CHAPTER-5 - International Financial Reporting Standards (IFRS)

Short Questions

Question 1

Accounting standards are established and written norms dictating uniform and detailed rules and practices for preparing the financial statement for a firm.

Question 2

Two points regarding the nature of accounting standards are:

(i) They establish accounting policies and practices and give instructions on how transactions should be recorded and classified.

(ii) They eliminate the effect of multiple accounting policies

Question 3

Two advantages of accounting standards are:

(i) They ensure consistency is maintained and comparability is facilitated across financial statements.

(ii) They enhance the reliability, credibility and soundness of financial statement

Question 4

The objectives of an accounting standard are as follows:

- To assure consistency in the development and furnishing of financial statements.

- To provide information to stakeholders about the policies followed in the making of a financial statement.
- To eliminate the effect of multiple accounting policies.
- To enhance the reliability, credibility and soundness of financial statement
- To ensure the safety of financial statement

Question 5

International Financial Reporting Standards (IFRS) is defined as written norms and rules that helps financial statements to be uniform, clear and similar across all firm's worldwide. The International Accounting Standards Board (IASB) publish the IFRS rules. They dictate how a company should manage and record their accounts.

Question 6

Two basic objectives of having accounting standard are as follows:

(i) To ensure consistency in accounting practices

(ii) To ensure reliability, uniformity, and comparability of financial statements.

Question 7

To ensure reliability, uniformity, and comparability of financial statements, accounting standards are needed.

Question 8

IFRS - International Financial Reporting Standards

Question 9

The values of comparability, value of reliability, value of transparency, and the value of consistency are adopted by the accounting standards.

Question 10

International Financial Reporting Standards (IFRS) are important because:

- **Access to Global Capital Market-** Investors have been given the support to invest in different countries and access the fund globally. The foreign investors completely rely on IFRS based financial statement of the company, therefore, the financial statement made in accordance to the IFRS rules aid the company to gain an investor.
- **Comparison-** Foreign investors are able to compare the statement based on IFRS rules.
- **Uniformity-** The IFRS rule ensures consistency, comparability, and clarity of financial statements.
- **Difficult to engage in duplicity-** IFRS makes it highly difficult to manipulate accounts as compared to the traditional form of accounting.