

- Security exchange rules
- EU directives

The need for a regulatory framework

A Regulatory framework for the preparation of financial statements is necessary for the following reasons:

- Financial statements are used by a wide range of users such as investor's, lenders, customers, etc.
- They need to be useful to these users.
- They need to be comparable.
- They need to provide some basic information.
- They regulate the behavior of companies towards their investors.
- They increase users understanding of and confidence in financial statements.

Accounting standards on their own would not be a complete regulatory framework. In order to fully regulate the preparation of financial statements and obligations of companies and directors legal and market regulations are also required.

Purpose of the framework

The conceptual framework published by the IASB is called the framework. It includes guidance with regard to:

- The qualitative characteristics of financial information.
- The elements of financial statements.
- Recognition of the elements of financial statements.

The purpose of the framework is to:

- (1) Help the IASB in their role of developing future accounting standards and in reviewing existing IFRS.
- (2) Help the IASB by providing a basis for reducing the number of alternative accounting treatments permitted by IFRS.
- (3) Help national standard setting bodies in developing national standards.
- (4) Help those preparing financial statements to apply IFRS and also to deal with areas where there is no relevant standard.