



International Accounting Standards  
Board (IASB)  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

15 January 2018

Dear Board Member,

**Re: Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates –  
Proposed Amendments to IAS 8**

BusinessEurope is pleased to respond to the invitation to comment on the Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates (the ED).

Overall, we think that the proposals of the ED will provide helpful clarification in distinguishing between accounting policies and accounting estimates and therefore welcome them. We do have some specific comments on the question of the appropriate location for some of the proposals and matters of detail. Please see the detailed responses in the appendix.

If you require any further information on our comments, please do not hesitate to contact us.

Yours sincerely,

Erik Berggren  
Senior Adviser  
Legal Affairs Department



## **APPENDIX**

### **Questions for respondents**

#### **Question 1**

*The Board proposes clarifying the definition of accounting policies by removing the terms 'conventions' and 'rules' and replacing the term 'bases' with the term 'measurement bases' (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions).*

*Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?*

We agree.

#### **Question 2**

*The Board proposes:*

*(a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and  
(b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9–BC16 of the Basis for Conclusions).*

*Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?*

(a) We agree.

(b) The inclusion of the phrase "because of estimation uncertainty" in the definition of accounting estimates is redundant and may be removed without reducing the precision of the definition.

#### **Question 3**

*The Board proposes clarifying that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC18 of the Basis for Conclusions).*

*Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?*

We agree.

#### **Question 4**

*The Board proposes clarifying that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions).*

*Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?*



This example of the application of the distinction between an accounting policy and an accounting estimate sits awkwardly here. This is only one example of various choices of accounting policy permitted under IFRS, and it is unclear why this example has been chosen for special treatment. We think that paragraph 32B should either be included in IAS 2, where it is most relevant, or provided as an illustrative example of the application of IAS 8 elsewhere in that standard.

In addition, in its current form of drafting, the explanation provided by paragraph 32B (stating that the selection of a cost formula is an accounting-policy choice) is not as clear as it could be, and further development and integration of elements of BC19-BC20 would be helpful in order to make it clear why the FIFO or weighted-average cost formulas are not estimation techniques. From a reading of the proposed definitions in paragraph 5 of the ED, it could be argued, for example, that the selection of historical cost as a measurement basis is an accounting policy and that the cost formulas are estimates for arriving at this. As it stands, this paragraph appears to be more of a rule than an application of the proposed amendments to IAS 8.

**Question 5**

*Do you have any other comments on the proposals?*

Paragraph 54F(b) of the ED is confusing. It is quite normal to apply the amendments to all changes in accounting policies and accounting estimates following the date of first application or an earlier period chosen by the entity, unless specific reliefs are provided. It is also quite normal that all the other, unchanged, provisions of the standard will equally apply to the changes in accounting policy or estimates as newly defined. It is therefore confusing to us that the paragraph states that the rest of the standard applies to such changes.

This is either a statement of the obvious or implies that it is possible that there are cases in which unchanged parts of standards do not apply. In order to avoid creating any uncertainty, it may be better to omit the last two sentences of this paragraph.

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