

Objective of Financial Reporting

- General-purpose financial statements
- Capital providers
- Entity perspective
- Decision-usefulness

Standard-Setting Organisations

- IOSCO
- IASB
- Hierarchy of IFRS

Financial Reporting Challenges

- Political environment
- Expectations gap
- Significant financial reporting issues
- Ethics
- International convergence

Financial Statements and Financial Reporting

Characteristics of *accounting*

are:

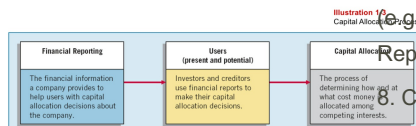
the *identification*, *measurement*, and *communication* of financial information about economic entities to interested parties.

Financial Statements:

1. Statement of Financial Position
2. Statement of Comprehensive Income (Income Statement)
3. Statement of Cash Flows
4. Statement of Changes in Equity
5. Note Disclosures

Accounting and Capital Allocation

Resources are **limited**. Efficient use of resources often determines whether a business thrives.



High Quality Standards

LO3: Explain the need for high-quality standards.

Globalisation demands a single set of high-quality international accounting standards. Some elements:

1. Single set of high-quality accounting standards established by a single standard-setting body.
2. Consistency in application and interpretation.
3. Common Disclosures.
4. Common high-quality auditing standards and practices.
5. Common approach to regulatory reviews and enforcement.
6. Education and training market participants.
7. Common delivery systems
8. Common Approach to corporate governance and legal frameworks around the world.

Illustration 10: eXtensible Business Reporting Language - XBRL.