

# Financial reporting of assets



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Currently there has been diversity in the financial reporting standards in regard to the capital value of an organization, and the respective net assets portrayed in its financial documents. Due to the nature of the reporting implications to the shareholders, managers have been faced with the problem of whether to use comprehensive reporting styles of its assets or the use of less comprehensive reporting styles. Due to the varying nature of the implications of these reports styles, various organizations have used various methods of reporting their assets to their stockholders.

(Smith, 2005) This has been in the view of the various outstanding consequences that may be hitherto led by the kind of the financial reports provided for the shareholders. Such reporting diversity between the capitalized value of the entity and the annual financial reports of the net assets is however captured by the concept of financial transparency in reports and the related aspect of earning management for the entity in the view of the shareholders. (Riper, 1994)

However, for the Australia Accounting Standards Board (AASB 138), stringent guidelines and elsewhere fountain insights have been documented for the possible identification or even the measurement of all aspects of intangible assets of an organization. For the AASB, it highlights the use of complex methods of accounting valuations, which would otherwise bring more clarity to the user of these reports including the shareholders. (Hunton, Libby, Mazza, 2006)

Despite the legal requirement of the detailed accounting reporting by the AASB on both the capital reports and net assets, the organizations however shows a great diversity in such requirements. To these organizations, they

have employed the use of less comprehensive/simple reporting methods of their net assets to the shareholders. However, this is in the view of the earning management implications that the shareholders would get from such reports. Indeed, in all aspects of accounting, a comprehensive report is a requirement of ensuring the validity and the accuracy states that should never be compromised.

(George, 2003) To the AASB 138, this forms the traditional (former understanding of the result implication of comprehensive business reports). To the AASB, the view of using comprehensive reports is seen as a contributor towards better report implications to the shareholders in term of earning management. As a management concept therefore, earning management is a detailed synopsis that seeks to explain the financial and management accuracy and authenticity on the assets of the organization as owned by the shareholders.

(Ryan, Wanna, 2001, Terrell, 2006) To the AASB 138, its view is that, due to the current state of highly voluminous business undertakings, highly transparent business reports on both capital and net assets will increase the outlook in the management of the business assets by the management for the shareholders. However, in the current nature of business view, comprehensive reports on net assets would be mere ambiguities to the shareholders in their understanding of earning management scale of the organization by the managers.

To managers therefore, the use of less comprehensive net asset reports on intangible assets has been seen as the best method of proclaiming an understanding of earning management to their shareholders. Through such

transparent reports on the net assets, the shareholders and other users of these reports can (Collet, Godfrey, Harsky, 2001) For the available-for-sale stock, the use of highly comprehensive reports safeguards earning management in these assets whose reports should adequately bring out the exact picture of whether a profitable or non-profitable business performances.

Due to the nature these stock, assets should be reported using their fair value as per the results of the balance sheet. In all its aspect, organizations normally source their capital from the external capital sources by inviting other shareholders in trading with the company's shares. This will involve, the sale of available-for-sale stock. To such managers, the use of transparent net asset reports would adequately help to attract high volume of such capital inputs from these new investors.

With such simple reports therefore, the willing investors will then adequately understand the trading level in terms of profitability and loss of the company. (Buthe, Mattli, 2005) According to the AASB 138 regulations on comprehensive reports, it is in the understanding of the fact that capital and assets reports of an organizations should not be compromised in terms of their manipulations of what is depicted as the actual financial out come of such reports.

Consequently, the regulations have however, mandated for their manipulations of earning management. To managers, they will use the concept of strategic timing in order to have a management in search earnings as portrayed through comprehensive reports. Using such timing schedules, the companies adequately shows/states to the investors, the

exact or possible proper time, that these firms could have in realizing gains or even losses that could however have accrued to such securities in investments.

However, this is a divergent from the noble requirement of the AASB 138. (Schwartz, 1996) Using such timers, investors can adequately know the exact time, which the organization could trade at a profit. With the regulations of the AASB 138, managers can still use comprehensive reports upon the use of such proper timing schedules. To the shareholders, they can adequately have the very important/relevant information related to the intangible loss or gain trading activities.

Either, managers employ performance statements that will help them to enhance the adequate visibility, in regard to the financial report authenticity and the relative earning management claims. Through use of such performance statements, comprehensive reports that could be required by the AASB (Zeff, 2002) Bibliography: Buthe, T & Mattli, W. , (2005) Global Private Government: Lessons from a National Model of Setting Standards in Accounting. law and contemporary problems, Vol. 68.

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