

## **True Blood Report (USA)**

The True-blood Committee stated that "The basic objective of financial statements is to provide information useful for making economic decisions." Recently, the FASB (USA) in its Concept No. 1 also concluded that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions

It is essential to have an understanding of the investment decision process applied by external users in order to provide useful information to them. The investors seek such investment which will provide the greatest total return with an acceptable range of risk. Investment return is comprised of future interest or dividends and capital appreciation (or loss).

To develop objectives of financial statements, a Study Group was appointed in 1971 by American Institute of Certified Public Accountants under the Chairmanship of Robert M. Trueblood. The Study Group solicited the views of more than 5000 corporations, professional firms, unions, public interest groups, national and international accounting organisations and financial publications.

The Study Group conducted more than 50 interviews with executives from all sectors of the business and from government. To elicit the widest possible range of views, 35 meetings were held with institutional and professional groups representing major segments of the US economy.

### **The objectives Developed by the study as follows**

- An objective of financial statements is to serve, primarily, those users who have limited authority, ability, or resources to obtain information and who rely on financial statements as their principal source of information about an enterprise's economic activities.
- The basic objective of financial statements is to provide information useful for making economic decisions.
- An objective of financial statements is to provide information useful to investors and creditors for predicting, comparing and evaluating potential cash flows to them in terms of amount, timing and related uncertainty.

- An objective of financial statements is to supply information useful in judging management's ability to utilise enterprise resources effectively in achieving the primary enterprise goal.
- An objective of financial statements is to provide users with information for predicting, comparing, and evaluating enterprise earning power.
- An objective of financial statements is to provide factual and interpretative information about transactions and other events which is useful for predicting, comparing and evaluating earning power. Basic underlying assumptions with respect to matters subject to interpretation, evaluation, prediction, or estimation should be disclosed.
- An objective is to provide a statement of periodic earnings useful for predicting, comparing and evaluating enterprise earning power. The net result of completed earning cycles and enterprise activities resulting in recognisable progress towards completion of incomplete cycles should be reported. Changes in values reflected in successive statements of financial position should also be reported, but separately, since they differ in terms of their certainty realisation.
- An objective is to provide a statement of financial position useful for predicting, comparing and evaluating enterprise earning power. This statement should provide information concerning enterprise transactions and other events that are part of incomplete earning cycles. Current values should also be reported when they differ significantly from historical costs. Assets and liabilities should be grouped or segregated by the relative uncertainty of the amount and timing of prospective realisation of liquidation.
- An objective is to provide a statement of financial activities useful for predicting, comparing, and evaluating enterprise earning power. This statement should report mainly on factual aspects of enterprise transactions having or expected to have significant cash consequences. This statement should report data that require minimal judgement and interpretation by the compiler.
- An objective of financial statements for governmental and non-profit organizations is to provide information useful for evaluating the effectiveness of management of resources in achieving the organisation's goals. Performance measures should be qualified in terms of identified goals.

- An objective of financial statements is to report on those activities of the enterprise affecting society which can be determined and described or measured and which are important to the role of the enterprise in its social environment.
- An objective of financial statements is to provide information useful for the predictive process. Financial forecasts should be provided when they will enhance the reliability of users' predictions.