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Professional Accounting Education

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ACCA F7

Financial Reporting(INT.)

财务报告（国际会计准则）

Chapter 18 IAS 8 Accounting policies,changes in accounting estimates and errors

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IAS 8 *Accounting policies, changes in accounting estimates and errors*

1. Accounting policies
2. Accounting estimates
3. Errors

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Accounting policies

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IAS 8 *Accounting policies, changes in accounting stimates and errors*

Accounting policies are determined by **applying the relevant IAS,IFRS or IFRS Interpretation and** considering any relevant Implementation Guidance issued by the IASB for that IFRS/Interpretation.

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

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The same accounting policies are usually adopted from period to period, to allow users to analyse trends over time in profit, cash flows and financial position. **Changes in accounting policy will therefore be rare and should be made only if:**

(a) The change is required by an IFRS; or

(b) The change will result in a **more appropriate presentation of events or transactions in the financial statements of the entity, providing more reliable and relevant information.**

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A change in accounting policy **must be applied retrospectively. Retrospective application means that the** new accounting policy is applied to transactions and events as if it had always been in use. In other words, at the earliest date such transactions or events occurred, the policy is applied from that date.

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Changes in accounting estimates

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Estimates arise in relation to business activities because of the **uncertainties inherent within them. Judgements are made based on the most up to date information and the use of such estimates is a necessary part of the preparation of financial statements.**

Here are some examples of accounting estimates:

a)A necessary **irrecoverable debt allowance**

b)Useful lives of depreciable assets

c)Provision for **obsolescence of inventory**

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Changes in accounting estimate are **not applied retrospectively. (prospectively)**

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Errors

Errors discovered during a current period which **relate to a prior period may arise through:**

(a) Mathematical mistakes

(b) Mistakes in the application of accounting policies

(c) Misinterpretation of facts

(d) Oversights

(e) Fraud

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