



December 14, 2017

International Accounting Standards Board
30 Cannon Street
London, United Kingdom EC4M 6XH

Dear Sir/Madam:

Re: Accounting Policies and Accounting Estimates

We support the proposed IAS 8 – Accounting Policies and Accounting Estimates as outlined in the exposure draft Accounting Policies and Accounting Estimates. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

jr/dd
Attachment

	Question	Response
1	<p>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).</p> <p>Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?</p>	<p>We agree with the proposed amendments. The definitions are now more clear.</p>
2	<p>The Board proposes:</p> <ul style="list-style-type: none"> (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 estimates (see paragraph 5 and paragraphs BC9-BC16 of the Basis for Conclusions). <p>Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?</p>	<p>We agree with the proposed amendments. The changes now make the relationship between accounting policies and accounting estimates more clear and clarify the definition of an accounting estimate.</p>
3	<p>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).</p> <p>Do you agree with this proposed amendment? Why or what not? If not, what do you propose and why?</p>	<p>We agree with the proposed amendment. The amendment clarifies how to deal with an items in the financial statements that cannot be measured with precision.</p>
4	<p>The Board proposes clarifying that, in applying IAS 2 <i>Inventories</i>, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see</p>	<p>We agree with the proposed amendment. The amendment clarifies that inventory valuation methods are an accounting policy.</p>

	Question	Response
	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?	
5	Do you have any other comments on the proposals?	We have no other comments on the proposals.

January 12, 2018

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EX 4M 6XH
United Kingdom

Sent by email to: commentletters@ifrs.org

Ms. Rebecca Villmann
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Sent by email to: ed.accounting@cpacanada.ca

Dear Mr. Hoogervorst and Ms. Villmann,

Re: Exposure Draft ED/2017/5 – Accounting Policies and Accounting Estimates

I appreciate the opportunity to provide my comments on the Proposed Draft Amendment to IAS 8 in IASB's Exposure Draft ED/2017/5 – Accounting Policies and Accounting Estimates. My comments are as follows:

General Comments:

The Board's proposal to clarify the definitions of Accounting Policies and Accounting Estimates will greatly assist users and preparers in effectively deploying changes in estimates as opposed to restating errors in the presentation of financial statements. Additionally, note disclosure requirements are usually more informative and provide the reader with the underlying objectives of any such changes.

Specific Comments:

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?

Response 1) I agree with the Board's proposal to remove the terms 'conventions' and 'rules'. But the terms 'principles', 'bases' and 'practices' will continue to cause some ambiguity to readers. Implied in the exposure draft, as well as from the application of IAS 8, accounting policies broadly constitute the effective accounting standards under IASB, including transition and effective dates of adoption. Likewise, accounting estimates are the quantitative or qualitative assessment required in the application of the standard. Accordingly, the Board should consider simplifying the definition of an accounting policy by establishing a format for a more practical assessment in distinguishing between a policy and an estimate.

The exposure draft should include wording to suggest that accounting standards have no inherent uncertainty nor do they permit diversity in application across users in similar business and economic conditions.

The revised definition of accounting estimates does clarify that judgements or assumptions used in the application of the accounting policy are estimates.

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?

Response 2) I agree. The inclusion of a definition for accounting estimates is an improvement over the meaning specified for 'a change in accounting estimate'.

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?

Response 3) Agree. The exposure draft appears to suggest that the sheer potential for imprecise measurement suitably conveys the principle underpinning the definition of accounting estimates. Therefore, this presumes that any changes on account of uncertain/imprecise measurements or changes in the underlying assumptions are deemed to be prospective changes to accounting estimates in the application of the accounting policy.

However, the exposure draft has not clarified that accounting policy changes occur only on initial issuance of the standard by the IASB, on an amendment to the existing accounting standard, or on initial adoption by the entity. Hence, the exposure draft has not stated that retrospective application would occur due to:

- the implementation of a new accounting standard or amendment; or
- new business events and conditions requiring the first time adoption of an existing accounting standard.

Accounting policy choices are elections made at the time of policy adoption, so any future changes in these policy elections would be retrospectively applied. These policy elections are not impacted by changes to business processes. Changes in underlying business processes or circumstances resulting in a change in the accounting estimates would need to be prospectively applied, in response to new circumstances.

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 paragraphs 32B and paragraphs BC19 – BC20 of the Basis of Conclusions).

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

Response 4) Disagree. The choice of inventory valuation between FIFO and weighted average cost formula involves the application of accounting estimates, and is determined by an entity's underlying business operations. IAS 2.27, states that where inventory purchased or produced first is sold first, the FIFO formula would be reflective of the inventory value. In other cases, the average cost of inventory purchased or produced at the beginning of the period and during the period are calculated on a periodic basis. Accordingly, the general movement of inventories purchased or produced is based on underlying business processes and should be deemed to be an accounting estimate. The estimated inventory value is determined by the formulae for FIFO or weighted average cost and any change in underlying circumstances would require a prospective change in accounting estimate.

BC19 of the Basis of Conclusions appears to be a departure from the standard. Estimate of the actual flow of inventories does not have to be as onerous and can be based on general logistics of the product segment or product shipments.

Since the accounting estimate choice should be based on the factual circumstances, any change in the selection of the valuation method should be a prospective change in accounting estimate used in the application of the IAS 2 accounting policy.

Question 5

Do you have any other comments on the proposals?
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Response 5) No other comments in addition to the points noted above.

If you have any questions please do not hesitate to contact me by email at lynessadidas@gmail.com.

Yours sincerely,

Lynessa Dias, CPA, CGA, CFA, FRM, CAIA