for the IASB's annual improvements process.

The annual improvements process provides a mechanism for non-urgent but necessary amendments to IFRSs to be grouped together and issued in one package. Such amendments may clarify guidance and wording, or make relatively minor amendments to the standards that address unintended consequences, conflicts or oversights.

The proposals in the CD, following a review by the Trustees' Due Process Oversight Committee, recommend modifications to the IASB's Due Process Handbook. These would enhance the criteria for determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

Proposals

The proposed amendments are intended to assist:

- the IASB when it determines whether a matter relating to the clarification or correction of IFRSs should be amended through the annual improvements process; and
- interested parties when they develop comments on clarifications and corrections proposed using that process.

The CD proposes that in planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)–(d) must be met to qualify for inclusion in annual improvements.

(a) The proposed amendment has one or both of the following characteristics:

- Clarifying - the proposed amendment would improve IFRSs by clarifying unclear wording in existing IFRSs, or providing guidance where an absence of guidance is causing concern. A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.
- Correcting - the proposed amendment would improve IFRSs either by resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for the application of the existing requirements, or addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs. A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.

STATUS

Consultation Document

EFFECTIVE DATE

n/a

ACCOUNTING IMPACT

n/a

- (b) The proposed amendment has a narrow and well-defined purpose, i.e. the consequences of the proposed change have been considered sufficiently and identified.
- (c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach a conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.
- (d) If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a pressing need to make the amendment sooner than the project would.

Finally, the CD proposes that the IASB assesses annual improvements against criteria (a)-(d) above both before they are published in an exposure draft and before they are issued as amendments to IFRSs.

Comment period

The IFRS Foundation has requested the submission of comments on its proposals by 30 November 2010.

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