

**Statement of
Financial Accounting Standards
No. 15**

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Statement of Financial Accounting Standards No.15

Disclosure of Accounting Policies

I Introduction

- (1) This Statement establishes the standards for disclosure of important accounting policies in the preparation of financial statements by business enterprises.
- (2) Deleted

II Explanation

- (3) Financial statements of business enterprises are normally prepared using certain basic assumptions. These basic assumptions are derived from accounting practices and have been accepted in general. They include the business entity assumption, going-concern convention, monetary valuation assumption, and accounting period assumption. If a business enterprise does not follow these assumptions in the preparation of financial statements, it is essential for the business enterprise to disclose the phenomenon of and the reasons for not following these assumptions.
- (4) Accounting policies are the basic conventions and principles, detailed standards, procedures and methods that are used in the preparation of financial statements by business enterprises. When different accounting policies are available for a given accounting item, it is appropriate for a business enterprise to choose the most suitable accounting policy such that the financial statements could

fairly present the financial position, the results of operations, and the changes in financial position.

- (5) Business enterprises may use different accounting policies in the preparation of financial statements. In order to make financial statements easy to understand, analyze, and utilize, it is appropriate for a business enterprise to disclose the important accounting policies but the disclosed accounting policies shall not be used to correct any errors in the body of the financial statements. The disclosure of such important accounting policies shall be made in a summary and is an integral part of the financial statements.
- (6) Business enterprises should disclose in the footnotes to the financial statements the accounting policies adopted for various important transactions or events. Besides disclosing recognition and measurement bases of the important transactions or events, business enterprises should disclose appropriate information in accordance with other Statements of Financial Accounting Standards (including Interpretations).
- (7) Except for those newly established, business enterprises shall present financial statements and the footnotes in a two-period contrastive format to facilitate comparison and analysis by users. When an accounting policy adopted in the current period is different from that in the prior period, it is appropriate for the business enterprise to disclose the change, the reason for the change, and the effect of the change on the financial statements.

III Disclosure

- (8) Business enterprises shall follow basic assumptions in the preparation of financial statements or disclose the phenomenon of and the reasons for not following such assumptions.
- (9) Business enterprises shall refer to the principles of materiality,

economic substance over legal form, prudence, and industry practice in the selection of suitable accounting policies.

- (10) Business enterprises shall disclose the adopted important accounting policies in a summary which is an integral part of the financial statements.
- (11) Business enterprises shall not use the disclosure of accounting policies to correct any errors in the body of the financial statements.
- (12) When there is a change in accounting policy, the change, the reason for the change, and the impact of the change in monetary terms shall be disclosed.

IV Notes

- (13) This Statement was issued on May 1, 1989. The first revision was made on September 22, 2005.

The provisions of the first revision of the Statement shall be effective for financial statements with fiscal years beginning on or after January 1, 2006.

The provisions of this Statement need not be applied to immaterial items.