

Intro: this Study Guide explains the meaning of a conceptual framework of accounting & its necessity.



Conceptual framework of accounting

The Framework

- States the concepts that underlie the **preparation** and **presentation** of financial statements (FS).
- Is concerned with general purpose FS.
- Is so fundamental that they apply irrespective of the accounting model selected.

Includes:

- Objectives, components and elements of FS
- Qualitative characteristics of FS
- Measurement bases for accounting
- Concept of capital & capital maintenance



Measurement bases for accounting (explained in A3)



Historical cost

Current cost

Realisable value

Present value

The framework is not itself an international accounting standard.

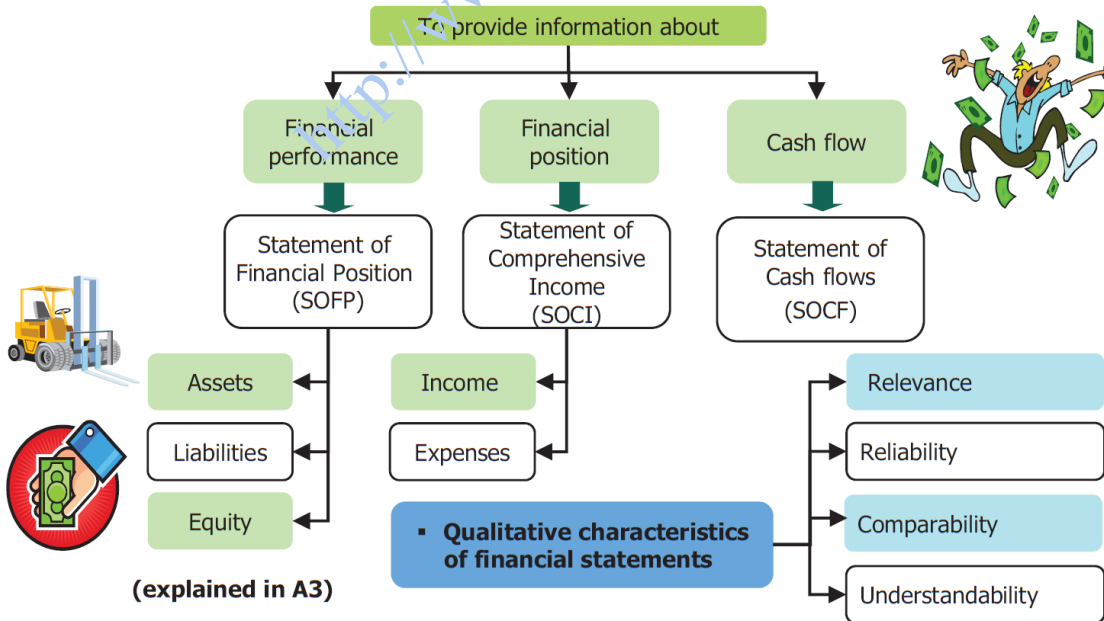
The Need for Conceptual Framework

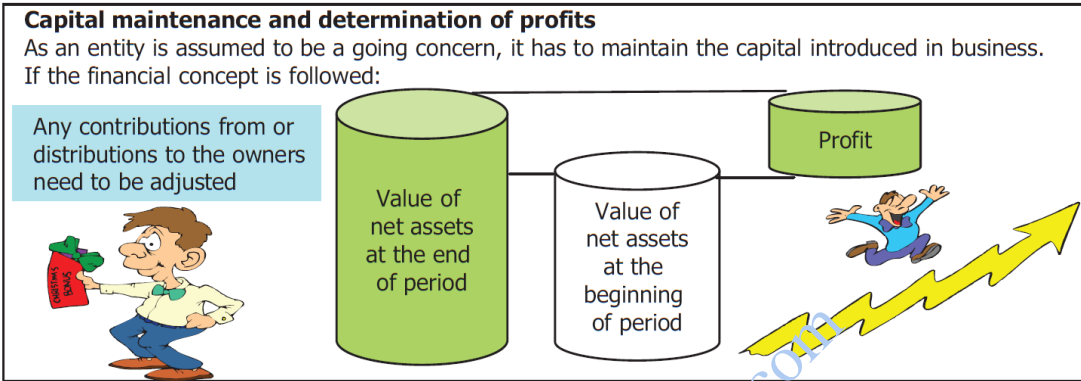
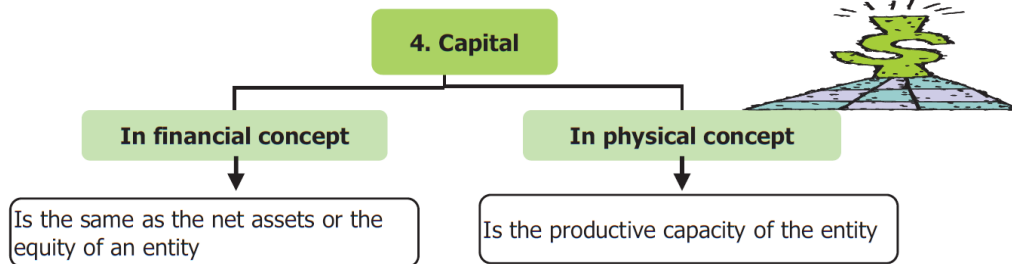
1

Conceptual Framework for Financial Reporting

2

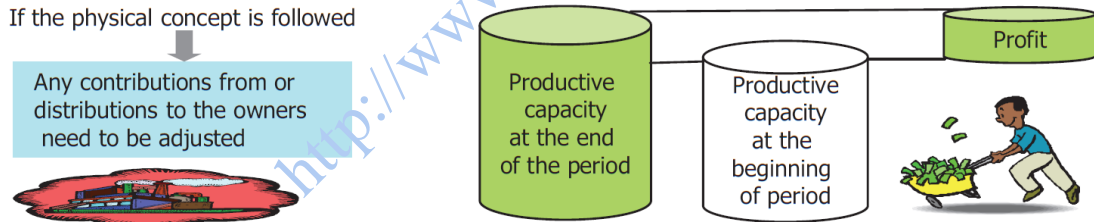
- Objectives, components, elements and qualitative characteristics of general purpose FS**





Need for Conceptual Framework 3

Conceptual Framework for Financial Reporting 4



Why is a conceptual framework necessary?

