IFRS AT A GLANCE
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
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#### ACCOUNTING POLICIES

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

**Selection and application of accounting policies:**
- If a standard or interpretation deals with a transaction, use that standard or interpretation.
- If no standard or interpretation deals with a transaction, judgment should be applied. The following sources should be referred to, to make the judgement:
  - Requirements and guidance in other standards/interpretations dealing with similar issues.
  - Definitions, recognition criteria in the framework.
  - May use other GAAP that use a similar conceptual framework and/or may consult other industry practice / accounting literature that is not in conflict with standards / interpretations.

**Consistency of accounting policies:** Policies should be consistent for similar transactions, events or conditions.

#### CHANGES IN ACCOUNTING ESTIMATES

**Definition:** A change in an accounting estimate is an adjustment of the carrying amount of an asset or liability, or related expense, resulting from reassessing the expected future benefits and obligations associated with the asset or liability.

**Principle:**
- Recognise the change prospectively in profit or loss in:
  - Period of change, if it only affects that period; or
  - Period of change and future periods (if applicable).

**Disclosure:**
- Nature and amount of change that has an effect in the current period (or expected to have in future).
- Fact that the effect of future periods is not disclosed because of impracticality.

#### ERRORS

**Definition:** Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from failure to use/misuse of reliable information that:
- Was available when the financial statements for that period were issued.
- Could have been reasonably expected to be taken into account in those financial statements.

**Errors include:**
- Mathematical mistakes.
- Mistakes in applying accounting policies.
- Oversights and misinterpretation of facts.
- Fraud.

**Principle:**
- Correct all errors retrospectively.
- Restate the comparative amounts for prior periods in which error occurred or if the error occurred before that date - restate opening balance of assets, liabilities and equity for earliest period presented.

**Disclosure:**
- Nature of the prior period error.
- For each prior period presented, if practicable, disclose the correction to:
  - Each line item affected.
  - Earnings per share (EPS).
- Amount of the correction at the beginning of earliest period presented.
- If retrospective application is impracticable, explain and describe how the error was corrected.
- Subsequent periods need not to repeat these disclosures.
For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders where you can find full lists of regional and country contacts.

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