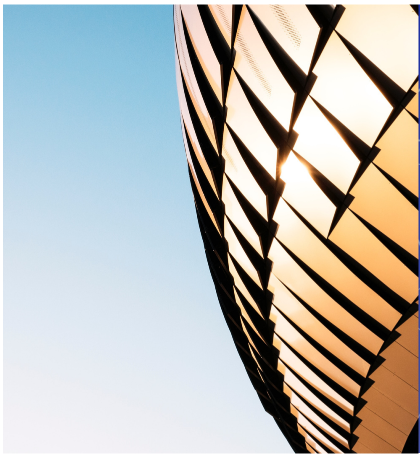
ANANT BHATT LLP
CERTIFIED PUBLIC ACCOUNTANTS
THE POWER OF EXPERIENCE ®
AUDIT | TAX | ADVISORY

City House, First Floor
Nyerere Avenue
Mombasa, Kenya
P.O. Box 80766-80100
Phone: 041-2223682/6542
Email: info@anantbhatt.com
Visit: www.anantbhattllp.com

THE ANANTROY BHATT KNOWLEDGE CENTRE



IAS 8:

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

1 Introduction to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors or IAS 8 is an international financial reporting standard (IFRS) adopted by the International Accounting Standards Board (IASB). It prescribes the criteria for selecting and changing accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.The standard requires compliance with IFRSs which are relevant to the specific circumstances of the entity. In a situation where no specific guidance is provided by IFRSs, IAS 8 requires management to use its judgement to develop and apply an accounting policy that is relevant and reliable. Changes in accounting policies and corrections of errors are generally accounted for retrospectively, unless this is impracticable; whereas changes in accounting estimates are generally accounted for prospectively. IAS 8 was issued in December 1993 by the International Accounting Standards Committee, the predecessor to the IASB. It was reissued in December 2003 by the IASB.

2 Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. When an IFRS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the IFRS and considering any relevant Implementation Guidance issued by the IASB for the IFRS.

In the absence of a Standard or an Interpretation 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 relevant and reliable. In making the judgement management shall refer to, and consider the applicability of, the following sources in descending order:

- the requirements and guidance in IFRSs dealing with similar and related issues; and
- the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

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

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

- is required by an IFRS; or
- results in the financial statements 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.

An entity shall account for a change in accounting policy resulting from the initial application of an IFRS in accordance with the specific transitional provisions, if any, in that IFRS. When an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions applying to that change,

3 Change in Accounting Estimate

The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. 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. The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:

- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

4 Prior Period Errors

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

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

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

Except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

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

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 statements.

Trainee Development - Gold

Practising Certificate Development

Professional Development

ICAEW AUTHORISED TRAINING EMPLOYER

Established in 1949

www.anantbhattllp.com

CPA Kamal Anantroy Bhatt
Managing Partner
E : kamal@anantbhatt.com

CPA Daniel Kinyae Mumo
Associate Partner
E : daniel@anantbhatt.com

Anant Bhatt LLP
City House, First Floor
Nyerere Avenue
Mombasa, Kenya

P.O. Box 80766-80100
E : info@anantbhatt.com
P : 0726241555, 041-2223682, 041-2226542