

# [The canadian financial reporting environment assignment](https://assignbuster.com/the-canadian-financial-reporting-environment-assignment/)

The fact that Grand’s bonds now have the status of “ junk bonds” means that the number Of institutional investors interested in Grand Will be much lower since their rating has fallen below the level acceptable for many pensions and mutual funds. “ Junk bonds” are considered speculative investments and are attractive only to those investors seeking higher returns and who are willing to take on the increased default risk associated with bonds in this category. Are the credit rating agencies stakeholders? Yes – they rate companies in terms of credit risk and therefore their customers rely on them for accurate and well searched credit ratings.

They would not necessarily give a credit rating lightly without doing the proper research. If they are wrong, their own business and reputation will suffer. Knowing that a credit rating agency Will be rating their debt, Grand would be biased to make sure that they obtain the best rating possible. Since the financial statements will be used by the rating agency to rate the company, there is a risk that the financial statements might paint the company in a more favorable light. Are the credit rating agencies stakeholders?

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Copyright 2013 John Wiley & Canada, Ltd. Unauthorized copying, striation, or transmission Of this page is strictly prohibited. TIME AND PURPOSE OF WRITING ASSIGNMENTS WA 1-1 (Time 15-20 minutes) Purpose-? to provide the student with an opportunity to evaluate the viewpoint of removing mandatory accounting standards and allowing each company to voluntarily disclose the information it desired. WA 1-2 (Time 3040 minutes) Purpose-? to provide the student With an opportunity to discuss the pros and cons of the plasticization of standard-setting, the impact accounting has on the environment, and the environment’s influence on accounting.

WA 1-3 Purpose-? to provide the student with an opportunity to focus on the type of standard-setting environment exists in Canada. In addition, this case explores why user groups are interested in the nature of financial reporting standards and why some groups wish to issue their own standards. WA 1 \_4 (Time IS-AS minutes) Purpose-? to provide the student with an opportunity to discuss the pros and cons of a continuous reporting model. WA I-s Purpose-to provide the student with an opportunity to discuss the Nortek company failures and the role of their auditors in issuing clean audit opinions. WA 1-6 (Time 20-30 minutes)

Purpose-? to provide the student with an opportunity to discuss the steps taken to increase government regulation in the capital marketplace as a result of the recent corporate failures. The student must also discuss the strengths and weaknesses of government regulation. 1-6 TIME AND PURPOSE OF WRITING ASSIGNMENTS (CONTAIN WED) WA 1-8 (Time 30-35 minutes) Purpose – to provide the student With an opportunity to discuss the reasons Why Canada decided to adopt a two-tiered system – one for private companies and one for public companies. The student must also discuss the pros and cons of this type of system. WA 18

Purpose – to provide the student with an opportunity to consider how management may be bias in terms of the information they share with the public, and how the asymmetry of information may impact users decisions. WA 1-10 Purpose – to provide the student with an opportunity to consider the ethical dilemma of judgmental decisions with financial reporting and evaluate the potential consequences of those decisions. WA 1-11 (Time 5-10 minutes) Purpose – to provide the student With an opportunity to consider the integrated reporting initiative and the impact it would have on various users of financial WA 1-12

Purpose – to provide the student with an opportunity to investigate and compare the funding for Sacs/FAST and comment on the funding principals of each. Students are asked to comment on what impact the principals have and the potential issues if they did not exist. SOLUTIONS TO WRITING ASSIGNMENTS It is not appropriate to abandon mandatory accounting standards and allow each company to voluntarily disclose the type Of information it considers important.

Without a coherent body of accounting theory and standards, each accountant or enterprise would have to develop its own theory structure and set of practices, ND readers of financial statements would have to familiarize themselves with every company’s own accounting and reporting practices. As a result, it would be almost impossible to prepare statements that could be compared and there would be a tremendous waste of resources in both preparation and in analysis Further, GAP has been set by standard setters to help with the preparation to financial statements and to help reduce management bias.

A single set of general-purpose financial statements is prepared to meet the majority of users’ needs. In addition, voluntary disclosure may not be an efficient way of disseminating information. Some companies will be likely to disclose less information if given the discretion, Thus, companies can reduce the cost of assembling and disseminating information. However, an investor wishing additional information has to pay to receive the desired additional information. Different investors may be interested in different types of information.

Since the company may not be equipped to provide the requested information, it would have to spend additional resources to fulfill such needs; or the company may refuse to supply such information if it is too costly to do so. As a result, investors may not get the desired information or they may have to pay a significant amount of money for it. Furthermore, redundancy in gathering and distributing information occurs when different investors ask for the same information at different points of time.

To the society as a Whole, this would not be an efficient way Of utilizing resources. Note that a contrary argument to companies providing less disclosure is set out in the “ competitive disclosure hypothesis” Which suggests that companies in competition for scarce capital resources will actively increase their disclosure o reduce their perceived risk and therefore reduce their cost of capital and increase their access to investors. Copyright @ 2013 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited. A) Arguments for plasticization of the accounting rule-making process: 1. Accounting standards and financial reporting depend in large part on public confidence for its success. Consequently, the critical issues are not solely technical, so all those having a bona fide interest in the output Of accounting should have some influence on that output. In fact, all stakeholders can moment on proposed changes and new standards through the “ due process” that standard setting entails. 2. There are numerous conflicts between various interest groups.

In the face of this, compromise is necessary, particularly since many of the critical issues in accounting are value judgments, not the type that can be solved, as we have traditionally assumed, using deterministic models. Only in this way (reasonable compromise) Will the financial community have confidence in the fairness and objectivity of the accounting standard setting process. 3. Over the years, accountants have been unable to establish, on the basis f technical accounting elements, rules which would bring about the desired uniformity and acceptability.