

## **DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (AMENDMENTS TO IAS 27)**

### **INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

**Comments should be sent to [commentletters@efrag.org](mailto:commentletters@efrag.org) by 21 November 2014**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the narrow-scope amendments to IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* (the 'Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

#### **Note to constituents**

The endorsement advice on the Amendments will be finalised by the EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process.

The Amendments to IAS 27 *Equity Method in Separate Financial Statements* refer to IFRS 9 *Financial Instruments*, which has not yet been endorsed in the EU. These references to IFRS 9 are not addressed in this Draft Endorsement Advice. They will be addressed when IFRS 9 is considered for endorsement.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

**EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.**

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Est on i an Account i ng St andar ds Boar d

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(b) Are you a:

Preparer       User      x Other (please specify)

Nat i onal st andar d set t er

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(c) Please provide a short description of your activity:

I ssui ng Est oni an GAAP st andar ds

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(d) Country where you are located:

Est oni a

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(e) Contact details including e-mail address:

Est oni an Account i ng St andar ds Boar d,  
Suur - Ameer i ka 1, 15006 Tal l i nn, Est oni a

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[easb@i.n.ee](mailto:easb@i.n.ee)

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2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

X Yes       No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

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No issues to mention

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- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 2-9 of Appendix 3. To summarise, EFRAG’s initial assessment is that the Amendments will not result in significant increased costs for most preparers and users, particularly when considering that the use of the equity method is optional in the separate financial statements prepared under IFRS. However, preparers and users may incur one-off costs when an entity opts to change from ‘cost’ or ‘fair value’ to ‘equity method’ and applies that change retrospectively.

Do you agree with this assessment?

X Yes  No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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Equity method is allowed in Estonia in separate financial statements under local GAAP. Thus most companies have sufficient experience and necessary information to apply it and no additional costs are expected.

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- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 10-13 of Appendix 3. EFRAG’s initial assessment is that, despite the potential impact on comparability of adding an accounting policy option, users are likely to benefit from the Amendments as the information resulting from the Amendments will provide relevant and reliable information about the investment’s performance and economic value. Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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Furthermore, in countries like Estonia the comparability between IFRS preparers and local GAAP preparers may increase

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as many local GAAP preparers already use equity method.

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- 5 EFRAG’s initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes  No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

X Yes  No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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## **Appendix 1**

### **A summary of the Amendments**

#### **Background**

- 1 In the 2011 Agenda Consultation the IASB received requests to reinstate the option to use the equity method in separate financial statements to account for investments in subsidiaries, joint ventures and associates. Those respondents noted that the laws of some countries, particularly in Latin America, require listed companies to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Those respondents also noted that the use of the equity method would often be the only difference between separate financial statements prepared in accordance with IFRS and local regulations.
- 2 Until 2005 entities were allowed to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This option was removed with the revision of IAS 27 *Consolidated and Separate Financial Statements* and IAS 28 *Investments in Associates* in 2003. At the time, the IASB noted that the information provided by the equity method was already reflected in consolidated and other financial statements in which investments were accounted for under IAS 28, and that there was no need to provide the same information in separate financial statements.
- 3 In December 2013, the IASB published for comment the Exposure Draft *ED/2013/10 Equity Method in Separate Financial Statements* and after discussing the feedback received from constituents it decided to proceed with an amendment to IAS 27 which was published on 12 August 2014.

#### **What has changed?**

- 4 The Amendments permit entities to use the equity method, as described in IAS 28, to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- 5 Therefore, with the amendments, an entity may opt to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or using the equity method as described in IAS 28. An entity will have to apply the same accounting treatment for each category of investments.
- 6 In allowing the use the equity method in separate financial statements, a number of additional amendments were made to IAS 27. In particular:
  - (a) the definition of separate financial statements was changed to incorporate the option to use the equity method to account for investments in subsidiaries, joint venture and associates.
  - (b) the guidance for investment entities on changes in status (i.e. when a parent ceases to be an investment entity or becomes an investment entity) was changed to take into account the use of the equity method; and
  - (c) IAS 27 was changed to clarify that dividends shall be recognised in profit or loss unless the entity elects to use the equity method in which case dividends are recognised as a reduction from the carrying amount of the investment.

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- 7 The Amendments also make changes to IFRS 1 *First-time Adoption of International Financial Reporting Standards* to allow a first-time adopter electing to use the equity method to apply the exemption for past business combinations (Appendix C) to the acquisition of the investment and to require a first-time adopter electing to use the equity method to apply paragraphs D16 and D17 of IFRS 1 when the investor and investee have different transition dates.
- 8 Finally, the Amendments encompass a consequential amendment to the guidance on changes in ownership interest (i.e. if an entity's ownership interest in an associate or a joint venture is reduced) of IAS 28.

**When do the Amendments become effective?**

- 9 The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## **Appendix 2**

### **EFRAG’s Technical assessment of the Amendments against the endorsement criteria**

*This appendix sets out the basis for the conclusions reached, and for the recommendation made, by EFRAG on the Amendments.*

*In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG’s capacity of contributing to the IASB’s due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advising the European Commission on endorsement of the definitive IFRS in the European Union and European Economic Area.*

*In the latter capacity, EFRAG’s role is to make a recommendation about endorsement based on its assessment of the final IFRS or Interpretation against the technical criteria for the European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRSs or Interpretations. Another reason for a difference is that EFRAG’s thinking may evolve.*

#### **Does the accounting that results from the application of the Amendments meet the technical criteria for EU endorsement?**

- 1 EFRAG has considered whether the Amendments meet the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002, in other words that the Amendments:
  - (a) are not contrary to the principle of ‘true and fair view’ set out in Article 4(3) of Council Directive 2013/34/EU; and
  - (b) meet the criteria of understandability, relevance, reliability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.
- 2 EFRAG also considered, based only on evidence brought to its attention by constituents, whether it would be not conducive to the European public good to adopt the Amendments.

#### *Relevance*

- 3 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.
- 4 EFRAG considered whether the Amendments would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.
- 5 EFRAG believes that the equity method has the benefit of allowing the incorporation, over time, of the results of an investee into the investor’s financial statements. Consequently, the use of the equity method provides timely and relevant information to users about the investment’s performance and economic



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value. Furthermore, it is also assessed that the equity method can provide relevant information to users, particularly when observable inputs are not available to measure fair value and the cost method might not provide useful information about the income earned by an investor on an investment because the distributions received may bear little relation to the performance of the investment.

- 6 EFRAG acknowledges that, as noted in paragraph 2 of Appendix 1, the equity method provides information that is already reflected in consolidated financial statements and other financial statements. However, EFRAG notes that consolidated and separate financial statements reflect different views: the view of a group and the view of an individual entity. More importantly, separate financial statements serve various purposes, many of which are different from those of consolidated financial statements. Therefore, EFRAG believes that the use of the equity method in separate financial statements can provide relevant information, even if the information is already available in consolidated financial statements.
- 7 EFRAG’s overall initial assessment is that the Amendments would result in the provision of relevant information; and therefore they satisfy the relevance criterion.

*Reliability*

- 8 EFRAG also considered the reliability of the information that will be provided by applying the Amendments. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.
- 9 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation and completeness.
- 10 In EFRAG’s view, the application of the equity method results in information that provides a faithful representation of the financial performance of an investment in a subsidiary, joint venture and associate. This is because, as explained in paragraph 5 above, when a parent or investor applies the equity method to account for its investments, the parent or investor recognises, over time, its share of the profit or loss of the investee in its separate financial statements. Consequently, the use of the equity method provides users of separate financial statements with timely and reliable information about the potential for dividend distribution, the return from the investments and their economic value.
- 11 EFRAG further notes that the use of the equity method is assessed to result in the provision of reliable information for consolidated financial statements when accounting for associates and joint ventures. EFRAG sees no reason why the same would not apply to the accounting for associates and joint ventures in separate financial statements.
- 12 EFRAG acknowledges that the Amendments do not provide specific guidance on the application of the equity method to a subsidiary in the separate financial statements of a parent. Therefore, a parent that has elected to apply the equity method to account for its subsidiaries in its separate financial statements will have to follow the methodology outlined in IAS 28 as applicable to an associate or a joint venture (i.e. applying IAS 28 by analogy).
- 13 EFRAG also acknowledges that this may raise some difficulties in practice, particularly when a parent uses the equity method to account for its subsidiary in its separate financial statements and it loses control of a subsidiary (e.g. sells 65% out

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of 100%). In such situations, the parent will have to consider both the guidance in IAS 28 and its accounting policies in regard to other categories of investments. The difficulties in practice arise as IAS 28 was built on the premise that an entity has joint control of or significant influence over an investee, and not control. Difficulties in practice also arise due to the fact that there is already some uncertainty on how to account for an investment when it changes status.

- 14 Nonetheless, as the equity method is currently widely applied in practice, EFRAG considers that following the methodology in IAS 28 as applicable to an associate or a joint venture to account for subsidiaries in separate financial statements will not add undue complexity to the extent that it may impair reliability.
- 15 EFRAG’s overall initial assessment is that the Amendments would raise no concerns about risk of error or bias; and therefore they satisfy the reliability criterion.

*Comparability*

- 16 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.
- 17 EFRAG has considered whether the Amendments result in transactions that are:
  - (a) economically similar being accounted for differently; or
  - (b) transactions that are economically different being accounted for as if they are similar.
- 18 EFRAG is generally not in favour of introducing additional accounting policy options in IFRS as it potentially decreases comparability of financial information, which is contrary to the need of users.
- 19 However, EFRAG considers that comparability needs to be balanced against and considered together with relevance and reliability. In this specific case, EFRAG considers that the potential negative effects of adding an accounting policy option are outweighed by the fact that the application of the equity method to account for investments in subsidiaries, joint ventures and associates results, as explained in paragraphs 3 to 15 above, in relevant and reliable information for users of separate financial statements. EFRAG also notes that the Amendments introduce an additional option in an area where options already exist and that any resulting lack of comparability is as much a result of the effect of the different relationships between an investor and its investees as of the different measurement bases applied in separate financial statements.
- 20 Furthermore, EFRAG notes that, in accordance with paragraphs 13 and 14 of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, preparers will not be allowed to freely change their accounting policies.
- 21 Overall, EFRAG’s initial assessment is that, although the Amendments potentially impact comparability there is a cost benefit trade-off in terms of comparability, as the Amendments will result in some entities providing information that is more decision-useful to users of separate financial statements. Consequently, EFRAG’s overall initial assessment is that the Amendments, on balance, satisfy the comparability criterion.

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*Understandability*

- 22 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.
- 23 Although there are a number of aspects to the notion of ‘understandability’, EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.
- 24 As a result, EFRAG believes that the main additional issue it needs to consider, in assessing whether the information resulting from the application of the Amendments are understandable, is whether that information will be unduly complex.
- 25 The Amendments do not introduce new principles or accounting procedures as they rely on the application of a generally well understood accounting method that is already applied by many entities.
- 26 EFRAG acknowledges that when an entity opts to use the equity method to account for its investments in its separate financial statements there can be situations where the investor’s net assets and profit or loss attributable to the equity method would give a different result when compared to the consolidated financial statements. For example, when considering the impairment testing of goodwill in consolidated financial statements versus impairment testing of an investment accounted for under the equity method where the goodwill is included as part of the carrying amount of the investment. However, as explained in paragraph 6, differences between separate and consolidated financial statements can be understood by users as consolidated and separate financial statements reflect different views: the view of a group and the view of an individual entity.
- 27 In EFRAG’s views, applying the equity method to separate financial statements does not add undue complexity to the extent that it may impair understandability.
- 28 Therefore, EFRAG’s overall initial assessment is that the Amendments satisfy the understandability criterion in all material respects.

*True and Fair*

- 29 EFRAG’s initial assessment is that the information resulting from the application of the Amendments would not be contrary to the true and fair view principle.

*European public good*

- 30 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

**Conclusion**

- 31 For the reasons set out above, EFRAG’s initial assessment is that the Amendments satisfy the technical criteria for EU endorsement and EFRAG should therefore recommend its endorsement.

### **Appendix 3**

#### **EFRAG’s evaluation of the costs and benefits of the amendment**

- 1 EFRAG has also considered whether, and if so to what extent, implementing the Amendments in the EU might result in incremental costs for preparers and/or users, and whether those costs are likely to be exceeded by the benefits to be derived from their adoption.

#### **Cost for preparers**

- 2 EFRAG has carried out an initial assessment of the cost implications for preparers resulting from the Amendments.
- 3 EFRAG believes that the Amendments will not result in increased costs for most preparers (i.e., they are likely to be cost neutral), particularly when considering that the use of the equity method is optional.
- 4 However, EFRAG notes that an entity electing to change from ‘cost’ or ‘fair value’ to ‘equity method’ will be required to apply that change retrospectively. In EFRAG’s view, an entity may, in some cases, be able to use the information that is used for consolidation of the subsidiary in its consolidated financial statements to apply the equity method retrospectively to an investment in a subsidiary in its separate financial statements. This is because, in those cases, the investor’s net assets and profit or loss attributable to the equity holder will be the same in its consolidated and separate financial statements when the investment is accounted for using the equity method as described in IAS 28.
- 5 Nonetheless, there are many instances in which applying the equity method to investments in subsidiaries would give a different result compared to consolidated financial statements. Therefore, EFRAG does not believe it will always be possible to derive the carrying amount under the equity method directly from the consolidated financial statements; rather, determining the proper carrying amount may require an additional effort, which will be a one-off cost for those entities that opt to change to the equity method. Still, considering that the use of the equity method is optional, we anticipate that the decision to change to the equity method will be based on other expected benefits that will arise from that change.
- 6 Overall, EFRAG believes that the Amendments will not result in increased costs to most preparers.

#### **Costs for users**

- 7 EFRAG has carried out an initial assessment of the cost implications for users resulting from the Amendments.
- 8 Overall, EFRAG’s initial assessment is that the Amendments, in general, will not result in significant increased costs to users. Still, when an entity opts to change from ‘cost’ or ‘fair value’ to ‘equity method’ and applies that change retrospectively, users are likely to incur some costs related to updating analyses or databases for comparative information. Users will also have to assess the impact of that change on the financial performance and position of the company.
- 9 Those users, if any, who prefer to restate the amounts included in each category of investment with the objective of obtaining information in a ‘comparable format’ may have to incur additional ongoing costs as a result of the introduction of an additional accounting policy option.

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**Benefits for preparers and users**

- 10 EFRAG has carried out an initial assessment of the benefits for users and preparers resulting from the Amendments
- 11 EFRAG's initial assessment is that the Amendments will not result in significant benefits for all preparers, i.e., it is likely to be neutral for many preparers. However, EFRAG acknowledges that preparers might choose to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements when they expect benefits from using that option (e.g. for local compliance purposes) to exceed the costs.
- 12 Users are likely to benefit from an accounting policy option that allows the incorporation, over time, of the results of an investee into the investor's financial statements. Consequently, the use of the equity method provides timely, relevant and reliable information about the investment's performance and economic value to users of separate financial statements.
- 13 Overall, EFRAG's initial assessment is that users are likely to benefit from the Amendments, despite the decreased comparability induced by the accounting policy options, as the information resulting from the Amendments will provide relevant and reliable information about the investment's performance and economic value.

**Conclusion**

- 14 EFRAG's overall initial assessment is that the benefits of the Amendments are likely to outweigh the costs associated with them.

## **Appendix 4**

### **Dissenting opinions**

- 1 One EFRAG TEG member dissents from recommending the endorsement of the Amendments.
- 2 Due to the recent reform, EFRAG Board will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG’s due process. Therefore, any views dissenting from the final endorsement advice will be the views of EFRAG Board members. Nonetheless, the EFRAG TEG member’s dissenting view from the draft endorsement advice (as presented below), if maintained after public consultation has taken place, will be considered by the EFRAG Board as part of the technical advice provided by the EFRAG Technical Expert Group.

### **THE MOTIVATION FOR THE AMENDMENT**

- 3 One EFRAG TEG member believes that the motivation for the amendment can have undesirable unintended consequences.
- 4 This EFRAG TEG member notes that in paragraph BC10B of the Amendments to the Basis for Conclusions on IAS 27 *Separate Financial Statements* the IASB explains that the only reason for the Amendment is to facilitate convergence between local GAAP and IFRS in those jurisdictions where local GAAP is required for separate financial statements and such local GAAP requires the use of the equity method to account for investments in subsidiaries, joint ventures and associates.
- 5 This EFRAG TEG member believes that the motivation behind the amendments is wrong and emphasises that the same rationale could be applied to many other issues, as most countries have local GAAP for separate financial statements. It is understandable that preparers, and even local enforcers, will prefer to have the same valuation method in both separate and consolidated financial statements (implicitly assuming that Equity Method is not a consolidation method as we are considering separate financial statements). However, there might be additional cases where they would prefer to further align the accounting policies of separate and consolidated financial statements and/or to further integrate local GAAP into IFRS.
- 6 Aligning Local GAAP and IFRS and/or aligning the accounting policies of separate and consolidated financial statements can reduce costs of preparing and supervising financial reports. However, in this EFRAG TEG member’s view, this reasoning can have unintended consequences on the development of new standards or future amendments if the IASB wants to be consistent.

### **IMPACT ON RELEVANCE**

- 7 This EFRAG TEG member also believes that there is a loss of relevance in the primary financial statements as a consequence of the Amendments.
- 8 As mentioned in paragraph 4 of appendix 2 of the draft endorsement advice, in order to evaluate the impact on relevance, EFRAG considered whether the Amendments would result in the provision of relevant information or whether it results in the omission of relevant information.
- 9 In fact, this EFRAG TEG member does not deny that the use of equity method in separate financial statements will provide relevant information to users. However,

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this EFRAG TEG member also believes that this information is redundant, as such information is already provided in consolidated financial statements. This EFRAG TEG member also notes that when the IASB decided to remove the option to use the equity method in separate financial statements in 2003, it provided this very same argument.

- 10 In addition, allowing the use of the Equity Method in separate financial statements may omit very relevant information from the primary financial statements. If preparers opt to use the equity method in separate financial statements, information provided under the “cost method” or the “fair value method” would be lost. In the view of this EFRAG TEG member, disclosures will never be considered a complete substitute for recognition and measurement, as it is argued many times.

**IMPACT ON COMPARABILITY**

- 11 Finally, this EFRAG TEG Member thinks there is a clear loss of comparability as a consequence of the Amendments.
- 12 As stated in paragraph 15 of the appendix 2 of the draft endorsement advice, “the notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently”.
- 13 This EFRAG TEG member is in general not in favour of permitting options in the accounting treatments for the same given transaction or event, (unless there is a strong reason supporting the option) as it reduces the comparability of financial information among entities. In fact, this EFRAG TEG member highlights that this amendment is against one of the IASB’s objectives referred in paragraph 12 of the Preface to IFRS, where it states that the IASB intends not to permit choices in accounting treatment.
- 14 The Amendments will only increase consistency in the accounting policies applied in separate and related consolidated financial statements. This EFRAG TEG member thinks that this is not the definition of comparability, and this increase in consistency between separate and consolidated financial statements may not be necessary and not even desirable.
- 15 Finally, this EFRAG TEG member notes that in the recently published Discussion Paper on Separate Financial Statements it is argued that different uses and users of separate financial statements could justify the uses of different accounting policies.