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29 July 2019

IFRS Foundation  
Attn. Mr Erkki Liikanen  
Columbus Building  
7 Westferry Circus  
London E14 4HD  
United Kingdom

Dear Mr Liikanen

**IFRS Foundation Exposure Draft *Proposed amendments to the IFRS Foundation Due Process Handbook***

CPA Australia represents the diverse interests of 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia commends the IFRS Foundation for its efforts to review and update the Due Process Handbook (Handbook). In the attachment to this letter, we have provided our comments in response to the specific questions raised.

CPA Australia notes that the Handbook does not currently address the role of Transition Resource Groups (TRGs) that are sometimes established when a new IFRS Standard is issued. We believe that transparency is required around the due process followed in the establishment of TRGs, and suggest that the Handbook is amended to include the due process around the establishment of TRGs, their general role and purpose in IFRS standard-setting activities.

If you require further information on the views expressed in this submission, please contact Ram Subramanian, Policy Adviser – Reporting, on +61 3 9606 9755 or at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Your sincerely



**Dr. Gary Pflugrath**  
**Head of Policy and Advocacy**

## Attachment

### Specific 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?

CPA Australia generally agrees with the proposed amendments. We also provide some additional comments for your consideration below:

The effect analysis reports published to date accompanying *IFRS 16* and *IFRS 17* describe the likely costs and benefits in detail. Both effects analyses conclude that the benefits of both standards outweigh the costs. However, these conclusions are drawn mainly from qualitative rather than quantitative measures. We recognise that the actual quantitative effects in terms of costs and benefits may not be measurable until after the new or revised standard is implemented. To ensure a more comprehensive costs/benefits analysis is undertaken we suggest that the IASB progressively adapt and update the effect analysis reports to capture the different stages throughout the development, implementation and revision process of relevant standards. We suggest the Handbook reflects this extended effects analysis 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?

CPA Australia is of the view that the current role played by the IFRS Interpretations Committee (Committee) in adding appropriate questions to its work programme (including the development of interpretations) and addressing other questions through clarifications provided in agenda decisions, is an adequate mechanism to address implementation issues arising from issued IFRS standards. We note the rationale for the proposal includes for example, a mechanism to enable the IASB to publish agenda decisions to address issues that may arise when a new standard is issued but not yet effective. In our view, the Committee should, and does address any question that may arise subsequent to the issue of an IFRS standard, including questions that arise before such a standard becomes effective. The Committee currently includes a member of the IASB as its Chair and works closely with the IASB in supporting the application of IFRS standards. We consider this arrangement is adequate to address any questions that may arise on issued IFRS standards, including those that relate to standards that are not yet effective.

We note the statements that agenda decisions “do not add or change requirements in IFRS Standards and therefore do not have the same status of IFRS Standards”. Instead, agenda decisions “should be seen as ‘helpful, informative and persuasive’”. Whilst these statements suggest agenda decisions are explanatory material intended as guidance, the proposal to allow “sufficient time” for entities to consider an agenda decision, and if necessary implement an accounting policy change suggests agenda decisions should be considered as something more than guidance. CPA

Australia suggests some further clarity be provided in the Handbook about the status of agenda decisions within the IFRS literature hierarchy to address this concern.

With regards to the “sufficient time” entities are entitled to in order to determine whether, and if so, how to implement an accounting change arising from an agenda decision, we suggest elaborating on the period of time that is considered “sufficient”. We assume that the “sufficient time” required for implementing change may vary based on the nature and magnitude of the accounting change. Subject to our comments in the previous paragraph, we suggest clarifying in the Handbook what should be considered by affected stakeholders as “sufficient time” when considering agenda decisions for accounting policy change.

### **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?**

#### **Types of educational material**

We generally agree with the proposals relating to educational material. In particular, we support the delivery of introductory webcasts and provision of material explaining and exemplifying how requirements in an IFRS standard might be applied. However, we suggest reconsidering the proposal that “all educational material should be subject to at least some level of Board member review”. While we believe the current approach subjects some educational material to a review by Board members, we question whether it is appropriate to formally divert Board member time and resources away from the more fundamental standard-setting activities to reviewing educational material. As an alternative, we suggest considering the establishment of a separate committee to review educational material.

We agree with the proposed amendments relating to the Board Plan and IFRS Taxonomy.

### **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?**

We agree with the proposed amendments.

#### **Additional comments:**

As stated in our above cover letter, we note that the Handbook does not currently address the role of Transition Resource Groups (TRGs) that are sometimes established when a new IFRS Standard is issued. We believe that transparency is required around the due process followed in the establishment of TRGs, and suggest that the Handbook is amended to include the due process around the establishment of TRGs, their general role and purpose in IFRS standard-setting activities.

We also highlight the following errors in the draft Handbook for correction:

- Page 35 (paragraph 3.79 (f)): The Board should consider ~~s~~ the costs incurred (...).
- Page 38 (paragraph 4.9): (...) IFRS Standard or to amend or replace ~~an~~ Standard.