IPSAS® ACCOUNTING STANDARD

IPSAS 3, *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

IPSAS®

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History of IPSAS Accounting Standard

This version includes amendments resulting from IPSAS Accounting Standards issued up to January 31, 2026.

IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* was issued in May 2000.

In December 2006 the IPSASB issued a revised IPSAS 3.

Since then, IPSAS 3 has been amended by the following IPSAS Accounting Standards:

- IPSAS 51, *Tangible Natural Resources Held for Conservation* (issued January 2026)
- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* (issued November 2025)
- *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) (issued October 2025)
- *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* (issued August 2025)
- IPSAS 46, *Measurement* (issued May 2023)
- IPSAS 45, *Property, Plant, and Equipment* (issued May 2023)
- *The Applicability of IPSAS* (issued April 2016)
- *Improvements to IPSAS 2015* (issued April 2016)
- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* (issued January 2015)
- *Improvements to IPSAS 2011* (issued October 2011)
- *Improvements to IPSAS* (issued November 2010)
- *Improvements to IPSAS* (issued January 2010)
- IPSAS 31, *Intangible Assets* (issued January 2010)

Table of Amended Paragraphs in IPSAS 3

Paragraph Affected	How Affected	Affected By
Introduction section	Deleted	*Improvements to IPSAS* October 2011
5	Deleted	*The Applicability of IPSAS* April 2016
6	Deleted	*The Applicability of IPSAS* April 2016
7	Amended	*Improvements to IPSAS* April 2016 *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025 *Definition of Material* October 2025
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Paragraph Affected	How Affected	Affected By
8	Deleted	*Definition of Material* October 2025
9	Amended	*Improvements to IPSAS* January 2010
10	Amended	*Improvements to IPSAS* January 2010 Improvements to IPSAS April 2016
11	Amended	*Improvements to IPSAS* January 2010
12	Amended	*Improvements to IPSAS* April 2016
13	Deleted	*Improvements to IPSAS* April 2016
14	Amended	*Improvements to IPSAS* January 2010 *Improvements to IPSAS* April 2016
15	Amended	*Improvements to IPSAS* April 2016
17	Amended	*Improvements to IPSAS* April 2016
22	Amended	IPSAS 31 January 2010 IPSAS 45 May 2023 IPSAS 51 January 2026
34	Amended	*Improvements to IPSAS* April 2016
Heading above paragraph 37	Amended	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
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37B	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
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39A	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
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40A	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025

Paragraph Affected	How Affected	Affected By
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57	Amended	IPSAS 46 May 2023
59A	New	*Improvements to IPSAS* January 2010
59B	New	IPSAS 33 January 2015
59C	New	*Improvements to IPSAS* April 2016
59D	New	*The Applicability of IPSAS* April 2016
59E	New	IPSAS 45 May 2023
59F	New	IPSAS 46 May 2023
59G	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
59H	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
59I	New	*Definition of Material* October 2025
59J	New	IPSAS 51 January 2026
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IG18–IG19	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
Heading above paragraph IG20	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
IG20–IG21	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025

IPSAS 3, *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

CONTENTS

International Public Sector Accounting Standard 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, is set out in paragraphs 1–61. All the paragraphs have equal authority. IPSAS 3 should be read in the context of its objective, the Basis for Conclusions, the *Preface to IPSAS Accounting Standards and IPSASB SRS Standards*, and *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. IPSAS 3 provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

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

2. Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in IPSAS 1, *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 not considered in this Standard, as they are not relevant for many public sector entities. International or national accounting standards dealing with income taxes contain guidance on the treatment of tax effects.

5. [Deleted]

6. [Deleted]

Definitions

7. **The following terms are used in this Standard with the meanings specified:**

    <u>Accounting estimates</u> are monetary amounts in financial statements that are subject to measurement uncertainty.

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

    <u>Impracticable</u> 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 recognized, measured, or disclosed; and**

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

<u>Prior period errors</u> 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, faithfully representative information that:

(a) **Was available when financial statements for those periods were authorized 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.

<u>Prospective application</u> of a change in accounting policy and of recognizing 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) **Recognizing the effect of the change in the accounting estimate in the current and future periods affected by the change.**

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

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

Terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

The term Material is defined in IPSAS 1 and is used in this Standard with the same meaning as in IPSAS 1.

8. [Deleted]

Accounting Policies

Selection and Application of Accounting Policies

9. **When an IPSAS 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.**

10. IPSAS set out accounting policies that the IPSASB has concluded result in financial statements containing relevant and faithfully representative 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 IPSAS to achieve a particular presentation of an entity's financial position, financial performance, or cash flows.

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

12. **In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, faithfully**

represents the financial position, financial performance, and cash flows of the entity, meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability and takes account of the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.

13. [Deleted]

14. **In making the judgment, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in the following order:**

    (a) **The requirements in IPSAS dealing with similar and related issues; and**

    (b) **The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.**

15. **In making the judgment described in paragraph 12, management may also consider (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted public or private sector practices, but only to the extent that these do not conflict with the sources in paragraph 14. Examples of such pronouncements include pronouncements of the IASB, including IFRS, and Interpretations issued by the IASB's IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).**

Consistency of Accounting Policies

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

Changes in Accounting Policies

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

    (a) **Is required by an IPSAS; or**

    (b) **Results in the financial statements providing faithfully representative and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.**

18. 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, 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 17.

19. **A change from one basis of accounting to another basis of accounting is a change in accounting policy.**

20. **A change in the accounting treatment, recognition, or measurement of a transaction, event, or condition within a basis of accounting is regarded as a change in accounting policy.**

21. **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 that were immaterial.**

22. **The initial application of a policy to revalue assets in accordance with IPSAS 31, *Intangible Assets*, IPSAS 45, *Property, Plant, and Equipment*, or IPSAS 51, *Tangible Natural Resources Held for Conservation*, is a change in accounting policy to be dealt with as a revaluation in accordance with IPSAS 31, IPSAS 45, or IPSAS 51, rather than in accordance with this Standard.**

23. Paragraphs 24−36 do not apply to the change in accounting policy described in paragraph 22.

Applying Changes in Accounting Policies

24. **Subject to paragraph 28:**

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

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

25. For the purpose of this Standard, early application of a Standard is not a voluntary change in accounting policy.

26. In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management may, in accordance with paragraph 15, apply an accounting policy from (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted public or private sector practices, but only to the extent that these are consistent with paragraph 15. Examples of such pronouncements include pronouncements of the IASB, including the *Framework for the Preparation and Presentation of Financial Statements*, IFRS, and Interpretations issued by the IFRIC or the former SIC. 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

27. **Subject to paragraph 28, when a change in accounting policy is applied retrospectively in accordance with paragraph 24(a) or (b), the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest 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

28. **When retrospective application is required by paragraph 24(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.**

29. **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 net assets/equity for that period.**

30. **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.**

31. 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 statement of financial positions 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 net assets/equity of the earliest prior period presented. Usually the adjustment is made to accumulated surpluses or deficits. However, the adjustment may be made to another component of net assets/equity (for example, to comply with an IPSAS). Any other information about prior periods, such as historical summaries of financial data, is also adjusted as far back as is practicable.

32. 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 30, 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 net assets/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 55–58 provide guidance when it is impracticable to apply a new accounting policy to one or more prior periods.

Disclosure

33. **When initial application of an IPSAS (a) has an effect on the current period or any prior period, (b) would have such an effect, except that it is impracticable to determine the amount of the adjustment, or (c) might have an effect on future periods, an entity shall disclose:**

(a) **The title of the 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 for each financial statement line item affected;**

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

(h) **If retrospective application required by paragraph 24(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.

34. **When a voluntary change in accounting policy (a) has an effect on the current period or any prior period, (b) would have an effect on that period, except that it is impracticable to determine the amount of the adjustment, or (c) 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 faithfully representative and more relevant information;**

(c) **For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;**

(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.

35. **When an entity has not applied a new IPSAS 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 Standard will have on the entity's financial statements in the period of initial application.**

36. In complying with paragraph 35, an entity considers disclosing:

(a) The title of the new IPSAS;

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

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

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

(e) Either:

(i) A discussion of the impact that initial application of the 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.

Accounting Estimates

37. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgments or assumptions based on the latest available, reliable information. Examples of accounting estimates include:

(a) Tax revenue due to government;

(b) A loss allowance for expected credit losses, applying IPSAS 41, *Financial Instruments*;

(c) The net realizable value or current operational value of an item of inventory, applying IPSAS 12, *Inventories* and IPSAS 46, *Measurement*, respectively;

(d) The fair value of an asset or liability, applying IPSAS 46;

(e) The depreciation expense for an item of property, plant, and equipment, applying IPSAS 45, *Property, Plant, and Equipment*; and

(f) A provision for obligations, applying IPSAS 19, *Provision, Contingent Liabilities and Contingent Assets*.

37A. An entity uses estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying IPSAS 41), measurement techniques (for example, techniques used to measure the fair value of an asset or liability applying IPSAS 46), and inputs to develop an accounting estimate.

37B. The term ‘estimate’ in IPSAS sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in developing accounting estimates.

38. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability[1].

Changes in Accounting Estimates

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

39A. The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

Applying Changes in Accounting Estimates

40. A change in the measurement model applied is a change in an accounting policy, and is not a change in an accounting estimate. A change in the measurement basis applied within the current value model is a change in an accounting estimate.

40A. 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.

41. **The effect of a change in an accounting estimate, other than a change to which paragraph 42 applies, shall be recognized prospectively by including it in surplus or deficit in:**

(a) **The period of the change, if the change affects the period only; or**

(b) **The period of the change and future periods, if the change affects both.**

42. **To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets/equity, it shall be recognized by adjusting the carrying amount of the related asset, liability, or net assets/equity item in the period of change.**

43. 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 that change. A change in an accounting estimate may affect only the current period’s surplus or deficit, or the surplus or deficit of both the current period and future periods. For example, a change in a loss allowance for expected credit losses affects only the current period’s surplus or deficit, and therefore is recognized in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of economic benefits or service potential embodied in, a depreciable asset affects the 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 recognized as revenue or expense in the current period. The effect, if any, on future periods is recognized in future periods.

Disclosure

[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

44. **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 on future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.**

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

Errors

46. Errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. Financial statements do not comply with IPSAS 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 authorized 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 47–52).

47. **Subject to paragraph 48, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:**

    (a) **Restating the comparative amounts for 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 net assets/equity for the earliest prior period presented.**

Limitations of Retrospective Restatement

48. **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.**

49. **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 net assets/equity for the earliest period for which retrospective restatement is practicable (which may be the current period).**

50. **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.**

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

52. When it is impracticable to determine the amount of an error (e.g., a mistake in applying an accounting policy) for all prior periods, the entity, in accordance with paragraph 50, restates the comparative information prospectively from the earliest date practicable. It therefore disregards the portion of the cumulative restatement of assets, liabilities, and net assets/equity arising before that date. Paragraphs 55–58 provide guidance on when it is impracticable to correct an error for one or more prior periods.

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

Disclosure of Prior Period Errors

54. **In applying paragraph 47, 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 for each financial statement line item affected;**

    (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

55. 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 56–58, its prospective application to prior periods) or retrospective restatement to correct a prior period error, and it may be impracticable to re-create the information.

56. It is frequently necessary to make estimates in applying an accounting policy to elements of financial statements recognized or disclosed in respect of transactions, other events, or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting date. 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.

57. 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 authorized for issue;

    from other information. For some types of estimates (e.g., 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.

58. 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 recognized, measured, or disclosed in a prior period. For example, when an entity corrects a prior period error in classifying a government building as an investment property (the building was previously classified as property, plant, and equipment), it does not change the basis of classification for that period, if management decided later to use that building as an owner-occupied office building. In addition, when an entity corrects a prior period error in calculating its liability for provision of cleaning costs of pollution

resulting from government operations in accordance with IPSAS 19, it disregards information about an unusually large oil leak from a naval supply ship during the next period that became available after the financial statements for the prior period were authorized 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

59. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2008, it shall disclose that fact.**

59A. **Paragraphs 9, 11, and 14 were amended by *Improvements to IPSAS* issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged.**

59B. **Paragraph 60 was amended by IPSAS 33*, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* issued in January 2015. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies IPSAS 33 for a period beginning before January 1, 2017, the amendments shall also be applied for that earlier period.**

59C. **Paragraphs 7, 10, 12, 14, 15, 17 and 34 were amended, and paragraph 13 was deleted by *Improvements to IPSAS 2015* issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017 it shall disclose that fact.**

59D. **Paragraphs 5 and 6 were deleted by *The Applicability of IPSAS*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.**

59E. **Paragraph 22 was amended by IPSAS 45 issued in May 2023. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies this amendment for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 45 at the same time.**

59F. **Paragraph 57 was amended by IPSAS 46, *Measurement*, issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 46 at the same time.**

59G. **Paragraph 40A was added and paragraph 40 was amended by Part 1 of *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement*, issued in August 2025. An entity shall apply these amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

59H. **Paragraphs 7, 37, 39, 43, and 53 are amended, paragraphs 37A, 37B, and 39A are added by Part 3 of *Amendments to IPSAS Standard as a Result of the Application of IPSAS 46, Measurement*, issued in August 2025. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted. An entity shall apply**

the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments.

59I. **Paragraph 7 was amended, and paragraph 8 was deleted by *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework), issued in October 2025. An entity shall apply these amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies this amendment for an earlier period, it shall disclose that fact. An entity shall apply this amendment when it applies the amendments to the definition of material in paragraph 7 of IPSAS 1.**

59J. **Paragraph 22 was amended by IPSAS 51, issued in January 2026. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2028, it shall disclose that fact and apply IPSAS 51 at the same time.**

60. When an entity adopts accrual basis IPSAS Standards as defined in IPSAS 33*, First-time Adoption of Accrual Basis International Public Sector Accounting Standards* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS Standards.

Withdrawal of IPSAS 3 (2000)

61. This Standard supersedes IPSAS 3*, Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies*, issued in 2000.

Appendix

Amendments to Other IPSAS

[Deleted]

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 3.

Revision of IPSAS 3 as a result of the IASB's General Improvements Project

Background

BC1. The IPSASB's IFRS Convergence Program is an important element in the IPSASB's work program. The IPSASB's policy is to converge the accrual basis IPSAS with IFRS issued by the IASB where appropriate for public sector entities.

BC2. Accrual basis IPSAS that are converged with IFRS maintain the requirements, structure, and text of the IFRS, unless there is a public sector-specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSAS and their equivalent IFRS are identified in the *Comparison with IFRS* included in each IPSAS. The Comparison with IAS 8 references the December 2003 version of IAS 8 and not any other.

BC3. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 IAS[2] as part of its General Improvements Project. The objectives of the IASB's General Improvements Project were "to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements." The final IAS were issued in December 2003.

BC4. IPSAS 3, issued in January 2000, was based on IAS 8 (Revised 1993), Net Profit or Loss of the Period, Fundamental Errors and Changes in Accounting Policies, which was reissued in December 2003 as IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. In late 2003, the IPSASB's predecessor, the Public Sector Committee (PSC),[3] actioned an IPSAS improvements project to converge, where appropriate, IPSAS with the improved IAS issued in December 2003.

BC5. The IPSASB reviewed the improved IAS 8 and generally concurred with the IASB's reasons for revising the IAS and with the amendments made. (The IASB's Bases for Conclusions are not reproduced here. Subscribers to the IASB's *Comprehensive Subscription Service* can view the Bases for Conclusions on the IASB's website at http://www.iasb.org). In those cases where the IPSAS departs from its related IAS, the Basis for Conclusions explains the public sector-specific reasons for the departure.

BC6. IPSAS 3 does not include the consequential amendments arising from IFRS issued after December 2003. This is because the IPSASB has not yet reviewed and formed a view on the applicability of the requirements in those IFRS to public sector entities.

Revision of IPSAS 3 as a result of the IASB's Improvements to IFRS issued in 2008

BC7. The IPSASB reviewed the revisions to IAS 8 included in *the Improvements to IFRS* issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

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2 The International Accounting Standards (IAS) were issued by the IASB's predecessor—the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRS). The IASB has defined IFRS to consist of IFRS, IAS, and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IAS, in which case the old IAS number remains.

3 The PSC became the IPSASB when the IFAC Board changed the PSC's mandate to become an independent standard-setting board in November 2004.

Revision of IPSAS 3 as a result of the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Improvements to IPSAS 2015)*

BC8. Following the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSAS to reflect the first four chapters. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity. The IPSASB proposed these amendments in ED 58, *Improvements to IPSAS 2015*.

BC9. Paragraph 12 of IPSAS 3 provides the first level requirement for the development of an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The 2006 version of IPSAS 1 specified that management should use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. The IPSASB decided to replace the reference to reliability with faithful representation in order to ensure consistency with the Conceptual Framework. Consistent with its decision not to distinguish fundamental and enhancing QCs the IPSASB decided to acknowledge the other QCs and the constraints on information included in general purpose financial reports in paragraph 12. A respondent to ED 58 considered that references throughout the suite of IPSAS should be modified to refer to the full set of QCs and constraints, The Conceptual Framework states that each of the QCs is integral to, and works with the other QCs, to provide information in general purpose financial reports that is useful for achieving the objectives of financial reporting. However, this interaction does not preclude individual QCs having more or less importance, dependent upon specific circumstances, and therefore the IPSASB concluded that there should not be a reference to all QCs and constraints every time one or more QCs is referenced.

BC10. IPSAS 3 had also listed a number of attributes of reliability, including economic substance, neutrality, prudence, and completeness. The IPSASB considered whether these attributes should be explicitly stated in the revised IPSAS 3. The IPSASB acknowledges the value of these attributes, but noted that whereas they had been specifically referenced and explained in Appendix A to IPSAS 1 they are not specifically identified as QCs in the Conceptual Framework.

BC11. The Conceptual Framework explains that “faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error”, and further that “information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.” Therefore substance over form remains a key quality that information included in GPFRs must possess. It is not identified as a separate or additional QC because it is already embedded in the notion of faithful representation.

BC12. The IPSASB took the view that the notion of prudence is also reflected in the explanation of neutrality as a component of faithful representation, and the acknowledgement of the need to exercise caution in dealing with uncertainty. Consequently the IPSASB concluded that there is no need to explicitly refer to economic substance, neutrality, prudence, and completeness in paragraph 12.

BC13. Paragraph 14 provides the sources that management shall refer to, and consider the applicability of, when developing an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The IPSASB considered whether management should be directed to the definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSAS or the Conceptual Framework. The IPSASB acknowledged that IPSAS have not yet been updated to reflect definitions, recognition and measurement criteria in the Conceptual Framework. However the Conceptual Framework reflects the IPSASB’s most up-to-date thinking and the IPSASB concluded that management should be directed to this source.

BC14. Paragraph 15 permits consideration of the most recent pronouncements of other standard-setting bodies, to the extent that they do not conflict with sources drawn from IPSAS, in making judgments on the development and application of an accounting policy. The IPSASB considered whether it should retain the examples of pronouncements of the International Accounting Standards Board (IASB). Noting that the revision of the IASB's Conceptual Framework had not been completed at the time, the IPSASB took the view that there are differences between the IPSASB's Conceptual Framework and the IASB's developing revision of its Conceptual Framework. Consequently the development and application of accounting policies based on the IASB's Conceptual Framework might not always be appropriate in the public sector. In response to comments by a respondent to ED 58, the IPSASB also reaffirmed that the IPSASB's Conceptual Framework is not subordinate to the IASB's Conceptual Framework. The IPSASB did consider that the other examples of IASB pronouncements in paragraph 15—IFRS, and Interpretations issued by the IASB's IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC)—are useful and should be retained.

Revision of IPSAS 3 as a result of the IPSASB's *The Applicability of IPSAS*, issued in April 2016

BC15. The IPSASB issued *The Applicability of IPSAS* in April 2016. This pronouncement amends references in all IPSAS as follows:

(a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;

(b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate; and

(c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSAS are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

Revision of IPSAS 3 as a result of Part 1 of *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* issued in August 2025

BC16. The IPSASB decided in March 2023 to align IPSAS 3 and IPSAS 45, *Property, Plant, and Equipment*, on how to account for a change between current value measurement bases when an entity elects the current value model as its accounting policy choice in ED 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*.

BC17. During the development of IPSAS 45, the IPSASB decided in September 2022 that an entity choosing to adopt the current value model as its accounting policy choice for subsequent measurement purposes shall measure an item of property, plant, and equipment depending on the primary objective for which the entity holds the asset. Specifically, the IPSASB decided that an item of property, plant, and equipment that an entity holds for its operational capacity shall be measured at current operational value and when held for its financial capacity it shall be measured at fair value.

BC18. The IPSASB discussed the implication of this decision on the requirement in IPSAS 3 to treat a change in measurement basis as a change in accounting policy. IPSAS 45 notes that a change between current value measurement bases, when an entity chooses the current value model as its accounting policy choice, is appropriate when the primary objective for which the entity holds the item of property, plant, and equipment changes from operational capacity to financial capacity, or vice versa.

BC19. The IPSASB decided to amend IPSAS 3 to reflect that a change in measurement model, rather than a change in measurement basis, is a change in accounting policy. When an entity chooses the current value model, instead of the historical cost model, it is making an accounting policy choice that requires an entity to develop an accounting estimate. Because current value measurement bases are accounting estimates, the change between them does not change such accounting policy choice. It is when an entity changes between measurement models that such accounting policy choice changes.

BC20. In August 2024, the IPSASB published Exposure Draft (ED) 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*, which proposed amending IPSAS 3 to reflect that a change in measurement model, rather than a change in measurement basis, is a change in accounting policy. While respondents supported the proposal, some indicated further clarification is needed on what constitutes a change in measurement basis.

BC21. In responding to constituents' comments, the IPSASB decided to clarify that a change in measurement basis applied within the current value model is a change in an accounting estimate, consistent with paragraph BC19.

Revision of IPSAS 3 as a result of Part 3 of *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* issued in August 2025

BC22. The IPSASB reviewed the revisions to IAS 8, *Basis of Preparation of Financial Statements* (previously titled *Accounting Policies, Changes in Accounting Estimates and Errors*) included in *Definition of Accounting Estimates* (Amendments to IAS 8) issued by the IASB in February 2021, and the IASB's rationale for making these amendments as set out in their Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not adopting these amendments.

BC23. The IPSASB noted an inconsistency in terminology between the IASB and the IPSASB literature, specifically with the term 'measurement techniques'. The IPSASB decided to align the terminology in the IPSAS 3 improvement with IPSAS 46, *Measurement*, thus 'valuation techniques' in IAS 8 was replaced with 'measurement techniques' as used in IPSAS 46, and the umbrella term 'measurement techniques' in IAS 8 is not required in the improvements to IPSAS 3.

BC24. In August 2024, the IPSASB published Exposure Draft (ED) 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*, which proposed adding a definition of accounting estimates and related amendments consistent with the amendments in the IASB's *Definition of Accounting Estimates* (Amendments to IAS 8). The IPSASB decided to proceed with the amendments proposed in Part 3 of ED 90 because the guidance is expected to help entities in the public sector to distinguish between changes in accounting policies and changes in accounting estimates.

Revision of IPSAS 3 as a result of *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) issued in October 2025

BC25. During the development of this pronouncement, the IPSASB decided to replace the description of materiality in IPSAS 3 with a cross-reference to IPSAS 1, *Presentation of Financial Statements*, which includes the definition of material and explanatory guidance. This avoids the duplication of the definition of material in IPSAS Standards.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 3.

Retrospective Restatement of Errors

IG1. During 20X2, the entity discovered that revenue from income taxes was incorrect. Income taxes of CU[4] 6,500 that should have been recognized in 20X1 were incorrectly omitted from 20X1 and recognized as revenue in 20X2.

IG2. The entity's accounting records for 20X2 show revenue from taxation of CU60,000 (including the CU6,500 taxation that should have been recognized in opening balances), and expenses of CU86,500.

IG3. In 20X1, the entity reported:

	CU
Revenue from taxation	34,000
User charges	3,000
Other operating revenue	30,000
Total revenue	67,000
Expenses	(60,000)
Surplus	7,000

IG4. 20X1 opening accumulated surplus was CU20,000, and closing accumulated surplus was CU27,000.

IG5. The entity had no other revenue or expenses.

IG6. The entity had CU5,000 of contributed capital throughout, and no other components of net assets/equity except for accumulated surplus.

Public Sector Entity Statement of Financial Performance

	20X2	(restated) 20X1
	CU	CU
Revenue from taxation	53,500	40,500
User charges	4,000	3,000
Other operating revenue	40,000	30,000
Total revenue	97,500	73,500
Expenses	(86,500)	(60,000)
Surplus	11,000	13,500

4 In these examples, monetary amounts are denominated in "currency units" (CU).

Public Sector Entity X Statement of Changes in Equity

	Contributed capital	Accumulated Surpluses	Total
	CU	CU	CU
Balance at 31 December 20X0	5,000	20,000	25,000
Surplus for the year ended December 31, 20X1 as restated	–	13,500	13,500
Balance at 31 December 20X1	5,000	33,500	38,500
Surplus for the year ended 31 December 20X2	–	11,000	11,000
Balance at 31 December 20X2	5,000	44,500	49,500

Extracts from Notes to the Financial Statements

1. Revenue from taxation of CU6,500 was incorrectly omitted from the financial statements of 20X1. The financial statements of 20X1 have been restated to correct this error. The effect of the restatement on those financial statements is summarized below. There is no effect in 20X2.

	Effect on 20X1
	CU
Increase revenue	6,500
Increase in surplus	6,500
Increase in debtors	6,500
Increase in net assets/equity	6,500

Change in Accounting Policy with Retrospective Application

IG7. During 20X2, the entity changed its accounting policy for the treatment of borrowing costs that are directly attributable to the acquisition of a hydro-electric power station that is under construction. In previous periods, the entity had capitalized such costs. The entity has now decided to expense, rather than capitalize them. Management judges that the new policy is preferable, because it results in a more transparent treatment of finance costs and is consistent with local industry practice, making the entity's financial statements more comparable.

IG8. The entity capitalized borrowing costs incurred of CU2,600 during 20X1 and CU5,200 in periods prior to 20X1. All borrowing costs incurred in previous years with respect to the acquisition of the power station were capitalized.

IG9. The accounting records for 20X2 show surplus before interest of CU30,000; and interest expense of CU3,000 (which relates only to 20X2).

IG10. The entity has not recognized any depreciation on the power station because it is not yet in use.

IG11. In 20X1, the entity reported:

	CU
Surplus before interest	18,000
Interest expense	–
Surplus	18,000

IG12. 20X1 opening accumulated surpluses was CU20,000 and closing accumulated surpluses was CU38,000.

IG13. The entity had CU10,000 of contributed capital throughout, and no other components of net assets/equity except for accumulated surplus.

Public Sector Entity Statement of Financial Performance

	20X2	(restated) 20X1
	CU	CU
Surplus before interest	30,000	18,000
Interest expense	(3,000)	(2,600)
Surplus	27,000	15,400

Public Sector Entity Statement of Changes in Net Assets/Equity

	Contributed capital	(restated) Accumulated Surplus	Total
	CU	CU	CU
Balance at 31 December 20X0 as previously reported	10,000	20,000	30,000
Change in accounting policy with respect to the capitalization of interest (Note 1)	–	(5,200)	(5,200)
Balance at 31 December 20X0 as restated	10,000	14,800	24,800
Surplus for the year ended 31 December 20X1 (restated)	–	15,400	15,400
Balance at 31 December 20X1	10,000	30,200	40,200
Surplus for the year ended 31 December 20X2	–	27,000	27,000
Closing at 31 December 20X2	10,000	57,200	67,200

Extracts from Notes to the Financial Statements

1. During 20X2, the entity changed its accounting policy for the treatment of borrowing costs related to a hydro-electric power station. Previously, the entity capitalized such costs. They are now written off as expenses as incurred. Management judges that this policy provides faithfully representative and more relevant information, because it results in a more transparent treatment of finance costs and is consistent with local industry practice, making the entity's financial statements more comparable. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 20X1 have been restated. The effect of the change on 20X1 is tabulated below. Opening accumulated surpluses for 20X1 have been reduced by CU5,200, which is the amount of the adjustment relating to periods prior to 20X1.

Effect on 20X1	CU
(Increase) in interest expense	(2,600)
(Decrease) in surplus	(2,600)
Effect on periods prior to 20X1	
(Decrease) in surplus	(5,200)
(Decrease) in assets in the course of construction and in accumulated surplus	(7,800)

IG14. [Deleted]

IG15. [Deleted]

IG16. [Deleted]

IG17. [Deleted]

Applying the Definition of Accounting Estimates—Fair Value of an Investment Property

Fact Pattern

IG18. Entity A owns an investment property that it accounts for by applying the current value model in IPSAS 16, *Investment Property*. Since it acquired the investment property, Entity A has been measuring the investment property's fair value using a measurement technique consistent with the income approach described in IPSAS 46, *Measurement*.

IG19. However, because of changes in market conditions since the previous reporting period, Entity A changes the measurement technique it uses to a measurement technique consistent with the market approach described in IPSAS 46. Entity A has concluded that the resulting measurement is more representative of the investment property's fair value in the circumstances existing at the end of the current reporting period and, therefore, that IPSAS 46 permits such a change. Entity A has also concluded that the change in the measurement technique is not a correction of a prior period error.

Applying the Definition of Accounting Estimates

IG20. The fair value of the investment property is an accounting estimate because:

(a) The fair value of the investment property is a monetary amount in the financial statements that is subject to measurement uncertainty. Fair value reflects the price that would be received or paid in a hypothetical sale or purchase transaction between market participants-accordingly, it cannot be observed directly and must instead be estimated.

(b) The fair value of the investment property is an output of a measurement technique used in applying the accounting policy (current value model).

(c) In developing its estimate of the fair value of the investment property, Entity A uses judgements and assumptions, for example, in:

(i) Selecting the measurement technique that is appropriate in the circumstances; and

(ii) Applying the measurement technique-developing the inputs that market participants would use in applying the measurement technique, such as information generated by market transactions involving comparable assets.

IG21. In this fact pattern, the change is in the measurement technique applied to estimate the fair value of the investment property. The effect of this change is a change in an accounting estimate because the accounting policy—to measure the investment property at fair value in the current value model—has not changed.

COMPARISON WITH IAS 8

IPSAS 3*, Accounting Policies, Changes in Accounting Estimates and Errors*, is drawn primarily from IAS 8 (2003), *Accounting Policies, Changes in Accounting Estimates and Errors* and includes amendments made to IAS 8 as part of the *Improvements to IFRS* issued in May 2008. The main differences between IPSAS 3 and IAS 8 are as follows:

- IPSAS 3 uses different terminology, in certain instances, from IAS 8. The most significant examples are the use of the terms “statement of financial performance,” “accumulated surplus or deficit,” and “net assets/equity” in IPSAS 3. The equivalent terms in IAS 8 are “income statement,” “retained earnings,” and “equity.”
- IPSAS 3 does not use the term “income,” which in IAS 8 has a broader meaning than the term “revenue.”
- IPSAS 3 contains a different set of definitions of technical terms from IAS 8 (paragraph 7).
- IPSAS 3 has a similar hierarchy to IAS 8.
- IPSAS 3 does not require disclosures about adjustments to basic or diluted earnings per share. IAS 8 requires disclosure of amount of adjustment or correction for basic or diluted earnings per share.