

21 August 2018

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

COMMENTS ON THE INTERNATIONAL ACCOUNTING STANDARDS BOARD'S EXPOSURE DRAFT ED/2018/1

We would like to take this opportunity to comment on Exposure Draft (ED) ED/2018/1 *Accounting Policy Changes* issued by the International Accounting Standards Board (IASB).

2. While we welcome the proposed lowering of the impracticability threshold for changes in accounting policy resulting from an agenda decision, we would like to highlight that it would be challenging to apply the proposed cost-benefit analysis to justify whether to adopt a change in accounting policy.

3. When assessing the expected benefits to users of financial statements, the ED requires an entity to consider how the absence of information that would be provided by applying a new accounting policy retrospectively could affect the decisions users make. The entity is required to make this expected-benefit assessment using a list of factors, which are non-exhaustive and based on a combination of qualitative and quantitative factors. These factors will then be compared against the relevant costs. This will be highly subjective and challenging for users. The IASB may like to consider providing illustrations on how the cost-benefit analysis can be performed.

4. The ED requires an entity to consider the *additional cost* it would reasonably expect to incur and the *additional effort* it would reasonably expect to make to determine the period-specific effects or the cumulative effect of the change ("cost assessment"). Additional cost is any cost an entity reasonably expects to incur to obtain the information necessary to determine the change in accounting policy *over and above the cost already incurred*. It is not clear what

“the cost already incurred” means. IASB may wish to provide clearer explanations and provide illustrations.

5. Paragraph 25A of the ED requires an entity to apply the accounting policy resulting from agenda decisions “as at the beginning of the earliest period for which the expected benefit...exceed the cost” and Paragraph 25B requires an entity to apply the accounting policy “from the earliest date for which the expected benefits...exceed the cost”. We would like to seek clarification as to whether the proposed cost-benefit assessment mentioned in the aforementioned paragraphs in the ED should be performed every year (beginning from the earliest period of applying the change in the accounting policy) until a point when the expected benefits to users exceed the costs to the entity, i.e. the point at which no further assessment is required. IASB may wish to provide greater clarity on the application of this principle.

6. We hope that our comments will contribute to IASB’s further deliberation on this ED. Should you require any clarifications, please contact the Secretariat, Advisory Committee on Accounting Standards for Statutory Boards. Thank you.

Yours sincerely

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SECRETARIAT
ADVISORY COMMITTEE ON ACCOUNTING STANDARDS FOR
STATUTORY BOARDS
for ACCOUNTANT-GENERAL