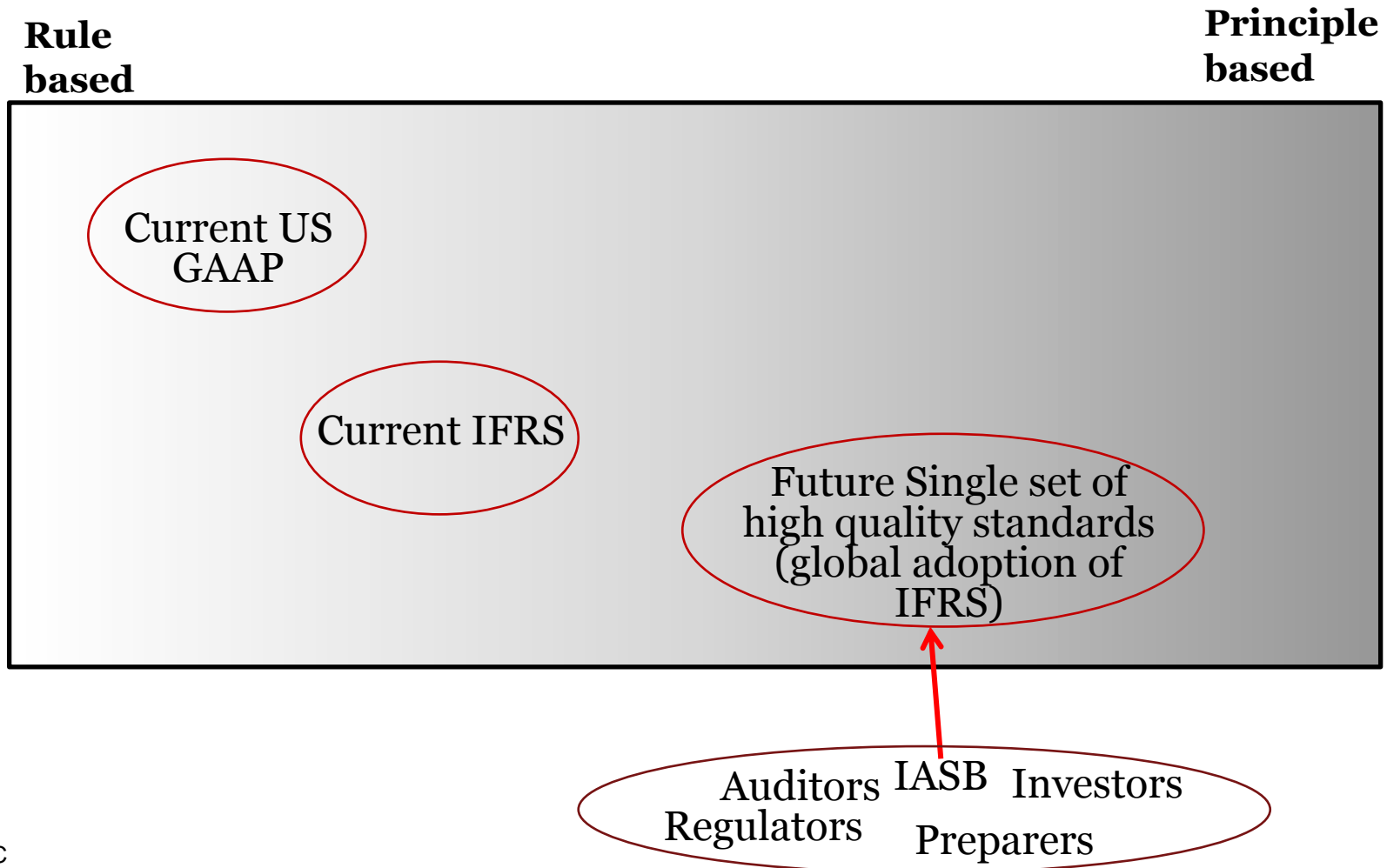


Principles – based Financial Reporting Standards: Myths and Reality

30 June 2011

Tomasz Konieczny

Principle-based Financial Reporting Standards „Myths and Reality”



Principle-based Financial Reporting Standards „Myths and Reality”

- Principle-based standards = higher-level rules with no exceptions for special cases
- Characteristics of a high-quality, principles-based accounting standard:
 - Faithful presentation of economic reality
 - Responsive to users' needs for clarity and transparency
 - Consistency with a clear Conceptual Framework
 - Based on an appropriately-defined scope that addresses a broad area of accounting
 - Written in clear, concise and plain language
 - Allows for the use of reasonable judgment

Principle-based Financial Reporting Standards „Myths and Reality”

But...

- Preparers demand clear guidelines
- Preparers often take view:
„ If not prescribed, I can do whatever I want”

Principle-based Financial Reporting Standards „Myths and Reality”

Framework

- Supposed to assist users in reaching principle based conclusions
- But conflicting guidance on existing standards may undermine the value of principle based framework
- So probably framework itself requires modification and extension

Principle-based Financial Reporting Standards „Myths and Reality”

Framework is however useful

Examples where framework is used:

- (i) Transactions between entity and shareholders that have characteristic of contribution/ distribution eg:
 - Interest free loans
 - Hidden distributions
- (ii) Arrangements and transactions scoped out from standards eg:
 - Right to use frequency and obligation to pay for it

Thank you!

Tomasz Konieczny

Contact: +48 (22) 523 4285