A guide to understanding accounting standards

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

HLB MANN JUDD ADVISORY AND ACCOUNTING

CPA AUSTRALIA

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Introduction

Accounting standards set out the principles, requirements and guidance around how particular types of transactions, balances and events should be recorded and presented in financial statements. Financial statements present the financial performance and position of an entity. Information presented in financial statements enable comparison of an entity's financial performance over time and allow comparisons between entities. In many countries the accounting standards have the force of law. Compliance with accounting standards ensures that financial statements are high quality, consistent and comparable, to enable users of that information to make informed decisions. This provides integrity and robustness to financial reporting which is vital to investors' trust and confidence in local economies and global capital markets.

Accounting standards, and the authoritative body of literature that surround them, are constantly evolving, so it is important to keep up to date with changes. There is a robust process and framework that surrounds the development and maintenance of accounting standards. Broader corporate reporting is also evolving, as demands increase for information on other risks, such as how organisations are addressing the impact of climate-related risks. Other developments include service performance reporting to explain non-financial performance that may be relevant in the not-for-profit and public sectors.

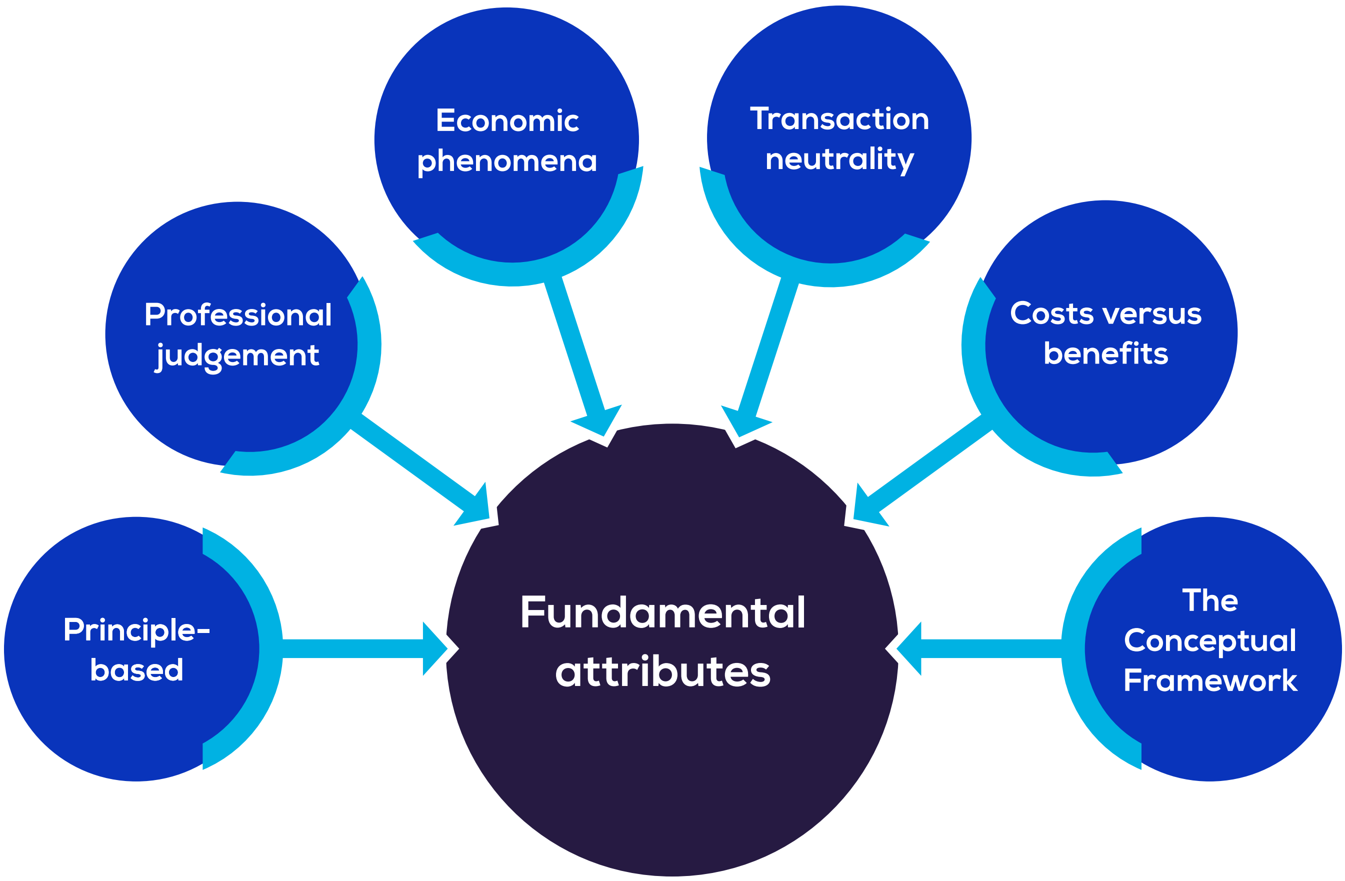
A common concern among accounting professionals is that the accounting standards are complex and difficult to understand and apply. This guide aims to provide some simple, concise guidance to assist with deciphering the various aspects of accounting standards and related material. This guide is not designed to assist with interpreting accounting standards or analysing financial statements.

The International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB) are used in 160 jurisdictions around the world for certain entities, so this guide has been developed with IFRS Accounting Standards in mind. Although the focus of the guide is accounting standards that form the basis for financial reporting, it should be noted that the International Sustainability Standards Board (ISSB) was established in 2021 to develop IFRS Sustainability Standards to cater for sustainability reporting.

Those involved in the preparation of financial statements should find this guide useful, including directors, management, finance teams, professional advisors, and accounting students.

Section 1 – Fundamental attributes of accounting standards

A prerequisite to understanding accounting standards is understanding the key attributes that accounting standards are built on.



Principle-based

Accounting standards are developed based on a foundation of sound, agreed-upon concepts and principles. Principles-based standards allow flexibility in applying the requirements to a wide range of circumstances. This allows for the necessary flexibility to apply the requirements based on the underlying specific circumstances. The principles that form the foundation of IFRS Accounting Standards are contained in the IASB Conceptual Framework for Financial Reporting. The IASB also complies with a Due Process Handbook that sets out the standard-setting requirements and principles to be followed.

Professional judgement

Due to the principles-based nature of accounting standards, professional judgement is required in applying many of the requirements when preparing financial statements. A thorough understanding of the accounting standards and the need to exercise professional judgement requires a degree of experience and knowledge from those who seek to apply the standards when preparing financial statements. Such knowledge and experience is often gained through a professional accounting qualification such as that offered by CPA Australia and CA ANZ, continuing professional development (CPD) courses, on-the-job training and development, and other learning materials and resources.

Economic phenomena

In order to exercise professional judgement, it is crucial to first understand the circumstances or economic phenomena around specific transactions or events that need to be expressed in financial terms in financial statements. Accounting standards only set out the accounting criteria to capture in financial terms, certain economic activities. There is sometimes a misconception that accounting standards can provide insights into or an understanding of the underlying economic phenomena they seek to represent in financial terms. This is, however, not the case. Those applying accounting standards must have a thorough understanding of the underlying economic phenomena before attempting to apply the accounting standards to such economic phenomena.

Transaction neutrality

According to the principle of transaction neutrality, like transactions and events are accounted for in a similar manner for all types of entities. Although not all national standard-setters adopt this approach, some, like the Australian Accounting Standards Board (AASB), adopt this approach when developing standards for use in Australia. This approach takes into consideration that the fundamental nature of the elements of financial statements (assets, liabilities, income and expenses) and their qualitative characteristics are generally unaffected by different business models or sectors that entities belong to (e.g., for-profit, not-for-profit, private and public sectors).

Costs versus benefits

The cost constraint is an important principle that the IASB takes into account when developing IFRS Accounting Standards. Preparers of financial statements incur costs in obtaining a relevant measure of an asset or liability. Users of financial statements also incur costs in analysing and interpreting the information provided. Accounting standards are developed with a view to ensuring the costs obtaining and providing the financial information are likely to be justified by benefits arising from that information.

The Conceptual Framework

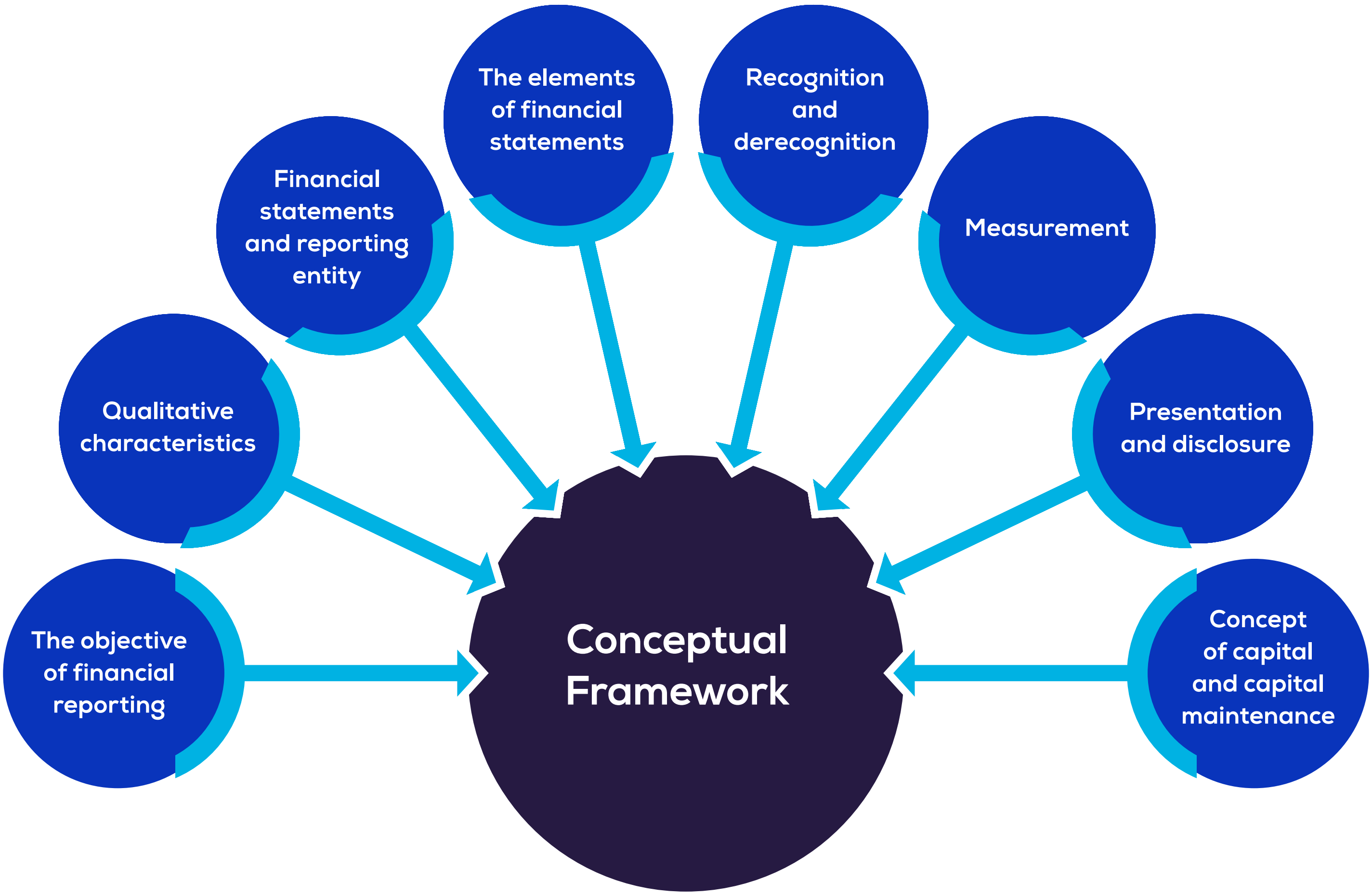
The Conceptual Framework details the fundamental principles that underpin the development of accounting standards and assists standard-setters such as the IASB with the development of accounting standards that are consistent and coherent. See Section 2 for more information.

Section 2 – The Conceptual Framework

The Conceptual Framework describes the objective of, and the concepts for, general purpose financial reporting. It should be noted that the Conceptual Framework is not an accounting standard and does not override any requirement in an accounting standard, but instead provides the basis for the development of accounting standards.

The purpose of the Conceptual Framework is to assist:

- Standard-setters to develop accounting standards that are based on consistent concepts.
- Preparers to develop consistent accounting policies when no accounting standard applies to a particular transaction or event, or when an accounting standard allows a choice of accounting policy.
- All parties to understand and interpret accounting standards.

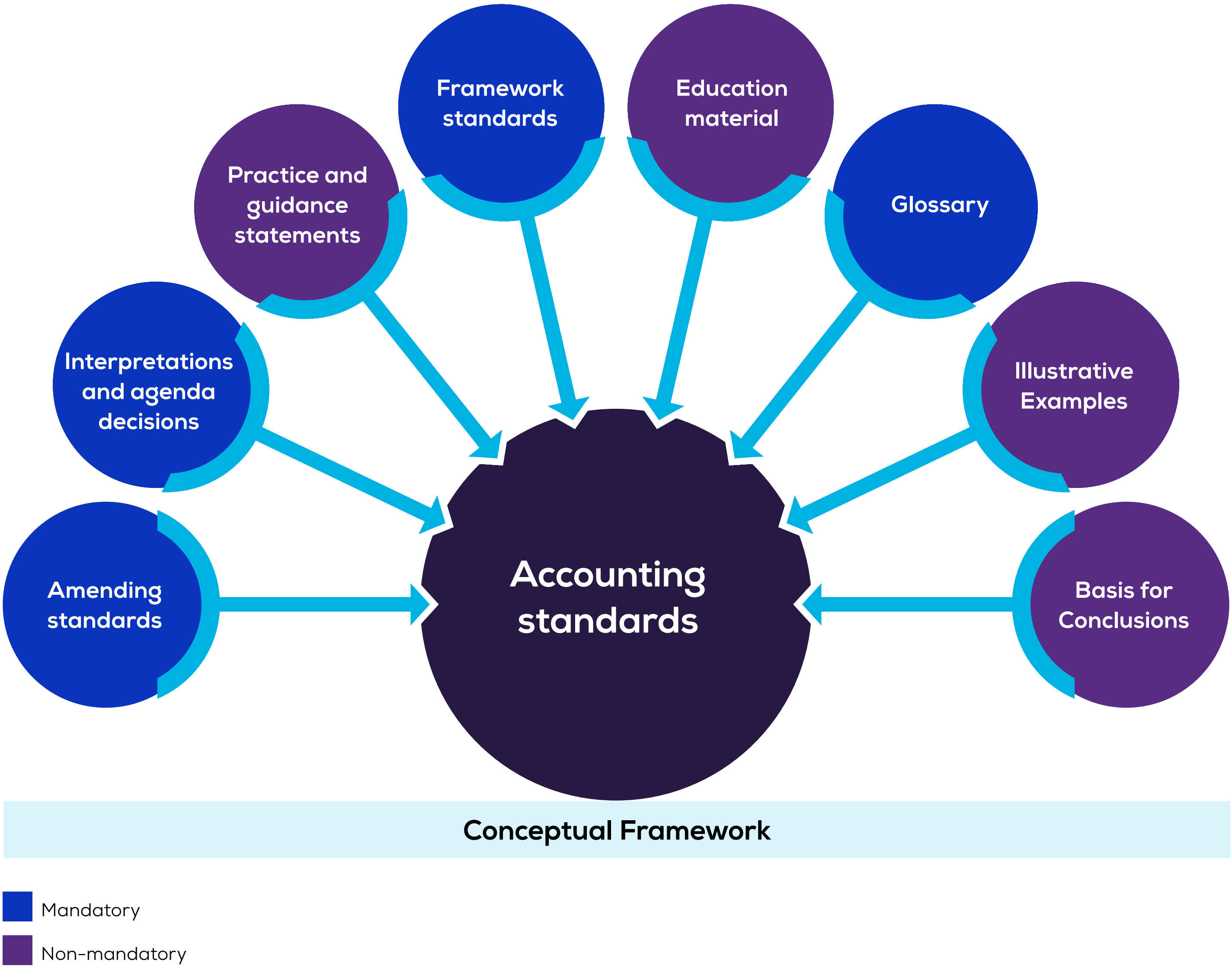


The objective of financial reporting	The objective of financial statements prepared in accordance with accounting standards are to provide financial information that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to entities. It should be noted that financial statements do not and cannot provide all the information existing and potential investors, lenders and creditors need. Pertinent information may need to be obtained from other sources such as general economic conditions and expectations, political events, political climate, and industry and company outlooks. Similarly, financial statements are not designed to show the value of an entity, but instead they provide information to estimate the value of an entity.
Qualitative characteristics	The Conceptual Framework is underpinned by the fundamental qualitative characteristics. The information is useful if it is relevant and faithfully represents what it purports to represent. An important element of relevance is materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. When applying the concept of materiality, the focus is on including material information but also excluding non-material information that can clutter or obscure material information. A faithful representation reflects economic substance rather than legal form and is complete (all information necessary for understanding), neutral (without bias, supported by exercise of prudence) and free from material error (process and descriptions without material error, does not mean perfect). Prudence is the exercise of caution when making judgments under conditions of uncertainty. The usefulness of information is enhanced by the extent to which it has the following characteristics: comparability, verifiability, timeliness and understandability.
Financial statements and reporting entity	The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflow to the reporting entity and in assessing management's stewardship of the entity's economic resources. A reporting entity is an entity that is required, or chooses, to prepare financial statements. A reporting entity can be a single entity or a portion of an entity or can comprise more than one entity. A reporting entity is not necessarily a legal entity. Financial statements are normally prepared on the assumption that the reporting entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to enter liquidation or to cease trading. If such an intention or need exists, the financial statements may have to be prepared on a different basis. If so, the financial statements describe the basis used.
The elements of financial statements	The elements of financial statements defined in the Conceptual Framework are assets, liabilities and equity, which relate to a reporting entity's financial position; and income and expenses, which relate to a reporting entity's financial performance. Equity is the residual interest in the assets of the entity after deducting all its liabilities, and income and expenses are changes in assets and liabilities.

Recognition and derecognition	Only items that meet the definition of an asset, a liability or equity are recognised in the statement of financial position. Similarly, only items that meet the definition of income or expenses are recognised in the statement of financial performance. However, not all items that meet the definition of one of those elements are recognised. An asset generally represents future economic benefits whilst a liability represents financial obligations of an entity. An asset or liability is recognised only if recognition of that asset or liability and of any resulting income, expenses or changes in equity provides users of financial statements with information that is useful, i.e., relevant information about the asset or liability and about any resulting income, expenses or changes in equity and a faithful representation of the asset or liability and of any resulting income, expenses or changes in equity. Not every asset (right or benefit) or liability (obligation) is recognised. Usually a probability threshold of such rights, benefits or obligations is considered for recognition of assets or liabilities. An asset or liability is recognised if the benefits of the information provided to users of financial statements by recognition are likely to justify the costs of providing and using that information. Derecognition normally occurs when an item no longer meets the definition of an asset or liability.
Measurement	Elements recognised in financial statements are quantified in monetary terms. This requires the selection of a measurement basis. A measurement basis is an identified feature, for example historical cost, fair value of an item being measured.
Presentation and disclosure	Effective communication of information in financial statements makes that information more relevant and contributes to a faithful representation of an entity's assets, liabilities, equity, income and expenses. It also enhances the understandability and comparability of information in financial statements. Effective communication of information in financial statements requires: (a) Focusing on presentation and disclosure objectives and principles rather than rules; (b) Classifying information in a manner that groups similar items and separates dissimilar items; and (c) Aggregating information in such a way that it is not obscured either by unnecessary detail or by excessive aggregation.
Concept of capital and capital maintenance	The selection of the appropriate concept of capital by an entity should be based on the needs of the users of its financial statements. Thus, a financial concept of capital should be adopted if the users of financial statements are primarily concerned with the maintenance of nominal invested capital or the purchasing power of invested capital. If, however, the main concern of users is with the operating capability of the entity, a physical concept of capital should be used. The concept chosen indicates the goal to be attained in determining profit, even though there may be some measurement difficulties in making the concept operational.

Section 3 – Documents that support accounting standards

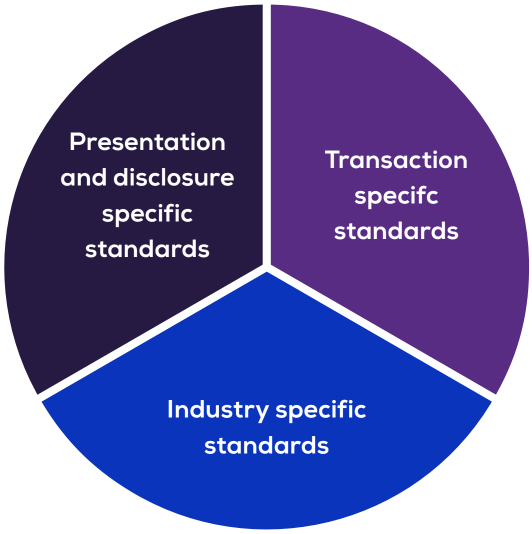
The effective application of accounting standards will usually involve more than simply reading the standards themselves. While they are standalone documents, there are a range of other documents that support their development and application, some mandatory and some non-mandatory. Mandatory pronouncements must always be considered by preparers of financial statements whilst non-mandatory pronouncements are helpful to such preparers. Reference to non-mandatory, supporting pronouncements will often be valuable in the understanding specific requirements in accounting standards.



Amending standards (mandatory)	Changes or revisions to existing accounting standards. Accounting standards need to be updated if: • they require further clarifications, • conflicts with other standards are identified, • there are editorial errors, or • economic conditions, transaction features and other circumstances change. Amending standards are operative from a specific date and will specify whether they can be early adopted and if there are any transitional rules. Amending standards are usually compiled into the accounting standard to which they relate before the new requirements become mandatory.
Interpretations and agenda decisions (mandatory)	To ensure that the standards are consistently and accurately applied the IASB has an IFRS Interpretations Committee. It answers interpretation questions from stakeholders by issuing the following pronouncements, both of which have the same status as the standards and should be read and applied alongside them. Some national standard-setters, such as the AASB, also issue interpretations to address local interpretational matters. **Interpretations** – Provide additional explanatory material to demonstrate how a standard should be applied to a particular set of circumstances, without amending the requirements in the original standard. **Agenda decisions** – Issued when the IFRIC determines that a particular matter does need to result in the development of an interpretation, or that the matter does not need to be referred to the IASB for further consideration. They explain how the requirements in a standard should be applied to a specific set of circumstances. More information on agenda decisions is available on the **IASB website**.
Practice and guidance statements (non-mandatory)	Provide non authoritative guidance on specific matters. While their content does not change any requirements in the accounting standards or introduce any new requirements, these documents are subject to full due process in their development and so do reflect international best practice on the issue being addressed. More information on practice statements is available from the **IASB website**.
Framework standards (mandatory)	These standards are jurisdiction specific and set out how the accounting standards framework operates and specify what standards or requirements apply to which sectors and/or reporting tiers. Examples are: • Australia: **AASB 1057** *Application of Australian Accounting Standards* • New Zealand: **XRB A1** *Application of the Accounting Standards Framework*
Education material (non-mandatory)	A range of non-authoritative material designed to help all stakeholders understand and apply the standards consistently. More information on education material is available from the **IASB website**.
Glossary (mandatory)	Provides a list of the key defined terms and the accounting standards in which they are located.
Illustrative Examples (non-mandatory)	Examples based on common hypothetical situations to demonstrate how specific requirements of a standard might be applied to particular fact patterns.
Basis for Conclusions (non-mandatory)	Explains the rationale behind certain decisions made by the standard-setter when developing the accounting standard concerned. This can provide useful information as it provides the reasons why certain considerations were accepted while others were rejected in finalising the standard.

Section 4 – Types of accounting standards

Accounting standards can be broadly divided into three main types, reflecting their contribution to the overall objectives of producing high quality financial statements. The type of standard will drive the content of the material in it and therefore impact the amount of effort needed to read, understand and apply it.



Transaction specific standards	Focus on a specific type of economic transaction or balance (such as inventory, leases or property, plant and equipment) and prescribe recognition, measurement, presentation and disclosure principles to ensure the economic substance of that type of transaction is accounted for appropriately and consistently. Since any type of transaction involves a wide variety of specific facts and circumstances and the standard must deal with its entire life cycle, such standards are often complex, and their application can involve significant levels of judgement.
Presentation and disclosure specific standards	Prescribe more broadly the way financial information should be presented and the principles that should underlie the decisions about presentation. Examples include standards dealing with the presentation of financial statements and statements of cash flows. In applying them, materiality is usually a key consideration to ensure the presentation meets the objective of conveying useful information to users. While transaction specific standards usually prescribe the disclosures associated with a particular type of transaction, there are also additional disclosure standards which exclusively address disclosures on particular transactions or balances in the notes to the financial statements. Examples include related party transactions and segment reporting.
Industry specific standards	These standards address the accounting requirements for transactions that are common to specific industry types. Examples include insurance (IFRS 17 *Insurance Contracts*) and agriculture (IAS 41 *Agriculture*).

Section 5 – Components of accounting standards

While there are several accounting standards that deal with an array of topics, the standards, particularly the transactional standards, are similar in terms of structure. This will be evident from the common headings that appear in the contents pages of the accounting standards.

Objective

For most standards, the first paragraph (or in some instances, the first few paragraphs) is dedicated to explaining what the particular standard is trying to achieve. An individual standard should always be read in the context of this objective.

Scope

The scoping paragraphs describe the types of transactions or balances that a specific standard applies to. Often, a standard will explicitly exclude certain transactions or balances from its application.

It is important to refer to the scope of a standard to ensure that the appropriate accounting guidance and requirements are being considered and applied to an event, transaction or balance.

Recognition and derecognition

Financial statements represent the financial effects of transactions and other events by grouping them into broad categories according to their economic attributes. These broad categories are referred to as the 'elements' of financial statements (i.e., assets, liabilities, equity, income and expenses). Chapter 4 of the Conceptual Framework covers the elements of financial statements in detail.

Recognition is the process of capturing the financial effect of an element in the statement of financial position or the statement of financial performance. It is recognition that connects the elements in the statement of financial position and the statement of financial performance. This is because the recognition of one element or a change in its value presented in the financial statements, necessitates the recognition or derecognition of one or more other elements, or changes in the carrying amount of one or more other elements.

Every transactional accounting standard contains paragraphs that set out the principles to determine when and how to recognise elements that arise from a transaction that falls within the particular standard's scope.

Standards that cover the elements related to financial position also provide criteria for derecognition of elements when they no longer qualify for recognition.

Measurement

Once an item of asset, liability, equity, income or expense meets the recognition criteria in accounting standards, it needs to be measured and included in the financial statements. Accounting standards provide the measurement basis to be used in measuring and assigning a monetary value to such items.

Transactional standards prescribe the measurement basis to be applied in specific circumstances including:

- **Initial measurement** – Explains how to measure an element when it qualifies for recognition for the very first time.
- **Subsequent measurement** – In standards that cover the elements related to financial position (i.e., assets, liabilities and equity), the initial measurement paragraphs are followed by paragraphs that provide criteria on how to measure the element after initial recognition.

Disclosures

Disclosures provide further detail and a narrative context to the reported numbers in the financial statements. Disclosures are therefore a means to provide more in-depth information about assets, liabilities, equity, income and expenses. This enhances the understandability and comparability of information presented in financial statements. To this end it is important to provide entity specific information to achieve the disclosure objectives stated in the standard rather than providing boiler plate information.

As explained in Section 4, certain standards deal only with disclosures. However, for many standards, disclosures specific to an event, transaction or balance can be found in the standards, usually towards the back. Not all disclosure requirements will however be relevant as only disclosures specific to items recognised need to be made.

Effective date and transition

A new standard brings in new accounting requirements for certain transactions, which may require restating past transactions and making adjustments to assets, liabilities and past income and expenses. Transitional provisions, including any relief, is provided to assist with the changes. This section explains any transition relief available for early application (applying the requirements in a new standard earlier than its first effective date) or at the first adoption of the standard and the date on which the standards and any subsequent amendments to the standard will be applicable.

Appendices

Most standards include appendices, which form an integral part of the standard and should therefore be referred to when interpreting and applying the requirements of the standard concerned. Appendices are found at the back of a standard and can contain information on the following:

- **Defined terms** – These provide explicit definitions for italicised key words when used for the first time within the main body of the standard.
- **Application Guidance** – This has the same authority as the main body of the standard and provides additional guidance on how to apply certain aspects of the standard. Application Guidance is a mandatory part of an accounting standard.
- **Illustrative Examples** – Some standards also include examples to provide practical guidance on how to apply the requirements of the standard to certain common, hypothetical scenarios. Illustrative examples can also be a standalone document that is part of other supporting materials (see Section 3). Illustrative Examples are a non-mandatory part of an accounting standard.

Paragraphs of accounting standards

In New Zealand and Australia where IFRS Accounting Standards are adopted, New Zealand and Australian-specific paragraphs (which are not included in IFRS Accounting Standards) are identified with the prefix "Aus" or "NZ".

In New Zealand, Tier 2 entities are not required to comply with disclosure paragraphs denoted with an asterisk (*). Where an entity elects to apply a disclosure concession it must comply with any reduced disclosure requirements (RDR) paragraphs associated with that concession which have "RDR" preceding the paragraph number.

In Australia, paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Text of accounting standards

Accounting standards include paragraphs in plain type as well as bold type. Both have equal authority, with paragraphs in bold type indicating the key principles of a standard.

In addition, certain words in an accounting standard are italicised the first time they appear in a standard, this indicates that the word is a defined term. Definitions can be found either in the main body of the standard or in an appendix to the standard that forms an integral part of the standard.

Section 6 – The standard-setting process

IFRS Accounting Standards are issued by the IASB and then adopted by the national standard-setters. In some cases, jurisdictions make modifications that depart from the requirements in IFRS Accounting Standards, which means a statement stating compliance with IFRS Accounting Standards cannot be made. While jurisdictional differences exist, the titles, structure and content of IFRS Accounting Standards are generally preserved in their jurisdictional equivalents, easily enabling the jurisdictional standards to be identified as IFRS Accounting Standards-based and ensuring that an entity applying them in full can claim compliance with IFRS Accounting Standards. More details on IFRS Accounting Standards adoption worldwide can be found in the **IASB's jurisdictional profiles**.

In addition to IFRS Accounting Standards, the IASB has also developed the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). This is a standalone standard based on the principles and requirements of IFRS Accounting Standards but simplified and intended for the preparation of financial statements by SMEs that do not have public accountability. An entity is considered to have public accountability if it has debt or equity instruments traded in a public market or it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Jurisdictions that adopt IFRS Accounting Standards do not always adopt IFRS for SMEs (e.g., Australia and New Zealand).

There is a separate international standard-setter for the public sector, the International Public Sector Accounting Standards Board (IPSASB), however it usually uses IFRS Accounting Standards as a starting point to develop International Public Sector Accounting Standards (IPSAS).

International and national standard-setters generally develop their work plan and accounting standards in a collaborative manner involving both formal and informal consultations to seek feedback from stakeholders such as:

- **Consultative bodies** specifically established to support the work of the IASB
- Academics specialising in financial reporting
- Regulators and other market authorities
- National standard-setters (such as the AASB in Australia, the XRB in New Zealand and the United Kingdom Endorsement Board (UKEB) in the United Kingdom)
- Professional accounting bodies and other peak bodies
- Investors and other users of financial statements
- Financial report preparers and auditors

As representatives of the accounting profession, CPA Australia and CA ANZ participate in the standard-setting consultation process. It is important that members of the accounting profession involved in financial reporting and audit are also actively involved in the consultation processes by sharing their practical experiences and views on how requirements and accompanying guidance can be improved.

The below illustration depicts the milestones in the development of accounting standards. See **here** for another example of the standard-setting process adopted by the AASB.

Subject matter identified

Feedback from:

- Agenda consultations for future standard-setting activity
- Regulators or other market authorities
- Investors and other users of financial statements
- Research conducted by the standard-setter
- Research undertaken by academics
- Major economic events that signal the need for standard-setting activity

Inclusion in work plan

- Research project to identify relevant issues and a potential way forward
- Standard-setting project to crystallise research findings and analysis into financial reporting proposals
- Analysis of the subject matter and its financial reporting implications by standard-setting staff
- Presentation of staff views to the standard-setting board and other consultative bodies

Developing a new standard

- Discussion paper that sets out initial views on the scope and direction of the proposed accounting standard that is issued for public consultation seeking feedback from stakeholders
- Exposure draft of a proposed accounting standard that is issued for public consultation seeking feedback from stakeholders
- Targeted outreach to explain the proposals and seeking feedback
- Staff analyse feedback and present to the the standard-setting board for discussion and next steps

Issue a new standard

- Publish new standard with a future effective date (normally 2-3 years from date of issue) along with supporting material (e.g., Application Guidance, Illustrative Examples, Basis for Conclusions)
- In some instances a Transition Resource Group is established to obtain feedback from stakeholders on any issues that may be identified before the effective date
- If issues are identified that need to be addressed before standard becomes effective, undertake narrow-scope standard-setting activities to address such issues
- Develop and publish training and other material to support implementation

Post-implementation review

- This normally beings after the standard has been applied for two years, which is generally 30-36 months after the effective date
- Feedback is sought through public consultation on matters identified in applying the requirements by preparers, users and others
- Any feedback that is identified as requiring changes to the standard are included as part of a separate project to amend the standard

Amendments to standards

Arising from matters identified from:

- The post-implementation review
- Feedback received by IFRIC that is referred to the IASB for consideration as a project to amend relevant standard(s)
- Feedback received directly by the IASB that is included as a project to amend relevant standard(s)

Section 7 – The Accounting Standards Framework

Many jurisdictions have adopted IFRS Accounting Standards for financial reporting by listed entities and other entities with public accountability. This includes Australia, New Zealand, the United Kingdom, Hong Kong, Malaysia and Singapore amongst others. Jurisdictions take different approaches for their local financial reporting requirements for non-publicly accountable entities.

Individual jurisdictions that adopt IFRS Accounting Standards supplement this with jurisdictional-specific amendments and entire standards to address specific local requirements. National standard-setters also specify which standards must be applied by which types of entities in the preparation of financial statements. This reflects the fact that IFRS Accounting Standards are designed to serve the user needs of entities trading in the world's global capital markets and therefore may not always be suitable for other smaller, or not-for-profit, entities.

To illustrate some of the considerations that are jurisdiction-specific, the current accounting standards frameworks in Australia and New Zealand are described below.

Australia

In Australia, IFRS Accounting Standards form the basis for Australian Accounting Standards (AAS) which are used for financial reporting by entities in all sectors (i.e., sector neutral). The Australian Accounting Standards Board (AASB), which is responsible for the development and issue of AAS, follows a for-profit and not-for-profit standard-setting framework when developing accounting standards. It takes a differential standard-setting approach to accommodate the different financial reporting needs in Australia. This includes:

- Adopting material from the International Public Sector Accounting Standards (IPSAS) to address public sector specific financial reporting considerations (e.g., AASB 1059 *Service Concession Arrangements: Grantor* is based on IPSAS 32 *Service Concession Arrangements: Grantor*)
- Developing Australian-specific standards or requirements to address local reporting needs (e.g., AASB 1058 *Income of Not-for-Profit Entities*).
- For non-publicly accountable entities in the for-profit sector, a simplified disclosure regime has been established. This requires entities to prepare financial statements that apply the full recognition and measurement requirements of all AAS, but with simplified disclosures set out in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

New Zealand

In contrast to Australia, the External Reporting Board (XRB), which is responsible for developing and issuing accounting standards in New Zealand adopts a multi-sector, multi-tiered approach to its accounting standards framework.

- **Multi-sector approach** – Different suites of accounting standards for for-profit entities and public benefit entities (PBEs) (not-for-profit and public sector entities) (i.e., sector specific). IFRS Accounting Standards forms the basis for for-profit accounting standards whilst accounting standards for PBEs are based primarily on IPSAS for Tiers 1 and 2 and domestically developed reporting requirements for Tiers 3 and 4.
- **Tiered approach** – Different accounting requirements for each tier based on cost-benefit considerations for the size and complexity of the entity: For-profit entities – two tiers, and PBEs – four tiers. Tier 2 entities have reduced disclosure requirements (RDR) but the same recognition and measurement requirements.

Where to find accounting standards

The website of the national standard-setter should generally be the first port of call to determine the accounting standards that apply in a particular jurisdiction. These websites not only have the current versions of the standards, but also amending standards and other supporting material. Given that most jurisdictions use IFRS-based standards, there are usually agreements in place between the IASB and the national standard setter that enables relevant IASB material to be made available locally. Further material is available on the IASB website as well, although some material is only available to registered users, whilst access to other material requires a paid subscription.

Some national standard-setters

- Australia
  Australian Accounting Standards Board (AASB)
- New Zealand
  External Reporting Board (XRB)
- Malaysia
  Malaysian Accounting Standards Board
- Singapore
  Institute of Singapore Chartered Accountants
- US
  Financial Accounting Standards Board (FASB)
- UK
  United Kingdom Endorsement Board (UKEB)

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