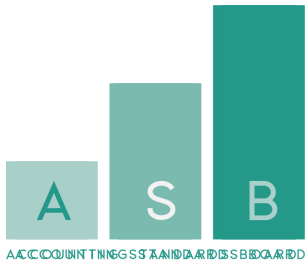


# Economic substance over Legal form

September 2024



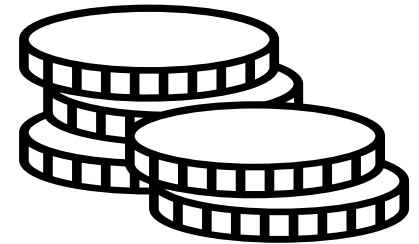
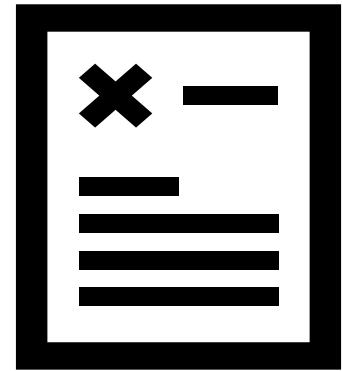


# Disclaimer

***The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.***

# What does substance over form mean?

**Substance over form** is a financial reporting principle that prioritises the economic reality of transactions over their legal structure.





# What does substance over form mean?

This principle is crucial for preparing financial statements that :

- ✓ Faithfully represent the economic or other phenomena.
- ✓ Faithful representation means information should be complete, neutral and free from error.
- ✓ Help users make informed economic decisions and hold entities accountable.





# What are typical examples?

Area	Substance over form
Assets	Control of economic benefits and service potential, not legal title/ownership.
Equity and liabilities	“Puttable instruments”. Preference shares.
Liabilities	Advances to other entities that are not repayable.



# What are typical examples?

## PRINCIPAL



## AGENT



## THIRD PARTY

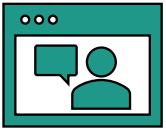


### Principal-Agent Relationships:

The principle of substance over form is applied to determine the existence of principal-agent arrangements by analysing the rights and obligations rather than the legal terminology used.

# Access the content

## Article published



[What does applying “substance over form” mean? – ASB](#)

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