

IFRS improves accounting policy disclosures

IASB amends 3 Standards to improve accounting policy disclosures and clarify distinction between accounting policies and accounting estimates

The IASB (International Accounting Standards Board) has issued narrow-scope amendments to the following IFRS Standards:

- IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies; and
- IFRS Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures; and
- IAS 8 to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

These amendments to IFRS Standards will help companies to:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

Following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed, the Board has issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the Board has also issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Click here to access more information and support material on these IFRS standards:

- IAS 1 – <https://www.ifrs.org/issued-standards/list-of-standards/ias-1-presentation-of-financial-statements/>
- IAS 8 – <https://www.ifrs.org/issued-standards/list-of-standards/ias-8-accounting-policies-changes-in-accounting-estimates-and-errors/>

IFRS Practice Statement 2 – <https://www.ifrs.org/issued-standards/materiality-practice-statement/>