

## FA Module 2: Financial reporting standards (overview)

(The attached PDF file has better formatting.)

Readings: chapter 3, financial reporting standards

- § 2 the objective of financial reporting
- § 3 standard setting bodies and regulatory authorities, *excluding*
  - Example 2 (industry specific regulation)
  - sub-section 3.2.1 (the international organization of securities commissions)
  - sub-section 3.2.2 (the Securities and Exchange Commission)
- § 5 the international financial reporting standards framework (conceptual framework)

[Sections 4, 6, 7, and 8 are not on the syllabus for this course.]

Supplementary reading: “Conceptual Framework for Financial Reporting” (on discussion forum)

The supplementary reading is from an introductory accounting text and assumes no previous knowledge of GAAP or IFRS.

This course covers IFRS (used in most countries) and GAAP (used in the United States). The two systems have converged for most items, though differences remain. Accounting for insurance contracts remains different and is not expected to converge soon.

Know the International Financial Reporting Standards (IFRS) conceptual framework, especially:

- Elements of financial statements
  - assets, liabilities, equity
  - revenue, expenses, gains, losses
- Objective of financial statements: emphasis on investors and creditors
- Qualitative characteristics of financial statements

Understand the standard-setting bodies vs the regulatory authorities:

- U.S.: Financial Accounting Standards Board; Securities and Exchange Commission
- Global: International Accounting Standards Board; international organization of securities commissions

The detailed information in the textbook about the international organization of securities commissions and the Securities and Exchange Commission is not on the syllabus for this course.

The final exam does not test the details in §3.1 Accounting standards boards. Know the basic structure of the FASB in the United States and the IFRS for other countries.

Banks and insurers have extensive capital regulation in Europe and the United States

- Basel II/III (banks, global)
- Solvency II (insurers, Europe)
- Risk-based capital (insurers, U.S.)

The textbook discusses bank regulation and the discussion forum comments on insurance regulation. The discussion forum readings on the risk adjustment for non-financial risk in IFRS 17 (in the IFRS 17 modules) illustrate with the cost of capital procedure in Solvency II and the Swiss Solvency Test; final exam problems may test this procedure. Other topics in capital regulation are not tested on the final exam

