

## IASB's Value Orientation

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**Abstract:** Accounting standards, as a framework system to standardize the production and transmission of accounting information, can reflect the facts of economic transactions, serve accounting information users, and are an important basis for social wealth distribution. Therefore, it is particularly important to establish the value orientation of accounting standards.

### 1. Introduction

In 2003, the International Accounting Standards Board IASB (hereafter referred to as IASB) revised its “International Accounting Standards No.2 - Inventories” formulated in 1993, one of which is that the use of the LIFO method is no longer allowed. . Subsequently, in 2006, in order to make my country's accounting standards and international convergence, the Ministry of Finance promulgated the “Accounting Standards for Business Enterprises No.1 - Inventory”, which stipulates: “Enterprises should use the first-in first-out method, the weighted average method or the individual The valuation method determines the actual cost of issuing inventory.” This clause indicates that Chinese enterprises no longer use the LIFO method. So is there no harm in abolishing the LIFO method? What kind of value orientation does this reflect the IASB? This article will discuss the value orientation of IASB and its realization through the LIFO method.

### 2. What is the Value Orientation of LASB

The IASB's value orientation can actually be understood as which party's interests are more protected by accounting standards? In different economic environments, the objectives of accounting standards are different. The goals are different, and the value orientation will change accordingly. In the early days, when the relationship between the entrusting and the entrusted responsibility was just established, the goal of accounting standards was only to safeguard the interests of the principal and the trustee. Later, in the society of public ownership of the means of production, the government participated as an important role. The government, as the representative of ownership by the whole people, exercises the power of the resource trustee, and the formulation of accounting standards must protect the interests of the government. Until today, under the modern enterprise system, the range of financial information users has been expanded to the whole society. Investors, creditors and other stakeholders are all users of accounting information. Accounting information has become a public good, so the accounting standards used to regulate accounting information also have the attributes of public goods. Since accounting standards are also public goods, they should safeguard public interests, weigh the interests of all parties, and should not sacrifice the interests of one party on the grounds of taking care of the interests of one party. Therefore, in today's view, the IASB's value orientation should be to safeguard the public interest.

### 3. Financial Information Quality and Characteristic Description under the Established Value Orientation

So how is the quality of financial information oriented to safeguard public interests embodied? The IASB has published three conceptual frameworks for financial reporting, and analyzes the

reasons for its changes and the theoretical basis. The quality of financial information should be reflected in the usefulness of financial information for decision-making. The decision-making usefulness of financial information is one of the eternal topics in the accounting field. On the one hand, it is the concrete manifestation of whether the accounting goal can be achieved. On the other hand, it determines the confirmation, measurement and reporting of accounting elements. In the third Financial Reporting Conceptual Framework - Financial Reporting Conceptual Framework 2018, released on March 29, 2018, the IASB clearly stated that the objective of financial reporting is to provide information that helps users make decisions about the provision of resources to entities financial information. Users are the entity's existing and potential investors, creditors and other creditors. These users must rely on financial reporting to obtain the financial information they need. The IASB classifies the characteristics of financial information quality into two broad categories. The first category is basic quality characteristics: relevance and truthful reflection; the second category is optimized quality characteristics: comparability, verifiability, timeliness, and understandability. If the first type of characteristics is lacking, financial information will be useless; correspondingly, if only relevance and authenticity are met, the usefulness of decision-making will not be guaranteed. Therefore, the second category of features aims to optimize the usefulness of financial information. But it is worth noting that features that improve the quality of information do not make useless information useful. Therefore, in order to achieve decision usefulness, two types of financial information quality characteristics are indispensable.

#### **4. The Survival Dilemma of High-Quality Financial Information**

Restricted by the principle of cost and benefit, it is almost impossible for the information provided by financial reports to meet the decision-making needs of all stakeholders, because each type of information needs people have different concerns about financial reports. Since we have to face different demanders, when compiling financial information, various quality characteristics may conflict. How to clarify the primary and secondary relationship between various quality characteristics has become a difficult problem, and it is also one of the survival dilemmas of high-quality financial information. Such as the balance between relevance, timeliness and truthful reflection. If the information is not timely, it will lose its meaning and reduce the relevance. On the other hand, if the subject pursues too timely, there may be a possibility of making a report without a comprehensive understanding of the information, which involves extremely high uncertainty. It will damage the truthful reflection of information; another example is the balance between comparability and truthful reflection. Comparability is divided into horizontal comparability and vertical comparability. Horizontal comparability is the comparison between different subjects, and vertical comparability is the comparison of the same subject in different periods. While improving comparability can improve the usefulness of decision-making, it can also hurt truthful reflections. For example, before 2003, inventory valuation methods included FIFO, LIFO, one-time weighted average method, moving weighted average method, and individual valuation method. However, in 2003, the IASB abolished the LIFO method. Although the reduction of the optional pricing methods has strengthened the comparability of financial information, it has affected the truthful reflection of this quality feature, because some industries are the first to store the materials later. issue.

#### **5. The Dilemma and Choices Encountered by the LASB on the Issue of Last-in-First-out Law**

The IASB's cancellation of the LIFO method is mainly based on the following two considerations: First, the physical flow and cost flow under the LIFO method are inconsistent. Inventories in most industries tend to be outdated and depreciated, especially with the continuous development of science and technology. Therefore, most companies' physical inventory is issued on a first-in-first-out basis, and the flow of costs is also FIFO. The LIFO method is not universal. sex. Second, reduce the means by which listed companies manipulate profits. Affected by homogeneous competition and high technology, the prices of products in many industries such as automobiles and electronic products are gradually becoming more affordable to the people, and the cost of raw

materials for storage is also reduced accordingly. In order to beautify the financial statements, some companies will adopt the LIFO method. Inflated profits.

## **6. The Eternity of Accounting Standards Updates**

Accounting information users have different needs for accounting information. For investors, they prefer to be able to understand the profitability and operating results of the entity through financial information; for creditors, they prefer to understand the solvency of the entity; for regulators, they are more concerned about taxation, environmental protection, safety and other issues. The revision of accounting standards will cause changes in accounting information, which will affect the interests of different entities and produce certain economic consequences. In addition, the cost-benefit principle needs to be considered when issuing financial reports, and it is impossible to present the interests of all stakeholders. Therefore, how to balance the interests of all parties has become a difficult problem faced by the IASB, and it is also the predicament it is in. With the gradual upgrading of the economic development mode, the records of economic business and events are also changing. In order to safeguard the public interest, accounting standards have to be updated accordingly. But no matter how it is revised, the underlying logic of accounting standards is always to provide useful information for information users.

## **7. Conclusion**

As an institutional arrangement, accounting standards themselves are incomplete. The whole set of rules it provides are established through continuous trial and error. In the process of revision, the IASB can only be guided by the value orientation of safeguarding the public interest, so as to achieve the lesser of two rights, and it will not. The most perfect accounting standard exists. The current social reality is that there is a lack of integrity and the bottom line of morality is repeatedly broken. It is not enough to rely on accounting standards to regulate accounting information. It also requires the conscience of enterprises and the professional standards of accounting practitioners.

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