

HOW THE CURRENT SYSTEM IS EFFECTIVE

- Creates ease of comparison
- Ensures that the preparation of financial statements is organised
- If standards are followed, UK law is being abided by
- Ease of trade within the EU
- Aids fraud prevention
- Fair to everyone
- Makes investment decisions quicker and easier
- Provides a source of reference for accountants so they can have confidence in their work
- Assists in the auditing process as auditors will know what to look for

CONSEQUENCES OF FAILURE TO COMPLY

Failure to comply with accounting standards could lead to a number of problems for us, some more serious than others. If we do not follow standards and our financial statements are not seen to be showing a 'true and fair view', it is likely that this will be detected in our external audit. Alternatively, as our statements will be published, unusual figures could provoke investigation. Consequences include:

- Fines
- Poor financial position
- Bad reputation
- Loss of customer loyalty
- Imprisonment of the person/people responsible (extreme example)

HOW COMPLIANCE CAN BE ACHIEVED

To comply with UK and international accounting standards, there are several sources of information that can be referred to aid us prepare financial reports. ⁶ These include:

- The IFRS book or website
- CCH Publications (books, manuals, electronic publications and subscriptions)
- The Financial Reporting Council (FRC) Website
- The Statement of Recommended Practice (SORP) for accounting in our area of business

Accounting standards are often changing so it is important that we ensure we are complying with up to date standards, therefore using a previous year's IFRS book, for example, should be avoided where possible.