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**Subject name: Current Developments in Accounting Thoughts**

**Subject Code: ACC-518**

**Assessment item 1**

**Assignment 1**

**Lecturer name: Glen Davidson**

**Lecture Day and time: Thursday 5 to 8 class**

**Question:**

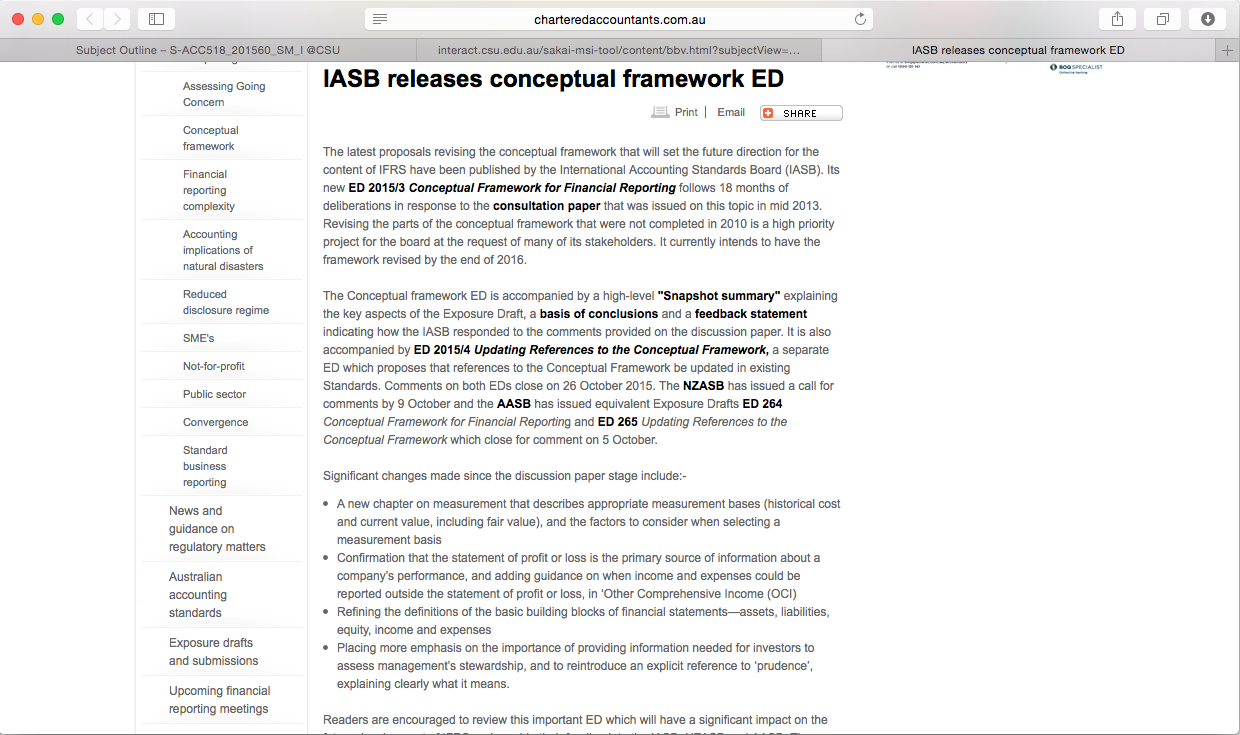
Find a professional journal article or web page report of an item of accounting news. The report/article must refer to a current event, consideration, comment or decision that has been published on or after 1st April, 2015. Your article could probably come from one of the professional journals such as ‘Charter’ or from ICAANZ, CPA Australia and ICAEW UK or from other professional bodies. The article should not come from an academic journal. Academic journals generally publish 2 or 4 times a year, thus you may not be able to find the latest accounting news. If you are having a problem ensuring that your article is from an appropriate source, contact your Subject Coordinator for advice.

Write an analytical report on the article that you have found in your own words. Relate the concepts ideas and facts to one or more theories or topics you have studied in this session. For example, the selected article may link to topics such as measurement in accounting, normative accounting theory (Conceptual framework) or Accounting regulations and politics.

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# IASB releases conceptual framework ED



In this article the primary subject of article has been identified with accounting theory, conceptual framework exposure draft(ED), International Accounting Standard Board(IASB) and Australian Accounting Standard Board(AASB).The conceptual framework exposure draft(ED) in the article clarifying the key parts of the exposure draft(ED).There are different changes made in this report which will have noteworthy effect on the future advancement of International Financial Reporting Standard(IFRS) and give their criticism to International Accounting Standard Board(IASB), New Zealand Accounting Standard Board(NZASB) and Australian Accounting Standard Board(AASB).The International Accounting Standard Board's exposure draft(ED) is proposing essential alters that will set the course for the substance of International Financial Reporting Standard(IFRS).

Article discusses the different changes in conceptual framework exposure draft(ED), International Accounting Standard Board(IASB) and Australian Accounting Standard Board(AASB) and how that will impact. The exposure draft talks about how the path in which a substance leads its business exercises influences the unit of record, estimation and presentation and divulgence (counting the utilization of Other Comprehensive Income). Numerous stakeholders made a remark about the International Accounting Standard Board(IASB's) exposure draft(ED).The significant changes made in this conceptual framework exposure draft(ED) incorporates another theme on estimation which depicts proper estimation bases like authentic expense and current worth including reasonable quality and the elements to consider when selecting estimation premise. It likewise refines the meaning of financial statement (assets, liabilities, equity, income and expenses). It likewise setting more accentuation on the significance of giving data expected to speculators to evaluate administration's stewardship and to reintroduce an express reference to reasonability clarifying obviously what it implies.

There is no outright meaning of conceptual framework. The Financial Accounting Standard Board in the United States characterized its conceptual framework as a reasonable arrangement of interrelated destinations and basics that is relied upon to prompt predictable models and that endorses the nature, capacity and cut off points of financial accounting and financial statement. Since the conceptual framework will direct the International Accounting Standard Board (IASB) when it creates principles, it will influence financial statement by implication when substances execute new or amended measures in view of the changed conceptual framework. It will influence straightforwardly those substances that utilization the conceptual framework to help them choose how to represent an exchange not secured by a particular standard. Conceptual framework of accounting gives direction on how assets, liabilities, expenses, income and equity ought to be characterised when they ought to be perceived and eventually how they ought to be measured. A conceptual framework gives direction at a much more extensive level than a accounting standard. The International Accounting Standard Board(IASB) conceptual framework gives general direction about such issues as the target of broadly useful financial reporting which elements ought to deliver universally useful financial statement explanations, the subjective qualities that valuable financial data will have, how the components of financial accounting(assets, liabilities, equity, income and expenses) ought to be characterised and when they ought to be perceived.

The advantages of conceptual framework are that the accounting standard ought to be more reliable and sensible in light of the fact that they are created from a methodical arrangement of ideas. Likewise the Australian Accounting Standard Board(AASB) ought to be more responsible for its choices on the grounds that the reasoning behind particular prerequisites ought to be more express, as ought to any take offs from the ideas that may be incorporated specifically accounting norms. The procedure of correspondence between the Australian Accounting Standard Board(AASB) and its constituents ought to be upgraded. The advancement of accounting measures and other definitive affirmations ought to be more temperate in light of the fact that the idea created by Australian Accounting Standard Board(AASB) will control the Australian Accounting Standard Board(AASB) and Urgent issue group(UIG) in their choice making.

As far as some conceivable detriments of conceptual frameworks, as with all exercises based, in any event to some extent, on campaigning procedures and political activities, there will dependably be a few gatherings possibly distraught in respect to others. Maybe some littler associations feel that they are overburdened by reporting prerequisites on the grounds that investigators have possessed the capacity to persuade controllers that specific data was vital for an effectively working economy. Another criticism is that being chiefly economic in centre broadly useful financial statements normally overlook transactions or events that have not included market transactions or a trade of property rights. Case in point, a lot of late writing has been incredulous of customary financial accounting representing its inability to perceive the natural externalities brought about by business elements **(Deegan & Rankin, 1997; Gray & Bebbington, 2001; Gray et al., 1996 Rubenstein, 1992)**. Another disservice of conceptual framework is that they just speak to a codification of existing practice (Dean & Clarke, 2003; Hines, 1989) putting set up a progression of records that depict existing practice, instead of endorsing a perfect or intelligently determined way to deal with accounting. With a very much organized conceptual framework desire data will be produced that is of more significance to financial statement clients, and in addition being all the more representationally loyal. The utilization of a legitimately determined conceptual framework will likewise prompt the improvement of accounting norms that are predictable with one another. Further there is a view that conceptual frameworks will permit constituents to see all the more completely how and why specific accounting models oblige particular ways to deal with be embraced and will give preparers direction when no particular accounting principles exist. In this article issues such as measurement have been manifestly obvious hindrances for the continuous improvement of applied systems. The advancement or now and again the absence of it, accentuation the political way of the accounting standard-setting procedure.

Since conceptual framework gives a lot of solution, they are considered to have a normative in nature. Normative means the way things ought to be. The time of the 1960s and 1970s is ordinarily alluded to as the normative time of accounting exploration. In this period financial accounting were not developed by observing so as to account speculations were not created what bookkeepers were doing; huge numbers of the hypotheses being produced in this time were in light of the improvement of contentions about what the specialists considered bookkeepers ought to do. These theories were produced on the premise of deductive thinking. Normative theory is a theory that is not in view of perception, but rather on how an accounting procedure ought to be finished. In view of the standards or qualities or convictions held by the specialists proposing the hypotheses, it is typically taking into account the procedure of derivation instead of prompting. Analysts trust this theory uses a few diverse ways to deal with wind up with one right accounting sentiment. This strategy utilizes a formula to make sense of salary in light of quality, not cost. Normative financial theory is subjective and expects to depict what the monetary future ought to be for an organization or speculator. Thus, normative accounting practice is a type of worth judgment that can bring subjective profound quality into accounting.

Normative theory is suppose to be quantitative which means it is suppose to be subjective not objective. Conceptual framework is predominant in normative theory. Case in point, if an organization that expanded dividend payments could utilize some of those funds to enhance corporate supportability measures, a normative accounting explanation would demonstrate the amount of cash ought to be put resources into those measures to manage corporate development. Normative accounting additionally manages future events instead of past information, which is the area of positive accounting practices. There are bunches of qualities and shortcomings of normative theory. Its quality incorporates first the exploration strategy is more develop, for its premise has long history. Second the real quality is its possibility and capacity to show convincingly, that a particular event ought to happen if a predefined objective is to be accomplished. The inductive procedure of descriptive theory and the deductive procedure of normative theory are interrelated in that the deductive procedure might likewise be connected to experimental perceptions, if the truth is to changed to a more favored as demonstrated by the accepted objectives (Ijiri 1975). Also, third normative theory should be counter-experimental. This is especially so where the current framework is discretionary. Its shortcoming incorporates lower precision, subjectivity to a certain degree and absence of falsifiability. Really normative accounting theories propose techniques and courses of activities which ought to be received by accountants to accomplish a particular objective and target.

Big three normative accounting theories are Current purchasing power accounting (CPPA), Current cost accounting (CCA) and Continuously contemporary accounting(CoCoA).Current purchasing power accounting(CPPA) or general purchasing power accounting or it is likewise called general value level accounting was produced on the premise of a view that , in times of rising costs, if an element were to appropriate unadjusted benefits in light of historical costs the outcome could be a decrease in the genuine estimation of a substance that is in genuine terms the element could hazard dispersing piece of its capital. It is for the most part acknowledged as being less demanding and less costly to apply than strategies that depend on current valuations of specific resources. Another kind of normative accounting is current cost accounting(CCA). It utilizes genuine valuation of advantages ordinarily in view of substitution costs and working income is ascertained after thought of the substitution cost of the benefits utilized as a part of the generation and deal cycle. Non-fiscal assets are acclimated to make note of changes in substitution costs and depreciation expenses are additionally balanced on the premise of changes in substitution costs. The third sort of normative accounting is Continuously contemporary accounting(CoCoA) (CoCoA; Chambers, 1966). One key target of Continuously contemporary accounting(CoCoA) was to give data adjoin a substance's ability to adjust to evolving circumstances, with benefit being specifically identified with changes in versatile limit. Profit is figured as the sum that can be circulated while keeping up the versatile capital in place. It doesn't separate in the middle of acknowledged and undiscovered additions. It requires just on sort of valuation for all assets (taking into account way out costs). There is no requirement for subjective cost allocations, for example, for depreciation.

Campbell, one of the first to manage the issue of measurement, characterized as the task of numerals to speak to properties material systems other than numbers, in temperance of the law overseeing these properties. Each measurement is in view of scale. A scale is made when a semantic principle is utilized to relate the scientific explanation to objects or events. Measurement scales can be depicted as general terms as nominal, ordinal, interval and ratio scales.

There are three distinct sorts of measurements Fundamental, Derived and Fiat. A fundamental measurement is one where the numbers can be appointed to the property by reference to natural laws and which does not rely on upon the measurement of whatever other variable. Properties, for example, length, electrical resistance, number and volume are fundamentally quantifiable. A derived measurement is one that relies on upon the measurement of two or more different amounts. The measurement of density is an example. It relies on upon the measurement of both mass and volume. Derived measurement operations relies on upon known connections to fundamental properties. They are taking into account an affirmed observational theory relating the offered property to different properties. Third kind of measurement is called measurement by fiat. Fiat means decree, edict. Such measurements would incorporate those in light of discretionary definitions (for instance, the measurement of profit in bookkeeping). Measurement in accounting falls into the class of derived measurement for both capital and profit. Accounting profit is presently derived, under global accounting norms, from the adjustment in capital over the time of all exercises included builds and reductions in the fair value of net resources. Capital is derived from the net of fair value measure of assets and liabilities.

No measurement is free of errors aside from counting. We can include the quantity of seats a certain room and be precisely right. In any case, aside from counting, all measurements include errors. In this manner, there are two attributes of measures Reliability and Accuracy. Reliability alludes to the demonstrated consistency of either an operation to create attractive results or the outcomes (the numbers) themselves for a specific utilization. Accuracy needs to do with how close the measurement is to the genuine value of the quality measure, the 'bullseye', as it were. Suitable measurement bases are historical cost, current value including fair value. Historical cost implies that assets are recorded right now of cash or cash reciprocals paid or the fair value of the consideration given, to procure them at the season of their obtaining. Liabilities are recorded at the measure of continues got in return for the commitment, or in a few circumstances at the measure of money or money counterparts anticipated that would be paid to fulfill the liability in the typical course of business. Fair value implies the value that would be gotten to offer an advantage or paid to move a liability in a methodical exchange between business members at the measurement date. Current value implies that the value of a thing to be gotten or paid for later on communicated as far as its value today.

The benchmarks for which the International Accounting Standard Board(IASB) is dependable that is International Financial Reporting Standards (IFRS) which are one accumulation of money related reporting practices. They are progressively critical due to the developing number of organizations around the globe (particularly recorded organizations) that are obliged to consent to them, and the developing number of nations including the United Kingdom that model their own more broad monetary reporting necessities on them. International Financial Reporting Standard(IFRS) joins and expands on the aggregated, regularly conflicting useful arrangements formulated by national standard-setters to manage financial reporting issues that have risen over numerous years, arrangements which are thusly based on the collected business practices of hundreds of years. International Financial Reporting Standard(IFRS) is not a totally new and uniform way to deal with financial reporting, yet the result of a long and proceeding with advancement. One area where International Financial Reporting Standard(IFRS) measurement prerequisites still should be produced is in representing insurance contracts. Insurance gives a case of a percentage of the pressures that make measurement issues so hard to determine.

**Accounting regulations and politics**:

Financial accounting practices are intensely managed. Be that as it may, in nations ruled by solid capital markets (with huge number of financial specialists), the historical backdrop of accounting regulation is moderately late and there was a general unlucky deficiency of such regulation before the twentieth century. Financial accounting practices all through the world today are for the most part controlled by an extensive number of accounting standards. The demonstration of regulating accounting practices through the ceaseless arrival of new and amended accounting standards needs to prompted different contentions for and against regulation. The contentions territory from the conviction that there is no compelling reason to direct accounting practices (free market approach) to a view that regulation is important to ensure the interests of those gatherings with a stake in a reporting substance. Free market implies a market in which the supply of merchandise and administrations and the particular costs are resolved on the premise of the powers of interest and supply. At the point when regulation is presented, there are different theories accessible to depict who profits by such regulation. There is the public interest theory of regulation, which suggests that regulation is created in the public interest. Regulators are thought to be roused by the public interest and will choose regulation on the premise that the social advantages of the regulation surpass the social expenses. Primary theory of conceptual framework is public interest theory that is individual theory. An opposite point of view of regulation is given by capture theory which recommends that albeit regulation is frequently acquainted with ensure the public, the administrative systems are regularly in this manner captured to secure the interests of specific self-interested gatherings inside of society normally those whose exercises are most influenced by the regulation. Another theory which is regularly allude to as private interest theory or monetary interest gathering theory is suggests that the regulators present regulation that best serves the regulators own private interest. That is, regulators are spurred not by the public interest but rather by their own self-interest.

There are many principal bodies included in detailing or implementing accounting regulations inside Australia. One of them is Australian Securities and Investments Commission(ASIC) which is in charge of controlling company enactment in Australia. It is autonomous of state minsters or state parliaments and reports straightforwardly to the Commonwealth Parliament and Treasure. Australian Securities and Investments Commission(ASIC) does not really create accounting standards. This obligation is borne by Australian Accounting Standard Board(AASB). Australian Accounting Standard Board(AASB) is in charge of making accounting standards that have the power of law according to Section 334 of the Corporation Act furthermore for planning accounting standards that are to be utilized as a part of the public and non-benefit divisions. Australian Accounting Standard Board(AASB) is a mirror of International Accounting Standard Board(IASB).The elements of Australian Accounting Standard Board(AASB) are recorded at Section 227 of the Australian Securities and Investments Commission(ASIC) Act and incorporate to build up a conceptual framework, not having the power of accounting standard, with the end goal of assessing accounting standards and global standards. Furthermore to make accounting standards under Section 334 of the Corporation Act with the end goal of national plan laws and to define accounting standards for different purposes furthermore to take an interest in and add to the improvement of a solitary arrangement of accounting standards for overall utilization. The Australian Accounting Standard Board(AASB) is an agency of the Australian government. Australian Accounting Standard Board(AASB) standards are known as Australian Accounting Standards and incorporate Australian reciprocals to International Financial Reporting Standards (IFRSs). When it first started receiving International Financial Reporting Standards(IFRS) as Australian Accounting Standards, the AASB made a few changes to International Financial Reporting Standards(IFRS), including evacuating a few choices and including a few divulgences. In 2007, the Australian Accounting Standard Board(AASB) adjusted Australian Accounting Standards so that their necessities are indistinguishable to International Financial Reporting Standards(IFRS) as issued by the International Accounting Standard Board(IASB) for revenue driven entities. Some extra exposures were held and some non-International Financial Reporting Standards(IFRS) agreeable necessities apply for not-for-benefit and public part entities. For example, Rio Tinto purchasing Alcan for 38.1 billion in 2007.In 2007 Rio Tinto's new CEO Albanese got a bidding war with Vale and Alcoa and wound up paying a 65% premium for Alcan. Dick Evans, previous CEO of Alcan, says that the choice to purchase was the most exceedingly bad choices ever, the biggest metals and mining exchange in the historical backdrop of the world at the high point in the ware cycle.

**Conclusion:**

This analytical report has role of conceptual framework and setting new accounting standards. In this report, conceptual framework showing to be objective but in reality it is subjective irrespective of objective in observation. The International Accounting Standard Board(IASB) that it is existing and potential investors, lenders and different creditors that are the primary clients of the reports over which the International Accounting Standard Board(IASB) and the Financial Accounting standard Board(FASB) set the measures. The International Accounting Standard Board(IASB) and Financial Accounting standard Board(FASB) have chosen that current and potential investors, lenders and different creditors need data to make asset portion decisions(than obliging the data to survey the stewardship of management). In the model created by the International Accounting Standard Board(IASB) and the Financial Accounting standard Board(FASB), the data is to be revealed in what is termed as universally useful money related proclamations. Lawful structures then make it obligatory for clients, for example, investors, to get the reports.

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