

More about the Annual Improvements project

Why are we doing the project?

The primary objective of the annual improvements process is to enhance the quality of the standards. This objective is achieved by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. Amendments are made to IFRSs through the annual improvements process when the amendment is considered non-urgent but necessary.

What are the types of amendments made through the annual improvements process?

Amendments made within the annual improvements process typically respond to two needs:

- a) a need to clarify IFRSs; or
- b) a need to correct a relatively minor unintended consequence, to resolve a conflict or to remedy an oversight.

Some amendments will meet both needs.

Amendments that **clarify** IFRSs generally address unclear wording in the standards or provide additional guidance to fill a gap in IFRSs. These amendments maintain consistency with the principles of existing IFRSs and do not introduce new principles or make changes to existing ones.

Amendments that **correct** IFRSs may seek to resolve a conflict between existing requirements of IFRSs. They may also address an oversight or a relatively minor unintended consequence of the requirements of existing IFRSs. For example, an amendment might address an omitted consequential amendment from a recent change to IFRSs. These amendments do not propose new principles or change current ones.

To assess the appropriateness of amendments to IFRSs for inclusion in annual improvements, and to determine whether a matter relating to the clarification or correction of IFRSs should be amended through the annual improvements process, the IASB has established **enhanced criteria** within the **IASB Due Process Handbook** to assist the IASB and interested parties in making such assessments.

What are the enhanced criteria for assessing a matter through the annual improvements process?

The enhanced criteria for assessing annual improvements included in the **IASB Due Process Handbook** are as follows:

- 27A When considering whether to add an item to its active agenda, the IASB may determine that it meets the criteria to be included in the annual improvements process described in paragraph 65A. Once this assessment is made, the amendments included in the annual improvements process will follow the same due process as other IASB projects. The primary objective of the annual improvements process is to enhance the quality of IFRSs by amending existing IFRSs to clarify guidance and wording, or correcting for relatively minor unintended consequences, conflicts or oversights.
- 65A 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:
 - (i) 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.

(ii) correcting—the proposed amendment would improve IFRSs by:

- resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, 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.

- (b) The proposed amendment is well-defined and sufficiently narrow in scope such that the consequences of the proposed change have been considered.
- (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 need to make the amendment sooner than the project would.

65B The IASB assesses annual improvements against the criteria in paragraph 65A before they are published in an exposure draft and before they are issued as amendments to IFRSs.

How are we doing it?

Each year the IASB discusses and decides upon proposed improvements to IFRSs as they have arisen throughout the year. Issues dealt with in this process arise from matters raised by the IFRS Interpretations Committee (the Committee) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required.

In the third quarter of the year, an omnibus exposure draft of the collected proposals is published for public comment, with a comment period of 90 days. After the IASB has considered the comments received, it aims to issue the amendments in final form in the following second quarter, with an effective date of 1 January of the subsequent year. From January 2010, the Committee has taken on an additional role of reviewing proposed amendments within the annual improvements process and making recommendations to the IASB.