

**APPLICATION OF ACCOUNTING STANDARDS
IN PREPARATION OF FINANCIAL STATEMENTS OF
BUSINESS FIRMS**

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ABSTRACT

Accounting standards introduced by the ICASL are expected to comply with accounting standard thereon. Only if such financial statements are prepared compliance with commonly applied method and methodologies (accounting standards) as result of it creditors, customers, government and its agencies and the public are able to make optimal decisions. So it is timely important to carry on such study for the sake of above mentioned decision makers who rely on such financial statements.

Therefore, this study examines the application level of accounting standards in preparation of financial statements in the business firms. For that, have selected 100 business firms in Colombo district as represent the 10 business sectors. All the data were Collected by using questionnaires by interviewing and through the e-mail. Data were analyzed by using descriptive analysis. Mainly four variables used for this study as accounting standards relate to Assets, Liabilities, Income and Expenses. However, all the variables indicate the application level of accounting standards in preparation of financial statements in the business firms is in moderate level.

Key words: Assets, Liabilities, Income and Expenses, Accounting standards

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