



International Institute of Certified Public Accountants

Core Principles for Financial Reporting

Core-01 Introduction and status

- (a) The Core Principles for the preparation and presentation of general purpose financial statements, focusing on the common interest of users, provide a frame of reference for the development and review of Forward-looking Dynamic Superimposed Generally Accepted Accounting Principles.
- (b) The Core Principles are a set of high-level principles to clarify the conceptual underpinnings of accounting standards and the nature and function of reporting.
- (c) Core Principles do not have the status of accounting standards.
- (d) The Core Principles may be revised from time to time in response to experience and accounting thought.

Core-02 Complete set of financial statements

A complete set of primary financial statements consists of

- Balance sheet composed of
 - (i) Assets in the form of economic resources or rights to economic benefits owned or controlled by the entity,
 - (ii) Liabilities or obligations to transfer economic resources, and
 - (iii) Owners' residual also known as equity computed by deducting all of the entity's liabilities from all of the entity's assets
 - (iv) Statement of performance consisting of gains and losses also known as the "income statement" comprised of
- Statement of performance consisting of gains and losses also known as the "income statement" comprised of
 - (v) Income and gains being increases in ownership interest not resulting from contributions from owners
 - (vi) Expenses and losses being decreases in ownership interest not resulting from distributions to owners
- Statement of cash flows showing which the entity's activities generate and use cash, distinguishing in particular cash flows that are the result of regular

operations from cash flows resulting from investing activities, and cash flows resulting from financing activities

- Earnings per unit of residual ownership of profit-oriented entities
- Accompanying information in the form of notes that explain and amplify the primary financial statements, disclosing among others the accounting policies and practices of the reporting entity.

Core-03 Periods of reporting

Financial statements shall be issued and cover as a minimum the following periods:

- one year prior to the current year (so called ‘historical financial statements’)
- one for the current year (prospective financial statements)
- one for the year following the current year (prospective financial statements).

Core-04 Objective of consolidated financial statements

To present fairly in all material respects the past, current and prospective financial position of the entity, income or loss, cash flows, and earnings per unit of residual ownership of profit-oriented entities including on a consolidated basis wholly or partly owned investees or subsidiary companies.

Core-05 Going concern principle

(a) An industrial or commercial entity is a going concern and presumed to continue to be operating for the foreseeable future, so that assets are valued at cost or fair value rather than liquidation or break-up value, reflecting the time-value of money and the risk associated with the future expected cash flows.

(b) A bank or other deposit-taking financial institution is a going concern if deposits in the nature of demand or checkable deposits by its customers are reported on the asset side of the balance sheet as a deduction from the bank’s or other deposit-taking financial institution’s vault cash plus current account deposits maintained at the nation’s central bank, the net amount of which may not be negative.

Core-06 Prospectivity

Predictive financial information presented for future periods (forward-looking financial statements also known as “prospective financial statements”) is based on assumptions that have been reviewed as to their reasonableness by a panel of experts from diverse disciplines relevant to the activities of the entity including, for example, for a manufacturing and sales organization financial economists and analysts, marketing experts, professional engineers, barristers and solicitors, and accountants.

Core-07 Accrual basis

Transactions and other events are given effect when occurred or incurred according to the generally accepted “accrual method or basis of accounting”.

Core-08 Understandability, relevance, materiality, and reliability

Financial statements must present information in a form and language that is readily understandable by the user being an informed reasonable person seeking such information, relevant and provided in time to evaluate in summary form past, present and prospective transactions and other events, and material that the information’s misstatement influences the user’s decision, the threshold of materiality being a matter of professional judgment, and reliable in the sense of being free from material error and bias. In case of conflict or departure the principle of reliability yields to the principles of relevance and to the principle of prospectivity, material conflicts and departures being disclosed in the notes to the financial statements.

Core-09 Comparability and consistency

- (a) Financial statements must reflect like transactions and other events in consistent ways to ensure comparability within each accounting period and from one period to the next.
- (b) Consistency is not an end in itself and if it becomes an impediment should yield to the introduction of improved accounting policies and practices.
- (c) The change of accounting policies and practices, and the effect of such changes, should be reported in the notes.

.Core-10 Substance over form

Financial statements are presented on the basis of economic substance or reality, not merely legal form.