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Subject: Comments on Definition of Accounting Estimates

- 1) I welcome the opportunity provided for sending comments on Definition of Accounting Estimates
- 2) My view

| Existing | Proposed change | Comments | Changes |
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| 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. | Para 5 Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. | a) Definition of material uncertainty not given b) Estimates on useful life of fixed assets, actuarial inputs are not monetary items in financial statements | Accounting estimates are judgements or assumptions used in applying an accounting policy when, because of estimation uncertainty, an item in financial statements cannot be measured with precision. |
| As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. | Para 32 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 | a) Future forecast of changes are not covered b) Observation alone will not suffice, accurate ascertainment also required | 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, ascertained accurately and must instead be estimated. In such a case, an entity develops an accounting estimate to |

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| | <p>objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information</p> | | <p>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 and consider future anticipated changes</p> |
| Not there | <p>Para 32 A An entity uses measurement techniques and inputs to develop an accounting estimate. Measurement techniques include estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying Ind AS 109) and valuation techniques (for example, techniques used to measure the fair value of an asset or liability applying Ind AS 113).</p> | What constitutes an accounting estimate is missing | <p>An entity uses measurement techniques and inputs to develop an accounting estimate. Measurement techniques include estimation techniques. For this reason, selecting that estimation technique or valuation technique constitutes making an accounting estimate.</p> |
| Nil | <p>Para 32B The term 'estimate' in Ind AS sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in developing accounting estimates.</p> | Following is missing - Input refers to selection of accounting policy and it can be only of out of accounting policy to arrive at appropriate estimates | <p>The term 'estimate' in Ind AS sometimes refers to an estimate that is not an accounting estimate as defined in this Standard, it constitutes selecting an accounting policy. For example, it sometimes refers to an input used in developing accounting estimates.</p> |
| 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. | <p>Para 34 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</p> | None | <p>No changes Continue as per exposure draft</p> |

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| | accounting estimate does not relate to prior periods and is not the correction of an error | | |
| Nil | <p>Para 34 A</p> <p>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.</p> | None | <p>No changes</p> <p>Continue as per exposure draft</p> |
| 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, | <p>Para 38</p> <p>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 that change. 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 a loss allowance for expected credit losses 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</p> | In estimate wordings to be continued as that gives more clarity | <p>Para 38</p> <p>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 that 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 a loss allowance for expected credit losses 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</p> |

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| <p>if any, on future periods is recognised as income or expense in those future periods</p> | <p>income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.</p> | | <p>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.</p> |
| <p>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.</p> | <p>Para 48 Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need changing 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.</p> | <p>None</p> | <p>No changes Continue as per exposure draft</p> |

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards
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