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INSIGHTS

ACCOUNTING & TECHNOLOGY

# IAS 8: accounting policies, estimates and errors in Cambodia

How CIFRS IAS 8 and CIFRS for SMEs Section 10 distinguish a policy change, an estimate change and an error, which adjustments are retrospective, and what that means for Cambodian tax filings.



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### HOW SHOULD A CAMBODIAN COMPANY ACCOUNT FOR A CHANGE IN ACCOUNTING POLICY, A CHANGE IN ESTIMATE, OR A PRIOR-PERIOD ERROR?

Under CIFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) and CIFRS for SMEs (Section 10), a change in accounting policy is applied retrospectively unless a transitional rule or impracticability applies; a change in accounting estimate is applied prospectively; and a material prior-period error is corrected retrospectively by restating comparatives and opening equity. In Cambodia, a restatement can also require an amended tax return or an explanation to the GDT, so the accounting adjustment and the tax filing must be reconciled before the financial statements are signed.

IN SHORT

- A change in accounting policy is retrospective: restate prior periods and opening equity unless a transitional rule or impracticability applies.
- A change in accounting estimate is prospective: apply the new estimate from the current period; do not restate the past.
- A material prior-period error is corrected retrospectively, with restated comparatives and an adjustment to opening retained earnings.
- Depreciation method and useful life are estimates; a change in the measurement basis, such as cost to fair value, is a policy change.
- In Cambodia, a restatement may need an amended tax return or a GDT explanation; keep the accounting and tax adjustments in one reconciliation.

## Policy, estimate or error: the three tests

The first question is what actually changed. An accounting policy is the specific principle, basis, convention, rule or practice the company applies in preparing its financial statements. A change in policy is a move from one acceptable basis to another, for example from the cost model to the fair value model for a class of assets, or a change required by a new standard.

An accounting estimate is a monetary amount that cannot be measured precisely and is therefore estimated, such as the useful life of an asset, the allowance for expected credit losses, a warranty provision or the net realisable value of inventory. A change in estimate results from new information or new circumstances, not from a correction of an earlier mistake, and it is applied prospectively.

A prior-period error is an omission or misstatement in previously issued financial statements that could have been avoided with information that was available when those statements were prepared. Examples are a missed accrual, an incorrect depreciation calculation, a misclassified loan or a failure to consolidate a controlled entity. A change in estimate is not an error simply because the outcome differs from the original estimate.

THE TREATMENT OF A POLICY CHANGE, AN ESTIMATE CHANGE AND A PRIOR-PERIOD ERROR

| Event | Treatment | Comparatives | Cambodian tax follow-up |
|---|---|---|---|
| Change in accounting policy | Retrospective, unless a transitional rule or impracticability applies | Restated | Check whether the tax return used the old policy; amend if required |
| Change in accounting estimate | Prospective from the current period | Not restated | Tax adjustment in the current year, not a prior-year amendment |
| Material prior-period error | Retrospective correction | Restated | Amended return or GDT explanation may be required |
| Immaterial error | Correct in the current period | Not restated | Usually no tax amendment, but document the conclusion |

## What retrospective application actually requires

Retrospective application means applying the new policy to transactions and events as if it had always been applied. The opening balance of each affected component of equity for the earliest period presented is adjusted, the comparative amounts are restated, and the effect is presented in the statement of changes in equity. For a prior-period error, the correction is not recognised in current profit or loss; it is adjusted against opening retained earnings.

Impracticability is a narrow exception. It applies when the company cannot apply the change after making every reasonable effort to do so, for example because the necessary data was never captured and cannot be reconstructed. The company must disclose the reason and the alternative treatment; it is not a free choice to avoid restatement.

A change in accounting policy can also be required by a new or amended standard. In that case the standard's transitional provisions decide whether the change is retrospective, modified retrospective or prospective. Do not override a specific transition rule with the general IAS 8 principle.

> ⚠ **Do not bury a prior-period error in the current year**
>
> A correction of a material prior-period error belongs in opening retained earnings with restated comparatives. Running it through current profit or loss flatters the current year and misstates the comparative. The same discipline applies to the tax reconciliation: identify the period the error belongs to.

## CIFRS for SMEs Section 10

CIFRS for SMEs Section 10 applies the same framework with a lighter disclosure set. It covers the selection and application of accounting policies, changes in accounting estimates and corrections of prior-period errors. Where the standard does not address a transaction, management uses judgement and refers to the requirements for similar issues and to the concepts in Section 2.

The materiality judgement is the same in substance: an item is material if omitting or misstating it could influence the economic decisions of users. There is no fixed percentage. The National Accounting Council's adoption of CIFRS for SMEs is the operative framework in Cambodia; confirm the edition your auditor applies before relying on a section number.

## The Cambodian tax consequence of a restatement

An accounting restatement does not automatically change the tax return. If the error affected taxable income, the company may need to amend the return for the period concerned or explain the correction to the GDT. The Law on Taxation (2023) and the GDT's voluntary amendment rules, including Prakas 071 and Prakas 625, set the process; the facts of the error and the period determine whether an amendment is available or whether the GDT will assess the difference.

The accounting and tax adjustments should be documented in one reconciliation: the error, the period, the accounting entry, the tax return line affected, the amendment or explanation, and the remaining tax risk. If the tax position is uncertain, IAS 12 / Section 29 and IFRIC 23 apply to the recognition and measurement of the tax uncertainty; do not assume that a restated accounting number settles the tax question.

A change in estimate usually creates a current-year tax adjustment, not a prior-year amendment, because the tax return for the earlier period was prepared on the information available then. A change in policy can affect both the current and prior periods; the tax team should be involved before the accounting entry is posted.

## Audit evidence and governance

The auditor evaluates whether the change is a policy, an estimate or an error, whether the retrospective application is complete, and whether the disclosure is adequate. Under CISA, ISA 450 addresses the evaluation of misstatements identified during the audit, ISA 710 addresses comparative information, and ISA 250 addresses laws and regulations where a tax amendment is involved.

The board or audit committee should approve a material restatement before it is posted. The approval memo should state the nature of the change, the periods affected, the accounting entries, the tax consequence and the communication plan. For a listed or public-interest entity, the market communication may be as important as the accounting entry.

- The original and revised accounting policy, with the standard or interpretation that supports the change.
- The restatement schedule: opening equity, each comparative line and the current-year effect.
- The tax reconciliation and any amended return or GDT correspondence.
- The board or audit committee approval and the disclosure draft.

## Key facts

### How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

# Questions people ask

### Is a change in depreciation method a change in policy or estimate?

Under IAS 8 it is a change in accounting estimate, applied prospectively, because it reflects a change in the expected pattern of consumption of the asset's future economic benefits. A change in the measurement basis of the asset, such as from cost to revaluation, is a change in accounting policy.

### When is retrospective application impracticable?

When the company cannot apply the change after making every reasonable effort to do so, for example because the data needed to restate the comparatives was never captured and cannot be reconstructed. The company must disclose the reason and the alternative treatment; it cannot choose impracticability to avoid an inconvenient restatement.

### Does a prior-period error require an amended Cambodian tax return?

It may. If the error affected taxable income, the company should assess whether an amended return or a GDT explanation is required under the Law on Taxation (2023) and the GDT's amendment rules. The accounting restatement and the tax amendment are separate processes and should be reconciled together.

SOURCES

# Where the rules come from

01 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (https://www.ifrs.org/issued-standards/list-of-standards/ias-8-accounting-policies-changes-in-accounting-estimates-and-errors/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 10 Accounting Policies, Estimates and Errors (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 Cambodian International Financial Reporting Standards (CIFRS and CIFRS for SMEs) — National Accounting Council / ACAR, Ministry of Economy and Finance

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023); Prakas 071 and Prakas 625 on voluntary amendments (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation