

# Endorsement and adoption of narrow-scope amendments issued 2020

## Appendix 1: IASB criteria for developing annual improvements and narrow-scope amendments<sup>1</sup>

### Criteria for Annual Improvements

Paragraphs 6.10–6.14 of the IASB's *Due Process Handbook* include the criteria for determining whether an issue comes within the scope of an annual improvement. To meet these criteria, an amendment would need to be limited to (emphasis added):

#### *Exposing annual improvements*

- 6.10 Some proposed amendments to IFRS Standards that are sufficiently minor or narrow in scope can be packaged together and exposed in one document even though the amendments are unrelated. Such amendments are called 'annual improvements'. Annual improvements follow the same due process as other amendments to the Standards, except that annual improvements consist of unrelated amendments that are exposed together, rather than separately.
- 6.11 The justification for exposing unrelated improvements in one package is that such amendments are limited to changes that either clarify the wording in an IFRS Standard or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of the Standards. Because of their nature, it is not necessary to undertake consultation or outreach for annual improvements beyond the comment letter process. The Board needs to be cautious and avoid including in the annual improvements package an amendment that merits separate consultation and outreach.
- 6.12 **Clarifying an IFRS Standard involves either replacing unclear wording** in existing Standards or providing requirements where an absence of requirements is causing concern. Such an amendment maintains consistency with the existing principles within the applicable Standard and does not propose a new principle or change an existing principle.
- 6.13 **Resolving a conflict between existing requirements** of IFRS Standards includes **addressing oversights or relatively minor unintended consequences** that have arisen as a result of the existing requirements of the Standards. Such amendments do not propose a new principle or change an existing principle.
- 6.14 Proposed annual improvements should be well defined and narrow in scope. The Board assesses proposed annual improvements against the criteria set out in paragraphs 6.10–6.13 before they are published in an exposure draft. As a guide, if the Board takes several meetings to reach a conclusion it is an indication that the cause of the issue is more fundamental than can be resolved within the annual improvements process.

### Criteria for narrow-scope amendments

Paragraph 5.16(a)–(d) of the IASB's *Due Process Handbook* include the following criteria for inclusion of an issue as a narrow-scope amendment (emphasis added):

- 5.16 The Interpretations Committee decides a standard-setting project should be added to the work plan, either by recommending that the Board develop a narrow-scope amendment or by deciding to develop an IFRIC Interpretation, when all of the following criteria are met:
- (a) the matter has **widespread** effect and has, or is expected to have, a material effect on those affected;
  - (b) it is necessary to add or change requirements in IFRS Standards to **improve financial reporting**—that is, the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the required accounting;
  - (c) the matter can be **resolved efficiently** within the confines of the existing Standards and the *Conceptual Framework*; and

<sup>1</sup> [IASB and IFRS Interpretations Committee Due Process Handbook](#), IFRS Foundation, (August 2020).

- (d) the matter is **sufficiently narrow in scope** that the Board or the Interpretations Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the Board or the Interpretations Committee and stakeholders to undertake the due process required to change a Standard.