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## Position of the Accounting Standards Committee with respect to the principle of a true and fair view of the financial situation

### Accounting & Audit Alert

Dear Readers,

**On 19 June 2017, the Accounting Standards Committee (ASC) presented a draft position concerning the interpretation of the principle of a true and fair view of the financial situation of a company as presented in the financial statements. This principle is set out in Art. 4(1) of the Accounting Act (Journal of Laws of 2016, item 1047, as amended, hereinafter: the Act).**

The ASC encourages consultations concerning the draft – the time limit for the submission of observations, comments and presentation of examples expires on 30 September 2017.

The position published by the ASC regarding the interpretation of the principle of a true and fair view, which may cause many problems in practice, will certainly prove to be very helpful for accountants. This position will explain, among others, when an entity may apply derogations from the requirements included in the Act.

According to the principle of a true and fair view, the financial statements should include correct (i.e. consistent with legal regulations), reliable and comparable information, which will be also understandable for the user of the financial statements. Users of the financial statements include their stakeholders, e.g. shareholders, investors or lenders. The principle of a true and fair view appears to be simple to understand and apply; nevertheless, it causes many problems in practice.

Difficulties may be caused, e.g. by situations where the application of the statutory requirement will result in failure to comply with the principle of a true and fair view of the financial situation of an entity. In such case, the entity may depart from the fulfilment of the statutory requirement. However, such departure should create the least amount of differences between the solution proposed in the Act and the result of the applied departure as possible. If it is necessary for an entity to depart from the principles set forth in the Act, it is recommended to apply the principles stipulated in the IAS/IFRS.

More guidelines regarding the interpretation of the principle of a true and fair view are described in the draft position of the ASC. The draft also includes examples that help to understand the concept of the application of the principle of true and fair view.

Due to consultations with practitioners, the position of the ASC may solve many problems encountered currently in the entities preparing financial statements.



Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

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11.08.2017

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