

15 January 2018

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Comment Letter on the Exposure Draft – Accounting Policies and Accounting Estimates - Proposed amendments to IAS 8**

Dear Madam, dear Sir

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 61 Swiss groups, including most of the country's major industrial and commercial enterprises.

We welcome the IASB's efforts to clarify the distinction between a change in accounting policy and a change in accounting estimates and bring more consistency in the application of IAS 8.

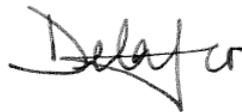
Our detailed responses to the ED that are provided in the appendix to this letter have been prepared in conjunction with our member companies.

Yours sincerely

**SwissHoldings**  
Federation of Industrial and Service Groups in Switzerland



Dr. Gabriel Rumo  
Director



Denise Laufer  
Member of the Executive Committee

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## APPENDIX

### ANSWERS TO SPECIFIC QUESTIONS IN THE INVITATION TO COMMENT

#### 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).*

We agree with the proposal to replace the term “bases” by the term “measurement bases”. In our view, this will help to address the question as to whether a change of measurement basis would be considered as a change in accounting policy and also aligns it with paragraph 35 of IAS 8.

We also agree with keeping the term “practices” in the definition of accounting policies as it clarifies that accounting policies also cover those that are developed in the absence of specific guidance, as set out in paragraphs 10-12 of IAS 8.

However, “practices” and “measurement basis” are both undefined terms in IAS 8 and it would be useful to define them or include more guidance and examples to IAS 8 in order to avoid those being interpreted in a way that blurs the distinction between accounting policies and accounting estimates and address any existing diversity effectively.

#### 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?*

SwissHoldings’ members support adding a definition of “accounting estimates” to IAS 8 and removing the definition of a “change in an accounting estimate”.

However, as mentioned in our response to question 1 above, the retention of the term “practices” in the definition of “accounting policies” (without defining the term or providing more guidance and examples to IAS 8) leaves the potential for overlap in interpretation with the proposed definition of “accounting estimates”. For example, estimation techniques and valuation techniques could be described as “practices” (in accordance with how the term is commonly understood), but these are considered accounting estimates (as also articulated by the IASB in 32A of the ED) not accounting policies. While we appreciate that it is difficult to eliminate all ambiguity from the definitions and that judgement will continue to be needed when making the determination, we believe that the distinction between accounting policies and accounting estimates could be articulated more clearly by providing more guidance and examples to 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?*

We support the proposed amendment and our understanding on the proposed change in paragraph 32A is that a change in eligible estimation techniques or valuation techniques across reporting periods constitutes making an accounting estimate.

### 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?*

We understand that there is diversity in practice whether a change in the cost formulas for ordinarily interchangeable inventories in applying IAS 2. Inventories is a change in an accounting policy or a change in an accounting estimate; and we support the IASB's aim of clarifying this matter.

However, we believe that the argument in paragraph 32B of the ED that “selecting one of the two cost formulas [...] does not involve the use of judgement or assumptions to determine the sequence in which those inventories are sold” would be valid only if a cost formula is not selected on the basis that it best approximates how inventory is consumed by the business, which might not always be the case. Based on the new definitions in paragraph 5, in our view it would be appropriate to conclude that the use of historical cost is the accounting policy, while FIFO and Average Cost are methods of estimating historical cost.

In our view, more guidance and illustrative examples would be a better way to demonstrate the application of the principles rather than introducing a rule with this regard. If the Board nevertheless proceeds with the proposed rule-based clarification, we recommend that the requirement be included in IAS 2 rather than IAS 8.

### Question 5

*Do you have any other comments on the proposals?*

We do not understand the need for the last two sentences of paragraph 54F(b), and consider that they could be deleted.