

January 12, 2018

## **International Accounting Standards Board**

30 Cannon Street  
London EC4M 6XH  
United Kingdom

### **RE: ED/2017/5 – Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)**

Dear Board Members:

The “Group of Latin American Accounting Standard Setters” (GLASS)<sup>1</sup> welcomes the opportunity to comment on the ED/2017/5 – Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8), issued in September 2017

#### **Due Process**

The discussions regarding the ED were held within a specified Technical Working Group (TWG), created in October 2017. All GLASS country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several meetings. In those meetings the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

#### **Overall comment**

We agree in general with the proposed amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, because the definitions, as well as the clarifications about the differences between accounting policies and accounting estimates, are more precise.

#### **Specifics comments**

Attached please find our specific responses to the questions presented in the ED.

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<sup>1</sup> The overall objective of the Group of Latin American Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Vice Chairman), Bolivia, Brazil (Chairman), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).

## Contact

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,



**Eduardo Pocetti**  
Chairman  
Group of Latin American Accounting Standard Setters (GLASS)

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## GLASS Comment Letter on the IASB Exposure Draft – Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)

### 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?

Yes, we are in agreement because it provides for a more precise definition of what is meant by an accounting policy; the replacement of the term "bases" with "measurement bases" allows unifying the terminology used, as is the case with paragraph 35 of IAS 8.

### 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?

Yes, we agree, because this simply and practically clarifies the relationship between accounting policies and accounting estimates to subsequently understand the accounting for changes in accounting estimates indicated in paragraphs 36 to 38 of IAS 8.

### 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?

Yes, we agree since this allows clarifying more precisely when we are dealing with an accounting estimate, specifically in the case of the use of an estimation technique or valuation technique, which are referred to in other standards as in the case of IFRS 9, *Financial Instruments*, and IFRS 13, *Fair Value Measurement*.

#### 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?

Yes, we agree because this presents a concrete example of an accounting policy, based on the fact that the selection of one of these formulas of costs is not an attempt to estimate the flows of those inventories.

#### Question 5

Do you have any other comments on the proposals?

We have the following additional comments on the proposals:

- In the case of paragraph 32A, we recommend providing a specific example of when an item in the financial statements cannot be measured with precision and is made selecting an estimation technique or valuation technique. For example, we suggest making specific reference to measurement techniques such as those listed in IFRS 13 or to estimation techniques as mentioned in IFRS 9.
- We believe that paragraph 32B of IAS 8 (or another paragraph) should clarify whether the selection of techniques for the measurement of cost mentioned in paragraphs 21 and 22 of IAS 2, represents an accounting policy choice or an accounting estimate (selection of the retail method or standard cost method).