

Al-Mustaqbal university college

Conceptual Framework for Financial Reporting

5

Second Level: Basic Elements

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Conceptual Framework for Financial Reporting

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the usefulness of a conceptual framework.
2. Describe the FASB's efforts to construct a conceptual framework.
3. Understand the objective of financial reporting.
4. Identify the qualitative characteristics of accounting information.
5. Define the basic elements of financial statements.
6. Describe the basic assumptions of accounting.
7. Explain the application of the basic principles of accounting.
8. Describe the impact that the cost constraint has on reporting accounting information.

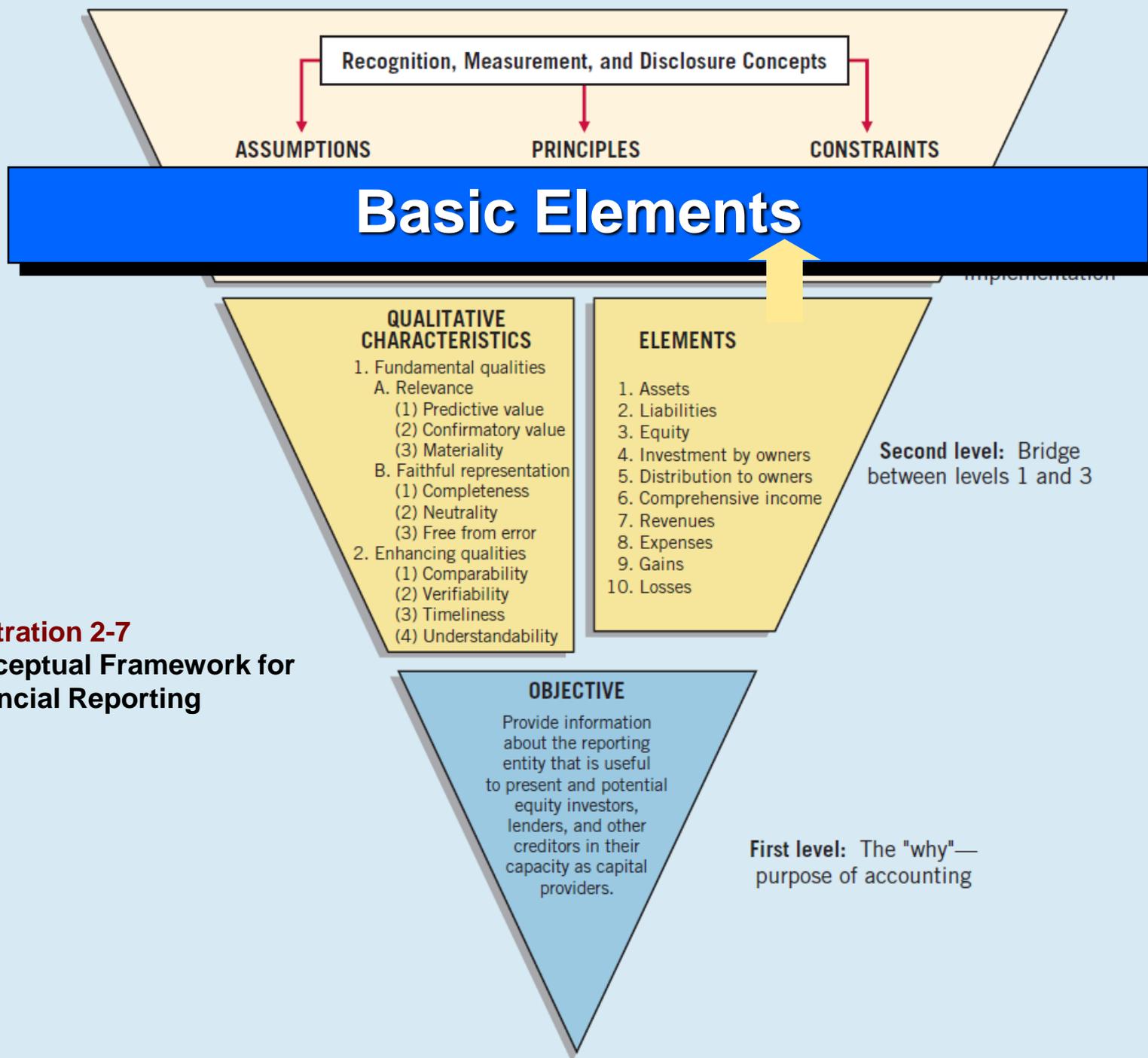


Illustration 2-7
Conceptual Framework for Financial Reporting

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Concepts Statement No. 6 defines ten interrelated elements that relate to measuring the performance and financial status of a business enterprise.

“Moment in Time”

- ◆ Assets
- ◆ Liabilities
- ◆ Equity

“Period of Time”

- ◆ Investment by owners
- ◆ Distribution to owners
- ◆ Comprehensive income
- ◆ Revenue
- ◆ Expenses
- ◆ Gains
- ◆ Losses

Second Level: Basic Elements

Question

According to the FASB conceptual framework, an entity's revenue may result from

- a. A decrease in an asset from primary operations.
- b. An increase in an asset from incidental transactions.
- c. An increase in a liability from incidental transactions.
- d. A decrease in a liability from primary operations.