



IFRS NEWS

DEFINITION OF ACCOUNTING ESTIMATES (AMENDMENTS TO IAS 8)

IFRS News – 10/2021

Introduction



Reason: It difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method. This distinction is important because changes in accounting estimates often affect an entity's profit or loss, but changes in accounting policies generally do not.



Impact: The amendments applied to distinguish between accounting policies and accounting estimates



Effective date: The amendments are effective for annual periods beginning on or after 01 January 2023. Earlier application is permitted.

Amendments

Content	Before	After
Definition	The current version of IAS 8 does not provide a definition of accounting estimates.	Accounting estimates are now defined as, " monetary amounts in financial statements that are subject to measurement uncertainty " and replaced the definition of a change in accounting estimates.
The interaction between accounting estimates and accounting policies (IAS 8.32)	N/a	"An accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy".

Description
<ul style="list-style-type: none"> The amended standard explains how entities use measurement techniques and inputs to develop accounting estimates and states that these can include estimation and valuation techniques. Although the definition of a change in accounting estimate has been replaced, the standard still explains that changes in accounting estimates arise when changes in the circumstances on which the accounting estimate was based occur or because 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 a correction of an error.

CONTACT US

Ho Chi Minh City

5th Floor, Sai Gon 3 Building
140 Nguyen Van Thu Street
Da Kao Ward, District 1
Ho Chi Minh City, Vietnam

Dang Xuan Canh Managing Partner

Head of Audit Services
T: +84 28 3827 5026
E: canh.dang@rsm.com.vn

Hanoi

25th Floor, Tower A, Discovery Complex
302 Cau Giay Street, Dich Vong Ward
Cau Giay District
Hanoi, Vietnam

Nguyen Thanh Lam Partner

Head of Hanoi Office
T: +84 24 3795 5353
E: lam.nguyen@rsm.com.vn

Danang

5th Floor, Dai Thang Building
264 Xo Viet Nghe Tinh Street
Cam Le District
Danang, Vietnam

Nguyen Thi Gia Lai Director

Head of Danang office
T: +84 23 6730 0020
E: lai.nguyen@rsm.com.vn



facebook.com/RSMVietnam



linkedin.com/company/rsm-vietnam

rsm.global/vietnam

This newsletter is only intended for information about the new laws enacted, not for advice or applying to specific cases. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. RSM Vietnam as well as members in RSM network shall not be responsible for any loss whatsoever sustained by any person who relies on this communication. Please refer to your advisors for specific advice.

RSM Vietnam is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2021. All rights reserved.

