

Study Unit 1

Introduction to Company Annual Financial Statements

Study Unit 1: Introduction to the preparation of financial statements

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)?

Lecture notes

International Financial Reporting Standards (IFRS)

- **IFRS** = **I**nternational **F**inancial **R**eporting **S**tandards.
- The IASB (International Accounting Standards Board) is the regulatory board for accounting (worldwide except for a few countries such as America)
 - IASB develops a set of rules (standards) detailing how different transactions, events and circumstances should be accounted for in the financial statements.

International Financial Reporting Standards

- There is also another set of standards developed for smaller non public businesses called IFRS for Small to Medium sized Enterprises (SMEs). In your studies at UNISA you will focus on full IFRS as IFRS for SMEs is similar, albeit a smaller set of rules and requirements.
- The Companies Act 71 of 2008 requires that South African Companies prepare financial statements using IFRS or IFRS for SMEs. For your purposes you will assume that the companies you study in this course use full IFRS. Remember that Sole Proprietors and Partnerships are not Companies and do not have to apply IFRS, but they may choose to do so if they wish.

IFRS SUMMARY

- In summary,
 - IFRS are a set of rules developed to make sure that financial statements are prepared consistently for companies so that:
 - users can compare the financial results and performance from the current year to prior years for the same company,
 - as well as making it possible for users to compare the financial position and performance of one company with another.