

## ACCOUNTING POLICIES

**Definition:**  
Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

### Selection and application of accounting policies:

- ▶ If a standard or interpretation deals with a transaction, use the standard or interpretation.
- ▶ If no standard or interpretation deals with a transaction, judgment should be applied. The following sources should be referred to, to make the judgement:
  - Requirements and guidance in other standards/interpretations dealing with similar issues.
  - Definitions, recognition criteria in the Framework.
  - May use other GAAP that use a similar conceptual framework and/or may consult other industry practice / accounting literature that is not in conflict with standards / interpretations.

### Only change a policy if:

- ▶ Standard/Interpretation requires it, or
- ▶ Change will provide more relevant and reliable information.

### Principle:

If change is due to new standard / interpretation apply transitional provisions.  
If no transitional provisions, apply retrospectively.

If impractical to determine period-specific effects or cumulative effects of the error, then retrospectively apply to earliest period that is practicable.

### Consistency of accounting policies:

Policies should be consistent for similar transactions, events or conditions.

### Disclosure:

- ▶ The title of the standard / interpretation that caused the change.
- ▶ Nature of the change in policy.
- ▶ Description of the transitional provisions.
- ▶ For the current period and each prior period presented, the amount of the adjustment to:
  - Each line item affected.
  - Earnings per share (if required to apply NZ IAS 33 *Earnings Per Share*)
- ▶ Amount of the adjustment relating to prior periods not presented.
- ▶ If retrospective application is impracticable, explain and describe how the change in policy was applied.
- ▶ Subsequent periods need not repeat these disclosures.

### TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters must comply fully with the recognition and measurement principles of NZ IAS 8. However, there are certain disclosure exemptions available.

## CHANGES IN ACCOUNTING ESTIMATES

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

### Change in accounting estimate:

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

### Principle:

Recognise the change prospectively in profit or loss in:

- ▶ Period of change, if it only affects that period; or
- ▶ Period of change and future periods (if applicable).

### Disclosure:

- ▶ Nature and amount of change that has an effect in the current period (or expected to have in future).
- ▶ Fact that the effect of future periods is not disclosed because of impracticality.
- ▶ Subsequent periods need not repeat these disclosures.

## ERRORS

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

- ▶ Was available when the financial statements for that period were issued.
- ▶ Could have been reasonably expected to be taken into account in those financial statements.

### Errors include:

- ▶ Mathematical mistakes.
- ▶ Mistakes in applying accounting policies.
- ▶ Oversights and misinterpretation of facts.
- ▶ Fraud.

### Principle:

- ▶ Correct all errors retrospectively.
- ▶ Restate the comparative amounts for prior periods in which error occurred or if the error occurred before that date - restate opening balance of assets, liabilities and equity for earliest period presented.

If impractical to determine period-specific effects of the error (or cumulative effects of the error), restate opening balances (restate comparative information) for earliest period practicable.

### Disclosure:

- ▶ Nature of the error.
- ▶ For each prior period presented, if practicable, disclose the correction to:
  - Each line item affected.
  - Earnings per share (EPS).
- ▶ Amount of the correction at the beginning of earliest period presented.
- ▶ If retrospective application is impracticable, explain and describe how the error was corrected.
- ▶ Subsequent periods need not repeat these disclosures.