

Consistency vs Comparability





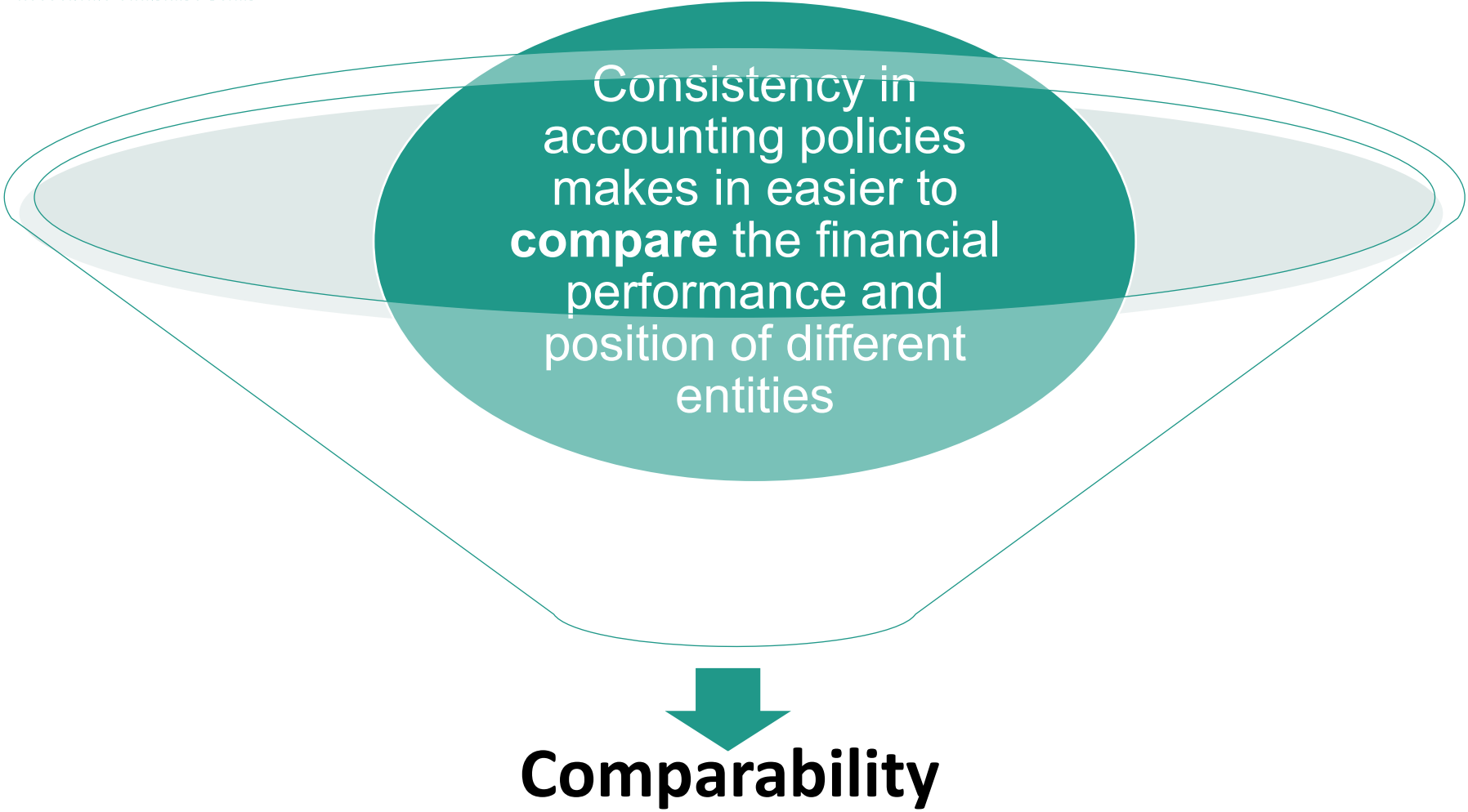
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What is the relationship between consistency and comparability?

- ✓ Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena.
- ✓ Consistency refers to the use of the same accounting principles or policies and basis of preparation, either from period to period within an entity or in a single period across more than one entity.
- ✓ Comparability is the goal, and consistency helps in achieving that goal.

What is the relationship between consistency and comparability? (Cont.)



Consistency in accounting policies makes it easier to **compare** the financial performance and position of different entities


Comparability

What is the relationship between consistency and comparability? (Cont.)


- ✓ The presentation and classification of items in the financial statements should be retained from one period to the next **unless a significant change** in the nature of the entity's operations or a review of its financial statement presentation indicates that another presentation would be more appropriate.
- ✓ Comparative information must be disclosed for all amounts reported in the financial statements, unless a Standard or Interpretation permits or requires otherwise. This helps users compare financial statements of different periods and entities.




Key take aways



The Conceptual Framework emphasises that both consistency and comparability are essential for providing useful financial information.



Comparability is one of the enhancing qualitative characteristics in the Conceptual Framework.



Consistency in applying accounting policies over time **contributes to the comparability** of financial statements across different entities.

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Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

