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An Overview of International Financial Reporting Standards (IFRS)

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Abstract: *This paper represents an overview of International Financial Reporting Standards (IFRS). It depicts the importance of International Financial Reporting standards in Accounting and its success. It is one of the most importance and vital issue to be discussed in the business world and must be discussed in the most vivid way to provide a clear understanding of the term along with its important components. The objective of issuing such IFRSs and IASs is to ensure global convergence of accounting and financial reporting system. The study basically focuses on the theoretical background along with the history of the development of IFRS and its major components. Although, many articles and research work on International Financial Reporting Standards has been done in the past and will be discussed more in the future, but still, then, the term IFRS remains quite unpredictable and controversial. The previous works which were carried out always highlighted its negative impacts more compare to the positive effects. Hence this article tries to provide an unbiased understanding of the term International Financial Reporting Standards along with its vital aspects and key players.*
Keywords: *International Financial Reporting Standards, International Accounting Standard Board, International Accounting Standards, Securities & Exchange Commission, and Globalization.*

I. Introduction

In the upcoming pages of this article, International Financial Reporting Standards (IFRS) and its related concepts will be discussed in a vivid manner for a clear understanding, along its benefits and demerits for the business. The basic objective of this article is to provide a general understanding of the term IFRS and its importance along with its related concepts for Accounting and the business world. This article is basically based on the secondary work previously done by different researchers and government as well as private organizations, over a span of time as well as website information and other internal reports. The study was basically carried out through secondary information as well as discussions with different officials and accountants. Before discussing the term International Financial Reporting Standards, its significance, along with its associated terms, an introduction of the term will be helpful to create a platform of understanding of the terms and concepts of International Financial Reporting Standards (IFRS).[19;2]

Accounting provides the companies, investors, regulators and others with a standardized way to describe the financial performance of their respective entities. The Accounting standards present the preparers of financial statements with a set of rules to abide by when preparing an entity's accounts, ensuring this standardization across the market. The companies listed on public stock exchanges are legally required to publish financial statements in accordance with the relevant accounting standards. These standards are known as International Financial Reporting Standards. As we have already got involved with the globalization of business and we often refer the world as a global village, hence it becomes very much important to speak about the business in a global language which is understandable as well as comparable by many. [2; 19]

The term International Financial Reporting Standards (IFRS) is basically known as a single set of accounting standards, developed and maintained by the International Accounting Standards Board with the intention of those standards being capable of being applied on a globally consistent basis—by developed, emerging and developing economies—thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.[4;2;19]

IFRS Standards are now mandated for use by more than 143 countries, including the European Union and by more than two-thirds of the G20. The G20 and other international organizations have consistently supported the work of the board and its mission of global accounting standards.

The G20 is an informal group of 19 countries and the European Union, with representatives of the International Monetary Fund and the World Bank. The finance ministers and central bank governors began meeting in 1999, at the suggestion of the G7 finance ministers in response to the global financial crisis of 1997-99. Since then, there has been a finance ministerial meeting every fall. [18]

On November 14-15, 2008, U.S. President George W. Bush invited the leaders of the G20 countries — creating the first ever G20 summit at Washington DC to coordinate the global response to the aftermath of the financial crisis that had in the United States. At that meeting, the leaders agreed to meet again. Thus British Prime Minister Gordon Brown hosted the second G20 summit in London on April 1-2, 2009. This was followed

by the third G20 summit hosted by U.S. president Barack Obama in Pittsburgh on September 24-25, 2009, with a fourth summit to be co-chaired by Canadian Prime Minister Stephen Harper and Korean president Lee Myung-bak in Toronto on June 26-27, 2010. In January 2010, at a meeting of the G20 leaders' personal representatives (sherpas) in Mexico, it was decided that after the sixth summit — scheduled for November 11-12, 2010, and hosted by Korea -- the G20 leaders would begin meeting once annually, in the fall, beginning in France in 2011. Mexico will chair the G20 in 2012.[18]

To help prepare these summits, the G20 finance ministers and central bank governors continue to meet on their own, on the occasion of the spring and sometimes also the fall meetings of the International Monetary Fund and the World Bank, and again in the final weeks before the summit.

1.The G 20

The new Group of Twenty (G20) forum of finance ministers and central bank governors was formally created on September 25, 1999, at the meeting of the G7 Finance Ministers. It was created "as a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the dialogue on key economic and financial policy issues among systemically significant economies and to promote cooperation to achieve stable and sustainable world growth that benefits all" (G7 1999). To launch the G20 at its first ministerial meeting in Berlin in December 1999, the G7 finance ministers were to invite "counterparts from a number of systemically important countries from regions around the world," as well as representative of the EU, IMF and World Bank.[18;20; 17]

The formal birth of the G20 can be traced to the leaders' G7 Statement at their Cologne Summit on June 18, 1999. There they declared, following passages welcoming the creation of the Financial Stability Forum and the IMF's International Financial and Monetary Committee (IFMC), "the commitment to work together to establish an informal mechanism for dialogue among systemically important countries, within the framework of the Bretton Woods institutional system."

The G20, from this initial formulation as the "GX" to its September 1999 birth, was the product of different approaches among G7 members. These will determine in part how the new body evolves. The French, supported by the Italians, were opposed to the very creation of the G20; for fear that it would undermine the authority of the IMF, which their compatriot Michel Camdessus headed, and the new International and Monetary Financial Committee (IMFC) which they preferred. The USA and Japan were very much in favor of the new body. Britain, while supportive, was somewhat reserved, for fear that the G20 might undercut in practice the prominence of the new IFMC, which Britain's finance minister Gordon Brown was chosen to initially chair. Their early emphasis was on restricting the discussions to be held within the new body. Canada was supportive, in part because it wished to see a broader consultative structure that was more formalized, linked to other institutions, and less controlled by the USA and its preferences than it perceived the earlier G22, created at President Clinton's initiative at the November 1997 APEC leaders' meeting, to have been.[18;20;17]

The G20 is chaired for its first two years by Canadian Finance Minister Paul Martin. As outlined by Martin, the G20 "fulfills the commitment by G7 leaders at the June 1999 Summit at Koln "to establish an informal mechanism for dialogue among systemically important countries within the framework of the Bretton Woods institutional system" (Canada 1999). Its mandate is to "promote discussion and study and review policy issues among industrialized countries and emerging markets with a view to promoting international financial stability." Its initial 18 country members consisted, in addition to the G7, of Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, Korea, and Turkey. Canada hosted the second meeting in 2000. The chair would rotate among participants with two-year terms, and with the initial chairs being chosen from among the G7 countries. [18;20;17]

The G20 includes the G7 countries, and eleven other countries (including G8 member Russia), with broad regional balance, for example, with China, Australia, India, and Korea from the Asian region. One of two unfilled country positions was reserved for Indonesia, which would be awarded it once and if it's stable democratic transition were completed and current G7 concerns about its political and human rights abuses ended. While other Asian countries, notably Malaysia, were claiming a place, some among the G7 felt that Asian countries such as Thailand would, on the grounds of size and the absence of currency controls, be better suited. [18;20;17]

In the diplomacy designing the new institution, China had pride of place. During this process, there was never any serious consideration of excluding China from the group. It was seen to rank above Argentina, Mexico, Korea, Turkey, and as a country that might someday overtake Canada and Italy. While there was much discussion about membership, no one's list excluded China. In contrast, some lists excluded Australia, Korea, Turkey and Saudi Arabia (although the latter's provision of ample funding proved decisive in the end).

The G20 was created as a deliberative rather than decisional body, but one designed to encourage 'the formation of consensus" on international issues" (Canada 1999). However, it was one with a policy focus, a mandate to promote international financial stability. Chair Paul Martin suggested it "will focus on translating the

benefits of globalization into higher incomes and better opportunities everywhere," including working people around the world (Beattle 1999). Although concentrating on longer term rather than immediate policy issues, Martin declared: "There is virtually no major aspect of the global economy or international financial system that will be outside of the group's purview" (Beauchesne 1999). [18; 20; 17]

Its relationship with other bodies also suggested a robust role for its members. It would operate within the framework of the Bretton Woods institutions; involve their representatives (including the Chair of the Interim and Development Committees) and the EU fully in its substantive discussions, in order to ensure that its work was "well integrated." It would "help co-ordinate the activities of other international groups and organizations, such as the Financial Stability Forum," "facilitate deliberations in the new International and Monetary Financial Committee, and potentially develop "common positions on complex issues ... to expedite decision making in other fora."

Its potential importance was further suggested by its institutional characteristics. These included the firm control of the chair by the G7, the two-year rotational cycle, the linkage of its meetings to those of the G7 meetings at the start of each year, the presence of a deputies process to prepare for and support the meetings, its ability to call on the resources of the IMF, World Bank and outside experts, and its ability to "form working parties to examine and make recommendations on issues related to its mandate."

The early emphases by the Canadian chair suggested an effort to turn the new institution into an influential forum. The Canadians initially considered the possibility of holding the second ministerial meeting in June 2000, a mere six months after the first. They further contemplated holding it in Toronto, despite fears that this could detract from the lead-up to the G7 finance ministers meeting and G7/G8 Summit in Japan in July. The Canadian hoped that the timing and location would better enable the new Group, whose conclusions could be recorded in a Chair's Statement, to influence the G7/G8 meeting itself. Substantively, the central Canadian objective was to avoid having the body generate the traditional north-south divide. Canada thus wanted to keep the Group focused on sharing experiences, and open discussion, rather than the statement of hard positions. Their emphasis was heightened by the views of some, such as another newly included finance minister, who saw the new Group as an excellent opportunity for the "South" to press its issues against the "North."

There are thus concerns about whether this fledgling Group constitutes a sufficient degree and form of institutionalized association with the G7. One doubt arises from the view of some who see the G20 as part of the "G7-ization" of the world. In this view, the G20 was born to legitimate G7 initiatives to the wider world, by securing a broader consensus for G7-generated ideas. The G20's eleven non-G7 members are thus destined to affect issues merely on the margin, to be informed of G7 initiatives, and to be given some semblance of participation. The G20 underscores the fact that the G7 does not want to leave the reform of the international financial system to the IMF or World Bank, where developing countries have an institutionalized role. Adapted from "The G7, China, and the International Financial System, " Paper presented at an International Think Tank Forum on "China in the Twenty-First Century," China Development Institute, November 10-12, 1999. [18; 20; 17]

2.International Accounting Standards (IAS)

International Accounting Standards were issued by the antecedent International Accounting Standards Council (IASC) and were endorsed and amended by the International Accounting Standards Board (IASB). These standards for the preparation and presentation of financial statements were created by the International Accounting Standards Committee (IASC). They were first written in 1973 and stopped when the International Accounting Standards Board (IASB) took over their creation in 2001. The new set of standards has been known as the international financial reporting standards (IFRS) and has been issued by the International Accounting Standards Board (IASB). Although IASC has no authority to require compliance with its accounting standards, many countries require the financial statements of publicly-traded companies to be prepared in accordance with IAS.[2; 15]

The purpose of these standards is to ensure that the financial centers of the world, which have become more interconnected than ever, can use a global financial reporting framework that ensures effective regulation of financial markets. The growing volume of cross-border capital flows makes having international standards, that are high in quality and testable across the board, a priority. By having these standards in place, capital markets that are located in different jurisdictions can create the most efficient capital flows that are beneficial to regulators, organizations, and the market as a whole.[27;26]

3.International Accounting Standards Board (IASB)

The IASB is an independent accounting standard-setting body, based in London. It consists of 15 members from nine countries, including the United States. The IASB began operations in 2001 when it succeeded the International Accounting Standards Committee. It is funded by contributions from major accounting firms, private financial institutions and industrial companies, central and development banks, national funding regimes, and other international and professional organizations throughout the world. While the

AICPA was a founding member of the International Accounting Standards Committee, the IASB's predecessor organization, it is not affiliated with the IASB. The IASB neither sponsors nor endorses the AICPA's IFRS resources website.[27; 7; 11]

The IASB's mission is to develop the IFRS and bringing financial markets transparency, accountability, and efficiency worldwide. A monitoring board of public authorities oversees the nonprofit organization and serves the public interest by fostering trust, growth, and long-term financial stability for the global economy. The organization's governance and due process keep its setting of standards independent of special interests while ensuring accountability to stakeholders around the globe.[5;4;24]

4.Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles (GAAP) refers to a set of rules, standards, and practices used in the accounting industry for preparing and standardizing financial statements issued outside a company. The standards help investors and creditors better to compare businesses. It ensures a minimum level of consistency in a company's financial statements, which makes it easier for investors to analyze and extract useful information. GAAP also facilitates the cross comparison of financial information across different companies. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information. [24;15;12;16]

Many countries and multinational companies would like the differences between GAAP and IFRS eliminated. Blending the two would help comparisons between businesses based in different regions. Advocates believe the merger would simplify management, investment, transparency and accountant training.[24;19]

The main difference between the standards is that IFRS is principles-based and GAAP relies on rules and guidelines. The goal of the IFRS is to provide good information, whereas the standards offer guidelines on achieving that goal.[24]

GAAP must be followed when a company distributes its financial statements outside of the company. If a corporation's stock is publicly traded, the financial statements must also adhere to rules established by the U.S. Securities and Exchange Commission (SEC). GAAP covers such things as revenue recognition, balance sheet item classification and outstanding share measurements. If a financial statement is not prepared using GAAP, investors should be cautious. Also, some companies may use both GAAP and non-GAAP compliant measures when reporting financial results. GAAP regulations require that non-GAAP measures are identified in financial statements and other public disclosures, such as press releases.[24;1]

5.GAAP vs. IFRS

GAAP is only a set of standards. Although these principles work to improve the transparency in financial statements, they do not provide any guarantee that a company's financial statements are free from errors or omissions that are intended to mislead investors. There is plenty of room within GAAP for unscrupulous accountants to distort figures. So, even when a company uses GAAP, you still need to scrutinize its financial statements.[24;21;22]

GAAP is focused on the practices of U.S. companies. The Financial Accounting Standards Board (FASB) issues GAAP. The international alternative to GAAP is the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB). The IASB and the FASB have been working on the convergence of IFRS and GAAP since 2002. Due to the progress achieved in this partnership, in 2007, the SEC removed the requirement for non-U.S. companies registered in America to reconcile their financial reports with GAAP if their accounts already complied with IFRS. This was a big achievement because prior to the ruling, non-U.S. companies trading on U.S. exchanges had to provide GAAP-compliant financial statements. [24;21;22]

Due to the longstanding convergence projects between the IASB and the FASB, the extent of the specific differences between IFRS and GAAP has been shrinking. Yet significant differences do remain, depending on a company's industry and individual facts and circumstances. The differences exist between IFRS and other countries' generally accepted accounting standards (GAAP) that affect the way a financial ratio is calculated. For example, IFRS are not as strict on defining revenue and allow companies to report revenue sooner, so consequently, a balance sheet under this system might show a higher stream of revenue. IFRS also have different requirements for expenses; for example, if a company is spending money on development or an investment for the future, it doesn't necessarily have to be reported as an expense (it can be capitalized). [24;21;22]

Another difference between IFRS and GAAP is the specification of the way inventory is accounted for. There are two ways to keep track of this, first in first out (FIFO) and last in first out (LIFO). FIFO means that the most recent inventory is left unsold until older inventory is sold; LIFO means that the most recent inventory is the first to be sold. IFRS prohibit LIFO, while American standards and others allow participants to freely use either.

IFRS uses a single-step method for impairment write-downs rather than the two-step method used in U.S. GAAP, making write-downs more likely. IFRS does not permit debt for which a covenant violation has occurred to be classified as non-current unless a lender waiver is obtained before the balance sheet date. [24;21;22]

6.Financial Accounting Standard Board (FASB)

International convergence of accounting standards is not a new idea. The concept of convergence first arose in the late 1950s in response to post-World War II economic integration and related increases in cross-border capital flows. Initial efforts focused on harmonization—reducing differences among the accounting principles used in major capital markets around the world. By the 1990s, the notion of harmonization was replaced by the concept of convergence—the development of a unified set of high-quality, international accounting standards that would be used in at least all major capital markets. The International Accounting Standards Committee, formed in 1973, was the first international standards-setting body.[28;25]

It was reorganized in 2001 and became an independent international standard setter, the International Accounting Standards Board (IASB). Since then, the use of international standards has progressed. As of 2013, the European Union and more than 143 other countries either require or permit the use of international financial reporting standards (IFRSs) issued by the IASB or a local variant of them. The FASB and the IASB have been working together since 2002 to improve and converge U.S. generally accepted accounting principles (GAAP) and IFRS. As of 2013, Japan and China were also working to converge their standards with IFRSs. [28;25;27;12]

The Securities and Exchange Commission (SEC) consistently has supported the convergence of global accounting standards. However, the Commission has not yet decided whether to incorporate International Financial Reporting Standards (IFRS) into the U.S. financial reporting system. The Commission staff issued its final report on the issue in July 2012 without making a recommendation.

The following is a chronology of some of the key events in the evolution of the international convergence of accounting standards.

- The 1960s—Calls for International Standards and Some Early Steps
- The 1970s and 1980s—An International Standard-Setting Body Takes Root
- The 1990s—The FASB Formalizes and Expands its International Activities
- The 2000s—The Pace of Convergence Accelerates: Use of International Standards Grows Rapidly, the FASB and IASB Formally Collaborate, and the U.S. Explores Adopting International Accounting Standards

7.International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.[19;10]

IFRS Standards are developed by the board, the standard-setting body of the IFRS Foundation—a public-interest organization with award-winning levels of transparency and stakeholder participation. Its 150 London-based staff are from almost 30 different countries. The Board's 12 members are appointed and overseen by 22 trustees from around the world, who are in turn accountable to a monitoring board of public authorities. [19;10]

The point of IFRS is to maintain stability and transparency throughout the financial world. This allows businesses and individual investors to make educated financial decisions, as they are able to see exactly what has been happening with a company in which they wish to invest. [19;10]

IFRS are standard in many parts of the world, including the European Union and many countries in Asia and South America, but not in the United States. The Securities and Exchange Commission (SEC) is in the process of deciding whether or not to adopt the standards in America. Countries that benefit the most from the standards are those that do a lot of international business and investing. Advocates suggest that a global adoption of IFRS would save money on alternative comparison costs and individual investigations, while also allowing information to flow more freely. [19;10;25;12]

In the countries that have adopted IFRS, both companies and investors benefit from using the system, since investors are more likely to put money into a company if the company's business practices are transparent. Also, the cost of investments is usually lower. Companies that do a lot of international business benefit the most from IFRS.IFRS are sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced. IAS were issued from 1973 to 2000. Likewise, the International Accounting Standards Board (IASB) replaced the International Accounting Standards Committee (IASC) in 2001. [19;10]

IFRS cover a wide range of accounting activities. There are certain aspects of business practice for which IFRS set mandatory rules.

- Statement of Financial Position: This is also known as a balance sheet. IFRS influence the ways in which the components of a balance sheet are reported.
- Statement of Comprehensive Income: This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment.
- Statement of Changes in Equity: Also known as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.
- Statement of Cash Flow: This report summarizes the company's financial transactions in the given period, separating cash flow into Operations, Investing, and Financing.
- In addition to these basic reports, a company must also give a summary of its accounting policies. The full report is often seen side by side with the previous report, to show the changes in profit and loss. A parent company must create separate account reports for each of its subsidiary companies. [19;10;3;4;5]

The goal of IFRS is to provide a global framework for how public companies prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting. Having an international standard is especially important for large companies that have subsidiaries in different countries. Adopting a single set of worldwide standards will simplify accounting procedures by allowing a company to use one reporting language throughout. A single standard will also provide investors and auditors with a cohesive view of finances.

Currently, over 143 countries permit or require IFRS for public companies, with more countries expected to transition to IFRS by 2016. Proponents of IFRS as an international standard maintain that the cost of implementing IFRS could be offset by the potential for compliance to improve credit ratings. IFRS is sometimes confused with IAS (International Accounting Standards), which are older standards that IFRS has replaced. [19;10]

The term International Financial Reporting Standards has both a narrow and broad meaning. In the case of narrow, it refers to the new numbered series of pronouncements that the IASB is issuing, as distinct from the International Accounting Standards (IASs) series issued by its predecessor. More broadly, IFRSs refers to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB and IASs and SIC interpretations approved by the predecessor International Accounting Standards Committee. The definition of IFRSs was amended after the name changes introduced by the revised IFRS Foundation Constitution in 2010. [19;10;8]

In developing IFRSs, the IASB follows its due process requirements. Under the IFRS Foundation Constitution, the publication of an exposure draft or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) requires approval by:

- Nine members of the IASB, if there are fewer than sixteen members, ten members of the IASB if there are sixteen members.

Other decisions of the IASB, including the publication of a discussion paper, require a simple majority of the members of the IASB present at a meeting that is attended by at least 60 percent of the members of the IASB, in person or by telecommunications. The updated list of IFRS as on 1st January 2017 is given below: [19;10;26]

International Financial Reporting Standards

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 Exploration for and Evaluation of Mineral Assets
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

International Accounting Standards

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 3 Consolidated Financial Statements - Originally issued 1976, effective 1 Jan 1977. Superseded in 1989 by IAS 27 and IAS 28
- IAS 4 Depreciation Accounting - Withdrawn in 1999, replaced by IAS 16, 22, and 38, all of which were issued or revised in 1998
- IAS 5 Information to Be Disclosed in Financial Statements - Originally issued October 1976, effective 1 January 1997. Superseded by IAS 1 in 1997
- IAS 6 Accounting Responses to Changing Prices - Superseded by IAS 15, which was withdrawn December 2003
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 9 Accounting for Research and Development Activities - Superseded by IAS 38 effective 1.7.99
- IAS 10 Events After the Reporting Period
- IAS 11 Construction Contracts
- IAS 12 Income Taxes
- IAS 13 Presentation of Current Assets and Current Liabilities - Superseded by IAS 1
- IAS 14 Segment Reporting
- IAS 15 Information Reflecting the Effects of Changing Prices - Withdrawn December 2003
- IAS 16 Property, Plant, and Equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 22 Business Combinations - Superseded by IFRS 3 effective 31 March 2004
- IAS 23 Borrowing Costs
- IAS 24 Related Party Disclosures
- IAS 25 Accounting for Investments - Superseded by IAS 39 and IAS 40 effective 2001
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 27 Consolidated and Separate Financial Statements - Superseded by IFRS 10, IFRS 12 and IAS 27 (rev. 2011) effective 2013
- IAS 28 Investments in Associates - Superseded by IAS 28 (rev. 2011) and IFRS 12 effective 2013
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions - Superseded by IFRS 7 effective 2007
- IAS 31 Interests In Joint Ventures - Superseded by IFRS 11 and IFRS 12 effective 2013
- IAS 32 Financial Instruments: Presentation - Disclosure provisions superseded by IFRS 7 effective 2007
- IAS 33 Earnings Per Share
- IAS 34 Interim Financial Reporting
- IAS 35 Discontinuing Operations - Superseded by IFRS 5 effective 2005
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities, and Contingent Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement - Superseded by IFRS 9 effective 2013
- IAS 40 Investment Property
- IAS 41 Agriculture

8.History of IFRS

The IFRS Foundation and the IASB were established in 2001 in order to develop a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. The below highlights some notable developments since then. [19;10;13;14]

IFRS originated in the European Union, with the intention of making business affairs and accounts accessible across the continent. The idea quickly spread globally, as a common language allowed greater communication worldwide. Although only a portion of the world uses IFRS, participating countries are spread all over the world, rather than being confined to one geographic region. The United States has not yet adopted

IFRS, as many view the American GAAP. as the "gold standard"; however, as IFRS become more of a global norm, this is subject to change if the SEC decides that IFRS are fit for American investment practices. [19;10;13;14]

Currently, more than 143 countries use IFRS in some way, and most of those countries require them and fully conform to IFRS regulations.

IFRS are maintained by the IFRS Foundation. The mission of the IFRS Foundation is to "bring transparency, accountability, and efficiency to financial markets around the world." Not only does the IFRS Foundation supply and monitor these standards, but it also provides suggestions and advice to those who deviate from the practice guidelines. The goal with IFRS is to make international comparisons as easy as possible. This is difficult because, to a large extent, each country has its own set of rules. For example, U.S. GAAP is different from Canadian GAAP. Synchronizing accounting standards across the globe is an ongoing process in the international accounting community. [19;10;13;14]

9.Securities & Exchange Commission (SEC)

The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.With the activities and interests of investors, lenders, and companies becoming increasingly global, the Commission is increasing its involvement in a number of forums to develop a globally accepted, high-quality financial reporting framework. SEC efforts, at both domestic and international level, consistently have been based on the view that the only way to achieve fair, liquid and efficient capital markets worldwide is by providing investors with information that is comparable, transparent and reliable. That is why they have pursued a dual objective of upholding the quality of financial reporting domestically while encouraging convergence towards a high quality global financial reporting framework internationally. The term adoption would mean that the SEC sets a specific timetable when publicly listed companies would be required to use IFRS as issued by the IASB. Whereas Convergence means that the U.S. Financial Accounting Standards Board (FASB) and the IASB would continue working together to develop high quality, compatible accounting standards over time. More convergence will make adoption easier and less costly and may even make adoption of IFRS unnecessary. Supporters of adoption, however, believe that convergence alone will never eliminate all of the differences between the two sets of standards.[25;1]

In this release, they are seeking to comment on the necessary elements of such a framework, as well as on ways to achieve this objective. One aspect of this is seeking input to determine under what conditions they should accept financial statements of foreign private issuers that are prepared using the standards promulgated by the International Accounting Standards Committee.The key players regarding the development and adoption of IFRS are the Securities and Exchange Commission, which is responsible for the supervision and regulation of the securities industry and has oversight responsibility for the FASB; the Financial Accounting Standards Board, an independent body that establishes and interprets U.S. GAAP; and the IASB, which is working with the FASB on the convergence of U.S. GAAP and IFRS. The AICPA has provided thought leadership to the IASB and the FASB on financial reporting topics.[25]

10. Development & Acceptance of IFRS

International Financial Reporting Standards (IFRS Standards) are developed through an international consultation process, the "due process", which involves interested individuals and organizations from around the world.[4;19;27]

The due process comprises six stages, with the Trustees of the IFRS Foundation having the opportunity to ensure compliance at various points throughout:

1. Setting the agenda
2. Planning the project
3. Developing and publishing the Discussion Paper, including public consultation
4. Developing and publishing the Exposure Draft, including public consultation
5. Developing and publishing the Standard
6. Procedures after a Standard is issued

As IFRS grows in acceptance, most CPAs, financial statement preparers and auditors will have to become knowledgeable about the new rules. Others, such as actuaries and valuation experts who are engaged by management to assist in measuring certain assets and liabilities, are not currently taught IFRS and will have to undertake comprehensive training. Professional associations and industry groups have begun to integrate IFRS into their training materials, publications, testing, and certification programs, and many colleges and universities are including IFRS in their curricula. Some textbooks are already covering IFRS, primarily in a comparative presentation of their instructions on U.S. GAAP. New textbooks covering IFRS are currently being written and should be in circulation in the reasonably near future. [4;19;27]

The costs of adopting and implementing IFRS would be determined largely by the size and nature of the respective company. While the initial cost to identify and quantify the differences between U.S. GAAP and IFRS, is staff training and implementing IT support could be significant, the conversion also could result in an ultimate reduction of costs for capital and financial reporting related to operations. [4;19;27;26]

11. Advantages of International Financial Reporting Standards

It is generally expected that IFRS adoption worldwide will be beneficial to investors and other users of financial statements, by reducing the costs of comparing alternative investments and increasing the quality of information. Companies are also expected to benefit, as investors will be more willing to provide financing. Companies that have high levels of international activities are among the group that would benefit from a switch to IFRS. Companies that are involved in foreign activities and investing benefit from the switch due to the increased comparability of a set accounting standard. However, Ray J. Ball has expressed some skepticism of the overall cost of the international standard; he argues that the enforcement of the standards could be lax, and the regional differences in accounting could become obscured behind a label. He also expressed concerns about the fair value emphasis of IFRS and the influence of accountants from non-common-law regions, where losses have been recognized in a less timely manner. [4;19;27;26]

To assess progress towards the goal of single set global accounting standards, the IFRS Foundation has developed and posted profiles about the use of IFRSs in individual jurisdictions. These were based on information from various sources. The starting point was the responses provided by standard-setting and other relevant bodies to a survey that the IFRS Foundation conducted. Currently, profiles are completed for 124 jurisdictions, including all of the G20 jurisdictions plus 104 others. Eventually, the plan is to have a profile for every jurisdiction that has adopted IFRSs or is on a program toward adoption of IFRSs. [4;19;27;26]

12. Disadvantages of International Financial Reporting Standards

Despite a belief by some of the inevitability of the global acceptance of IFRS, others believe that U.S. GAAP is the gold standard and that a certain level of quality will be lost with full acceptance of IFRS. Further, certain U.S. issuers without significant customers or operations outside the United States may resist IFRS because they may not have a market incentive to prepare IFRS financial statements. They may believe that the significant costs associated with adopting IFRS outweigh the benefits. Not only that many investors as well as representatives from regulatory agencies, believes that as IFRS are developed by the developed countries, it won't be much favor for the developing and emerging economy of the world. Some even also believe that these standards are developed for the welfare of the developed countries and it helps to get a strong hold over the developing and emerging economies of the world, as the tools of the super powers. The reason behind such attitude is the lack of knowledge regarding IFRS and proper training for using it, hence which makes it cumbersome, time-consuming and ultimately lead to a negative attitude towards IFRS. [4;19;27;26]

II. Conclusion

The article aims to provide a vivid overview of International Financial Reporting Standards (IFRS) along with its key player's impact and its positive and negative aspects. IFRS is a very broad area of study which cannot be completely covered in an article. The objective of this article is to bring all related aspects of IFRS and its related issues under one roof for a clear understanding for the beginners and non-business people. IFRS is driving the revolutionary world of accounting with over 143 countries either requiring or permitting its use. There is no doubt that the conversion to IFRS is a huge task and a big challenge for any economy as its revolutionary impact requires a great deal of decisiveness and commitment. It is in the best interest of an economy to adopt IFRS condition applies that the regulatory agencies, lawmakers, auditors, and accountants, as well as representatives from the business sector, needs to work together to provide an ideal IFRS for the country considering all related issues such as political, social, legal and above all economical. The IFRS ship is already making its way around the world as a single set of high-quality global accounting standards. But this ship needs support and assistance from the countries where it embarks for an effective and efficient implementation and usage.

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