CHANGE IN THE DEFINITION OF ACCOUNTING ESTIMATE

Amendment in Indian Accounting Standard 8

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1) **Ministry of Corporate Affairs amended the Companies (Indian Accounting Standards) Rules, 2015 by notification no G.S.R.242(E) dated 31st March 2023. The said amendment will come into effect from 1st April 2023.**

2) As per the notification, the definition of "accounting estimate" defined in para 5 of Ind As 8 "Accounting policies, changes in accounting estimates and error" is amended.

A) Old Definition:

"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."

B) New Definition:

"A change in **accounting estimates** are monetary amounts in financial statements that are subject to measurement uncertainty."

3) **More over para 32 is amended to include examples of accounting estimates** used other Indian Accounting standards like

- Ind As109 "Financial Instruments",
- Ind As 2" Inventory",
- Ind As 113 "Fair Value Measurement",
- Ind As 16 "Property, Plant and Equipment" and
- Ind As 37 "Provisions, Contingent Liabilities, and Contingent Assets".

Para 32A and 32B are inserted to clarify

Our Comments:

(i)Accounting estimate is defined in a much broader meaning. Each monetary item is covered under the new definition, whereas under the old definition only assets and liabilities were covered.

(ii)As per the old definition any new development or new information is the reason for change is estimates, now as per the new definition it seems that change is a measurement of estimates without any new information or new development is also covered.

(iii)It redefined the line between changes due to errors and estimates.

THANK YOU

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