

- Directing the AASB to adopt international best practice in standard setting

THE FRAMEWORK

Within financial reports there are often common term which hold a widespread understanding. This can lead to confusion and misleading situations. Therefore, the International Accounting Standards Boards (IASB) has a conceptual framework for the preparation and presentation of Financial Reports. Therefore, allowing the present of define key terms and principle ensures that common understanding and application is met across international setting.

It's the Framework which dictate the qualitative characteristic of financial statements such as:

- **Relevance:** the information provided should be *relevant* when it comes to influence investors' decision regarding allocation of scarce resources.
- **Reliability:** the information is *reliable* because it's faithful, free from bias and has minimal errors.
- **Comparable & Understandable:** the information provided should be *comparable* and *understandable* for the users of general purpose financial reports.
- **Materiality:** irrelevant information, which isn't likely to influence user's decision, doesn't need to be separately disclosed in general purpose financial reports.
- **Substance Over Form:** when substance and economic reality of a transaction is also recorded and not merely its legal form.
- **Prudence:** can't make wild claim as they need to be achievable but the claims can be optimistic.
- **Timeliness & Cost Benefit:** information need to be prepared within a *timeliness* constraint and there needs to be balance between *benefit* and *cost*.

THE AASB & ACCOUNTING STANDARDS

The AASB is an independent accounting standards organisation based in Melbourne, Australia, which consist of 13 members, including the chairman. This chairman is appointed by the Australian government and he/she is accountable to the Minister for Superannuation and Corporate Law when it comes to the operation of AASB and the office of the AASB. The other members, on the other hand, are appointed by the FRC from the various major accounting partnerships in Australia, such as Deloitte Touche Tohmatsu and Ernst & Young.

The purpose of AASB is to:

- Develop a conceptual framework
- Develop and issue standards with the force of law
- Formulate standards for other purposes