

9.25 Separate financial statements are a second set of financial statements presented by an entity in addition to any of the following:

- (a) consolidated financial statements prepared by a parent;
- (b) financial statements prepared by a parent exempted from preparing consolidated financial statements by paragraph 9.3C; or
- (c) financial statements prepared by an entity that is not a parent but is an investor in an associate or has a **venturer's** interest in a **joint venture**.

Accounting policy election

9.26 When a parent, an investor in an associate or a venturer with an interest in a jointly controlled entity prepares separate financial statements and describes them as conforming to the *IFRS for SMEs*, those statements shall comply with all of the requirements of this Standard except as follows. The entity shall adopt a policy of accounting for its investments in subsidiaries, associates and **jointly controlled entities** in its separate financial statements either:

- (a) at cost less impairment;
- (b) at **fair value** with changes in fair value recognised in profit or loss; or
- (c) using the equity method following the procedures in paragraph 14.8.

The entity shall apply the same accounting policy for all investments in a single class (subsidiaries, associates or jointly controlled entities), but it can elect different policies for different classes.

Disclosures in separate financial statements

9.27 When a parent, an investor in an associate or a venturer with an interest in a jointly controlled entity prepares separate financial statements, those separate financial statements shall disclose:

- (a) that the statements are separate financial statements; and
- (b) a description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates,

and shall identify the consolidated financial statements or other primary financial statements to which they relate.

Combined financial statements

9.28 Combined financial statements are a single set of financial statements of two or more entities under common control (as described in paragraph 19.2(a)). This Standard does not require combined financial statements to be prepared.

9.29 If the investor prepares combined financial statements and describes them as conforming to the *IFRS for SMEs*, those statements shall comply with all of the requirements of this Standard. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognised in assets such as inventory and property, plant and equipment shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is

impracticable to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances.

Disclosures in combined financial statements

The combined financial statements shall disclose the following:

- (a) the fact that the financial statements are combined financial statements;
- (b) the reason why combined financial statements are prepared;
- (c) the basis for determining which entities are included in the combined financial statements;
- (d) the basis of preparation of the combined financial statements; and
- (e) the **related party** disclosures required by Section 33 *Related Party Disclosures*.

Section 10 Accounting Policies, Estimates and Errors

Scope of this section

- 10.1 This section provides guidance for selecting and applying the **accounting policies** used in preparing **financial statements**. It also covers **changes in accounting estimates** and corrections of **errors** in prior period financial statements.

Selection and application of accounting policies

- 10.2 Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
- 10.3 If this Standard specifically addresses a transaction, other event or condition, an entity shall apply this Standard. However, the entity need not follow a requirement in this Standard if the effect of doing so would not be **material**.
- 10.4 If this Standard does not specifically address a transaction, other event or condition, an entity's management shall use its judgement in developing and applying an accounting policy that results in information that is:
- (a) **relevant** to the economic decision-making needs of users; and
 - (b) **reliable**, in that the financial statements:
 - (i) represent faithfully the **financial position**, **financial performance** and **cash flows** of the entity;
 - (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - (iii) are neutral, ie free from bias;
 - (iv) are prudent; and
 - (v) are complete in all material respects.
- 10.5 In making the judgement described in paragraph 10.4, management shall refer to, and consider the applicability of, the following sources in descending order:
- (a) the requirements and guidance in this Standard dealing with similar and related issues; and
 - (b) the definitions, **recognition** criteria and **measurement** concepts for **assets**, **liabilities**, **income** and **expenses** and the pervasive principles in Section 2 *Concepts and Pervasive Principles*.
- 10.6 In making the judgement described in paragraph 10.4, management may also consider the requirements and guidance in **full IFRS** dealing with similar and related issues.

Consistency of accounting policies

- 10.7 An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless this Standard specifically requires or permits categorisation of items for which different policies may be appropriate. If this Standard requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

Changes in accounting policies

- 10.8 An entity shall change an accounting policy only if the change:
- is required by changes to this Standard; or
 - results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.
- 10.9 The following are not changes in accounting policies:
- the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring;
 - the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were not material; or
 - a change to the cost model when a reliable measure of **fair value** is no longer available (or vice versa) for an asset that this Standard would otherwise require or permit to be measured at fair value.
- 10.10 If this Standard allows a choice of accounting treatment (including the measurement basis) for a specified transaction or other event or condition and an entity changes its previous choice, that is a change in accounting policy.
- 10.10A The initial application of a policy to revalue assets in accordance with Section 17 *Property, Plant and Equipment* is a change in an accounting policy to be dealt with as a revaluation in accordance with Section 17. Consequently, a change from the cost model to the revaluation model for a class of **property, plant and equipment** shall be accounted for prospectively, instead of in accordance with paragraphs 10.11–10.12.

Applying changes in accounting policies

- 10.11 An entity shall account for changes in accounting policy as follows:
- an entity shall account for a change in accounting policy resulting from a change in the requirements of this Standard in accordance with the transitional provisions, if any, specified in that amendment;
 - when an entity has elected to follow IAS 39 *Financial Instruments: Recognition and Measurement* instead of following Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* as permitted by paragraph 11.2, and the requirements of IAS 39 change, the entity shall

Section 10
Accounting account for that change in accounting policy in accordance with the transitional provisions, if any, specified in the revised IAS 39; and

10.11 (c) an entity shall account for all other changes in accounting policy **retrospectively** (see paragraph 10.12).

Retrospective application

10.12 When a change in accounting policy is applied retrospectively in accordance with paragraph 10.11, the entity shall apply the new accounting policy to comparative information for prior periods to the earliest date for which it is practicable, as if the new accounting policy had always been applied. When it is **impracticable** to determine the individual-period effects of a change in accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the **carrying amounts** of assets and liabilities as at the beginning of the earliest period for which **retrospective application** is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of **equity** for that period.

Disclosure of a change in accounting policy

10.13 When an amendment to this Standard has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following:

- (a) the nature of the change in accounting policy;
- (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
- (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

10.14 When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following:

- (a) the nature of the change in accounting policy;
- (b) the reasons why applying the new accounting policy provides reliable and more relevant information;
- (c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
 - (i) for the current period;
 - (ii) for each prior period presented; and
 - (iii) in the aggregate for periods before those presented.
- (d) an explanation if it is impracticable to determine the amounts to be disclosed in (c).

Financial statements of subsequent periods need not repeat these disclosures.

Changes in accounting estimates

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

An entity shall recognise the effect of a change in an accounting estimate, other than a change to which paragraph 10.17 applies, **prospectively** by including it in **profit or loss** in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, the entity shall recognise it by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Disclosure of a change in estimate

An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclose those estimates.

Corrections of prior period errors

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

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.

To the extent practicable, an entity shall correct a material prior period error retrospectively in the first financial statements authorised for issue after its discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or