

- A. Evaluate the removal in 2010 and reinstatement in 2018 of prudence in the IASB Conceptual Framework. What were the primary concerns, and how did stakeholders influence its reinstatement? What are the implications for financial reporting? (40 marks).

Answer Outline (Approx. 1,100 words)

- **Prudence in accounting and its significance:** Explanation of prudence as an accounting principle and examples of its application
- **Prudence in the IASB Conceptual Framework:** Clear description of its place within the IASB Conceptual Framework and history of its inclusion.
- **Debate on Prudence:** Identification explanation of the arguments for and against its inclusion in the Conceptual Framework.
- **Stakeholder Influence:** Highlight key stakeholders in the debate, their advocacy and position. Discuss other significant factors influencing the decision to reinstate
- **Implication for Financial Reporting:** Discussion of its implication for financial reporting.
- **Conclusion:** Critical evaluation and conclusive position (must be justified) on the inclusion of prudence in the IASB Conceptual Framework.

- B. Discuss the impact of prudence in enhancing financial stability or limiting growth opportunities for SMEs.

Answer Outline (Approx. 900 words)

- **Prudence and SMEs:** Discussion of prudence and its relevance to SMES. Explanation of the balance between financial stability and growth in smaller businesses.
- **Enhancing Financial Stability:** Discussion of prudence factors supporting SME financial stability
- **Limiting Growth Opportunities:** Discussion of prudence factors limiting SME growth
- **Intersection of Financial Stability and Growth Opportunities:** Critical evaluation of SMEs finding balance between financial caution and growth
- **Conclusion:** Critical evaluation and conclusive position (must be justified) of key trade-offs of prudence for SMEs.

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Note:

- i. To achieve good marks your assignment should show detailed evidence of **research (use reliable sources such as academic journals, industry reports, etc.)** and **critical analysis**.
- ii. Support your discussion and analysis with relevant examples.
- iii. All submitted work is expected to observe **academic standards** in terms of **Wrexham University Harvard referencing, academic writing, use of language etc.**
- iv. Failure to adhere to these instructions may result in your work being **awarded a lower grade** than it would otherwise deserve.