

January 11, 2018

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments (Attachment 1) are our comments to this exposure draft. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email: margaret@ardf.org.tw).

Sincerely Yours,



Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

Attachment 1

Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates

Accounting Policies and Accounting Estimates

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?

Response to the above Question:

With the reasons described in the paragraph BC5 of the Basis for Conclusion of this Exposure Draft and those below, we agree to delete ‘conventions’ and ‘rules’ from the definition of accounting policies. First, we believe the meaning of ‘convention’ could overlap with that of ‘practice’, both of which refer to a custom or a way of accounting treatment for a transaction, other events or condition that is widely accepted and followed. Moreover, ‘practice’ could be the more suitable wording because ‘practice’ is also used in paragraph 12 of IAS 8, suggesting that accounting policies could be associated with practices. Second, IFRSs are principle-based accounting standards rather than rule-based accounting standards so it may not be proper to define accounting policies under IFRSs as rules.

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?

Response to the above Question:

We agree with the clarification about the relationship between accounting policies and

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accounting estimates, implying that the accounting policies are the overall objective and accounting estimates are inputs used in achieving that objective. We also agree to provide the definition of accounting estimates, making it easier for users to understand the distinction between accounting policies and accounting estimates.

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?

Response to the above Question:

We agree with this proposed amendment because it assists preparers of financial statements in clarifying ambiguous cases while distinguishing a change in accounting policies and a change in accounting estimates.

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?

Response to the above Question:

We agree that selecting between FIFO and weighted average cost formula constitutes selecting an accounting policy because the selecting is irrelevant to making an accounting estimate; that is, FIFO and weighted average cost formula are not necessarily used to estimate the actual flow of inventories or the costs of inventories. Therefore, we support to add



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paragraph 32B in IAS 8 to clarify this issue.

Question 5

Do you have any other comments on the proposals?

Response to the above Question:

We are not sure whether it is necessary to retain the first sentence of paragraph 35 of IAS 8 (A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimates.) since the modified paragraph 5 of IAS 8 already states that different measurement bases are different accounting policies.