Considerations when selecting and changing accounting policies

ACCOUNTING STANDARDS BOARD

October 2025

Based on Standards of GRAP effective 1 April 2025

Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

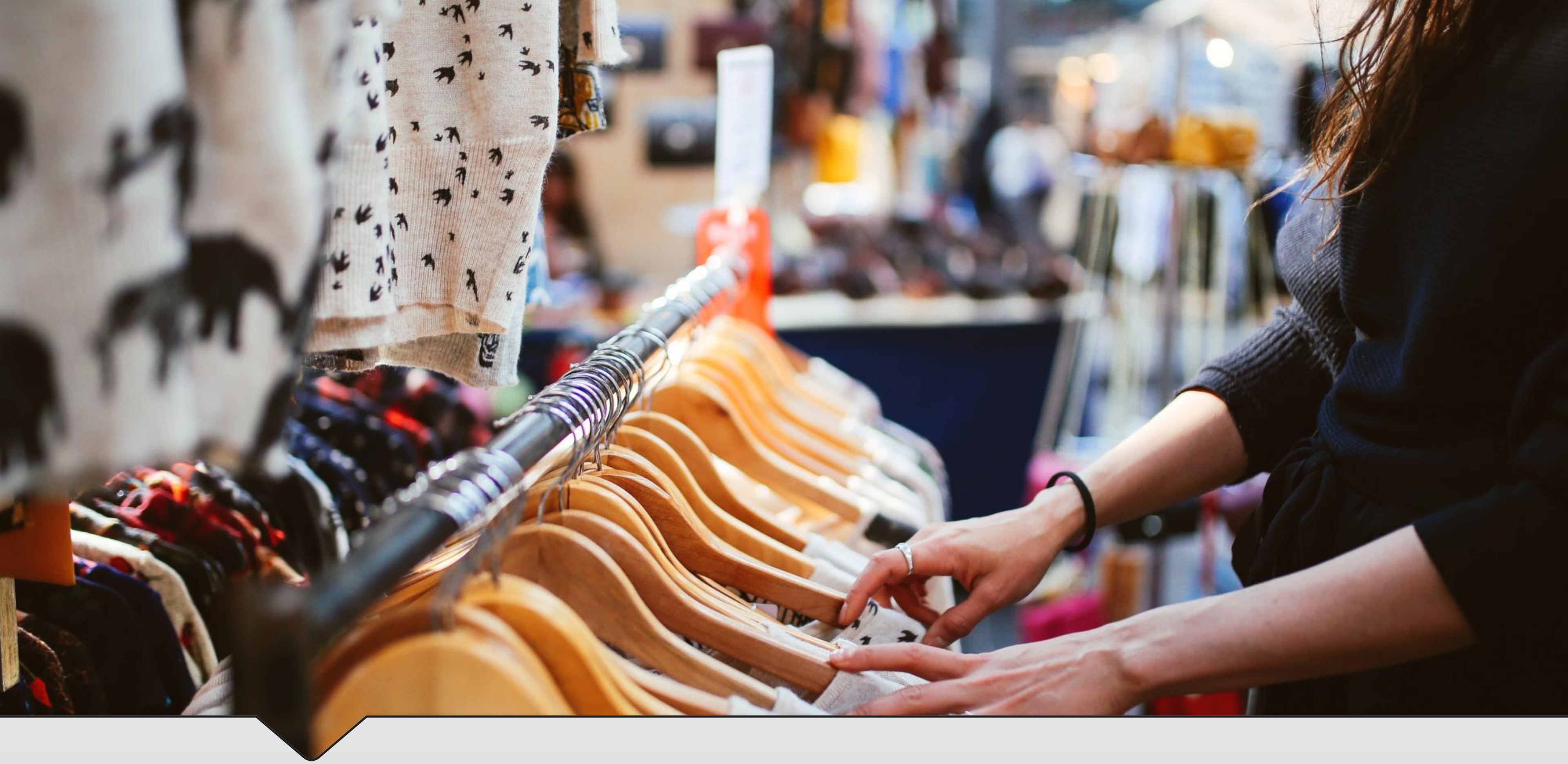
What are accounting policies?

Principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Recognition

Measurement

Disclosure



Selecting accounting policies

When to develop accounting policies

Refer to FAQ 2.16 in the [Frequently Asked Questions on the Standards of GRAP](#) (updated May 2025)

New or revised Standard *applies to the entity*. If a new or revised Standard does not apply to the transactions and events of the entity – not necessary to develop an accounting policy.

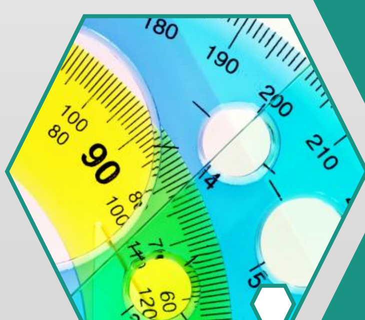
How to develop accounting policies

- Refer to Directive 5 for the reporting framework of that period.
- Consider entity-specific circumstances and transactions.
- Policies need not be applied when the effect of applying them is immaterial. May develop alternative accounting treatments for immaterial items – refer IGRAP 21.

What to include in accounting policies

Policies are developed to provide users with *entity-specific* and *relevant* information about an entity’s transactions and events and how they are accounted for

Key decisions



Judgements

Measurement basis

Choice between accounting policies

- When a Standard specifically applies to a transaction, the accounting policy applied to that item is determined by applying the Standard.
- Where the Standard offers a choice between policies, consider the characteristics of the item and which policy will result in more relevant and reliable information.

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Changing accounting policies

When to amend accounting policies

Amend accounting policies when:

- Implementing new or revised Standards
- Encountering new transactions or events not covered by existing policies
- Changes in the entity's operations or environment necessitate a review of existing policies

Reviewing and updating policies at least annually to reflect changes in the Standards of GRAP and the entity's specific circumstances assists in maintaining the quality of accounting policies.

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When to amend accounting policies

- Policies must be applied consistently for similar transactions, other events and conditions.
- Change an accounting policy **only** if the change:
  - is required by a Standard of GRAP; or
  - results in AFS providing reliable and more relevant information about the effects of transactions, other events or conditions.

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