

The Conceptual Framework for Financial Reporting as a Domain Ontology

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**Abstract**

The Conceptual Framework for Financial Reporting (CFfFR) was developed to provide guidance to users and preparers of financial reports and standards. However, general consensus within the accounting community is that the Conceptual Framework fails to achieve the stated intended purpose. This paper reports on an interpretive research study to understand the role, position, content and usage of the CFfFR, specifically how the Conceptual Framework could play the role of a domain ontology for financial reporting, and how this role determine the content contained in the Conceptual Framework. Following the Ontology Life Cycle Model we determined and represented key concepts for the CFfFR ontology as part of this work we developed a model to depict the decision process to report decision-useful information in financial reports. This paper therefore describes three contributions towards the CFfFR namely: 1) an hierarchical model depicting the positioning of the CFfFR as a domain ontology determining the role, purpose, usage and content of the CFfFR; 2) a model depicting the decision process for decision-useful information depicts the implicit domain knowledge about transformations from economic activities of an entity to financial reports; and 3) a first version of the CFfFR domain ontology using both the hierarchy and decision process models as input for the identification of key concepts and relations. The CFfFR domain ontology could serve as basis for the interpretation and development of accounting standards for financial reporting since it contains formalizations of key concepts and relations described by the CFfFR. The CFfFR ontology could also assist in clarifying misunderstandings by educators and other users of the CFfFR about the concepts in the CFfFR as reported in literature, as well as resolve some of the identified differences given existing framework initiatives. If these problems are addressed it could contribute towards a more uniform understanding, interpretation and application of the CFfFR. This study does not pretend to resolve all or even most of the reasons for differences in international reporting. However, the contribution of this study is that it could contribute toward solving some issues obstructing the globalization of the CFfFR especially regarding the identification of inconsistencies and unintended meanings in the CFfFR.