

**A STUDY ON THE PROMINENCE AND GROWTH OF
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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Abstract:

IFRS were established as International Accounting Standards in 1972-73 to be worldwide accepted language of Financial Reporting. This Descriptive study concentrates on International Financial Reporting Standards (IFRS) highlighting the concept of IFRS and its emergence. This study brings out a details statistics about how many countries comes under IFRS. It also brings in a detail presentation on the various IFRS, IAS, IFRIC and SIC standards which exist as on December 2019.

Key Words:

IFRS, IAS, IASB, IFRIC, SIC, Jurisdictions, SMEs

1. INTRODUCTION

International Financial Reporting Standards – IFRS are “Principle” based standards. It is adopted by International Accounting Standard Board – IASB. IFRS was previously known as International Accounting Standards – IAS. Starting from 1972-73 until 2001 IAS was effective under the control of International Accounting Standing Committee – IASC/IASB. ISAB took over the responsibility in order to frame International Accounting Standards – IAS. The Main purpose of IFRS is to have a common global principle of Accounting Standards. IFRS were established as International Accounting Standards in 1973 to be worldwide accepted language of Financial Reporting. It is more than 45 years now and the adoption and reporting has gone through various phases. Countries are more likely to adopt IFRS if its trade partners or countries within in its geographical region are IFRS adopters.(Ramanna *et al.*, 2009). In 2008, IFRS 1 was substantially rewritten (without altering the technical content) with the objective of making the Standards clearer and easier to follow by reorganizing and moving the exceptions and exemptions into appendices. The revised Standard is effective for periods beginning on or after 1, July 2009 with earlier application permitted. (Wild *et al.*, 2015). This IFRS adoption worldwide is a significant economic transformation and it gave rise to a major line of research. This study reviews the empirical literature on the evolution and adoption of IFRS.

2. OBJECTIVES

- To Study the basic emergence of International Financial Reporting Standards - IFRS
- To study the adoption of IFRS by various European and Non-European Countries until 2019
- To study the adoption of IFRS in SMEs
- To study the various IFRS, IAS, IFRIC and SIC Standards which exist as on December 2019

3. MATERIALS AND METHODS

This study is pure descriptive in nature. It is carried with secondary data from authentic published source. It studies the historical literature of Accounting Standards emerging from International Accounting Standards - IAS in 1972-73, IFRS emergence and adoption by various countries / jurisdictions till 2019. Any biased information on the secondary source may reflect on the study.

4. LITERATURE AND ANALYSIS

4.1. IFRS comprises what?

- a. International Financial Reporting Standards – Issued after 2001.
- b. International Accounting Standards – Issued before 2001
- c. Interpretations originated from the International Financial Reporting Interpretation Committee - IFRIC
- d. Standing Interpretation Committee - SIC – Issued before 2001
- e. Framework for the preparation and presentation of Financial Statements

4.2. What is IFRS?

It is emerged as “Numero-Uno Accounting Framework” with widespread global acceptance. IFRS is approved by a Private Sector Body ISAB. ISAB has replaced few IAS with New IFRS, few with adopted IFRS and few proposed new IFRS on topics for which there was no previous IAS. IASC and IASB have issued interpretations of standards. IFRS has both Narrow and Broad meaning (Steve Collings, 2012)

- a. Narrowly IFRS refers to New Numbered Series of Pronouncements that IASB is issuing which are different from IAS series
- b. Broadly IFRS refers to the entire body of IASB pronouncements including standards and interpretations including standards and interpretations approved by IASB, IASC and SIC

IFRS is principle based, drafted in a Lucid and Easy style to understand and apply. The application of IFRS requires an increased use of Fair Value for Measurement of Assets and Liabilities. The focus in IFRS is towards getting the right Balance Sheet bringing significant importance in the Income Statement.

4.3.IFRS Adoption – In Various Countries

Van Tendeloo and Vanstraelen (2005) points four effects resulting from IFRS adoption.

1. It will trigger greater investors ability to make informed financial decision, eliminating confusion that arise from the existence of different ways to measure status and financial performance in different countries, leading to reduced risk for investors and lower cost of capital for companies.
2. It will lead to reduced costs related to preparation of financial information according to several sets of standards.
3. It will lead to greater incentives for international investment
4. It will allow a more effective allocation of financial resources worldwide

IFRS has now been adopted in 166¹ countries (Jurisdictions) around the world. It includes both European and Non-European countries. While adopting IFRS many countries have followed the bellowed mentioned procedures:

- a. Considering the same IFRS
- b. Considering few IFRs standards and converging National Standards with respect to IFRS

The 166 jurisdictions including all the G20 representing all parts of the globe are as follows.

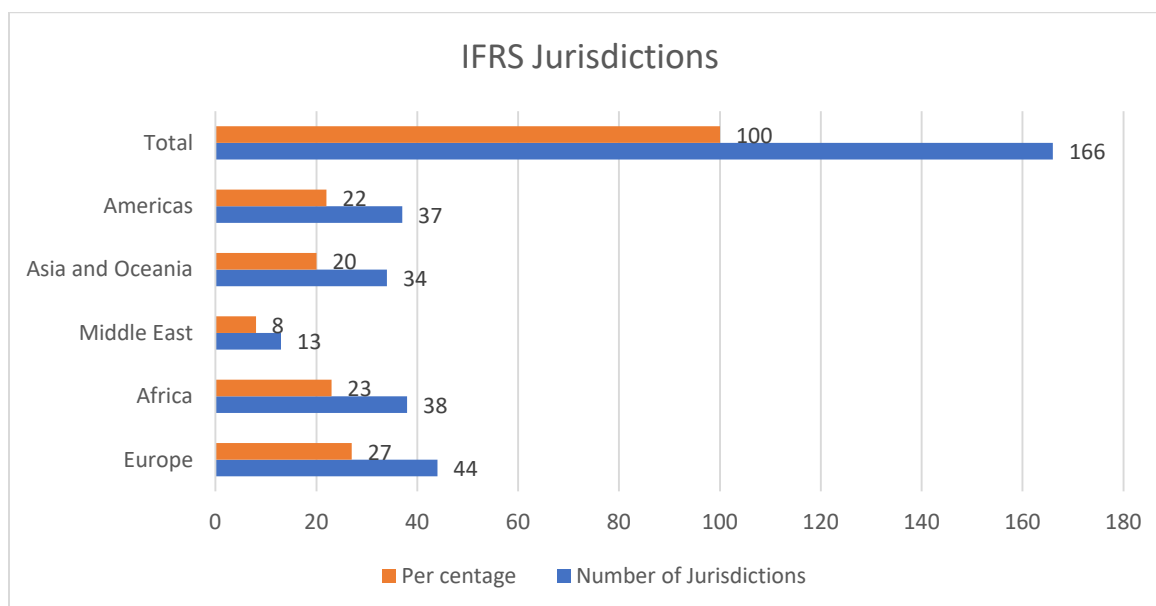
¹ <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/>

Table – 01

IFRS Jurisdictions²

	Number of Jurisdictions	Per centage
Europe	44	27
Africa	38	23
Middle East	13	08
Asia and Oceania	34	20
Americas	37	22
Total	166	100

Figure – 01



Source: From Table - 01

Almost 156 out of 166 countries have made a public commitment³ supporting a single set of high-quality global accounting standards. Following countries have not made a commitment for the same.

² <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis>

³ <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis>

1. Albania
2. Belize
3. Bermuda
4. Cayman Islands
5. Egypt
6. Macao
7. Paraguay
8. Suriname
9. Switzerland
10. Vietnam

Even in the absence of public statements publicly accountable entities are indirectly following IFRS standards.

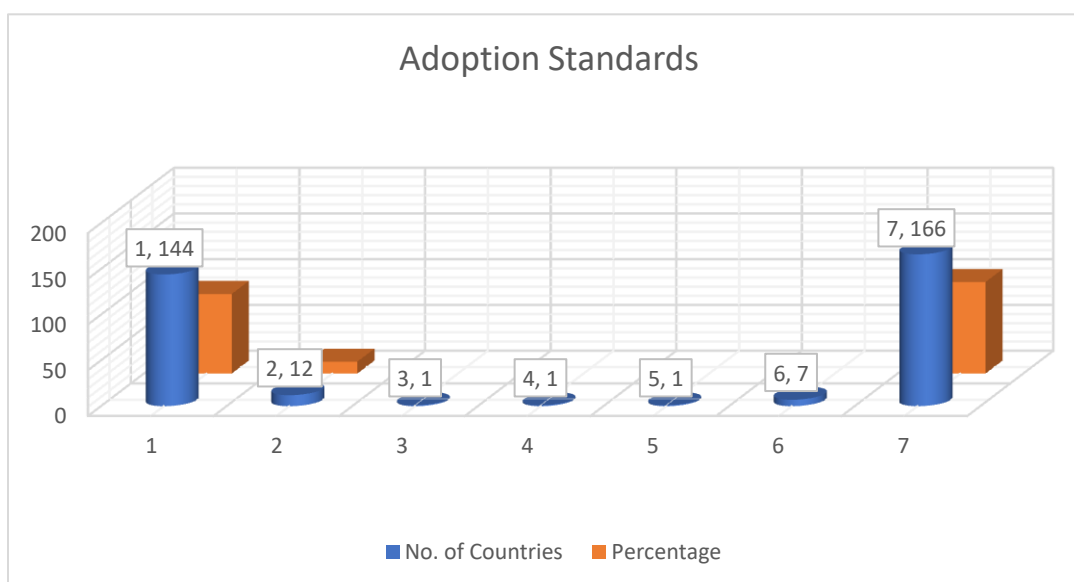
Table – 02

IFRS Adoption Standard – Jurisdictions

IFRS Standards	No. of Countries	Percentage	Name of Countries
All or Most Domestic Listed companies and financial institutions in their Capital Market – Follow	144	87	Countries which are not listed below
Permit – Rather than require, IFRS	12	13	Bermuda, Cayman Islands, Guatemala, Honduras, Japan, Madagascar, Nicaragua, Panama, Paraguay, Suriname, Switzerland, Timor-Leste
IFRS for Financial Institutions but not Listed Companies	01		Uzbekistan
Process of Adopting IFRS in Full	01		Thailand
Process of Converging National Standards with	01		Indonesia

IFRS (Not Entirely)			
Following National or Regional Standards and not IFRS	07		Bolivia, China, Egypt, India, Macao SAR, United States, Vietnam.
Total	166	100	

Figure - 02



Source: From Table - 02

4.4. IFRS for SMEs Standard

IFRS has emerged well and even SMEs started following standards. The following is the data as on 21, March 2019⁴.

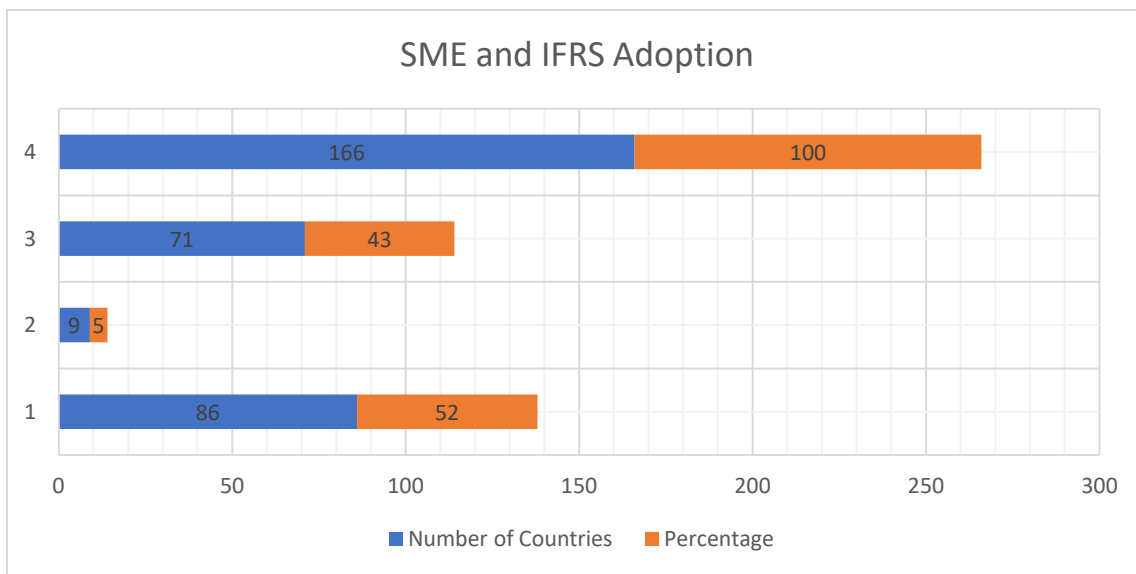
Table – 03

IFRS and SMEs

	Number of Countries	Percentage
IFRS Permitted or Required or Followed	86	52
IFRS under consideration	09	05
IFRS not followed or used or under consideration	71	43
Total	166	100

Source: Secondary Data

Figure – 03



Source: Table - 03

4.5. IFRS Structure consists of?

⁴ <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis>

IFRS structure is straight forward. There is no one person at the head of IASB directing a load of accounting standard writers or editors. It consists the following:

- a. Advisory Committee (appointed by the IASC Foundation, advises on activities of the IASB)
- b. Director of operations and non-technical staff (report of IASC Foundation)
- c. Director of technical activities and technical staff (report to the IASB and IFRIC)
- d. International Accounting Standards Committee Foundation (Around 22 Trustees)
- e. International Financial Reporting Interpretations Committee (IFRIC, appointed by the IASC Foundation)
- f. National standard-setters and other interested parties (link to the Standard Advisory Council and the Advisory Committee)
- g. Standards Advisory Council (advises on activities on the IASB)
- h. The IASB itself (Around 16 Board Members appointed by the IASC Foundation)

4.6.The IFRS Financial Statements

Company reporting under IFRS must present in their general-purpose financial statements the performance and position of statements. It is not related or to be confused with “Internal Financial Statement” e.g. Internal Management Accounts. Following are the complete set of IFRS Financial Statements

1. A Statement of financial position as at the end of the accounting period
2. A Statement of comprehensive Income (Total Collection)
3. A Statement of changes in Equity
4. A Statement of Cash Flow
5. Notes to the financial statements:
 - a. Summary of significant accounting policies
 - b. Break-down of Information contained within the Primary financial statements
 - c. Other disclosures required under the IFRS/IAS

IAS – 1 Deals with the presentation of Financial Statements. In September 2007 IAS -1 issued translation terminology, changing the names of the primary financial statements, which are commonly known by the accountants.

Table - 04

TRANSLATION TERMINOLOGY

Traditional Terminology	IFRS Names
Balance Sheet	Statement of Financial position
Cash Flow Statement	Statement of Cash Flows
Debtors / Creditors	Receivables / Payables
Fixed Assets	Non-current assets
Minority Interest	Non-controlling Interest
Movement on Reserves	Changes in Equity
Profit and Loss account	Statement of Comprehensive Income / Income Statement
Profit and Loss Reserve	Retained earnings
Stock	Inventories
Turnover or Sales	Revenue

Source: Secondary Data

4.7. First Time Adoption of IFRS

As per IAS – 1, as a **minimum**, the statement of financial position should include the line items that present the following amounts:

- a. Property, Plant and Equipment
- b. Investment Property
- c. Intangible assets
- d. Financial assets, excluding amounts shown under:
 - Trade and other receivables
 - Cash and cash equivalents
 - Investments accounted for using the equity method
- e. Investments accounted for using the equity method
- f. Biological assets (living assets measured at fair value. E.g. Tree, Animals etc.)

- g. Inventories
- h. Trade and other receivable
- i. Cash and cash equivalents
- j. Current assets as mentioned in IFRS – 5
- k. Trade and other payables
- l. Provisions
- m. Financial liabilities, excluding
 - Trade and other payables
 - Provisions
- n. Liabilities and assets for current tax, as defined in IAS 12 Income taxes
- o. Deferred tax liabilities and deferred tax assets, as defined in IAS 12
- p. Liabilities included in disposal groups classified as held for sale in accordance with IFRS – 5
- q. Non-controlling interests, presented within equity
- r. Issued capital and reserves attributable to the owners of the parent

4.8. IFRS Standards as on December 2019

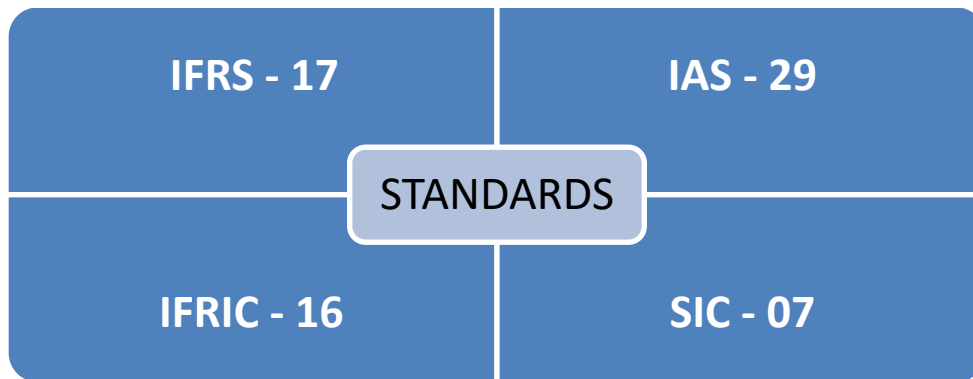


Table – 05

IFRS – INTERNATIONAL FINANCIAL REPORTING STANDARDS⁵

S. No.		Description
1.	IFRS 1	First-time adoption of International Financial Reporting Standards
2.	IFRS 2	Share-based payment
3.	IFRS 3	Business combinations
4.	IFRS 4	Insurance contracts
5.	IFRS 5	Non-current assets held for sale and discontinued operations
6.	IFRS 6	Exploration for and evaluation of mineral resources
7.	IFRS 7	Financial instruments: disclosures
8.	IFRS 8	Operating segments
9.	IFRS 9	Financial instruments
10.	IFRS 10	Consolidated financial statements
11.	IFRS 11	Joint arrangements
12.	IFRS 12	Disclosure of interests in other entities
13.	IFRS 13	Fair value measurement
14.	IFRS 14	Regulatory deferral accounts
15.	IFRS 15	Revenues from contracts with customers
16.	IFRS 16	Leases
17.	IFRS 17	Insurance Contracts

Table - 06

IAS – INTERNATIONAL ACCOUNTING STANDARDS⁶

S. No.		Description
1.	IAS 1	Presentation of financial statements
2.	IAS 2	Inventories
3.	IAS 7	Statement of cash flows
4.	IAS 8	Accounting policies, changes in accounting estimates and errors
5.	IAS 10	Events after the reporting period
6.	IAS 11	Construction contracts
7.	IAS 12	Income taxes
8.	IAS 16	Property, plant and equipment
9.	IAS 17	Leases
10.	IAS 18	Revenue
11.	IAS 19	Employee benefits
12.	IAS 20	Accounting for government grants and disclosure of government assistance
13.	IAS 21	The effects of changes in foreign exchange rates
14.	IAS 23	Borrowing costs
15.	IAS 24	Related party disclosures
16.	IAS 26	Accounting and reporting by retirement benefit plans
17.	IAS 27	Consolidated and separate financial statements
18.	IAS 28	Investments in associates and joint ventures

⁵ [Ois%20the%20list,16%20IFRS%20and%2029%20IAS.](#)

⁶ [Ois%20the%20list,16%20IFRS%20and%2029%20IAS.](#)

19.	IAS 29	Financial reporting in hyperinflationary economies
20.	IAS 31	Interest in joint ventures
21.	IAS 32	Financial instruments: presentation
22.	IAS 33	Earnings per share
23.	IAS 34	Interim financial reporting
24.	IAS 36	Impairment of assets
25.	IAS 37	Provisions, contingent liabilities and contingent assets
26.	IAS 38	Intangible assets
27.	IAS 39	Financial instruments: recognition and measurement
28.	IAS 40	Investment property
29.	IAS 41	Agriculture

Table - 07

IFRIC Interpretations⁷

S. No		Interpretations
1.	IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
2.	IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
3.	IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
4.	IFRIC 6	Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment
5.	IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
6.	IFRIC 9	Reassessment of Embedded Derivatives
7.	IFRIC 10	Interim Financial Reporting and Impairment
8.	IFRIC 12	Service Concession Arrangements
9.	IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
10.	IFRIC 16	Hedges of a Net Investment in a Foreign Operation
11.	IFRIC 17	Distribution of Non-cash assets to owners
12.	IFRIC 19	Extinguishing Financial liabilities with equity instruments
13.	IFRIC 20	Stripping costs in the production phase of a Surface Mine
14.	IFRIC 21	Levies
15.	IFRIC 22	Foreign Currency Transactions and Advance Consideration
16.	IFRIC 23	Uncertainty over Income Tax Treatments

Table - 08

SIC Interpretations⁸

⁷ <https://www.iasplus.com/en/standards/ifric>

S. No		Interpretations
1.	SIC 7	Introduction of the Euro
2.	SIC 10	Government Assistance – No Specific Relation to Operating Activities
3.	SIC 15	Operating Leases - Incentives
4.	SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
5.	SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
6.	SIC 29	Disclosure – Service Concession Arrangements
7.	SIC 32	Intangible Assets – Web Site Costs

5. CONCLUSION

This study has given a clear picture about the emergence of IFRS and its adoption by various European and Non-European countries till December 2019. The concept, various standards of IFRS, IAS, IFRIC and SIC which are in existence are shown in a chronological order. IFRS and its adoption in SMEs are also highlighted in a lucid self-explanatory style. It has given a touch on the Structure, Financial Statements, Translation Terminology and First Time Adoption of IFRS. It is a known fact that many factors influence a particular country to adopt IFRS. But for sure to have a global business understanding it is compulsory to adopt a Global Standard and sure in another few years all countries should come under IFRS. Even those countries which can't adopt IFRS in full should redraft their national standards more similar to IFRS.

Author Sensation:

This paper brings an overview of Standards from 1972-73 till December 2019 which is almost more than 45 years. It is for in the next decade **GLOBAL STANDARDS will be COMPULSORY.**

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