

Several Aspects of the Conceptual Framework of Financial Reporting

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Abstract : The conceptual framework of International Financial Reporting Standards determines the basic principles of accounting. The said principles have multiple applications, with professional judgments being one of those. Recognition and assessment of the information contained in financial reporting, especially so the somewhat uncertain events and transactions and/or the ones regarding which there is no standard or interpretation are based on professional judgments. Professional judgments aim at the formulation of expert assumptions regarding the specifics of the circumstances and events to be entered into the report based on the conceptual framework terms and principles. Experts have to make a choice in favor of one of the aforesaid and simulate the situations applying multi-variant accounting estimates and judgment. In making the choice, one should consider all the factors, which may help represent the information in the best way possible. Professional judgment determines the relevance and faithful representation of the presented information, which makes it more useful for the existing and potential investors. In order to assess the prospected net cash flows, the information must be predictable and reliable. The publication contains critical analysis of the aforementioned problems. The fact that the International Financial Reporting Standards are developed continuously makes the issue all the more important and that is another point discussed in the study.

Keywords : conceptual framework, faithful representation, professional judgement, relevance

Conference Title : ICEBMM 2016 : International Conference on Economics, Business and Marketing Management

Conference Location : Berlin, Germany

Conference Dates : May 19-20, 2016