

STAFF PAPER

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REG IASB Meeting

Project	Accounting Policies and Accounting Estimates		
Paper topic	Update on testing of proposed amendments		
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Background and purpose of paper

1. The purpose of this paper is to update the Board on the results of the testing of the wording of the proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on some examples. This paper does not contain any questions for Board members.
2. In this project, the Board has developed a proposal to amend IAS 8 to clarify the distinction between accounting policies and accounting estimates.
3. In September 2016 the Board instructed the staff to begin the balloting process for an Exposure Draft (ED) setting out the proposal.
4. At that meeting, staff also informed the Board that we planned to perform some testing. We promised to inform Board members if any significant issues emerged from the testing.

Testing results

5. The testing indicated that some practical issues arise because IAS 8 defines accounting policies, but defines a *change* in accounting estimate without defining accounting estimates. As a result, it is difficult to make a direct comparison between the two defined terms.

6. To make it easier for readers to compare the two definitions and to clarify what the Board is trying to achieve, the staff will include in the pre-ballot draft of the ED a proposal to define an accounting estimate in IAS 8 and to remove from IAS 8 the definition of a *change* in accounting estimate.
7. The existing definition of a *change* in accounting estimate includes some material that describes a *change* in an accounting estimate, but is not needed in defining an accounting estimate. That material is currently also included in paragraphs 34 and 36-38 of IAS 8. The pre-ballot draft of the ED will include a proposal to retain these paragraphs.
8. We believe that moving from a definition of a *change* in accounting estimate to definition of an accounting estimate is solely a drafting issue. Board members will see the proposed definitions of accounting policies and of accounting estimates in the pre-ballot ED which we plan to circulate to Board members shortly.
9. No other significant issues emerged from the testing.