

International Financial Reporting Standards

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International Financial Reporting Standards (IFRS) is that “set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements”. The

IFRS is maintained by the IFRS Foundation whose mission is “to bring transparency, accountability and efficiency to financial markets around the world.”

International Accounting Standards Board (IASB)

The IFRS was developed by the International Accounting Standards Board (IASB), an independent and not-for-profit organization and arm of the IFRS Foundation. The IASB is overseen by the Trustees of the IFRS Foundation. The IASB used to be known as the International Accounting Standards Committee (IASC) until it was replaced by the IASB on April 1, 2001. Several IASC standards are still in effect today. The IASC was formed in 1973 by various professional accounting bodies for cross-border listings. The board of IASC, however, operated on a part-time basis. In 2000, the IASC agreed to restructure itself into a full-time IASB. After the IASB became operational, it started calling its new standards as the “International Financial Reporting Standards (IFRS)”. The IASB is composed of 16 members. There are two other entities operating with the IFRS Foundation: the IFRS Foundation Monitoring Board and the IFRS Advisory Council.

IFRS Foundation

The International Financial Reporting Standards (IFRS) Foundation was incorporated as a tax-exempt organization in the U.S. State of Delaware on February 6, 2001. Its primary objective is to develop a single set of high-quality, understandable, enforceable and globally accepted International Financial Reporting Standards based upon clearly articulated principles. It is financed through contributions.

International Financial Reporting Standards

At present, the IFRS differs from the generally accepted accounting principles (GAAP). However, the IFRS may become the global norm. The GAAP also differs amongst several jurisdictions. Thus, the U.S. GAAP differs from the Canadian GAAP. In other

words, there are several and different national accounting standards used by accountants across the world.

The primary objective of the IFRS is “to maintain stability and transparency throughout the financial world.” It seeks to provide a common language to allow greater transparency and understanding across various jurisdictions.

The IFRS is the adopted standard by many countries in the world such as the European Union, India, Hong Kong (2005), Canada (2011), Australia (2005), Russia (2012), Japan (2009), South Africa (2005), Malaysia (2008), Saudi Arabia (2017), and the Philippines. About 120 countries practice the IFRS and about 90 of those have mandated their adoption. More countries are expected to transition to IFRS in the coming years.

However, the United States has not adopted it due to some issues raised by its Securities and Exchange Commission (SEC). The IFRS used to be called the International Accounting Standards (IAS). The IAS was adapted from 1973 to 2001.

The primary benefit of the IFRS is that it allows for more transparency and thus would encourage more investments. It also benefits companies with international businesses and cross-border transactions as it makes “international comparisons” of financial statements easy. A single standard will provide for a more cohesive view of financial statements prepared in various jurisdictions worldwide. In other words, it will “increase the quality of information”.

The IFRS though is not a set of rules but rather provides for general guidance for the preparation of financial statements.

The IFRS has impacted several accounting activities. For example, the IFRS “influence the ways in which the components of a balance sheet are reported.”

History of IFRS

The IFRS originated in the European Union as an attempt to harmonize the different accounting systems across Europe. By 2005, 7,000 companies in 25 countries have transitioned to the IFRS Standards. The International Organization of Securities Commissions (IOSCO) has recommended to its members the adoption of IFR Standards in year 2000. It has, in effect, become the *de facto* global accounting language.

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