SEMESTER II

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS - Introduction

- International Financial Reporting Standards (IFRS) is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB).

- 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.

History

- IAS were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee(IASC).
- On 1 April 2001, the new International Accounting Standards Board took over from the IASC the responsibility for setting International Accounting Standards.
- The IASB has continued to develop standards calling the new standards International Financial Reporting Standards (IFRS).

Standard IFRS Requirements

- **Statement of Financial Position** - This is also known as a balance sheet. IFRS influences 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.

Adoption of IFRS

- IFRS are used in many parts of the world, including the European Union, India, Hong Kong, Australia, Malaysia, Pakistan, GCC countries, Russia, Chile, South Africa, Singapore and Turkey.

- As more than 113 countries around the world, including all of Europe, currently require or permit IFRS reporting and 85 require IFRS reporting for all domestic, listed companies, according to the U.S. Securities and Exchange Commission.

IFRS vs. GAAP

- IFRS is a principle of the standard-based approach and is used internationally, while GAAP is a rule-based system compiled in the U.S.
- **Inventory**: The first is with the LIFO Inventory. GAAP allows companies to use the Last in, First out (LIFO) as an inventory cost method. But this is prohibited under IFRS.
- **Development costs**: Under GAAP, these costs are considered expenses. Under IFRS, the costs are capitalized and amortized over multiple periods
- **Write-downs**: GAAP specifies the write-down amount of an inventory or fixed asset can't be reversed if the market value of the asset subsequently increases. On the other hand, the IFRS allows the write-down to be reversed.

Thank You