The concept of the australian accounting standard board

Business, Management

The Australian Accounting Standards Board (AASB) is an Australian Government agency that develops and maintains financial reporting standards applicable to entities in the private and public sectors of the Australian economy. Also, the AASB contributes to the development of global financial reporting standards and facilitates the participation of the Australian community in global standard setting. In July 2004, the AASB issued a number of standards that apply from 2005, including:

- Australian Accounting Standards that incorporate IASB Standards
- Other AASB Standards supporting the Australian Accounting Standards that incorporate IASB Standards
- Other AASB Standards that apply to certain types of entities.

Corporate regulation

The financial statements and reporting is an integral part of company's management and it is mandatory that stakeholders will be aware of company's accounts and management performance. The management is responsible for the objectivity and integrity of financial statements. The management is liable to provide reasonable assurance that transactions are executed as authorized and accurately recorded, that assets are safeguarded, and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted as per international accounting standards.

Similarly management maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. The company's management staff monitors these internal controls through self-assessments and an ongoing program of internal audits. They ensure internal controls are reinforced through Global Code of Conduct, which sets forth commitment to conduct business with integrity, and within both the letter and the spirit of the law.

So financial accounting and reporting contains all the information that is required by the shareholders to calculate and summarize management performance and their ability of current accounting period. The financial accounting contains income statement which tells about company's performance and how much company made profit or loss in a fiscal year. And financial accounting also contains balance sheet which is actually company's position of its assets and liabilities and similarly how much physical stock hold in its holdings to be remain, and the third one is statement of cash flow. This report shows how much money went into and out of your business in a period of time. The cash flow statement is crucial for things like making sure you have enough money to make continue your business operations. There are two ways to make financial accounting which are generally accepted accounting principles (GAAP) which is made by USA like depreciation, going concern, monetary values standards and the second is international financial reporting standards (IFRS) which is used by more than 110 countries like china, India , Canada , UK, Australia and many more countries.

So for now it is clear that how necessary these financial accounting and reporting are for company's documents so their regulations are also necessary as it allows investors for complete transparency and clarity of company's accounts and performance. In the same way in many countries the financial accounting regulation is mandatory as it is required by legislative authority as in USA it is (SEC) security and exchange commission and they required financial accounting reports of listed companies so that frauds can be identified at proper time. Similarly shareholders are also concern about management objectives so they also want to regulate management's work so that they get help in making decisions of investment and different purpose. The director's performance will also be compared through financial accounting regulations. Creditors are also concerned about the company's performance so that they could make rational decision about their credit limits for company so today's world it is necessary to regulate company's financial accounting and reporting for different objectives.

Accounting standard setting

IASB International accounting standard is a unanimous body which works globally so that standards must be set for the operations of the companies all around the world and international accounting standards are made for the accounting purpose. So it is necessary for the different accounting bodies of different countries to take part in IASB standard setting process to make sufficient changes in their previous accounting standards.

The Australian Accounting Standard Board is the accounting body of Australia. The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's (FRC) strategic directive to adopt the Standards and Interpretations of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB also has regard to the Standards of the International Public Sector Accounting Standards Board (IPSASB) in respect of issues affecting not-for-profit entities. The IPSASB (Public Sector Accounting Standards) is using the IASB's Standards, to the extent possible, as the basis for International (IPSAS). Accordingly, adopting IASB Standards simultaneously helps convergence with existing and future IPSAS.

The Australian Accounting Standard Board (AASB) wanted to process its own strategy and changes in accounting standard to best fit in their accounting process and they also considered modifications to IFRS standards for profit entities. This Framework is intended to provide greater transparency of the Board's decision-making process in modifying IFRS Standards, and facilitate consistency in the Board's future decision-making, including:

1. Either it should take a project to modify IFRS standards for the profit entities.
2. The form and extent of modification. The AASB is required, under s229 of the Australian Securities and Investments Commission Act 2001 (ASIC Act), to consider the suitability of a proposed standard for different types of entities and to ensure there are appropriate accounting standards for each type of entity that must comply with Australian Accounting Standards.

Why is the IFRS set by IASB not compulsory for the member countries of IASB?

The international financial reporting standards adaptation can present a company financial statement on the same basis as its foreign competitors making comparison easier, whoever it is not necessary for all member countries of IASB to adopt IFRS by some of the inevitability of the global acceptance of IFRS, others believe that U. S. GAAP is the gold standard, and that a certain level of quality will be lost with full acceptance of IFRS. Further, certain U. S. issuers without significant customers or operations outside the United States may resist IFRS because they may not have a market incentive to prepare IFRS financial statements. They may believe that the significant costs associated with adopting IFRS outweigh the benefits. Similarly there will be different legislative requirement for companies for account preparation in different countries so they also need different procedures and standards as per the requirement of the authorities. So we may say that countries must follow up the IFRS requirements according to their consideration to fulfill their objectives.