ACCOUNTING STANDARD **AASB 108**

July 2004

Accounting Policies, Changes in Accounting Estimates and Errors

Australian Government

Australian Accounting Standards Board

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The Customer Service Officer
Australian Accounting Standards Board
Level 3
530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Postal address:
PO Box 204 Collins St West
Melbourne Victoria 8007
AUSTRALIA

Phone: (03) 9617 7637
Fax: (03) 9617 7608
E-mail: publications@aasb.com.au
Website: www.aasb.com.au

Other enquiries:

Phone: (03) 9617 7600
Fax: (03) 9617 7608
E-mail: standard@aasb.com.au

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Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is set out in paragraphs 1 – 53. All the paragraphs have equal authority. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 108 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards,* which identifies the Australian Accounting Interpretations.

PREFACE

Reasons for Issuing AASB 108

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

The IASB defines International Financial Reporting Standards (IFRSs) as comprising:

(a) International Financial Reporting Standards;

(b) International Accounting Standards; and

(c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The Australian equivalents to IFRSs are:

(a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB, being AASBs 1 – 99 corresponding to the IFRS series and AASBs 101 – 199 corresponding to the IAS series; and

(b) Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2005. To promote comparability among the financial reports of Australian entities, early adoption of this Standard is not permitted.

First-time Application and Comparatives

Application of this Standard will begin in the first annual reporting period beginning on or after 1 January 2005 in the context of adopting all Australian equivalents to IFRSs. The requirements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, must be observed. AASB 1 requires prior period information, presented as comparative information, to be restated as if the requirements of this Standard had always applied. This differs from previous Australian requirements where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period. However, the AASB has sometimes required reclassification of comparative information in respect of disclosure Standards.

Main Requirements

The Standard requires:

(a) accounting policies to be:

  (i) determined by applying Australian Accounting Standards; or

  (ii) selected and applied having regard to relevance and reliability where no Australian Accounting Standard applies to the transaction, other event or condition;

(b) a change in accounting policy on the initial adoption of an Australian Accounting Standard to be accounted for:

  (i) in accordance with the specific transitional provisions in that Australian Accounting Standard; or

  (ii) where no specific transitional provisions exist, retrospectively, unless it is impracticable to do so;

(c) voluntary changes in accounting policy to be accounted for retrospectively, unless it is impracticable to do so;

(d) prior period errors to be corrected by restating prior period information, unless it is impracticable to do so;

(e) changes in accounting estimates to be accounted for prospectively;

(f) an entity's financial report to be prepared on a going concern basis unless it is intended to either liquidate the entity or to otherwise wind up its operations, or there is no realistic alternative but to liquidate the entity or to otherwise wind up its operations; and

(g) specific disclosures in relation to changes in accounting policies, prior period errors and changes in accounting estimates.

COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS

AASB 108 and IAS 8

AASB 108 is equivalent to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* issued by the IASB. Paragraphs that have been added to this Standard (and do not appear in the text of the equivalent IASB standard) are identified with the prefix "Aus", followed by the number of the relevant IASB paragraph and decimal numbering.

Compliance with IAS 8

Entities that comply with AASB 108 will simultaneously be in compliance with IAS 8.

AASB 108 and IPSAS 3

International Public Sector Accounting Standards (IPSASs) are issued by the Public Sector Committee of the International Federation of Accountants.

IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies* (May 2000) is drawn primarily from IAS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* (revised 1993). The main differences between IPSAS 3 and AASB 108 are:

(a) IPSAS 3 allows the presentation of "extraordinary items". In contrast, AASB 101 *Presentation of Financial Statements* does not permit extraordinary items to be presented (paragraph 6);

(b) IPSAS 3 provides entities with the option to correct fundamental errors by either restating the opening balance of accumulated surpluses or deficits and comparative information (paragraph 41) or by including the adjustment in the determination of net surplus or deficit for the current period (paragraph 45). AASB 108 does not distinguish between errors and fundamental errors. All prior period errors must be corrected by restating opening retained earnings and comparative information, unless it is impracticable to do so; and

(c) IPSAS 3 provides entities with the option to account for voluntary changes in accounting by retrospectively applying the accounting policy and either making an adjustment to opening retained earnings and restating comparative information (paragraphs 59-60) or by including the adjustment in the determination of the net surplus or deficit for the current period (paragraph 65). AASB 108 requires voluntary changes in accounting policy to be accounted for retrospectively with an adjustment to opening retained earnings and restating comparative information, unless it is impracticable to do so.

ACCOUNTING STANDARD AASB 108

The Australian Accounting Standards Board makes Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* under section 334 of the *Corporations Act 2001*.

D.G. Boymal
Dated 15 July 2004 Chair – AASB

ACCOUNTING STANDARD AASB 108

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Objective

1. The objective of this Standard is to prescribe the criteria for selecting and changing *accounting policies*, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial report, and the comparability of those financial reports over time and with the financial reports of other entities.

2. Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in AASB 101 *Presentation of Financial Statements.*

Application

Aus2.1 This Standard applies to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(b) general purpose financial reports of each reporting entity; and

(c) financial reports that are, or are held out to be, general purpose financial reports.

Aus2.2 **This Standard applies to annual reporting periods beginning on or after 1 January 2005.**

Aus2.3 **This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.**

Aus2.4 **The requirements specified in this Standard apply to the financial report where information resulting from their application is *material* in accordance with AASB 1031 *Materiality*.**

Aus2.5 **When applicable, this Standard supersedes:**

(a) **AASB 1001 *Accounting Policies* as notified in the *Commonwealth of Australia Gazette* No S 130, 26 March 1999; and**

(b) **AAS 6 *Accounting Policies* as issued in March 1999.**

Aus2.6 AASB 1001 and AAS 6 remain applicable until superseded by this Standard.

Aus2.7 Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.

Aus2.8 **A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial report for the preceding period.**

Scope

3. **This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of *prior period errors*.**

4. The tax effects of corrections of prior period errors and of retrospective adjustments made to apply changes in accounting policies are accounted for and disclosed in accordance with AASB 112 *Income Taxes*.

Definitions

5. The following terms are used in this Standard with the meanings specified.

> ***Accounting policies* are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial reports.**
>
> **A *change in accounting estimate* is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.**
>
> ***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 report for that prior period were authorised for issue;

from other information.

Material **– omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

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

(a) was available when financial report for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of the financial report.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Prospective application **of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:**

(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

Retrospective application **is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.**

Retrospective restatement **is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.**

6. Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*) states in paragraph 25 that "users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence." Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Accounting Policies

Selection and Application of Accounting Policies

7. When an Australian Accounting Standard specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Australian Accounting Standard and considering any relevant Implementation Guidance issued by the AASB for the Australian Accounting Standard.

8. Australian Accounting Standards set out accounting policies that the AASB has concluded result in a financial report containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from Australian Accounting Standards to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

9. Implementation Guidance for Australian Accounting Standards issued by the AASB does not form part of those Australian Accounting Standards, and therefore does not contain requirements for financial reports.

10. In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users; and

(b) reliable, in that the financial report:

(i) represents faithfully the financial position, financial performance and cash flows of the entity;

(ii) reflects the economic substance of transactions, other events and conditions, and not merely the legal form;

(iii) is neutral, that is, free from bias;

(iv) is prudent; and

(v) is complete in all material respects.

11. In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements and guidance in Australian Accounting Standards dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*.

12. In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

Consistency of Accounting Policies

13. An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an Australian Accounting Standard specifically requires or permits categorisation of items for which different policies may be appropriate. If an Australian Accounting Standard requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

Changes in Accounting Policies

14. An entity shall change an accounting policy only if the change:

(a) is required by an Australian Accounting Standard; or

(b) results in the financial report providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

15. Users of financial reports need to be able to compare the financial statements of an entity over time to identify trends in its financial position, financial performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next unless a change in accounting policy meets one of the criteria in paragraph 14.

16. The following are not changes in accounting policies:

(a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and

(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

17. The initial application of a policy to revalue assets in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets* is a change in an accounting policy to be dealt with as a revaluation in accordance with AASB 116 or AASB 138, rather than in accordance with this Standard.

18. Paragraphs 19-31 do not apply to the change in accounting policy described in paragraph 17.

Applying Changes in Accounting Policies

19. Subject to paragraph 23:

(a) an entity shall account for a change in accounting policy resulting from the initial application of an Australian Accounting Standard in accordance with the specific transitional provisions, if any, in that Australian Accounting Standard; and

(b) **when an entity changes an accounting policy upon initial application of an Australian Accounting Standard that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.**

20. For the purpose of this Standard, early application of an Australian Accounting Standard is not a voluntary change in accounting policy.

21. In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph 12, apply an accounting policy from the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the entity chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.

Retrospective application

22. Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Limitations on retrospective application

23. When *retrospective application* is required by paragraph 19(a) or (b), a change in accounting policy shall be applied retrospectively except to the extent that it is *impracticable* to determine either the period specific effects or the cumulative effect of the change.

24. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.

25. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative

information to apply the new accounting policy prospectively from the earliest date practicable.

26. When an entity applies a new accounting policy retrospectively, it applies the new accounting policy to comparative information for prior periods as far back as is practicable. Retrospective application to a prior period is not practicable unless it is practicable to determine the cumulative effect on the amounts in both the opening and closing balance sheets for that period. The amount of the resulting adjustment relating to periods before those presented in the financial report is made to the opening balance of each affected component of equity of the earliest prior period presented. Usually the adjustment is made to retained earnings. However, the adjustment may be made to another component of equity (for example, to comply with an Australian Accounting Standard). Any other information about prior periods, such as historical summaries of financial data, is also adjusted as far back as is practicable.

27. When it is impracticable for an entity to apply a new accounting policy retrospectively, because it cannot determine the cumulative effect of applying the policy to all prior periods, the entity, in accordance with paragraph 25, applies the new policy prospectively from the start of the earliest period practicable. It therefore disregards the portion of the cumulative adjustment to assets, liabilities and equity arising before that date. Changing an accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period. Paragraphs 50-53 provide guidance on when it is impracticable to apply a new accounting policy to one or more prior periods.

Disclosure

28. When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the Australian Accounting Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial reports of subsequent periods need not repeat these disclosures.

29. When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the

circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial reports of subsequent periods need not repeat these disclosures.

30. When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

- **(a) this fact; and**
- **(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial report in the period of initial application.**

31. In complying with paragraph 30, an entity considers disclosing:

- (a) the title of the new Australian Accounting Standard;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the Australian Accounting Standard is required;
- (d) the date as at which it plans to apply the Australian Accounting Standard initially; and
- (e) either:
  - (i) a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial report; or
  - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

Changes in Accounting Estimates

32. As a result of the uncertainties inherent in business activities, many items in a financial report cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest

available, reliable information. For example, estimates may be required of:

(a) bad debts;

(b) inventory obsolescence;

(c) the fair value of financial assets or financial liabilities;

(d) the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets; and

(e) warranty obligations.

33. The use of reasonable estimates is an essential part of the preparation of financial reports and does not undermine their reliability.

34. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error.

35. 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.

36. The effect of a change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognised prospectively by including it in profit or loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

37. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

38. Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period’s profit or loss,

or the profit or loss of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Disclosure

39. An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

40. If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Errors

41. Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial reports do not comply with Australian Accounting Standards if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial report is authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial report for that subsequent period (see paragraphs 42-47).

42. Subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first financial report authorised for issue after their discovery by:

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) **if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.**

Limitations on Retrospective Restatement

43. A prior period error shall be corrected by *retrospective restatement* except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

44. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

45. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

46. The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

47. When it is impracticable to determine the amount of an error (e.g. a mistake in applying an accounting policy) for all prior periods, the entity, in accordance with paragraph 45, restates the comparative information prospectively from the earliest date practicable. It therefore disregards the portion of the cumulative restatement of assets, liabilities and equity arising before that date. Paragraphs 50-53 provide guidance on when it is impracticable to correct an error for one or more prior periods.

48. Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Disclosure of Prior Period Errors

49. In applying paragraph 42, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

  (i) for each financial statement line item affected; and

  (ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial reports of subsequent periods need not repeat these disclosures.

Impracticability in Respect of Retrospective Application and Retrospective Restatement

50. In some circumstances, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows either retrospective application of a new accounting policy (including, for the purpose of paragraphs 51-53, its *prospective application* to prior periods) or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information.

51. It is frequently necessary to make estimates in applying an accounting policy to elements of financial reports recognised or disclosed in respect of transactions, other events or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting date. Developing estimates is potentially more difficult when retrospectively applying an accounting policy or making a retrospective restatement to correct a prior period error, because of the longer period of time that might have passed since the affected transaction, other event or condition occurred. However, the objective of estimates related to prior periods remains the same as for estimates made in the current period, namely, for the estimate to reflect the circumstances that existed when the transaction, other event or condition occurred.

52. Therefore, retrospectively applying a new accounting policy or correcting a prior period error requires distinguishing information that:

(a) provides evidence of circumstances that existed on the date(s) as at which the transaction, other event or condition occurred; and

(b) would have been available when the financial report for that prior period were authorised for issue;

from other information. For some types of estimates (e.g. an estimate of fair value not based on an observable price or observable inputs), it is impracticable to distinguish these types of information. When retrospective application or retrospective restatement would require making a significant estimate for which it is impossible to distinguish these two types of information, it is impracticable to apply the new accounting policy or correct the prior period error retrospectively.

53. Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, when an entity corrects a prior period error in measuring financial assets previously classified as held-to-maturity investments in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, it does not change their basis of measurement for that period if management decided later not to hold them to maturity. In addition, when an entity corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with AASB 119 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial report for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

Effective Date of IAS 8

54. [Deleted by the AASB]

Withdrawal of Other Pronouncements

55. [Deleted by the AASB]

56. [Deleted by the AASB]