

# preface


This is the fourth edition of a book that was originally published in 1995. Since the publication of the third edition at the beginning of 2002, many significant changes have occurred in the way we carry out financial accounting in Australia. Major changes were brought about by the July 2002 decision of the Financial Reporting Council that Australia would adopt International Financial Reporting Standards in 2005. The new accounting standards would be issued as Australian Accounting Standards Board Standards (with the prefix AASB) – but they would be based on standards issued by the International Accounting Standards Board (IASB). Effectively, the process of setting accounting standards for Australian use was – for the first time – moved to an international body rather than being developed domestically. The decision to adopt standards issued by the IASB meant, with few exceptions, that all our accounting standards changed, both in content, and in the numbers assigned to the respective standards.

While many of the changes made to the accounting standards were significant, the time period provided for people to absorb the changes before applying them was limited. In this regard, the majority of the new accounting standards were only released in July 2004, even though they came into force shortly after in 2005.

All 33 chapters of this book had to be revised because of the changes in accounting standards, many of which were quite dramatic. It was a major exercise to comprehensively update the book so that educators of accounting students were teaching up-to-date material. The input provided by many people towards the timely completion of this book is gratefully received.

This is the first financial accounting text to be released in Australia that is based upon the accounting standards released by the AASB in July 2004. We made the decision early on in the writing process that the fourth edition would be based on the accounting standards issued by the AASB, rather than on the standards issued some time earlier by the IASB. We believe this decision provides the best educational outcome as there are differences between the standards issued by the AASB and those issued by the IASB. For example, some of our new AASB standards limit the number of accounting options permitted relative to the IASB standards (for example, where an IASB standard allows two alternative options to be applied, the Australian accounting standard may only permit one of the options to be applied). Further, the AASB standards typically provide more explanatory material than their international counterpart. Also, there are a number of AASB standards for which there has not been an equivalent standard issued by the IASB.

Apart from changes in accounting standards, another major change that has been included in the fourth edition rewrite is the change in the Australian conceptual framework. Throughout this book, reference is now made to the Framework for the Preparation and Presentation of Financial Statements, as released by the AASB in July 2004 (which in turn is modelled on the Framework released by the IASB).



Each chapter of this fourth edition contains learning objectives, chapter summaries, and a comprehensive end-of-chapter exercise. A glossary of key terms is provided towards the back of the book. The book provides material that will enable the reader to gain a thorough grasp of the contents and of the practical application of the majority of financial accounting requirements currently in place in Australia. In the discussion of these requirements, numerous worked examples, with detailed solutions, are provided throughout the text. Each chapter also provides clear details of how the accounting standards released in 2004 by the AASB differ from the predecessor accounting standards.

As well as addressing how to apply the various accounting requirements, this text also encourages readers to critically evaluate the various rules and guidelines. The aim is to develop accountants who are not only able to apply particular accounting requirements, but who will also be able to contribute to the ongoing improvement of accounting requirements. For this reason, reference is made to various research studies that consider the merit, implications, and costs and benefits of the various accounting requirements. Also, various newspaper articles discussing different aspects of the accounting requirements are reproduced for consideration and discussion. The permission of copyright holders to reproduce this material is gratefully acknowledged.

Social-responsibility reporting is an increasingly important area of accounting, and one that is rapidly developing. While this book predominantly considers financial accounting and reporting, Chapter 33 focuses on social-responsibility reporting and provides the most up-to-date and comprehensive material available on this important topic.

Writing a text like this is an extremely time-consuming exercise and so it has been very gratifying that the effort involved has been rewarded by so many institutions across Australia (and also some outside Australia) electing to prescribe previous editions of this book as part of their accounting programs. Given the success of all previous editions, every effort has been made to ensure that the fourth edition is equally valuable to students and teachers, and that it has been substantially and thoroughly revised.



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