Accounting Policies, Changes in Accounting Estimates and Errors

This compiled Standard applies to annual periods beginning on or after 1 January 2020. Earlier application is permitted for annual periods beginning after 24 July 2014 but before 1 January 2020. It incorporates relevant amendments made up to and including 21 May 2019.

Prepared on 2 March 2020 by the staff of the Australian Accounting Standards Board.

Compilation no. 1

Compilation date: 31 December 2019

Australian Government

Australian Accounting Standards Board

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Contents

Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (as amended) is set out in paragraphs 1 – Aus56.2 and Appendix A. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 108 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*.

Comparison with IAS 8

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as amended incorporates IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as issued and amended by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in IAS 8) are identified with the prefix "Aus" or "RDR". Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB 108 also comply with IAS 8.

Not-for-profit entities' compliance with IAS 8 will depend on whether any "Aus" paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with IAS 8.

Tier 2

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) will not be in compliance with IFRS Standards.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

Authorised Version F2020C00282 registered 15/04/2020

Accounting Standard AASB 108

The Australian Accounting Standards Board made Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* under section 334 of the Corporations Act 2001 on 7 August 2015.

This compiled version of AASB 108 applies to annual periods beginning on or after 1 January 2020. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 21 May 2019 (see Compilation Details).

Accounting Standard AASB 108
Accounting Policies, Changes in Accounting Estimates and Errors

Objective

1 The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

(a) not-for-profit entities; and

(b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

2 Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in AASB 101 *Presentation of Financial Statements*.

Scope

3 This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

4 The tax effects of corrections of prior period errors and of retrospective adjustments made to apply changes in accounting policies are accounted for and disclosed in accordance with AASB 112 *Income Taxes*.

Definitions

5 The following terms are used in this Standard with the meanings specified:

***Accounting policies* are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.**

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.

***Material* is defined in paragraph 7 of AASB 101 and is used in this Standard with the same meaning.**

***Prior period errors* are omissions from, and misstatements in, the 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.

***Retrospective application* is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.**

***Retrospective restatement* is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.**

***Impracticable* Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:**

(a) the effects of the retrospective application or retrospective restatement are not determinable;

(b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

(c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

(i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and

(ii) would have been available when the financial statements for that prior period were authorised for issue from other information.

***Prospective application* of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:**

(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

6 [Deleted]

Accounting policies

Selection and application of accounting policies

7 When an Australian Accounting Standard[1] specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard.

8 Australian Accounting Standards set out accounting policies that the AASB has concluded result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from Australian Accounting Standards to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

9 Australian Accounting Standards are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether it is an integral part of Australian Accounting Standards. Guidance that is an integral part of the Australian Accounting Standards is mandatory. Guidance that is not an integral part of the Australian Accounting Standards does not contain requirements for financial statements.

1 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – Reduced Disclosure Requirements, which some entities are permitted to apply in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards* in preparing general purpose financial statements.

10 **In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, 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.**

11 **In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:**

(a) **the requirements in Australian Accounting Standards dealing with similar and related issues; and**

(b) **the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) (as identified in AASB 1048 *Interpretation of Standards*).[2]**

AusCF11 **Notwithstanding paragraph 11, in respect of AusCF entities, in making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:**

(a) **the requirements in Australian Accounting Standards dealing with similar and related issues; and**

(b) **the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*[AusCF2].**

12 **In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.**

Consistency of accounting policies

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

Changes in accounting policies

14 **An entity shall change an accounting policy only if the change:**

(a) **is required by an Australian Accounting Standard; or**

(b) **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.**

15 Users of financial statements need to be able to compare the financial statements of an entity over time to identify trends in its financial position, financial performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next unless a change in accounting policy meets one of the criteria in paragraph 14.

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2 Paragraph 54G explains how this requirement is amended for regulatory account balances.

AusCF2 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*).

16 **The following are not changes in accounting policies:**

(a) **the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and**

(b) **the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.**

17 **The initial application of a policy to revalue assets in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets* is a change in an accounting policy to be dealt with as a revaluation in accordance with AASB 116 or AASB 138, rather than in accordance with this Standard.**

18 Paragraphs 19–31 do not apply to the change in accounting policy described in paragraph 17.

Applying changes in accounting policies

19 **Subject to paragraph 23:**

(a) **an entity shall account for a change in accounting policy resulting from the initial application of an Australian Accounting Standard in accordance with the specific transitional provisions, if any, in that Australian Accounting Standard; and**

(b) **when an entity changes an accounting policy upon initial application of an Australian Accounting Standard that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.**

20 For the purpose of this Standard, early application of an Australian Accounting Standard is not a voluntary change in accounting policy.

21 In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph 12, apply an accounting policy from the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the entity chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.

Retrospective application

22 **Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.**

Limitations on retrospective application

23 **When retrospective application is required by paragraph 19(a) or (b), a change in accounting policy shall be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.**

24 **When it is impracticable to determine the period-specific effects of changing an 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.**

25 **When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.**

26 When an entity applies a new accounting policy retrospectively, it applies the new accounting policy to comparative information for prior periods as far back as is practicable. Retrospective application to a prior period is not practicable unless it is practicable to determine the cumulative effect on the amounts in both the opening and closing statements of financial position for that period. The amount of the resulting adjustment relating to periods before those presented in the financial statements is made to the opening balance of each affected component of equity of the earliest prior period presented. Usually the adjustment is made to retained earnings. However, the adjustment may be made to another component of equity (for

example, to comply with an Australian Accounting Standard). Any other information about prior periods, such as historical summaries of financial data, is also adjusted as far back as is practicable.

27 When it is impracticable for an entity to apply a new accounting policy retrospectively, because it cannot determine the cumulative effect of applying the policy to all prior periods, the entity, in accordance with paragraph 25, applies the new policy prospectively from the start of the earliest period practicable. It therefore disregards the portion of the cumulative adjustment to assets, liabilities and equity arising before that date. Changing an accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period. Paragraphs 50–53 provide guidance on when it is impracticable to apply a new accounting policy to one or more prior periods.

Disclosure

28 When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the Australian Accounting Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

29 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(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) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

30 When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.

31 In complying with paragraph 30, an entity considers disclosing:

(a) the title of the new Australian Accounting Standard;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the Australian Accounting Standard is required;

(d) the date as at which it plans to apply the Australian Accounting Standard initially; and

(e) either:

(i) a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial statements; or

(ii) if that impact is not known or reasonably estimable, a statement to that effect.

Changes in accounting estimates

32 As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. For example, estimates may be required of:

(a) bad debts;

(b) inventory obsolescence;

(c) the fair value of financial assets or financial liabilities;

(d) the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets; and

(e) warranty obligations.

33 The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

34 An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error.

35 A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. 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.

36 The effect of a change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognised 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.

37 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, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

38 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Disclosure

39 An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

40 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Errors

41 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Australian Accounting Standards if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42–47).

42 Subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

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

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Limitations on retrospective restatement

43 A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

44 When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

45 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

46 The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

47 When it is impracticable to determine the amount of an error (eg a mistake in applying an accounting policy) for all prior periods, the entity, in accordance with paragraph 45, restates the comparative information prospectively from the earliest date practicable. It therefore disregards the portion of the cumulative restatement of assets, liabilities and equity arising before that date. Paragraphs 50–53 provide guidance on when it is impracticable to correct an error for one or more prior periods.

48 Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Disclosure of prior period errors

49 In applying paragraph 42, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

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(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures.

Impracticability in respect of retrospective application and retrospective restatement

50 In some circumstances, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows either retrospective application of a new accounting policy (including, for the purpose of paragraphs 51–53, its prospective application to prior periods) or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information.

51 It is frequently necessary to make estimates in applying an accounting policy to elements of financial statements recognised or disclosed in respect of transactions, other events or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting period. Developing estimates is potentially more difficult when retrospectively applying an accounting policy or making a retrospective restatement to correct a prior period error, because of the longer period of time that might have passed since the affected transaction, other event or condition occurred. However, the objective of estimates related to prior periods remains the same as for estimates made in the current period, namely, for the estimate to reflect the circumstances that existed when the transaction, other event or condition occurred.

52 Therefore, retrospectively applying a new accounting policy or correcting a prior period error requires distinguishing information that

(a) provides evidence of circumstances that existed on the date(s) as at which the transaction, other event or condition occurred, and

(b) would have been available when the financial statements for that prior period were authorised for issue

from other information. For some types of estimates (eg a fair value measurement that uses significant unobservable inputs), it is impracticable to distinguish these types of information. When retrospective application or retrospective restatement would require making a significant estimate for which it is impossible to distinguish these two types of information, it is impracticable to apply the new accounting policy or correct the prior period error retrospectively.

53 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, when an entity corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with AASB 119 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

Effective date and transition

54 An entity shall apply this Standard for annual periods beginning on or after 1 January 2018. Earlier application is encouraged for periods beginning after 24 July 2014 but before 1 January 2018. If an entity applies this Standard for a period beginning before 1 January 2018, it shall disclose that fact.

54A [Deleted]

54B [Deleted]

54C [Deleted by the AASB]

54D [Deleted]

54E AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (as amended) amended the previous version of this Standard as follows: amended paragraph 53 and deleted paragraph 54A. Paragraph 54B, added by AASB 2010-7, was deleted by AASB 2014-1 *Amendments to*

Australian Accounting Standards. Paragraph 54D, added by AASB 2014-1, was deleted by AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*. An entity shall apply those amendments when it applies AASB 9.

54F AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraph 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply paragraph 11 retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply paragraph 11 by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in AASB 2019-1 would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to 'is impracticable' as 'involves undue cost or effort' and any reference to 'practicable' as 'possible without undue cost or effort'.

54G If an entity does not apply AASB 14 *Regulatory Deferral Accounts*, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements*[3] instead of those in the *Conceptual Framework*. A regulatory account balance is the balance of any expense (or income) account that is not recognised as an asset or a liability in accordance with other applicable Australian Accounting Standards but is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. A rate regulator is an authorised body that is empowered by statute or regulation to establish the rate or a range of rates that bind an entity. The rate regulator may be a third-party body or a related party of the entity, including the entity's own governing board, if that body is required by statute or regulation to set rates both in the interest of the customers and to ensure the overall financial viability of the entity.

54H AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*, issued in December 2018, amended paragraph 7 of AASB 101 and paragraph 5 of AASB 108, and deleted paragraph 6 of AASB 108. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Withdrawal of other pronouncements

55–56 [Deleted by the AASB]

Commencement of the legislative instrument

Aus56.1 For legal purposes, this legislative instrument commences on 31 December 2017.

Withdrawal of AASB pronouncements

Aus56.2 This Standard repeals AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* issued in July 2004. Despite the repeal, after the time this Standard starts to apply under section 334 of the Corporations Act (either generally or in relation to an individual entity), the repealed Standard continues to apply in relation to any period ending before that time as if the repeal had not occurred.

[Note: When this Standard applies under section 334 of the Corporations Act (either generally or in relation to an individual entity), it supersedes the application of the repealed Standard.

3 The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004.

Appendix A
Australian reduced disclosure requirements

This appendix is an integral part of the Standard.

AusA1 **Paragraphs 28(b), 28(d), 28(e), 28(h), 30, 31 and 40 of this Standard do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.**

AusA2 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.

AusA3 **The RDR paragraph in this Standard applies only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.**

RDR28.1 **An entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose an explanation if it is impracticable to determine the amounts required to be disclosed by paragraph 28(f)(i) or 28(g).**

Compilation details
Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (as amended)

Compilation details are not part of AASB 108.

This compiled Standard applies to annual periods beginning on or after 1 January 2020. It takes into account amendments up to and including 21 May 2019 and was prepared on 2 March 2020 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 108 (August 2015) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	**Date made**	**FRL identifier**	**Commence-ment date**	**Effective date *(annual periods … on or after …)***	**Application, saving or transitional provisions**
AASB 108	7 Aug 2015	F2015L01565	31 Dec 2017	*(beginning)* 1 Jan 2018	see (a) below
AASB 2018-7	18 Dec 2018	F2019L00021	31 Dec 2019	*(beginning)* 1 Jan 2020	see (b) below
AASB 2019-1	21 May 2019	F2019L00966	31 Dec 2019	*(beginning)* 1 Jan 2020	see (b) below

(a) Entities may elect to apply this Standard to annual periods beginning after 24 July 2014 but before 1 January 2018.

(b) Entities may elect to apply this Standard to annual periods beginning before 1 January 2020.

Table of amendments

Paragraph affected	**How affected**	**By … [paragraph/page]**
AusCF1	added	AASB 2019-1 [page 18]
5	amended	AASB 2018-7 [page 7]
6	deleted	AASB 2018-7 [page 7]
11	amended	AASB 2019-1 [page 18]
AusCF11	added	AASB 2019-1 [page 18]
54 (preceding heading)	amended	AASB 2019-1 [page 18]
54F-54G	added	AASB 2019-1 [page 18]
54H	added	AASB 2018-7 [page 7]

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Deleted IAS 8 text

Deleted IAS 8 text is not part of AASB 108.

54C IFRS 13 *Fair Value Measurement*, issued in May 2011, amended paragraph 52. An entity shall apply that amendment when it applies IFRS 13.

55 This Standard supersedes IAS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*, revised in 1993.

56 This Standard supersedes the following Interpretations:

(a) SIC-2 *Consistency—Capitalisation of Borrowing Costs*; and

(b) SIC-18 *Consistency—Alternative Methods*.