

Comments on Exposure Draft of Definition of Accounting Estimates (Amendments to Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Ind AS 8 includes definitions of 'accounting policies' and 'change in accounting estimates'. The combination of a definition of one item (accounting policies) with a definition of changes in another item (change in accounting estimate) obscured the distinction between accounting policies and accounting estimates. To make that distinction clearer, the Exposure Draft replaced the definition of 'Change in accounting estimates' with the definition of 'Accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

Para 5 of Ind AS 8 includes newly definition of Accounting estimate which replace the definition of changes in accounting estimates

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

Comment: - The Newly definition is clear and explicit, and easy to understandable by stakeholders

Para 32 of Ind AS 8 amended: - An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. Examples of accounting estimates include

- a) a loss allowance for expected credit losses, applying Ind AS 109, Financial Instruments
- b) the net realisable value of an item of inventory, applying Ind AS 2 Inventories
- c) the fair value of an asset or liability, applying Ind AS 113, Fair Value Measurement
- d) the depreciation expense for an item of property, plant and equipment, applying Ind AS 16 and
- e) a provision for warranty obligations, applying Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

Comment: - This paragraph is more clear and Examples of accounting estimates uses the reasonable language that match with the provisions of Indian Accounting standards.

One more example which may be add:- Amortisation expenses of intangible assets applying Ind AS 38

Further Para 32A and 32B is newly inserted which Provide additional guidance

Para 34 of Ind AS 8 amended: - 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. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error

Comment: - More simplified and Clear with rationale to Ind ASs

Further Para 34A is newly added which ***clarifies and provide additional guidance*** :- The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

Para 38 of Ind AS 8 Slightly amended to support the other Ind ASs Pronouncement.

Para 48 of Ind AS slightly amended for consistency

Final comments:- This Exposure draft bring out changes that will help the stakeholders and entities to distinguish changes in accounting estimates from changes in accounting policies.