

IAS 8 (March 2011)

Application of the IAS 8 hierarchy

IAS 8 requires management to use judgement in developing and applying an accounting policy that results in information that is relevant and reliable, in the absence of an IFRS that specifically applies to a transaction. IAS 8 specifies that management shall refer to and consider the applicability of requirements in IFRSs dealing with similar and related issues. The Interpretations Committee received a question as to whether it could be appropriate to consider only certain aspects of an IFRS being analogised to, or whether all aspects of the IFRS being analogised to would be required to be applied. The Committee observed that when management develops an accounting policy through analogy to an IFRS dealing with similar and related matters, it needs to use its judgement in applying all aspects of the IFRS that are applicable to the particular issue.

The Committee concluded that the process for developing accounting policies by analogy does not need to be clarified in paragraphs 10–12 of IAS 8 because the current guidance is sufficient. Consequently, the Committee decided that this issue should not be added to its agenda.