

# Audit & Accounting Alert Newsletter

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## At-A-Glance

Prior to the establishment of a set of accounting principles, the overall context within which the principles are to be positioned must be agreed upon. That context is known as the conceptual framework. Both the Financial Accounting Standards Board (FASB) and the predecessor of the International Accounting Standards Board (IASB) delineated conceptual frameworks when their work began five decades ago. Over time, these frameworks have been refined and expanded with the needs of a changing world. Recently, the FASB released a final chapter explaining the basis for measuring assets and liabilities. This issue provides highlights.

Also, our Worldwide Update covers news from organizations across the globe.



**Gerald Herter - Editor**

# FASB Conceptual Framework Now Complete

# With New Chapter 6: Measurement

The process of determining relevant numerical depictions of items recognized in financial statements



The Financial Accounting Standards Board (FASB) was formed in 1973 in the United States to provide “financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP).” Since that time, the FASB has been developing and refining those standards. The basic structure that guides the work is called the Conceptual Framework.

As stated by the FASB, “The Conceptual Framework is a body of interrelated objectives and fundamentals that provides the FASB with a useful tool as it sets standards. A Statement of Financial Accounting Concepts is nonauthoritative and does not establish or change Generally Accepted Accounting Principles,” in of itself.

In the September 2023 issue of the Audit & Accounting Alert, the new chapter five of the Conceptual Framework, Recognition and Derecognition, was discussed, describing the criteria for when an item should be included or excluded from financial statements. Now, Statement of Financial Accounting Concepts (SFAC) No. 8 has been published in July 2024, covering the final chapter, number six, Measurement.

Chapter six asserts that for numbers in financial statements to be useful, they need to be both relevant and faithfully represented. SFAC No. 8 describes two methods for determining the value at which assets and liabilities can be measured: the entry price and the exit price.

The entry price is the amount paid to acquire an asset, while the exit price is the amount received when an asset is sold. For liabilities, the entry price is the amount received to assume a liability, while the exit price is the amount paid to settle a liability. Generally, the entry price is related to historic cost while the exit price is related to fair or market value.

Depreciation and amortization are practical means of allocating entry prices over the useful life of the asset or liability. Entry prices may need to be adjusted as circumstances change. Acquisition costs are included in the entry price.

Exit prices are remeasured at each reporting date, with changes adjusted through comprehensive income. Acquisition costs related to exit prices are expensed as incurred.

The Statements of Financial Accounting Concepts are now complete and include the following chapters:

1. The Objective of General Purpose Financial Reporting
2. The Reporting Entity
3. Qualitative Characteristics of Useful Financial Information
4. Elements of Financial Statements
5. Recognition and Derecognition
6. Measurement
7. Presentation
8. Notes to Financial Statements

These Statements will offer useful models as the FASB continues its standard setting work into the future.

Further details can be found at [FASB Issues New and Final Chapter of Its Conceptual Framework: Measurement.](#)

## Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

## IASB – International Accounting Standards Board ([www.ifrs.org](http://www.ifrs.org))

- **Exposure Draft - Climate-related and Other Uncertainties in the Financial Statements**, a consultation document issued July 31, 2024, “proposing eight examples to illustrate how companies apply IFRS Accounting Standards when reporting the effects of climate-related and other uncertainties in their financial statements.” The comment period ends on November 28, 2024.
- **Exposure Draft – IFRS 19 Subsidiaries without Public Accountability: Disclosures** - Proposed amendments to IAS 21, issued July 30, 2024, “would reduce disclosure requirements from new IFRS Accounting Standards and amendments issued between February 2021 and May 2024. IFRS 19 simplifies financial reporting for eligible subsidiaries, enabling them to apply IFRS Accounting Standards with reduced disclosure requirement.” The comment period ends on November 27, 2024.
- **Exposure Draft – Translation to a Hyperinflationary Presentation Currency** - Proposed amendments to IAS 21, issued July 25, 2024, “which are narrow-scope amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, introduce translation requirements for these companies. The IASB expects the proposed translation requirements to improve information for users of financial statements while being simple and cost-effective for companies to apply.” The comment period ends on November 22, 2024.
- **Annual Improvements to IFRS Accounting Standards—Volume 11**, issued July 18, 2024, narrow amendments that “include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards,” including IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 7 *Financial Instruments: Disclosures* and its accompanying *Guidance on implementing IFRS 7*; IFRS 9 *Financial Instruments*; IFRS 10 *Consolidated Financial Statements*; and IAS 7 *Statement of Cash Flows*. Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

## IFAC – International Federation of Accountants ([www.ifac.org](http://www.ifac.org))

- **International Audit & Assurance Standards Board (IAASB) - The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE), Auditor Reporting Supplemental Guidance**, issued July 11, 2024, “to provide additional guidance for auditors with regard to modifications to the auditor’s report when using the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and is to be read together with the ISA for LCE.”
- **The International Public Sector Accounting Standards Board (IPSASB) - Exposure Draft (ED) 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement**, issued August 1, 2024. “ED 90 builds upon the important work accomplished in IPSAS 46, *Measurement* released last year which provides an integrated approach to valuation to help entities measure public sector assets...These amendments will provide users of public sector general purpose financial statements with more relevant and faithfully representative measurement information through the potential application of public sector specific guidance across a broader range of situations.” The comment period ends on November 29, 2024.

## IFR4NPO - International Financial Reporting for Non-Profit Organisations ([www.ifr4npo.org](http://www.ifr4npo.org))

- *No new developments.*

## IOSCO – International Organization of Securities Commissions ([www.iosco.org](http://www.iosco.org))

- *No new developments.*

## ACCA – Association of Chartered Certified Accountants ([www.accaglobal.com](http://www.accaglobal.com))

- *No new developments.*

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## Africa, Europe, India and the Middle East (AEIME)

### FRC – Financial Reporting Council of the UK ([www.frc.org.uk](http://www.frc.org.uk))

- **Exposure Draft - Guidance on the Going Concern Basis of Accounting and Related Reporting, (including Solvency and Liquidity Risks)**, issued August 5, 2024, “brings together

the requirements and provisions of company law, accounting standards, auditing standards, listing rules, the UK Corporate Governance Code and other regulation relating to reporting on the going concern basis of accounting and solvency and liquidity risks. It is intended to help companies in performing going concern assessments and in preparing company-specific disclosures about their going concern conclusions and how they were reached." Comment period ends October 28, 2024.

**ICAEW - Institute of Chartered Accountants in England and Wales (<https://www.icaew.com/>)**

- *No new developments.*

**EC – European Commission (<https://ec.europa.eu/>)**

- *No new developments.*

**EFRAG – European Financial Reporting Advisory Group ([www.efrag.org](http://www.efrag.org))**

- *No new developments.*

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## Americas, Asia, Australia and New Zealand (AAANZ)

**AICPA & CIMA – American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org))**

- **2024 The State of Risk Oversight: An Overview of Enterprise Risk Management Practices**, report issued July 22, 2024 by the AICPA® and North Carolina State University (NCSU) Poole College of Management, "provides an overview of risk oversight practices by delivering key data from 377 U.S.-based organizations."

**FASB – Financial Accounting Standards Board ([www.aicpa.org](http://www.aicpa.org))**

- **Exposure Draft, Intangibles—Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606) - Proposed Accounting Standards Update - Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract**, issued July 23, 2024, "to address stakeholders' concerns about (1) the application of derivative accounting to contracts with features based on the operations or activities of one of the parties to the contract and (2) the diversity in accounting for a share-based payment from a customer that is consideration for the transfer of goods or services." The comment period ends October 21, 2024.
- **Statement of Financial Accounting Concepts (SFAC) No. 8, Chapter 6, Measurement**, issued July 12, 2024. See article in this issue of the Audit & Accounting Alert.

**GASB – Governmental Accounting Standards Board ([www.gasb.org](http://www.gasb.org))**

- *No new developments.*

**COSO - The Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org))**

- *No new developments.*

**PCAOB – Public Company Accounting Oversight Board ([www.pcaob.org](http://www.pcaob.org))**

- *No new developments.*

**SASB – Sustainability Accounting Standards Board ([www.sasb.org](http://www.sasb.org))**

- *No new developments*

**SEC – Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov))**

- *No new developments*

## Additional A&A News

[Why digital assets could be essential to future-proof your business](#)

[AI in Accounting: The Future Is Here](#)

[Improving enterprise risk management 5 steps to success](#)

[Organizations Look to Internal Audit Teams as Risk Increases](#)

[Closing the Audit Expectations Gap](#)

[Audit Watchdog's Future at Risk After Supreme Court's SEC Ruling](#)



Audit & Accounting Alert is a publication of Integra International intended to highlight emerging issues in the profession. The goal is to give Integra members an awareness of developments impacting the practice of Audit & Accounting enabling them to stay on the forefront of industry trends. This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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