

IAS8_Preparers_and_Others

Background

The OIC is helping the IASB to understand preparers' views on accounting changes by conducting a short survey. The questionnaire is aimed primarily at preparers of financial statements. Auditors, academics, regulators and standard-setters should also fill in this survey.

This survey has the following two sections:

- I. Your practical experience with application of IAS 8
- II. A possible alternative approach

Thank you in advance for your time and help with this survey.

Your practical experience with application of IAS 8

*1. What is your background?

- Financial statements preparer
- Auditor
- Academic
- Regulator
- Standard-setter
- Other (please specify):

Your practical experience with application of IAS 8

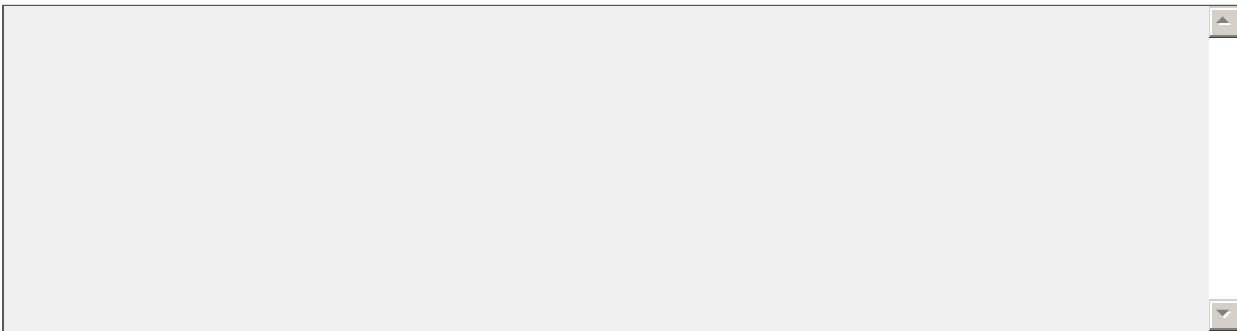
***2. What is your jurisdiction?**

Your practical experience with application of IAS 8

3. Are voluntary changes in accounting policies common in your experience?

- Very common
- Common
- Infrequent
- Rare

Please provide us with some examples of voluntary changes in accounting policies that you have seen.



Your practical experience with application of IAS 8

Paragraph 5 of IAS 8 provides the following definition of “impracticable”:

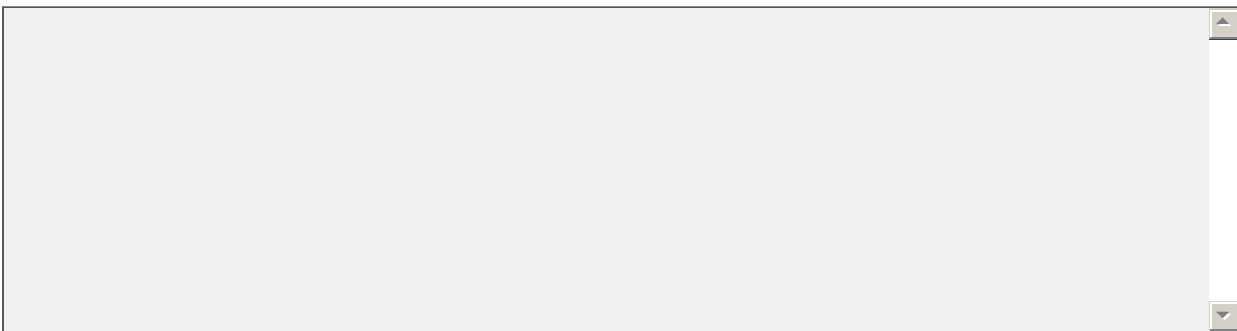
Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

- (a) the effects of the retrospective application or retrospective restatement are not determinable;
- (b) the retrospective application or retrospective restatement requires assumptions about what management’s intent would have been in that period; or
- (c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:
 - (i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and
 - (ii) would have been available when the financial statements for that prior period were authorised for issue from other information.

4. When dealing with changes in accounting policies, have you seen the impracticability exemption being used in practice?

- Often
- Sometimes
- Rarely
- Never

Please provide us with some examples of when the impracticability exemption was used. When the impracticability exemption was used, what accounting treatment (eg prospective application) was adopted to account for the change in accounting policy?

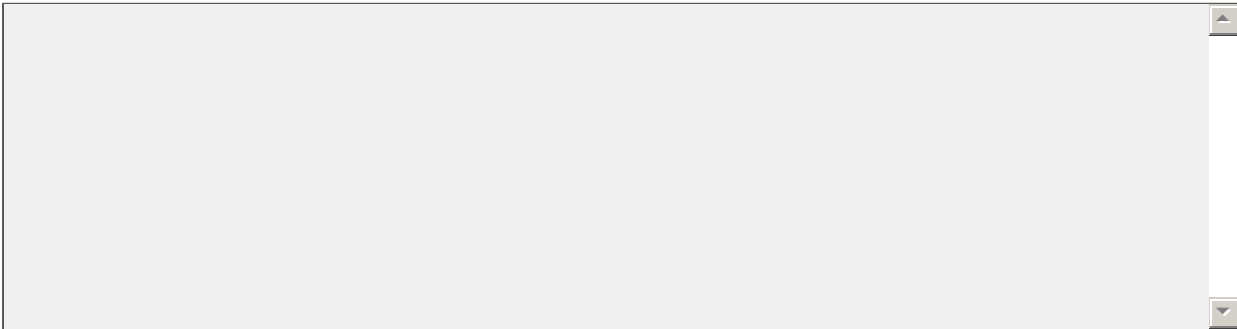


Your practical experience with application of IAS 8

5. In your experience, are changes in accounting estimates common in practice?

- Very common
- Common
- Infrequent
- Rare

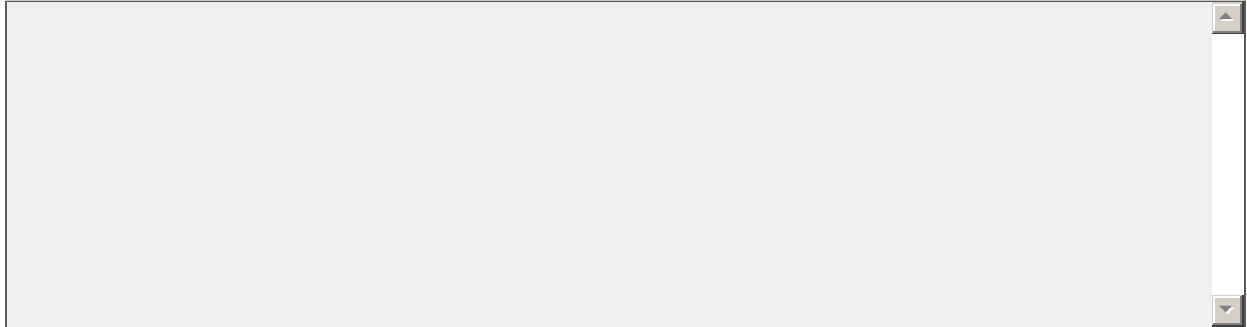
Please provide us with some examples of changes in accounting estimates that you have seen.



Your practical experience with application of IAS 8

6. Have you seen a situation in which it was difficult to distinguish a change in accounting policy from a change in accounting estimates?

- No
- Yes, please provide us with some examples.



Your practical experience with application of IAS 8

7. Do you think that paragraph 35 of IAS 8 (i.e. “A change in the measurement basis applied is a change in an accounting policy and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.”) is providing appropriate guidance to solve the issue of appropriately distinguishing a change in accounting policy from a change in accounting estimates?

- Not applicable, because I have not seen situations like this
- Yes, it is very useful
- Yes, it helps in most cases
- No, the guidance is not sufficient to avoid divergence in practice

Please provide your comments for your response to the question.

When IAS 8.35 was applied (i.e. a change was treated as a change in accounting estimate in presence of doubts about the nature of the accounting estimate), was this circumstance disclosed?

Your practical experience with application of IAS 8

8. In your experience, are corrections of errors common in practice?

- Common
- Infrequent
- Rare

In your experience, what did they primarily relate to?

Your practical experience with application of IAS 8

9. When errors are corrected, in your experience, is the impracticability exemption from retrospective application applied?

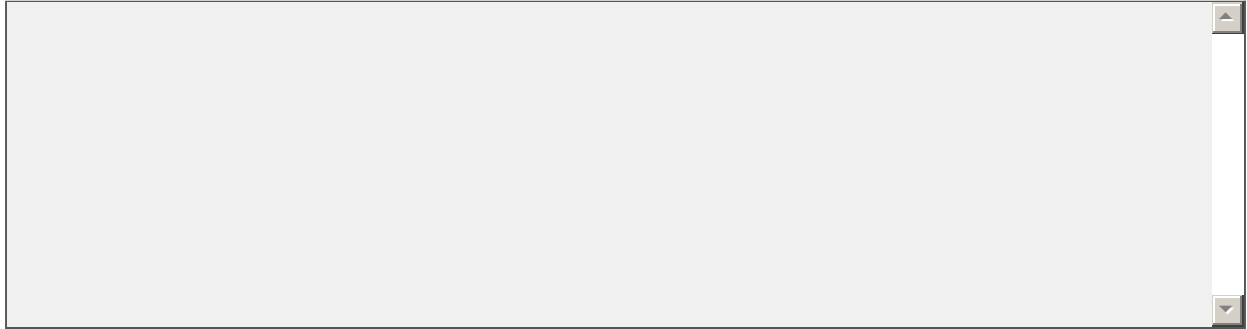
- In most cases
- Sometimes
- Rarely
- Never

Please provide us with some examples of when the impracticability exemption was used. What disclosure was given?

Your practical experience with application of IAS 8

10. Have you ever found it difficult to distinguish an error from a change in accounting estimates based on the current IAS 8 guidance?

- Not applicable, because I have not seen situations like this
- No
- Yes, please provide us with examples of when it was difficult to distinguish an error from a change in accounting estimate.



A possible alternative approach

IAS 8 currently distinguishes between changes in accounting policies and changes in accounting estimates.

We are tentatively considering introducing a different distinction. Our alternative approach distinguishes between:

- changes relating to measurement, including changes in measurement basis, changes in the methods used to make an estimate and changes in inputs and assumptions; and
- other changes, including:
 - changes in the criteria for the recognition and derecognition
 - changes in the classification of financial statements items
 - changes in the presentation of financial statements items
 - changes in the disclosure of financial statements items.

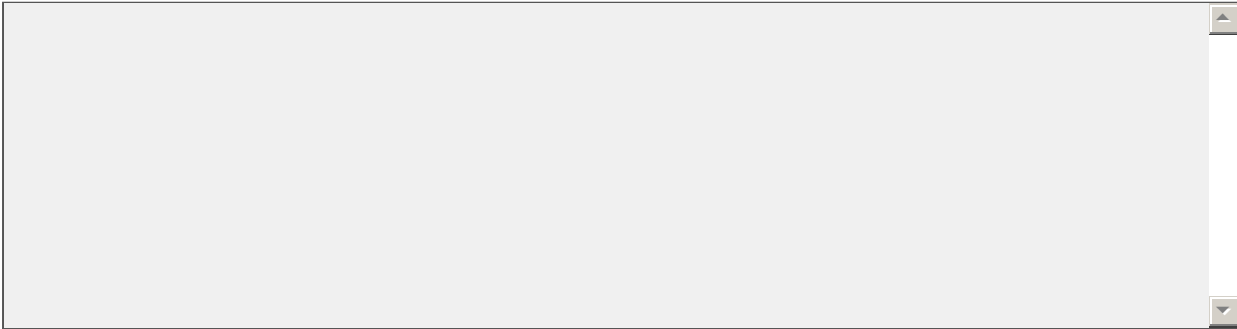
We are proposing this distinction because changes in measurement are often burdensome for preparers; they also often involve hindsight and estimates.

A possible alternative approach

11. In your view, does it make sense to distinguish between changes in measurements and other changes?

- Yes
- No

Please explain why.



A possible alternative approach

On the basis of this proposed distinction, we are exploring the following ways to represent (i.e. account for or disclose) these changes:

- Full retrospective application in accordance with IAS 8 (ie applying a new accounting policy to transactions and other events as if that policy had always been applied).
- Prospective application in accordance with IAS 8 (ie applying the new accounting policy to transactions and other events occurring after the date as at which the policy is changed; or recognising the effect of the change in the accounting estimate in the current and future periods affected by the change).
- Limited retrospective application: starting from the beginning of the earliest comparative period presented (i.e. certain comparatives are restated).
- Catch-up adjustment: comparatives are not restated and a catch-up adjustment is recognised in the opening balance of retained earnings.
- Prospective application with enhanced disclosures: an entity would be required to account for the change prospectively and to disclose information for the current period financial statement line item that is affected, using both the old accounting policy and the new one.

The aim of the following questions is to test the possible alternative approach described above.

A possible alternative approach

12. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the measurement basis (eg from fair value to cost for PP&E)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

In your view, what would be the best way to represent (i.e. account for or disclose) other changes related to measurement (eg a change in the calculation of deferred tax for certain financial instruments)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

A possible alternative approach

13. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the method used to make an estimate (eg change of a valuation method for an item measured at fair value)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

14. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the inputs and assumptions used to make an estimate (eg new assumptions are used to determine the value in use of an asset)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

15. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the criteria for the recognition and derecognition of items (i.e. assets, liabilities, incomes and expenses) in the financial statements (eg recognition of a liability and an expense for levies at a later date)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

16. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the classification of items (i.e. assets, liabilities, incomes and expenses) in the financial statements (eg classification of dividends paid as financing cash flows instead of operating cash flows in the cash flow statement)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

17. In your view, what would be the best way to represent (i.e. account for or disclose) a change in the presentation of items (i.e. assets, liabilities, incomes and expenses) in the financial statements (eg an entity changed the way of how it presented its OCI items: from net of tax to gross of tax)?

- Full retrospective application
- Prospective application
- Limited retrospective application
- Catch-up adjustment
- Prospective application with enhanced disclosures
- Other (please specify)

Please explain why.

A possible alternative approach

18. In your view, what would be the best way to represent a change in the disclosure of items (i.e. assets, liabilities, incomes and expenses) in the financial statements (eg an entity changes the way of how it reports its operating segments)?

- Retrospective application
- Prospective application
- It depends on the nature of the item being disclosed

Please explain why.

Information about you

***Are you willing to participate in OIC and IASB organised meetings or calls with preparers, auditors and regulators to discuss the topics in this survey?**

- Yes
- No

Information about you

*** Please provide your name and email address:**

Name:

Email Address:

Information about you

***Are you willing to discuss your answers on an individual basis?**

- Yes
- No

Information about you

*** Please provide your name and email address:**

Name:

Email Address:

The End

Thank you for participating!