Achievable

ACCA FINANCIAL ACCOUNTING DUMP SHEET

Regulatory framework and accounting concepts

IFRS Foundation structure

Body	Role
IFRS Foundation (Board of Trustees)	Oversight body: appoints the IASB, ISSB and IFRIC; secures funding
IASB (International Accounting Standards Board)	Issues IFRS Accounting Standards; in 2001 adopted the IASs issued by its predecessor, the IASC
ISSB (International Sustainability Standards Board)	Issues sustainability standards: IFRS S1 and IFRS S2
IFRS Advisory Council	Provides strategic advice to the Foundation, IASB and ISSB
IFRS Interpretations Committee (IFRIC)	Develops interpretations; addresses issues not covered by standards

Fundamental characteristics

Must be present for information to be useful

Characteristic	Meaning
Relevance	Capable of making a difference in decisions; has predictive and/or confirmatory value
Materiality (an aspect of relevance)	Omission or misstatement could influence decisions; often 5% of profit before tax
Faithful representation	Complete, neutral, free from error

Enhancing characteristics

Improve the usefulness of information

Characteristic	Meaning
Comparability	Enables intra (year-on-year) and inter (between entities) comparisons
Timeliness	Available in time to influence decisions
Verifiability	Knowledgeable, independent observers could reach the same consensus
Understandability	Clear and concise presentation; users are assumed to have reasonable knowledge

Key accounting principles & concepts

Concept	Meaning & application
Going concern	The business will continue indefinitely; assets at historical cost, not break-up value
Accrual basis	Income when earned, expenses when incurred (not when cash is received or paid)
Matching	Expenses matched against the revenue they helped generate, in the same period
Prudence	Caution under uncertainty: do not overstate assets or income, or understate liabilities or expenses (no asymmetry under the Conceptual Framework)
Duality	Every transaction has two equal and opposite effects (debit and credit)
Business entity	The business is separate from its owners; exclude personal transactions
Consistency	Same methods applied period to period; change only if required by IFRS or the change improves relevance
Substance over form	Record economic reality, not just legal form
Historical cost	Record at the original cost paid
Offsetting	Assets and liabilities, and income and expenses, are **not** netted off unless required by IFRS