IAS8 _ Investors

Background

Organismo Italiano Contabilità (OIC) is helping the IASB to understand investor views on accounting changes by conducting a short survey.

All responses will be treated in confidence on a non-attributed basis.

Thank you in advance for your time and help with this survey.

IAS8 _ Investors

Question 1

We would like to confirm our understanding of what information you find useful when management change an accounting estimate.

Change in accounting estimate

Estimates relate to measurement of assets and liabilities. A change in accounting estimate results in an adjustment to the carrying amount of an asset or liability. This is because of new information or new developments; by its nature, a change in an estimate does not relate to prior periods.

For example: In order to adjust for changes in estimates about items such as bad debts, useful lives or fair value of certain assets, the company would record the differences in the current year balance sheet and P&L. ('prospective application').

A. What information do you need when management change an accounting estimate?

B. Please tell us the reasons for your response. Why do you need the information you have cited?

IAS8 _ Investors

Question 2

We would like to confirm our understanding of what information you find useful when management change an accounting policy.

Change in accounting policy

Change in accounting policy is a change in the specific principles, bases, conventions, rules and practices applied by a company in preparing and presenting financial statements.

For example: A company used to capitalize certain expenditure as part of cost of its Property, Plant & Equipment. It decided not to capitalize the expenditure anymore and to expense it instead. When adopting the new policy, the company would adjust and restate the relevant balance sheet and P&L amounts for all periods presented as if that policy had always been in place ('retrospective application').

A. How important do you believe it is that management restate prior years' financial statements when they change an accounting policy?

- ○ It is very important that they restate the prior years' financial statements
- ○ It is preferable that they restate the prior years' financial statements
- ○ It is very important that they do not restate the prior years' financial statements
- ○ It is preferable that they do not restate the prior years' financial statements
- ○ I do not care whether management restate the prior years' financial statements, provided there is adequate disclosure in the notes
- ○ No opinion

B. What information do you need when management change an accounting policy?

C. Please tell us the reasons for your responses. Why do you need the information you have cited? And why do you hold the views that you have given on the restatement of prior years?

Question 3

In some cases, a company may find it impractical to apply a change in an accounting policy (for a description of an accounting policy please see Question 2 above) retrospectively. Therefore, it will be unable to restate its comparative financial statements.

For example: New accounting standard IFRS 15 Revenue from Contracts with Customers allows companies to use the ‘modified approach’ when they initially apply the standard, with no restatements of prior periods.

Under this approach, in the year when a company adopts IFRS 15, it adjusts only transactions that are not completed as of a certain date. The company applies the new accounting policy to these transactions as if it has always applied that accounting policy to them. The ‘catch-up adjustment’ for the effect of the change is recorded in equity.

What information (including presentation) about the change would be most beneficial for you when a company finds impractical to apply a change in an accounting policy retrospectively?

IAS8 _ Investors

Question 4

One of the approaches that we have been tentatively considering for accounting changes is to distinguish them between: a) changes relating to measurement and b) other changes (ie relating to recognition, classification, presentation and disclosure). The reasons for that are: changes in measurement are often burdensome for preparers; they also often involve hindsight and estimates. As a result, companies apply the impracticability exemption and do not restate prior years' financial statements in practice.

The outcome of the new distinction would mean that changes relating to measurement will not be accounted for retrospectively, whilst other changes will be. Another outcome of this distinction will be that there will no longer be a need to distinguish between changes in accounting policies and changes in accounting estimates as both will be treated as accounting changes relating to measurement.

Do you agree with this distinction between changes relating to measurement and other changes?

- ○ Yes
- ○ No
- ○ No opinion

Would you please explain your response?

IAS8 _ Investors

Question 5

We would like to confirm our understanding of the information you find useful when management correct prior years' material errors.

Prior period errors

Prior period errors are omissions from or misstatements in prior years' financial statements, including mathematical mistakes, mistakes in applying accounting policies, oversights, misinterpretations of facts.

For example: Sales of some products in 20X1 were still included in inventory at the end of 20X2. The company would adjust the related revenue, costs of sales and balance sheet items in 20X1, disclosing the quantitative effects of the adjustment. Financial information in 20X2 will not be affected.

A. How important do you believe it is that management restate prior years' financial statements when they correct prior years' material errors?

- It is very important that they restate the prior years' financial statements
- It is preferable that they restate the prior years' financial statements
- It is very important that they do not restate the prior years' financial statements
- It is preferable that they do not restate the prior years' financial statements
- I do not care whether management restate the prior years' financial statements, provided there is adequate disclosure in the notes
- No opinion

B. What information do you need when management correct prior years' material errors?

C. Please tell us the reasons for your responses. Why do you need the information you have cited? And why do you hold the views that you have given on the restatement of prior years?

IAS8 _ Investors

Information about you as a user of financial statements

***What is your role as a user of financial statements? Check all boxes that apply.**

- [ ] Buy-side analyst
- [ ] Sell-side analyst
- [ ] Credit ratings analyst
- [ ] Accounting research
- [ ] Asset/portfolio manager
- [ ] Other (please specify)

IAS8 _ Investors

Information about you as a user of financial statements

***In which region and country are you based?**

Region:

Country:

IAS8 _ Investors

Information about you as a user of financial statements

***Which sectors do you follow? Check all boxes that apply.**

- [ ] Basic Materials
- [ ] Consumer Goods
- [ ] Consumer Services
- [ ] Financials
- [ ] Health Care
- [ ] Industrials
- [ ] Oil and Gas
- [ ] Technology
- [ ] Telecommunications
- [ ] Utilities
- [ ] Other (please specify)

IAS8 _ Investors

Information about you as a user of financial statements

***Which geographical regions do you follow or invest in? Check all boxes that apply.**

- ☐ Africa
- ☐ Asia-Oceania
- ☐ Europe
- ☐ Global
- ☐ Latin America
- ☐ North America-Canada
- ☐ North America-United States
- ☐ Other (please specify)

IAS8 _ Investors

Information about you as a user of financial statements

***Are you willing to participate in OIC and IASB organised meetings or calls with other investors and analysts to discuss the topics in this survey?**

- Yes
- No

IAS8 _ Investors

Information about you as a user of financial statements

***Please provide your name and email address:**

Name:	
Email Address:	

IAS8 _ Investors

Information about you as a user of financial statements

***Are you willing to discuss your answers on an individual basis?**

- Yes
- No

IAS8 _ Investors

Information about you as a user of financial statements

***Please provide your name and email address:**

Name:	
E-mail address:	

IAS8 _ Investors

The End

Thank you for participating!