Why did the number change?

MODULE 2 / ACCOUNTING CHANGES

1. **Start with the applicable standard**
   Specific transition rules come before the general IAS 8 route.

2. **A different accounting basis?**
   A justified policy change normally needs retrospective application.

3. **New information about an estimate?**
   Recognise prospectively in the affected current/future periods.

4. **Reliable information was previously misused?**
   Correct a material prior-period error retrospectively.

5. **Map dates and reconcile**
   Keep prior-period adjustments separate from current performance.

Situation	Treatment
Revised useful life or depreciation method	Estimate change when expectations of consumption change.
A material omitted historical invoice	Error if reliable evidence was available and reasonably obtainable then.
Different permitted inventory cost formula	Policy change; a reliable, more relevant result is required for a voluntary change.
Retrospective effect cannot be determined	Apply the impracticability rules; do not invent past intentions.

A third opening balance sheet is required only when the specified retrospective change has a material effect on the opening position of the preceding period.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 108 (March 2020), paragraphs 7-53; AASB 116 (December 2021), paragraphs 51, 61.

Restatement and estimates: different clocks

MODULE 2 / ORIGINAL WORKINGS

Cedar Packaging: inventory policy change

Inventory uplifts are known at three dates. Tax bases are unchanged; assume 25% tax and recognition of the resulting deferred-tax liability. Cedar table and workings: $000.

Date	Inventory +	Tax liability +	Retained earnings +
Start Year 3	12	3	9
End Year 3	20	5	15
End Year 4	17	4.25	12.75

Opening Year 3: Dr inventory 12 / Cr deferred tax liability 3 / Cr retained earnings 9. Comparative Year 3 profit rises 6 after tax. Current Year 4 profit falls 2.25 after tax: the inventory uplift falls by 3, with a 0.75 tax credit.

Check: opening Year 4 equity uplift 15 - current profit effect 2.25 = closing uplift 12.75. A closing balance adjustment is not the current-year profit movement.

New machine-life estimate (dollars)

Cost 96,000; residual 6,000; six-year straight-line life. After two years, carrying amount is 66,000. New remaining life: three years; new residual: 3,000. New annual depreciation = (66,000 - 3,000) / 3 = **21,000**. Earlier 15,000 annual charges are not restated.

Material omitted invoice (dollars)

A prior-year 9,000 expense was omitted despite available evidence. Ignore tax. Restate the prior period; opening entry: Dr retained earnings 9,000 / Cr accrued liability 9,000. Later payment: Dr liability / Cr cash. Do not expense it twice.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 108, paragraphs 19-27, 32-49. Tax assumptions are illustrative; see Module 4 for tax-base analysis.