Ind AS 8: Accounting Policies, Changes in Accounting Estimates & Errors

① Accounting policies

[These are specific principles, bases, conventions, rules & practices applied by by an entity in preparing & presenting FS]

Selection & Application of Accounting Policies

Selection and application of Accounting Policies –

→ If Ind AS deals — follow Ind AS

→ No Ind AS → Management Judgements in developing & applying accounting policy – Sources in descending Order

- Requirements of Ind AS dealing with similar issue
- Framework
- IASB pronouncement
- Pronouncement of other accounting body with similar conceptual framework.

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Resulting information should be

- Relevant
- Reliable
  - Presented faithfully
  - → Reflect Economic substance of transaction
  - → Neutral
  - → Prudent
  - → Complete in all material aspect

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Consistancy of Accounting policies

Policies selected should be applied consistently for similar transactions, events or conditions unless Ind AS specifically requires or permits categorisation for which different policy may be selected & applied consistently.

Changes in Accounting policy

only if –

- Required by Ind AS
- provide reliable & more relevent information

Principles

- ✓ Ind AS → Transitional provision
- ✓ No transitional provision/voluntary → apply retrospectively
- ✓ Early adoption permitted by Ind AS is not voluntary change

Retrospective Application

To extent practicable

- Adjust opening bal. of each affected component of equity for earliest period presented.
- Other comparative amounts disclosed for each presented period

↓ as if policy had always been applied

Impracticable to determine

- Period specific effect – on comparative information
  ↓ Apply New Policy to CA of assets at begining of the earliest period practicable AND "Make corresponding" adjustment to opening bal. of each affected component of equity.
- cumm. effect – at begining of current period
  ↓ Apply New Policy from earliest period practicable

Disclosure in case of Changes in Accounting Policy

Initial application of Ind AS

- title of Ind AS
- Transitional provision
- Nature of changes in accounting policy
- Adjustment to current & past
  - Line items &
  - Eps, Dps
- Impact on periods not presented
- Impracticality - circumstances

Voluntary changes

- Nature of change
- Reason
- Amt of adjustment
  - Line item
  - BEps, DEps
- impact on periods not presented
- impracticality

New Ind AS but not effective

- Fact → title
- possible impacts
- effective date

② Changes in Accounting Estimates

- Estimation involves judgements based on Latest Available Information.
- It not relat to prior period and is not the correction of errors
- → Change in Measurement basis is change in policy eg. Cost, FV
- → When it is difficult to distinguish a change in policy v/s change in estimate → Assume change in estimate prospective application
- → Changes in estimates are disclosed except when it is impracticable to estimate the impact and the reason for non-disclosure should be disclosed

③ prior period Errors & fraud.

Ind AS not complied -

- Errors of last period → Restate Comparative Information
- Errors before last period → Correct opening balance of Period - earliest reported.

Impractical to correct - the period Period - the enterprise should restate the opening balances for the earliest Period practicable.

Disclosures:-

- An undertaking shall disclose the Nature & amt of each period - period errors
  - for each F/s line item affected
  - effect on Eps
  - amt of correct at the begining of earliest period presented
  - if retrospective restatement is impracticable - a description of how & when the error corrected.

④ Impracticability.

- Impracticable to adjust comparative information
- Hind Sight Not to be used to estimating mgmt's intention or amount recorded in prior period

⑤ Impact of tax on changes

Changes in amt may also impact tax figures