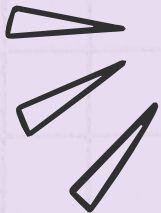


IAS8 - Accounting Policies



01

Accounting Policy Selection:

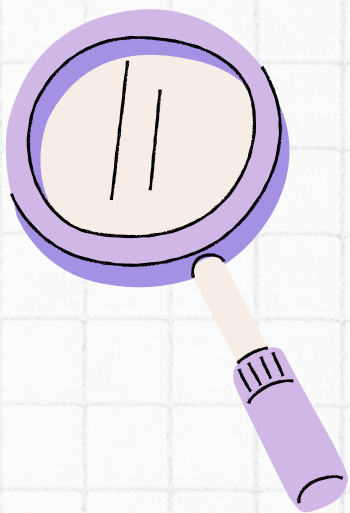
- This is as simple as identifying the relevant IFRS and applying it to your transaction.
- **Must** = No choice in application (IAS2)
- **Choice** = Choice in line with IFRS (IAS16)



02

Developing your own accounting policy:

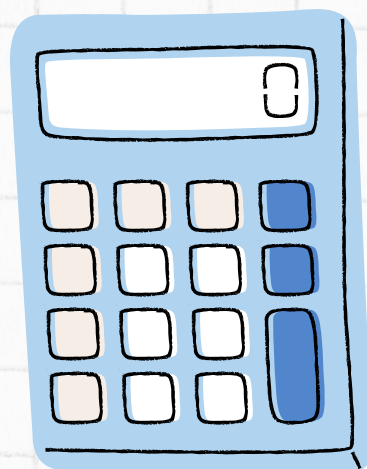
- **Relevant** - Material to users
- **Reliable** - Faithful Representation + Economic Substance > legal form + Neutral + Prudent + Complete.
- **Judgement** - Based on standards / Conceptual Framework / Recent pronouncements
- **Consistency** - Ensure comparability across periods.



03

Disclosure:

- Refer back to IAS1.
- Notes must include a summary of material accounting policy information.
- Accounting policy is considered **material** if the users require the information to understand material transactions, events / conditions.




04


Disclosure for Significant Judgements:

- Made by management in applying the accounting policies.
- Has the most significant effect on amounts recognized in AFS.

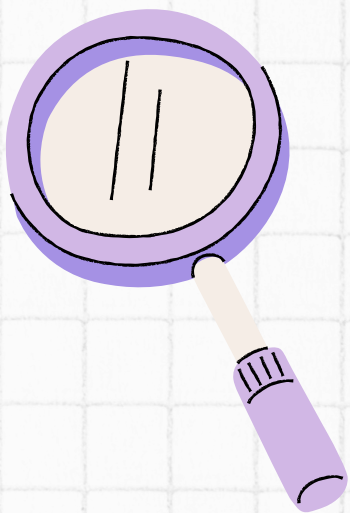




IAS8 - Changes in Estimates

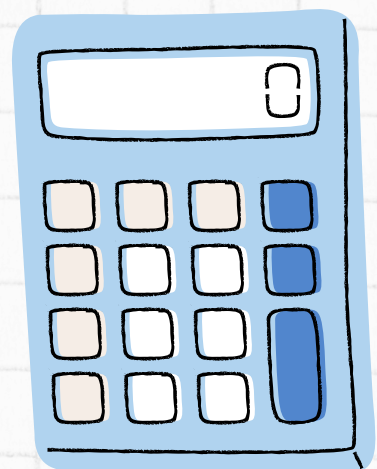


- 01** Prospective Application:
- The new policy is only applied to the current and future years with prior year figures remaining unchanged.
 - In simple terms the change only affects current and future profits / losses
 - For Change in Estimates the change is always applied from the beginning of the year of change.



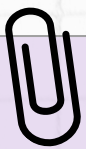
- 02** The Cumulative Catch - Up method:
- Current year adjustment includes affect on prior years.
 - For example:
Provision for bad debts % is now measured at 10% instead of 8% on gross receivables of R1000 (CY) and R800 (PY)
- $\text{Change} = 800 \times 0.02 + 1000 \times 0.1 = \text{R}116$

- 03** The Reallocation method
- Prior year effect is ignored.
 - For example:
PPE of R500k had a RV of 5 on purchase date of 1/01/2007. On 1/01/2009 the RV changed to 4.
- $\text{CA on 31/12/2008} = 300\text{k} (500 - 500/5 \times 2)$
- $\text{New dep} = 150\text{K} (300\text{k} / (4 - 2))$

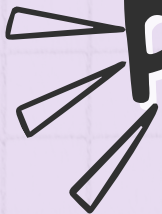


- 04** Disclosure:
- In a Change in Estimate Note.
 - Include a brief description of the change
 - Include effect on CY and FY profits:

The following estimate change from to.
The (increase) / decrease) in profits is:
Current year XXX
Future year XXX



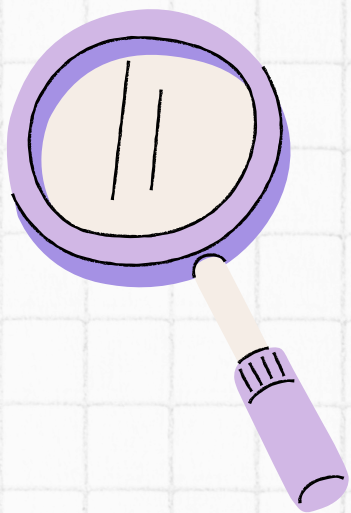
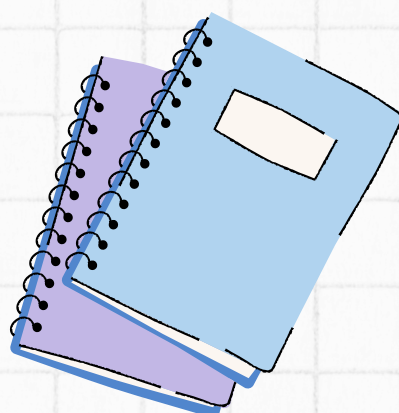
IAS8 - Prior period errors



01

Correction Method:

- CY - All errors are corrected prospectively.
- Immaterial PY - Corrected in current year but no disclosure is required.
- Material PY - Corrected in period occurred + disclosure



02

Disclosure:

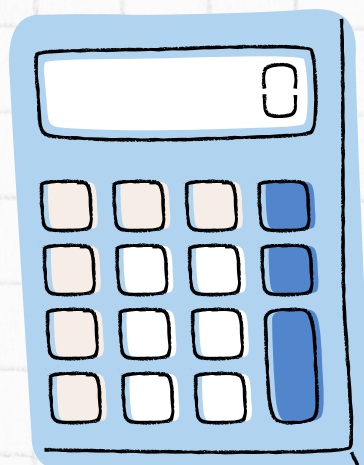
- A prior period note is disclosed describing:
 1. The nature of the error
 2. At least 2 comparative periods in the SFP
 3. Adjustment to each line item in the financial statements
 4. Amount affecting RE
 5. If prior period is not restated disclose:
 - Why it is impracticable.
 - How and from when its corrected.

03

Prior Period Note Example:

<PS its in your illustrative examples>
 In period XXX the following mistake occurred XXX and the XXX period has been restated.

	CY	PY
Increase in Asset	XXX	XXX
Increase in Tax L	XXX	XXX
Increase in Profit	XXX	XXX
Increase in Tax	XXX	XXX



04

Key Notes:

1. If the prior year SARS assessment will **not** be opened then changes in profit results in **Deferred Tax**.
2. If the prior year SARS assessment **will** be opened then changes in profits results in changes in **Current Tax**.

