Osborne Books Update

Financial Statements of Limited Companies Tutorial and Workbook

Website update notes
September 2020
INTRODUCTION

The following updates are relevant for AAT Assessments from September 2020:
- definition of materiality (IAS 1)
- Conceptual Framework for Financial Reporting
- definition of a business (IFRS 3)

MATERIALITY

IAS 1 definition:
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Definitions:
- **Income** is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims.
- **Expenses** are decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.
- **Assets** are present economic resources controlled by the entity as a result of past events.
- **Economic resources** are rights that have the potential to produce economic benefits.
- **Liabilities** are present obligations of the entity to transfer economic resources as a result of past events.
- **Obligations** are duties or responsibilities that the entity has no practical ability to avoid.

DEFINITION OF A BUSINESS

IFRS 3 definition:
An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.