# IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

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## SCOPE

This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

## SELECTION AND APPLICATION OF ACCOUNTING POLICIES

- An entity needs to determine its accounting policies in accordance with IFRSs that are applicable to the entity.
- In the absence of an IFRS that specifically applies to a transaction, other event or condition, management must use its judgement in developing and applying an accounting policy that results in information that is relevant and reliable.
- In making that judgement, management must refer to, and consider the applicability of, the following sources in descending order:
  - The requirements in IFRSs dealing with similar and related issues; and
  - The definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.
- Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources above.

## CONSISTENCY OF ACCOUNTING POLICIES

An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. If an IFRS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

## CHANGES IN ACCOUNTING POLICIES

- An entity shall change an accounting policy <u>only if</u> the change:
  - Is required by an IFRS; or
  - Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

- The following are not changes in accounting policies:
  - The application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and
  - The application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

- An entity shall account for a change in accounting policy resulting from the initial application of an IFRS in accordance with the specific transitional provisions, if any, in that IFRS. If the IFRS does not include specific transitional provisions, it shall apply the change retrospectively, which means it shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
  - When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.
  - When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

## CHANGES IN ACCOUNTING ESTIMATES

The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in:

- The period of the change, if the change affects that period only, or
- The period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it is recognized by adjusting the carrying amount of the related asset, liability, or equity item in the period of the change.

## ERRORS

- An entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:
  (a) Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
  (b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.
- When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).
- When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.