NZ IAS 8: ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Version 1: 2024

Effective Periods Beginning
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ACCOUNTING POLICIES

Definition:

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Selection and application of accounting policies:

- If a standard or interpretation deals with a transaction, use the standard or interpretation.
- If no standard or interpretation deals with a transaction, judgment should be applied. The following sources should be referred to, to make the judgement:
  - Requirements and guidance in other standards/interpretations dealing with similar issues.
  - Definitions, recognition criteria in the Framework.
  - May use other GAAP that use a similar conceptual framework and/or may consult other industry practice / accounting literature that is not in conflict with standards / interpretations.

Consistency of accounting policies:

Policies should be consistent for similar transactions, events or conditions.

Only change a policy if:

- Standard/Interpretation requires it, or
- Change will provide more relevant and reliable information.

Principle:

If change is due to new standard / interpretation apply transitional provisions.

If no transitional provisions, apply retrospectively.

If impractical to determine period-specific effects or cumulative effects of the error, then retrospectively apply to earliest period that is practicable.

Disclosure:

- The title of the standard / interpretation that caused the change.
- Nature of the change in policy.
- Description of the transitional provisions.
- For the current period and each prior period presented, the amount of the adjustment to:
  - Each line item affected.
  - Earnings per share (if required to apply NZ IAS 33 *Earnings Per Share*)
- Amount of the adjustment relating to prior periods not presented.
- If retrospective application is impracticable, explain and describe how the change in policy was applied.
- Subsequent periods need not repeat these disclosures.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters must comply fully with the recognition and measurement principles of NZ IAS 8. However, there are certain disclosure exemptions available.

CHANGES IN ACCOUNTING ESTIMATES

Definition:

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Change in accounting estimate:

An entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of:

- new information,
- new developments or
- more experience

Principle:

Recognise the change prospectively in profit or loss in:

- Period of change, if it only affects that period; or
- Period of change and future periods (if applicable).

Disclosure:

- Nature and amount of change that has an effect in the current period (or expected to have in future).
- Fact that the effect of future periods is not disclosed because of impracticality.
- Subsequent periods need not repeat these disclosures.

ERRORS

Definition:

Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from failure to use/misuse of reliable information that:

- Was available when the financial statements for that period were issued.
- Could have been reasonably expected to be taken into account in those financial statements.

Errors include:

- Mathematical mistakes.
- Mistakes in applying accounting policies.
- Oversights and misinterpretation of facts.
- Fraud.

Principle:

- Correct all errors retrospectively.
- Restate the comparative amounts for prior periods in which error occurred or if the error occurred before that date – restate opening balance of assets, liabilities and equity for earliest period presented.

If impractical to determine period-specific effects of the error (or cumulative effects of the error), restate opening balances (restate comparative information) for earliest period practicable.

Disclosure:

- Nature of the error.
- For each prior period presented, if practicable, disclose the correction to:
  - Each line item affected.
  - Earnings per share (EPS).
- Amount of the correction at the beginning of earliest period presented.
- If retrospective application is impracticable, explain and describe how the error was corrected.
- Subsequent periods need not repeat these disclosures.