the IASB has amended some IAS, has proposed to replace some IAS with new International Financial Reporting Standards (IFRS) and has proposed certain new IFRS on topics for which no IAS previously existed. This body, the IASB, now represents more than 143 accountancy bodies from more than 103 countries, including the United States. The accounting standards produced by the IASC are referred to as International Accounting Standards (IASs). IASs are envisioned to be a set of standards that can be used by all companies, regardless of their physical location. IASC standards are gaining increasing acceptance worldwide. However the Securities and Exchange Commission (SEC), in the U.S. has so far not recognized the standards of the IASC, and has barred foreign companies from listing their shares on the U.S. stock exchanges unless those companies agree to provide financial statements in accordance with U.S GAAP. Jamaica adopted IAS on July 1, 2002.

Note

Investors and creditors need relevant and reliable information about an entity. To ensure that this is done, companies are required to have their financial statements audited by independent accountants. *An audit is a financial examination of the financial statements of an entity to determine whether these statements give a true and fair view of the financial health of the business.*

Like any other profession, accounting is governed by ethical rules and standards. Recent scandals in the corporate world point to the importance of ethics. The preparers of financial statements should not only abide by GAAP, but also ethical standards and ensure that accurate and reliable information is provided by the financial statements of the entity.

The IASB Framework

The framework describes the basic concepts by which the financial statements are prepared. It serves as a guide to the Board in developing accounting standards and as a guide to resolving accounting issues that are not addressed directly in an IAS or IFRS.

The IASB Framework

i) defines the *objective* of financial statement
ii) identifies the *qualitative characteristics* that make financial information useful
iii) defines the basic *elements* of financial statements and the concepts for recognizing and measuring them in financial statements

Characteristics of Accounting Information

The objective of financial reporting is to provide useful information. The qualitative characteristics of useful accounting information are

- ***Understandability*** i.e. information should be presented in a way that is readily understandable by users who have a reasonable knowledge of business, economic activities and accounting.

- ***Relevance***

For information to be relevant it must have the following qualities

i) ***Feedback value & Predictive value*** i.e. feedback on past events help confirm or correct earlier expectations. Such information can be used to help predict future outcomes.

ii) ***Timeliness.*** This is important for information to make a difference. Information received after a decision is made is useless, hence for information to be relevant it must be provided to