Preface to IFRS® Standards

This Preface is issued to explain the scope, authority and timing of application of IFRS Standards. The Preface was most recently amended in December 2018.

The International Accounting Standards Board (Board) was established in 2001. The Board was preceded by the Board of the International Accounting Standards Committee (IASC). When the term IFRS Standards is used in this Preface, it includes Standards and IFRIC® Interpretations issued by the Board, and International Accounting Standards and SIC® Interpretations issued by its predecessor, the IASC.

The Conceptual Framework for Financial Reporting (Conceptual Framework) is not a Standard. The Conceptual Framework describes the objective of, and the concepts for, general purpose financial statements and other financial reporting. The purpose of the Conceptual Framework is to:

(a) assist the Board to develop Standards that are based on consistent concepts;
(b) assist preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policies; and
(c) assist all parties to understand and interpret the Standards.

IFRS Standards are developed through an international due process set out in the IFRS Foundation Due Process Handbook.

Scope and authority of IFRS Standards

The Standards are designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities.

The objective of general purpose financial statements is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.

Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users’ ability to make efficient economic decisions.

Profit-oriented entities include those engaged in commercial, industrial, financial and similar activities, whether organised in corporate or in other forms. They include organisations such as mutual insurance companies and other mutual cooperative entities that provide dividends or other economic benefits directly and proportionately to their owners, members or participants.

Although IFRS Standards are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate. The International Public Sector Accounting Standards Board (IPSASB) prepares accounting standards for governments and...
other public sector entities, other than government business entities, based on IFRS Standards.

10 The Standards set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such requirements for transactions and events that arise mainly in specific industries.

11 Some Standards permit different treatments for given transactions and events. The Board’s objective is to require like transactions and events to be accounted for and reported in a like way and unlike transactions and events to be accounted for and reported differently, both within an entity over time and among entities. Consequently, the Board intends not to permit choices in accounting treatment. Also, the Board has reconsidered, and will continue to reconsider, those transactions and events for which Standards permit a choice of accounting treatment, with the objective of reducing the number of those choices.

Timing of application of IFRS Standards

12 IFRS Standards apply from a date specified in the document. New or revised Standards set out transitional provisions to be applied on their initial application. Exposure drafts are issued for comment and their proposals are subject to revision. Until the effective date of a Standard, the requirements of any Standard that would be affected by proposals in an exposure draft remain in force.

13 The Board has no general policy of exempting transactions occurring before a specific date from the requirements of new Standards. When financial statements are used to monitor compliance with contracts and agreements, a new Standard may have consequences that were not foreseen when the contract or agreement was finalised. For example, covenants contained in banking and loan agreements may impose limits on measures shown in a borrower’s financial statements. The Board believes the fact that financial reporting requirements evolve and change over time is well understood and would be known to the parties when they entered into the agreement. It is up to the parties to determine whether the agreement should be insulated from the effects of a future Standard, or, if not, the manner in which the agreement might be renegotiated to reflect changes in reporting rather than changes in the underlying financial condition.

Format and language

14 Standards issued by the Board include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual Standard should be read in the context of the objective stated in that Standard.
The approved text of any discussion document, exposure draft or Standard is that approved by the Board in the English language. The Board may approve translations in other languages, provided that the translation is prepared in accordance with a process that provides assurance of the quality of the translation, and the Board may license other translations.