Accounting standards

G. Potential Financial Information is at the liberty of the managers ; Disclosure of Vital financial information, both favorable and unfavorable, is at the liberty of the managers. In other words, managers could choose not to disclose information which they deem as vulnerable to the reputation of the company. By imposing a strict regulation, managers will be obliged to reveal favorable and unfavorable information to the public so that Investors can assess the profitably of the company effectively.

H. They are a less roll alternative to enforcing conformity -by means of legislation - Imposing accounting laws may seem too restrictive and appear as rules without comprehension of the rationale behind. Standards however, give a diluted image of a law imposed. L. Makes room for more accounting Information - They have obliged companies to disclose more accounting information than they would otherwise have done if accounting standards did not exist, for example AS 33 Earnings per share J. Orca weaker accountants to Improve their work K. Defense Mechanism - provide a defense for accountants In court, and strengthen resistance 'if a tycoon tries to bully his accountants into producing biased figures L. Supplement company law with fuller, clearer and more consistent figures M. DISCIPLINE INSTILLED - IF companies were left to their own devices they would ultimately be disciplined by the financial markets N. In the short term, the use of standards attempts to alleviate the risk to Investors. O.

COST EFFICIENT - Reduced training costs - International accountancy firms may benefit from reduced training sots as it is easier because similar accounting practices existed throughout the world. Reduced financial reporting costs for foreign Macs. One accounting standard is more manageable and saves time and money as most big companies have investments internationally. Disadvantages A. Incompatibility with other standards - a set of rules which give backing to one method of preparing accounts might be Inappropriate In some circumstances.

For (properties not occupied by the entity but held solely for investment), which are overfed by AS 40 on investment property B. Consensus Seeking - Standards may be subject to lobbying or government pressure (in the case of national standards). For example, in the USA, the accounting standard FAST 19 on the accounts of oil and gas companies led to a powerful lobby of oil companies, which persuaded the SEC (Securities and Exchange Commission) to step in. FAST 19 were then suspended. Accounting standards could be over-influenced by those parties with easiest access to the standard-setters or the most vocal lobbyist C.

Non-compliance of National Standards - Many national standards are not based on a conceptual framework of accounting, although Firms are. D. Less Flexibility; more rigidity - There may be a trend towards rigidity, and away from flexibility in applying the rules E. Bureaucratic & Costly F. Not universal for all types of industry- Accounting figures (due to their very nature) do not lend themselves to standardization; industries differ, so do firms; the needs of users vary. Thus standards may be suitable for the average but may not suit the fringes. G.

Allows room for subjectivity - where two similar situations might be retreated differently because they fall either side of a standard. H. Lackadaisical Approach - Standards in themselves could actually reduce professional

Judgment and be bad for the academic education of accountants (e. G. They might be more interested in what is required to comply with the standard than in investigating the ideal accounting system). L. Expectation Gap - Standards may lull users into a false sense of security (I. E. Investors may believe that the accounts are all based on the same specific rules J.