

Mr. Hans Hoogervorst  
International Accounting Standards Board – IASB  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Weinheim, 26/07/18

Dear Mr. Hoogervorst,

**RE: EXPOSURE DRAFT ED/2018/1**

We appreciate the opportunity to comment on the IASB's exposure draft ED/2018/1 "Accounting Policy Changes – Proposed amendments to IAS 8". With this letter we would like to contribute to the Board's due process and take part in the discussion on the proposed amendments to IAS 8.

The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents a huge number of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international financial reporting more visible and to act as a constructive partner for the standard setters. We work closely together with the German standard setter ASCG and the German Institute of Chartered Auditors (IDW) as well as other political institutions.

We principally support the Board's proposal to lower the threshold for retrospective application for voluntary changes in accounting policies intended to reflect explanatory material included in IFRS IC agenda decisions. However, we do not think that this relief should be limited to some specific voluntary changes in accounting policies. Instead, the IASB should extend the relief to all voluntary changes in accounting policies under the cost-benefit-considerations (with regard to decision useful information) described in the Exposure Draft. This would on the one hand reduce complexity when applying the rules and on the other hand result in clear and consistent guidance without seemingly arbitrary exemption regulations.

**Vereinigung zur Mitwirkung an der Entwicklung des Bilanzrechts für Familiengesellschaften e.V.  
VMEBF e.V., c/o Freudenberg & Co. Kommanditgesellschaft, 69465 Weinheim, Germany**

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We acknowledge that the cost-benefit-considerations proposed in ED IAS 8.23 (b) follow a principle-based approach. Applying such an approach requires a high amount of judgement to be exercised, which as a consequence might lead to discussions with auditors or regulators. To avoid such discussions the IASB should clarify that especially benefit-considerations commonly depend on qualitative, entity-specific assessments and therefore strongly rely on managerial judgement. Such judgement should be accepted if not obviously implausible. Moreover, we believe that the proposed changes are broadly in line with the Conceptual Framework for Financial Reporting (materiality, cost constraint) and therefore better fit the IFRS conceptual environment than the current impracticability threshold does.

Regarding the proposed definitions, we are concerned about the conclusions the Board is coming to when defining an agenda decision in ED IAS 8.5. The Board states that an agenda decision “may result in [...] the correction of a prior period error.” From our perspective, agenda decisions are technically non-authoritative. This view is in line with par. 5.22 of the IFRS Foundation’s Due Process Handbook which states that agenda decisions “do not have the authority of IFRSs and they will therefore not provide mandatory requirements”. We find it inconsequential that an obviously non-authoritative pronouncement could result in the correction of a prior period error. We would recommend rephrasing that passage in ED IAS 8.5 in order to emphasize the non-authoritative nature of agenda decisions.

Finally, with regard to timing, we do not understand how non-authoritative guidance like IFRS IC agenda decisions could have an effective date and how voluntary application of something could be bound to time limits. The IASB should rather clarify that a preparer of IFRS financial statements is not limited to a predetermined period of time when applying a voluntary change in accounting policies based on IFRS IC agenda decisions.

If you have any further questions or like to talk about our answers and suggestions in a personal meeting, please do not hesitate to contact us.

Kind regards,

Association for Participation in the Development of  
Accounting Regulations for Family-owned Entities (VMEBF)



Andreas Janssen



Santokh Advani



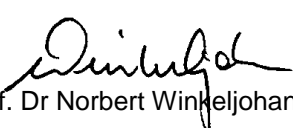
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