

STAFF PAPER

REG IASB Meeting

Project	Review of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors		
Paper topic	Distinction between changes in accounting policies and changes in accounting estimates: transition		
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Purpose of the paper

1. The purpose of this paper is to recommend transitional provisions for the recommended amendments to IAS 8 that are described in papers 26 and 26A.

Staff analysis and recommendation

2. Requiring full retrospective application (with restated comparatives) in accordance with IAS 8 for the recommended amendments to IAS 8 would have the following effect:
 - (a) if a change was previously classified as a change in accounting estimate but should have been classified as a change in an accounting policy—an entity would need to reverse the effect of the change from profit or loss in prior periods and to restate comparative periods as if the accounting policy had always applied (except that no restatement would occur if this required the use of hindsight);
 - (b) if a change was previously classified as a change in accounting policy but should have been classified as a change in accounting estimate—an entity would need to record the effect of the change in profit or loss and to go back and restate comparative periods as if the accounting policy had never

applied (except that no restatement would occur if this required the use of hindsight).

3. We expect that the main impact of the amendments will be in the clarification that estimation techniques and valuation techniques are one form of accounting estimates.
4. Staff recommend requiring *prospective* application of the recommended amendments for the changes that occur only on or after the beginning of the first annual reporting period when the amendments become effective. Staff recommend this on the grounds of the following cost and benefit assessment:
 - (a) full retrospective application can be complex for both scenarios described in paragraph 2; and
 - (b) benefits of retrospective application will be limited because retrospective application would provide only information about past changes in accounting policies and accounting estimates that, according to the clarified distinction, would be classified in a different way. That information is unlikely to be relevant to users because it is likely to have neither predictive value nor confirmatory value. Paragraphs QC6-QC8 of the *Conceptual Framework* note that information is relevant if, because it has predictive value or confirmatory value, it is capable of making a difference in the decisions made by users of financial statements.

Question 1

Do you agree with the staff recommendation to require prospective application for the recommended amendments to IAS 8?