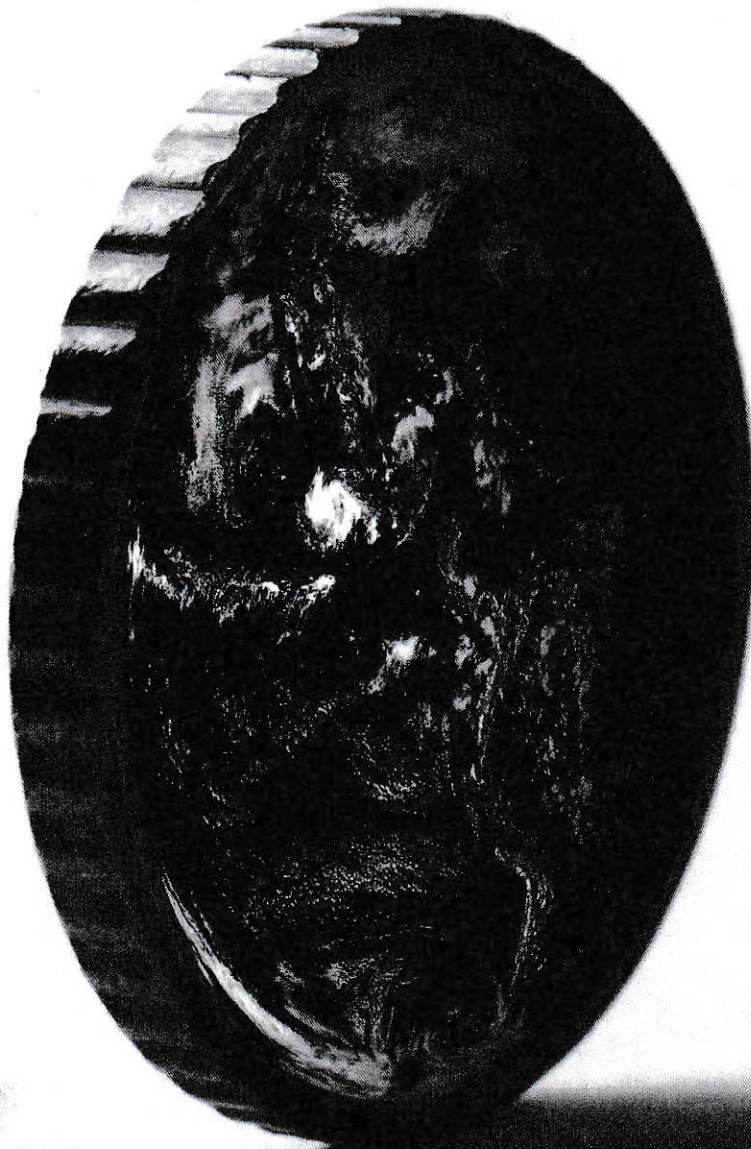


A L A N M E L Melville, 2017

# International Financial Reporting

A Practical Guide

Sixth Edition



Pearson

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First published 2008 (print)  
Second edition published 2009 (print)  
Third edition published 2011 (print)  
Fourth edition published 2014 (print and electronic)  
Fifth edition published 2015 (print and electronic)  
**Sixth edition published 2017 (print and electronic)**

© Pearson Professional Limited 2008, 2011 (print)  
© Pearson Education Limited 2014, 2017 (print and electronic)

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ISBN: 978-1-292-20074-3 (print)  
978-1-292-20076-7 (PDF)  
978-1-292-20077-4 (ePub)

**British Library Cataloguing-in-Publication Data**

A catalogue record for the print edition is available from the British Library

**Library of Congress Cataloging-in-Publication Data**

A catalog record for the print edition is available from the Library of Congress

10 9 8 7 6 5 4 3 2

21 20 19 18

Front cover image: © Butch Martin/Getty Images

Print edition printed and bound in Malaysia (CTP-PJB)

NOTE THAT ANY PAGE CROSS REFERENCES REFER TO THE PRINT EDITION

## **Stock exchange regulations**

A company whose shares are listed (or "quoted") on a recognised stock exchange must comply with the regulations of that stock exchange, some of which may relate to the company's financial statements. A stock exchange may, for example, require its member companies to produce financial statements more frequently than required by law (e.g. to publish interim financial reports at quarterly or half-yearly intervals) or to provide a more detailed analysis of some of the items in its financial statements than is required by law or by accounting standards.

## **Generally accepted accounting practice**

The term "generally accepted accounting practice" (GAAP) refers to the complete set of regulations (from all sources) which apply within a certain jurisdiction, together with any general accounting principles or conventions which are usually applied in that jurisdiction even though they may not be enshrined in regulations. Since accounting rules and regulations currently differ from one country to another, it is correct to use terms such as "UK GAAP", "US GAAP" and so forth. At present, there is no globally accepted set of accounting regulations and principles but the IASB is working towards that end and is trying to achieve convergence between the various regulations which are in force throughout the world (see later in this chapter). The term "international GAAP" is used to refer to the standards issued by the IASB and the principles on which those standards are based.

A distinction is sometimes drawn between big GAAP and little GAAP, as follows:

- (a) The term "big GAAP" refers to the accounting regulations which apply to large companies (generally listed companies). The financial affairs of these companies can be very complex and therefore the regulations concerned need to be correspondingly complex. Some of the international standards described in this book appear to have been written mainly with large companies in mind.
- (b) The term "little GAAP" refers to the simpler accounting regulations which apply to smaller companies. In the UK, for example, smaller companies may choose to adopt the *Financial Reporting Standard for Smaller Entities* issued by the UK Financial Reporting Council, rather than complying with UK accounting standards in full.

At the international level, the IASB has issued the *IFRS for SMEs*<sup>®</sup> Standard. This is essentially a simplified version of the full international standards and is intended for use by small and medium-sized entities (mainly unlisted companies). A brief summary of the SMEs standard is given in Chapter 25 of this book.