

Conceptual Framework for Financial Accounting

lecture 1



Al-Mustaql University
College of Administrative Sciences

Department of Accounting



Assistant.lect Hussein Ali Hussein



Conceptual Framework for Financial Accounting

Conceptual Framework

A **conceptual framework** is a coherent system of concepts that flow from the objectives of financial accounting.

The Usefulness of a Conceptual Framework

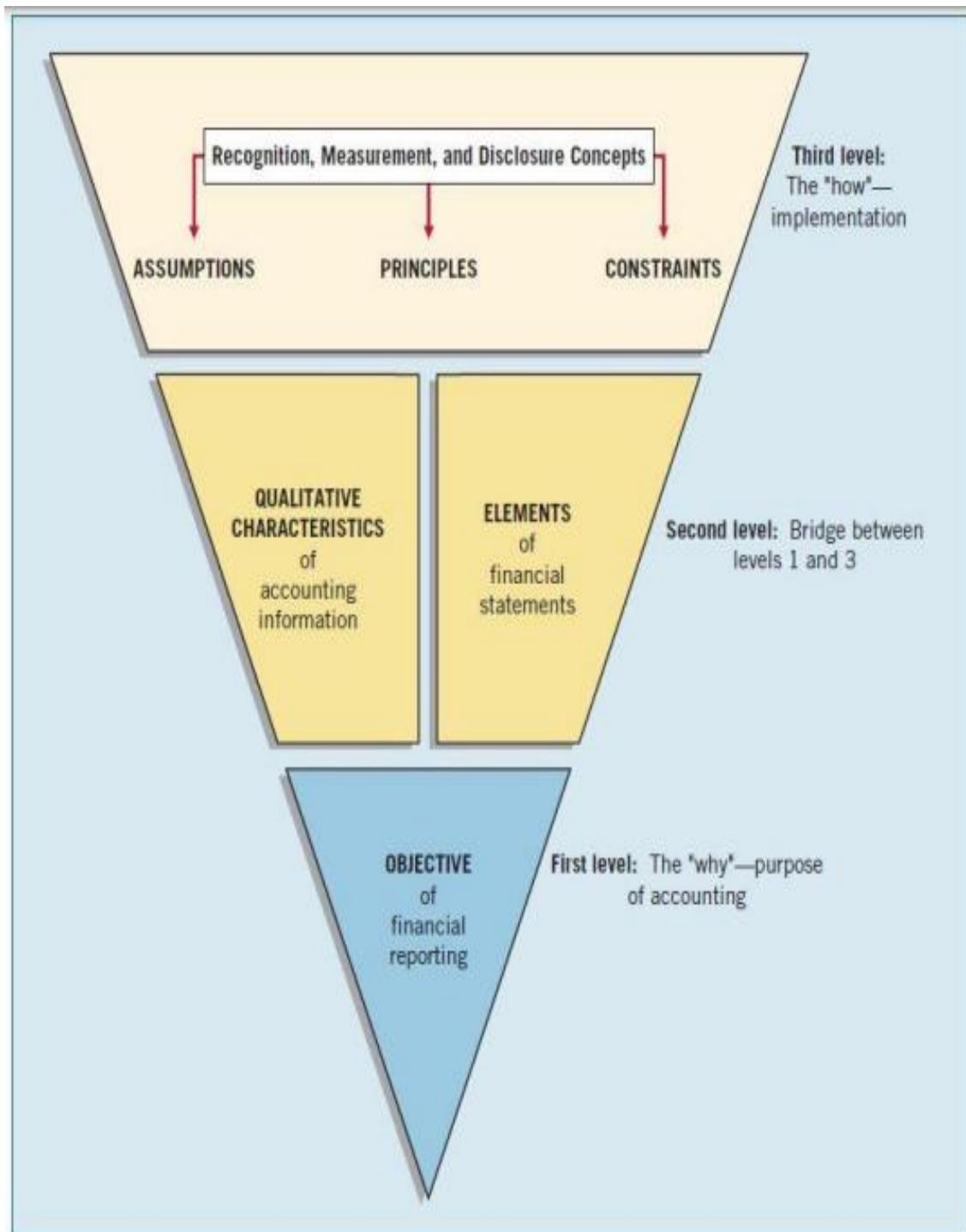
The usefulness of the conceptual framework for financial accounting is:

- (1) Identifying the boundaries of financial reporting;
- (2) Selecting the transactions, other events, and circumstances to be represented
- (3) How they should be recognized and measured.
- (4) How they should be summarized and reported.

Development of a Conceptual Framework

In 1976, the FASB began to develop a conceptual framework that would be a basis for setting accounting rules and for resolving financial reporting Controversies . In 2018, the IASB published the Conceptual Framework for Financial Reporting (the Conceptual Framework). This fully revised document replaced the section of the 2010 version of the Conceptual Framework that had been carried forward from the 1989 version.

Figure (1) Overview of the Conceptual Framework for Financial Reporting



First Level: Basic Objective

The objective of financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders, and other creditors in making decisions about providing resources to the entity.

Users of Accounting Information

In fact , users of accounting information may be inside or outside a business.

There are primarily two types of users of accounting information:

Internal Users (primary users)	External Users (secondary users)
<ul style="list-style-type: none">- Management (Managers)- Employees- Owners	<ul style="list-style-type: none">- Investors- Tax Authorities- Creditors (Lenders)- Customers- Regulatory Authorities- Suppliers- Government- Researchers