DOWNLOAD PDF FINANCIAL REPORTING AND ACCOUNTING STANDARDS

Chapter 1 : International Financial Reporting Standards - Wikipedia

Financial Reporting Executive Committee (FinREC) is an AICPA technical committee for financial reporting. Its mission is to determine the AICPA's technical policies regarding financial reporting standards and to be the AICPA's spokesbody on those matters, with the ultimate purpose of serving the public interest by improving financial reporting.

Countries that benefit the most from the standards are those that do a lot of international business and investing. Advocates suggest that a global adoption of IFRS would save money on alternative comparison costs and individual investigations, while also allowing information to flow more freely. Also, the cost of investments are usually lower. Companies that do a lot of international business benefit the most from IFRS. There are certain aspects of business practice for which IFRS set mandatory rules. Statement of Financial Position: This is also known as a balance sheet. IFRS influences the ways in which the components of a balance sheet are reported. Statement of Comprehensive Income: This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment. Statement of Changes in Equity: Statement of Cash Flow: In addition to these basic reports, a company must also give a summary of its accounting policies. The full report is often seen side by side with the previous report, to show the changes in profit and loss. A parent company must create separate account reports for each of its subsidiary companies. FIFO means that the most recent inventory is left unsold until older inventory is sold; LIFO means that the most recent inventory is the first to be sold. The idea quickly spread globally, as a common language allowed greater communication worldwide. Although only a portion of the world uses IFRS, participating countries are spread all over the world, rather than being confined to one geographic region. The goal with IFRS is to make international comparisons as easy as possible. This is difficult because, to a large extent, each country has its own set of rules. Synchronizing accounting standards across the globe is an ongoing process in the international accounting community.

Chapter 2 : Financial Accounting Standards Board - Wikipedia

International Financial Reporting Standards, usually called IFRS, are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.

They will need to consider pertinent information from other sources as well. However, these are not considered a primary user and general purpose financial reports are not primarily directed to regulators or other parties. Information about the claims and payment requirements assists users to predict how future cash flows will be distributed among those with a claim on the reporting entity. Users need to be able to distinguish between both of these changes. This information indicates how the entity obtains and spends cash, including information about its borrowing and repayment of debt, cash dividends to shareholders, etc. Qualitative characteristics of useful financial information The qualitative characteristics of useful financial reporting identify the types of information are likely to be most useful to users in making decisions about the reporting entity on the basis of information in its financial report. The qualitative characteristics apply equally to financial information in general purpose financial reports as well as to financial information provided in other ways. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value, or both. The predictive value and confirmatory value of financial information are interrelated. To be useful, financial information must not only be relevant, it must also represent faithfully the phenomena it purports to represent. Faithful representation means representation of the substance of an economic phenomenon instead of representation of its legal form only. Prudence is the exercise of caution when making judgements under conditions of uncertainty. Comparability enables users to identify and understand similarities in, and differences among, items. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. While some phenomena are inherently complex and cannot be made easy to understand, to exclude such information would make financial reports incomplete and potentially misleading. Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information with diligence. However, enhancing qualitative characteristics either individually or collectively cannot render information useful if that information is irrelevant or not represented faithfully. Reporting such information imposes costs and those costs should be justified by the benefits of reporting that information. The IASB assesses costs and benefits in relation to financial reporting generally, and not solely in relation to individual reporting entities. The IASB will consider whether different sizes of entities and other factors justify different reporting requirements in certain situations. It can be a single entity or a portion of an entity or can comprise more than one entity. A reporting entity is not necessarily a legal entity. As the project to revise the Framework progresses, relevant paragraphs in Chapter 4 will be deleted and replaced by new Chapters in the IFRS Framework. Thus, the financial statements presume that an entity will continue in operation indefinitely or, if that presumption is not valid, disclosure and a different basis of reporting are required. These broad classes are termed the elements of financial statements. The elements directly related to financial position balance sheet are:

Chapter 3 : Generally Accepted Accounting Principles - GAAP Definition | Investopedia

The U.S. Financial Reporting Taxonomy (Taxonomy) contains updates for accounting standards and other improvements since the Taxonomy as used by issuers filing with the U.S. Securities and Exchange Commission (SEC).

GAAP also facilitates the cross comparison of financial information across different companies. These 10 general principles can help you remember the main mission and direction of the GAAP system. Principle of Consistency Professionals commit to applying the same standards throughout the reporting process to prevent errors or discrepancies. Accountants are expected to fully disclose and explain the reasons behind any changed or updated standards. Principle of Permanence of Methods The procedures used in financial reporting should be consistent. Principle of Non-Compensation Both negatives and positives should be fully reported with transparency and without the expectation of debt compensation. Principle of Prudence Emphasizing fact-based financial data representation that is not clouded by speculation. Principle of Continuity While valuing assets, it should be assumed the business will continue to operate. Principle of Periodicity Entries should be distributed across the appropriate periods of time. For example, revenue should be divided by its relevant periods. It presupposes that parties remain honest in transactions. Compliance GAAP must be followed when a company distributes its financial statements outside of the company. GAAP covers such things as revenue recognition , balance sheet item classification and outstanding share measurements. If a financial statement is not prepared using GAAP , investors should be cautious. GAAP regulations require that non-GAAP measures are identified in financial statements and other public disclosures, such as press releases. The hierarchy of GAAP is designed to improve financial reporting. It consists of a framework for selecting the principles that public accountants should use in preparing financial statements in line with U. Also included are practices that are widely recognized. Accountants are directed to first consult sources at the top of the hierarchy and then proceed to lower levels only if there is no relevant pronouncement at a higher level. Due to the progress achieved in this partnership, the SEC, in , removed the requirement for non-U. This was a big achievement, because prior to the ruling, non-U. Some differences that still exist between both accounting rules include: Under IFRS, the costs can be capitalized and amortized over multiple periods. Write-Downs - GAAP specifies that the amount of write-down of an inventory or fixed asset cannot be reversed if the market value of the asset subsequently increases. The write-down can be reversed under IFRS. As corporations increasingly need to navigate global markets and conduct operations worldwide, international standards are becoming increasingly popular at the expense of GAAP, even in the U. By that number had fallen to less than half. Notes GAAP is only a set of standards. There is plenty of room within GAAP for unscrupulous accountants to distort figures. So, even when a company uses GAAP, you still need to scrutinize its financial statements. Want to know more about GAAP? Read more about The Impact of Combining the U.

Chapter 4 : US GAAP Financial Reporting

Generally Accepted Accounting Principles, generally called GAAP, are a set of rules and practices having substantial authoritative support. GAAP is the standards that companies use to compile their financial statements such as the income statement, balance sheet, and statement of cash flows.

Financial Reporting Requirements and Accounting Standards Institutional framework Australia has a differential disclosure regime under which financial reporting requirements are set according to the type of entity, principally on the basis of the level of public interest in the entity. Under the Corporations Law, all disclosing entities, companies and registered managed investment schemes are required to maintain records which accurately record their financial transactions and which would enable the preparation of financial statements and the audit of those financial statements. Annual financial statements must be prepared by all entities except small proprietary companies. The annual financial statements consist of a balance sheet, a profit and loss statement and a cash flow statement. The matters to be disclosed in the financial statements are contained in accounting standards, which are made by the Australian Accounting Standards Board AASB and which have the force of law under the Corporations Law. The Corporations Law also provides that consolidated financial statements must be prepared where the preparation of such statements is required by an accounting standard. This normally occurs in circumstances where an entity controls one or more other entities. Annual financial statements must be circulated to members of the entity for consideration at the annual general meeting of the disclosing entity or company and must be lodged with the Australian Securities and Investments Commission ASIC. In addition to meeting annual disclosure requirements, disclosing entities are required to prepare half-yearly financial statements. These are generally an abridged version of the annual financial statements. Half-yearly financial statements must be lodged with ASIC but do not have to be circulated to members. Both the annual and half-yearly financial statements must be: At the end of the exposure period, the AASB considers public comments and decides upon any changes that it considers should be made to the document before it is issued as a final standard. A standard can be made by a majority vote of AASB members. Once a standard has been made, notice of the decision must be published in the Commonwealth of Australia Gazette and a copy of the standard must be tabled in each House of the Australian Parliament. Each standard made by the AASB contains an application clause which specifies the entities to which the standard applies. The standard listing the basic information that must be included in a financial report AASB applies to all companies and other entities that are required by the Corporations Law to prepare financial reports. However, other standards are more restricted in their application with the majority of standards being expressed to apply to reporting entities, a term defined to include listed corporations and borrowing corporations. Application of accounting standards in this manner ensures that listed corporations and other economically significant entities are subject to extensive disclosure requirements. At the same time, it minimises the regulatory burden imposed on other entities. The differences between Australian standards and international accounting standards are generally ones of detail, the nature of which may differ from standard to standard. However, one important difference is that some international standards allow alternative accounting treatments or disclosure methods, while Australian standards generally permit only one treatment or method. One of the objectives of the harmonisation program is to ensure that compliance with Australian accounting standards will also ensure compliance with the equivalent requirement in the international standards. However, because many Australian standards contain requirements that go beyond the equivalent requirements in international standards, compliance with the international standards will not always result in compliance with Australian standards. However, the program also envisages that there could ultimately be a move by Australia to full adoption of international standards made by the IASC. Further information about the 20 core standards developed by the IASC can be obtained from its web site www. Another feature of CLERP is the establishment of revised institutional arrangements for accounting standard setting. Under the legislation introduced i nto the Australian Parliament in December , a Financial Reporting Council will be established with, among other things, overall responsibility for the accounting standard setting process while the AASB will be reconstituted as a body corporate. As with accounting standards, the development of auditing standards and guidance statements is a multi-step process which includes a public consultation process. This process takes the form of an exposure draft being released for comment. At the end of the exposure period, the AuASB considers public comments and decides upon any changes that it considers should be made to the document before it is finalised. The ISA, on the other hand, may prescribe, in black letter form, all the detailed procedures to be applied in certain situations. Auditing standards made by the AuASB do not have the force of law. While both the accounting profession and regulatory agencies have, from time to time, called for auditing standards to be given legislative backing, successive Governments have not acceded to those requests. Auditing standards tend to be more qualitative than accounting standards in that among other things they require auditors to form judgements on a wide range of matters and, as a consequence, it is considered that it would be inappropriate to give such requirements force of law. It is believed that most auditing work in Australia is carried out in accordance with auditing standards. Where an auditor fails to comply with applicable auditing standards in performing an audit, the auditor could be subject to: In the case of an auditor who is registered under the Corporations Law as a company auditor, the matter could also be referred to the Companies Auditors and Liquidators Disciplinary Board CALDB for appropriate disciplinary action. ASIC surveillance and enforcement ASIC is responsible for the day-to-day administration of the Corporations Law, including ensuring compliance with the disclosure requirements. Where ASIC finds examples of non-compliance with accounting standards it seeks to have financial statements revised, either by negotiation with the company involved, or if necessary by use of its powers to enforce the law. ASIC registers company auditors and, where it becomes aware of registered company auditors who do not carry out their duties adequately and properly, may refer the matter to the CALDB for appropriate action. ASIC also conducts a surveillance program on company financial reports. Surveillance focuses on specific issues which past practice has indicated are areas of particular weakness. In ASIC conducted surveillance on public companies. The level of compliance was generally high. Issues of concern arising from the surveillance were publicly reported. In addition ASIC conducted follow-up interviews with several companies and requested further information and explanation from others. Transparency Financial statements are one of the principal sources of information used by investors, analysts, creditors and the entities themselves to make informed decisions about the allocation of resources. The financial reporting requirements include a number of measures that have been taken over the last decade to ensure that deficiencies in financial reporting requirements that emerged during the corporate excesses of the late s do not recur. Private sector compliance with independently established and high quality national accounting standards.

Chapter 5 : Conceptual Framework for Financial Reporting

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial.

Accounting Standards Accounting Standards Financial reportingâ€"balance sheetsâ€"income statementsâ€"financial notes and disclosuresâ€"is the language we use to communicate information about the financial condition of a company, public or private, a not-for-profit organization, or a state or local government. Those rules are known collectively as U. Generally Accepted Accounting Principlesâ€"or U. Companies, not-for-profits, governments, and other organizations use accounting standards as the foundation upon which to provide users of financial statements with the information they need to make decisions about how well an organization or government is managing its resources. Investors and lenders can use this information to decide where to supply resources or lend money. Donors, including foundations and grantors, can use this information to decide where to donate. Citizens can use this information to decide where public officials are spending tax dollars. That information must be clear, concise, comparable, relevant and representationally faithful. For companies to secure financing they need to hire workers, build plants, and invest in research and development, they must report financial information in a way that investors find useful. High quality financial accounting and reporting standards promote better information in the marketplace. Better information fosters greater transparency. Transparent, relevant information helps investors and lenders make better decisions about where to put their money with confidence. Investors, recognizing the value of high quality financial information, support an objective and inclusive standard-setting process. Accounting has a long history. Double entry bookkeepingâ€"debits on the left, credits on the rightâ€"began hundreds of years ago. His work was built on that of another Italian scholar, Benedetto Cotrugli. Companies reporting financial information to investors produced an influx of investment that led to a revolution in the way that goods were brought to marketâ€"and to unprecedented economic growth. Pacific Railroad Bond, May 1, For many years, public companies themselves took the lead in accounting innovation. The expansion of the U. General Motors, by presenting its financial information in the form of ratios such as return on investment and return on equity, was able to provide the market with more detailed and useful metrics. As a result, the company could adapt more quickly to market changes and make better decisions regarding investments. This type of analysis ushered in a new system of data reporting that benefited GM, its investors and the highly competitive automobile industry. The pivotal economic event of the 20th century, the Great Depression, focused the U. Many market participants felt that poor accounting and reporting procedures helped cause the downturn. Shortly thereafter, passage of the Securities Act of chartered the Securities and Exchange Commission, and gave the SEC the power to oversee accounting and auditing methods. For nearly 40 years, the SEC looked to bodies established by the accounting profession to develop and establish accounting standards. Through the FAF, the FASB in became the designated standard-setter in the private sector for setting standards that govern the preparation of corporate financial reports along with not-for-profit organizations. In , the Government Accounting Standards Board GASB was formed under the FAF umbrella to issue standards and other communications that result in decision-useful information for users of government financial reports. Today owners of municipal bonds, members of citizen groups, legislators, and oversight bodies rely on this financial information to shape public policy and make wise investments. Throughout its history, the SEC has relied on the private sector to create and implement accounting standards. Today, the need for relevant comparable financial reporting is greater than ever. Moreover, this need applies across the international landscape of our increasingly global economy. American companies must supply the market with high-quality financial information to enable both U. Without clear accounting standards and an open, independent process for creating and improving these standards, capital markets around the world would function less efficiently, driving up costs for all participants and sectors of the economy. The global economy is dynamic and often unpredictable. In order to maintain stability, institutional and retail investors must be able to trust publicly-available financial information. Accounting standards are created to meet this need, and are enacted to guide reporting companies along this path.

Chapter 6 : International Financial Reporting Standards (IFRS)

Chapter 5: Financial Reporting Requirements and Accounting Standards Institutional framework Australia has a differential disclosure regime under which financial reporting requirements are set according to the type of entity, principally on the basis of the level of public interest in the entity.

The main changes from the previous version are to require that an entity must: Components of comprehensive income may not be presented in the Statement of changes in equity. The revised IAS 1 is effective for annual periods beginning on or after 1 January Early adoption is permitted. It was suggested to the IASB in [by whom? It is generally expected that IFRS adoption worldwide will be beneficial to investors and other users of financial statements, by reducing the costs of comparing alternative investments and increasing the quality of information. Companies that are involved in foreign activities and investing benefit from the switch due to the increased comparability of a set accounting standard. Ball has expressed some skepticism of the overall cost of the international standard; he argues that the enforcement of the standards could be lax, and the regional differences in accounting could become obscured behind a label. He also expressed concerns about the fair value emphasis of IFRS and the influence of accountants from non- common-law regions, where losses have been recognized in a less timely manner. These were based on information from various sources. The starting point was the responses provided by standard-setting and other relevant bodies to a survey that the IFRS Foundation conducted. Currently, profiles are completed for jurisdictions, including all of the G20 jurisdictions plus others. These pronouncements replaced previous Australian generally accepted accounting principles with effect from annual reporting periods beginning on or after 1 January i. To this end, Australia, along with Europe and a few other countries, was one of the initial adopters of IFRS for domestic purposes in the developed world. It must be acknowledged, however, that IFRS and primarily IAS have been part and parcel of accounting standard package in the developing world for many years since the relevant accounting bodies were more open to adoption of international standards for many reasons including that of capability. Brazil[edit] Brazil has already adopted IFRS for all companies whose securities are publicly traded and for most financial institutions whose securities are not publicly traded, for both consolidated and separate individual company financial statements. This includes public companies and other "profit-oriented enterprises that are responsible to large or diverse groups of shareholders. Parts of the standard IAS Recognition and Measurement were not originally approved by the ARC. IAS 39 was subsequently amended, removing the option to record financial liabilities at fair value, and the ARC approved the amended version. The IASB is working with the EU to find an acceptable way to remove a remaining anomaly in respect of hedge accounting. The standards therefore only became effective on 1 January It will also include a cost-benefit analysis and an assessment and analysis of the benefits and drawbacks brought by the IAS Regulation for different stakeholder groups. Reserve Bank of India has stated that financial statements of banks need to be IFRS-compliant for periods beginning on or after 1 April Phase wise applicability details for different companies in India: Companies whose shares or other securities are listed on a stock exchange outside India b. According to the press note issued by the government, those companies will convert their first balance sheet as of 1 April , applying accounting standards convergent with IFRS if the accounting year ends on 31 March. This implies that the transition date will be 1 April According to the earlier plan, the transition date was fixed at 1 April The press note does not clarify whether the full set of financial statements for the year â€”12 will be prepared by applying accounting standards convergent with IFRS. Presumably, lack of preparedness of Indian companies has led to the decision to defer the adoption of IFRS for a year. This is unfortunate that India, which boasts for its IT and accounting skills, could not prepare itself for the transition to IFRS over last four years. But that might be the ground reality. Transition to IFRS in phases is a smart move. The transition cost for smaller companies will be much lower because large companies will bear the initial cost of learning and smaller companies will not be required to reinvent the wheel. However, this will happen only if a significant number of large companies engage Indian accounting firms to provide them support in their transition to IFRS. If, most large companies, which will comply with Indian accounting standards convergent with IFRS in the first phase, choose one of the international firms, Indian accounting firms and smaller companies will not benefit from the learning in the first phase of the transition to IFRS. It is likely that international firms will protect their learning to retain their competitive advantage. Therefore, it is for the benefit of the country that each company makes judicious choice of the accounting firm as its partner without limiting its choice to international accounting firms. Public sector companies should take the lead and the Institute of Chartered Accountants of India ICAI should develop a clear strategy to diffuse the learning. Size of companies The government has decided to measure the size of companies in terms of net worth. This is not the ideal unit to measure the size of a company. Net worth in the balance sheet is determined by accounting principles and methods. Therefore, it does not include the value of intangible assets. Moreover, as most assets and liabilities are measured at historical cost, the net worth does not reflect the current value of those assets and liabilities. Market capitalisation is a better measure of the size of a company. But it is difficult to estimate market capitalisation or fundamental value of unlisted companies. Some companies, which are large in terms of fundamental value or which intend to attract foreign capital, might prefer to use Indian accounting standards convergent with IFRS earlier than required under the road map presented by the government. The government should provide that choice. GAAP beyon the fiscal year ending 31 March It has issued Nepal Financial Reporting Standards in The version of standards almost resembles IFRS with slight modification. Effective for the annual periods beginning on or after 1 January Russia[edit] The government of Russia has been implementing a program to harmonize its national accounting standards with IFRS since Since then twenty new accounting standards were issued by the Ministry of Finance of the Russian Federation aiming to align accounting practices with IFRS. Since all commercial banks have been obliged to prepare financial statements in accordance with both Russian accounting standards and IFRS. They notably include the booking of reserves for bad debts and contingent liabilities and the devaluation of inventory and financial assets. Still, several differences between the two sets of account still remain. Before a standard is enacted, consultations with the IASB are made to ensure consistency of core principles. Taiwan[edit] Adoption scope and timetable 1 Phase I companies: If a company without subsidiaries is not required to prepare consolidated financial statements, it will be permitted to prepare additional individual financial statements on the above conditions. They should also disclose the related information from 2 years prior to adoption, as follows: A They will be required to disclose the adoption plan, and the impact of adoption, in annual financial statements, and in interim and annual financial statements. B Early optional adoption: Companies adopting IFRS early will be required to disclose the adoption plan, and the impact of adoption, in annual financial statements, and in interim and annual financial statements. If a company opts for early adoption of Taiwan-IFRS after 1 January , it will be required to disclose the adoption plan, and the impact of adoption, in interim and annual financial statements commencing on the decision date. Phase II companies will be required to disclose the related information from 2 years prior to adoption, as stated above.

Chapter 7 : Chapter 5: Financial Reporting Requirements and Accounting Standards â€“ blog.quintoapp.co

Financial reportingâ€"balance sheetsâ€"income statementsâ€"financial notes and disclosuresâ€"is the language we use to communicate information about the financial condition of a company, public or private, a not-for-profit organization, or a state or local government. The accounting standards.

Chapter 8 : Accounting Standards

The Conceptual Framework The Conceptual Framework is a body of interrelated objectives and fundamentals that provides the FASB with a foundation for setting standards and concepts to use as tools for resolving accounting and *reporting questions.*

Chapter 9 : Standards & Guidance

Standards Tracker - Accounting and Financial Reporting Financial reporting standards are ever-changing making it challenging to keep up. The table below provides a quick reference to recently issued accounting standards, complete with effective dates, summaries, and links to the standards themselves.