

29 January 2018

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

**RESPONSE TO EXPOSURE DRAFT – ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (PROPOSED AMENDMENTS TO IAS 8) (“ED”)**

ISCA sought views from its members on the above ED through a two-month public consultation and from the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms.

We welcome and support IASB’s efforts to clarify the distinction between accounting policies and accounting estimates. Cognizant of the accounting consequences for any subsequent changes in accounting policies, we believe that this is a step in the right direction to ensure consistency in practice.

However, we are of the view that the proposed amendment to the definition of accounting policies would not be robust enough to address some of more complex but commonly seen interpretation issues as the terms used in the proposed definition of accounting policies remain ambiguous and subject to differing interpretations. Furthermore, the proposed amendments should be made with due consideration given to specific circumstances that warrant retrospective adjustments.

Our detailed comments and responses to the questions in the ED are set out below.

**Question 1**

The Board proposes clarifying the definition of accounting policies by removing the terms ‘conventions’ and ‘rules’ and replacing the term ‘bases’ with the term ‘measurement bases’ (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

Generally, we do not think that the proposed definition will assist in clarifying the interpretation of the term 'accounting policy' to achieve greater consistency in practice as the proposed terms, "measurement bases" and "practices" are not clearly defined and hence open to differing interpretations.

We are of the view that the term 'measurement bases' is not clearly defined in IAS 8 or any other standards. We noted that in the 2015 ED for the proposed Conceptual Framework, measurement bases have been categorised as either historical cost or current value (that includes fair value, and value in use for assets and fulfillment value for liabilities). Within these two measurement bases, some might interpret bases to also include various methods used in measuring historical cost or current value. For example, the allocation of overheads or general administration costs for manufactured goods could be seen as one such basis.

Furthermore, the term 'practices' is not defined and can be interpreted widely from industry practices (as noted in paragraph 12 in IAS 8) to those practices applied by management in the absence of an IFRS that specifically applies to a transaction, an event or a condition (IAS 8 paragraph 10).

IASB should consider, in principle, what are the circumstances under which retrospective adjustments to comparatives would be required to provide relevant useful information (that is, comparable over time) to users of the financial statements. Considering the practical difficulties and interpretation issues, we suggest that IASB consider having a very tightly worded definition of accounting policies such that if an accounting change does not qualify as a change of an accounting policy, then it will be a change of an accounting estimate or a correction of an error. We noted that IAS 8 paragraph 35 has already allowed changes in measurement bases to be accounted for as a change in accounting estimates (as default) when it is difficult to distinguish a change in an accounting policy from that of an accounting estimate.

## **Question 2**

The Board proposes:

- (a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and
- (b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9–BC16 of the Basis for Conclusions).

Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?

We agree that the addition of a definition of accounting estimates is helpful to entities in distinguishing accounting policies from accounting estimates in some situations. However, without a robust definition of accounting policies (as mentioned in our response to Question 1 above), the definition of accounting estimates alone would not be sufficient to distinguish accounting estimates from accounting policies.

**Question 4**

The Board proposes clarifying that, in applying IAS 2 *Inventories*, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We are of the view that if IASB's intention for the proposed amendment is to state that the election of a cost formula is an accounting policy, this should be stated in IAS 2 clearly and not in IAS 8. This will then be consistent with the approach taken in other standards in differentiating a change in accounting policies from a change in accounting estimates. For example, IFRS 15 *Revenue from Contracts with Customers* paragraph 43 states that a change in an entity's measure of progress is a change in an accounting estimate.

Should you require any further clarification, please feel free to contact Ms Jezz Chew, Senior Manager, Corporate Reporting & Ethics (CoRE), from ISCA via email at [jezz.chew@isca.org.sg](mailto:jezz.chew@isca.org.sg).

Yours faithfully,



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