UNIT 10: FINANCIAL ACCOUNTING AND REPORTING

LECTURER: JUDITH ROBB-WALTERS

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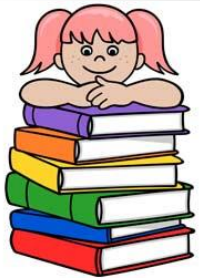
- LEARINING OUTCOME1: UNDERSTAND THE REGULATORY FRAMEWORK FOR FINANCIAL REPORTING

THE BASIC SYLLABUS



- 1. Understand the regulatory framework for financial reporting.
- 2.Be able to prepare financial statements from complete or incomplete records.
- 3.Be able to present financial information in accepted formats for publication.
- 4. Be able to interpret financial statements.

LEARNING OUTCOMES

- Understand the regulatory framework for financial reporting.

- At the end of the class the students should be able to:
- 1. 4 Explain how different laws/regulations are dealt with by accounting and reporting standards.

OVERVIEW

- Accounting standards provide a system of rules and principles that prescribe the format and content of financial statements. Through this consistent reporting, a firm's managers and investors can assess the financial health of the firm. Accounting standards cover topics such as how to account for inventories, depreciation, research and development costs, income taxes, investments, intangible assets, and employee benefits.

INTERNATIONAL ACCOUNTING STANDARDS

- Accounting standards are necessary so that financial statements are meaningful across a wide variety of businesses; otherwise, the accounting rules of different companies would make comparative analysis almost impossible.
- An accounting standard is a guideline for financial accounting, such as how a firm prepares and presents its business income and expense, assets and liabilities.

INTERNATIONAL ACCOUNTING STANDARDS

- The three main advantages of a single set of international accounting standards are (1) an increased comparability between firms, which reduces investor risk and facilitates cross-border financing and investment; (2) a reduction in the cost of preparing consolidated financial statements for multinational firms; and (3) the improved reliability and credibility of financial reports.

International Financial Reporting Standards and the Main Differences from UK Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS)

- International Financial Reporting Standards (IFRS) is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB).
- The goal of IFRS is to provide a global framework for how public companies prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting.

International Financial Reporting Standards and the Main Differences from UK Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS)

- SSAP, or Statements of Standard Accounting Practice, are edicts by which trading companies that are listed on the stock market must adhere to when constructing their financial reports. They form part of the Generally Accepted Accounting Practice, or GAAP, which is statutory in the United Kingdom through the Taxes Acts. While no longer issued, some SSAPs remain within the accounting framework by which companies must abide.

International Financial Reporting Standards and the Main Differences from UK Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS)

- Financial Reporting standards prescribe the methods of recognition, measurement, presentation and disclosure requirements for transactions and events that are reported in financial statements. There are industry specific FRS for some industries. Apart from harmonizing the accounting statements the FRS also provides a basis of judgment in case of any disputes.

International Financial Reporting Standards and the Main Differences from UK Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS)

- FRSs apply to all general-purpose financial statements. Financial statements provide information on the financial position, performance and cash flow of a company and shareholders, creditors, and potential investors usually use them to make economic decisions. FRSs are gaining significance with the increase in cross border transactions, foreign direct investments, ecommerce, capital markets evolution and listing of companies in multiple countries.

THE ACCOUNTING STANDARD BOARD (ASB)

- The role of the Accounting Standards Board (ASB) was to issue accounting standards. It was recognised for that purpose under the Companies Act 1985. It took over the task of setting accounting standards from the Accounting Standards Committee (ASC) in 1990.
- The ASB also collaborated with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards were developed with due regard to international developments.

THE ACCOUNTING STANDARD BOARD (ASB)

- The Accounting Standards Board was autonomous in its role in issuing standards. It was, however, the practice of the Board to consult widely on all its proposals.
- Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities, the ASB adopted the standards issued by the ASC, so that they also fall within the legal definition of accounting standards. These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force.

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- These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force.
- Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view. The Foreword to Accounting Standards explains the authority, scope and application of accounting standards.

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FURTHER READING

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