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ADOPTION AND IMPLEMENTATION INTERNATIONAL FINANCIAL REPORTING STANDARDS – A TRANSITION PHASE

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ABSTRACT
Whether an organization is a "profit organization" or a "non-profit organization," financial reporting is crucial. It is regarded as the business language through which the various stakeholders receive information about the company's financial performance and condition. Varied nations around the world have quite different accounting reporting practices. This is brought on by variations in economic, political, and social values, among other things. There is a need for global accounting reporting to be uniform. To encourage some level of global accounting standardization, the International Accounting Standards Committee (IASC) and the International Organization of Securities Commission (IOSCO) were established. A unified set of excellent, clear, and enforceable accounting and reporting standards has been demanded by accounting regulatory authorities worldwide. The need for a single set of excellent and broadly accepted accounting and reporting standards is urgent given the globalization of the financial markets. In order to offer consistency in accounting and reporting processes around the world, the international financial reporting system was introduced in 2001.
Keywords: Accounting Standards, Companies Act, Enforcement Mechanism, Financial Reporting, GAAP, IFRS, Regulatory Laws.

INTRODUCTION
Prior to 1970, the majority of corporations had domestic investors, but as the stock markets went global, there was a communication issue with accounting data. Cross-border standards are becoming increasingly necessary as a result of the growth in the number of associate enterprises operating abroad. Internationally accepted standards make cross-border comparison easier, which improves capital allocation and lowers reporting costs. The International Accounting Rules Board (IASB) created IFRS in 2001 to offer a single set of

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superior, clear, and universal accounting standards. Accounting is the language of business, and to ensure that different languages around the world transmit the same meaning, accountants have created a set of guidelines, practices, and conventions known as generally accepted accounting principles (GAAP) that are based on US GAAP. However, US GAAP has some drawbacks, such as being overly complicated, relying more on regulations than principles, and being politically unaccepted in many nations. When 16 accounting bodies from 9 countries (the United States, Canada, the United Kingdom, Australia, France, Germany, Japan, Mexico, and the Netherlands) signed an agreement for the development of international accounting standards on June 29, 1973, the International Accounting Standards Committee (IASC) was established to maintain consistency in accounting principles throughout the world. London serves as the committee's headquarters. In October 1977, a revised agreement was struck. The International Federation of Accountants (IFAC) members in each country may accept the final, approved draft of the standard practice that the committee has prepared for approval with regard to the presentation of financial information. International accounting standards, however, lack any formal backing, therefore adopting them is not required of businesses by law. International Accounting Standard Board (IASB) issued new rules known as International Financial Reporting Standards after taking over the role of establishing accounting and reporting standards in 2001. (IFRS). The basic goal of IFRS is to achieve global financial reporting consistency and standardization. Mutually recognized international accounting standards have a lot to offer in terms of prospective benefits as the globalization of capital markets continues unabated. By removing the need for additional information, the adoption of consistent standards lowers the expenses of conducting business across international borders. They make data comparable, boosting consumers' ability to evaluate and analyze financial accounts. Since 2005, many nations, including the European Union and Australia, have embraced IFRS. The "Norwalk Agreement" of 2002 marked the beginning of the ongoing IFRS and US GAAP convergence. Now, about 100 nations have either embraced IFRS or have policies aimed towards doing so.

DRAWBACKS OF DIFFERENT ACCOUNTING REPORTING PRACTICES

Distinct countries have different accounting standards, which leads to different reporting standards as well. The following are a few disadvantages of these different accounting and reporting procedures:

1. Since there are differences between accounting principles and tax legislation, accounting methods must be modified to comply with the latter, which complicates accounting reporting.
2. The differing disclosure standards imposed by various countries create another issue with accounting practices that makes comparisons challenging.
3. The effectiveness of accounting reporting is further hampered by differences in accounting policies. Because different policies portray various outcomes under the same circumstances, this may lead to investor misinformation.
4. It is challenging to compare local performance with global performance due to the disparity in accounting techniques used by domestic firms and those used by foreign competitors.

PURPOSE FOR IFRS ADOPTION IN CERTAIN COUNTRIES

Different nations have different reasons for adopting IFRS. Here is a brief analysis of a few picks of nations:

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The major goals of Brazil's implementation of IFRS, is to improve financial report comparability and boost investor confidence.

In the case of Germany, accessing foreign financial markets is the primary goal of IFRS adoption. Similar to other countries, Kenya adopted IFRS primarily to bring national financial reporting in line with best practices throughout the world.

To increase the standard of financial reporting on a global scale, India is moving toward IFRS primarily in order to harmonize and convergence the Indian accounting standards.

The key motivation for Pakistan and South Africa to adopt IFRS is to bring their financial reporting standards up to an accepted worldwide standard.

According to this research, adopting IFRS was primarily done to offer a set of uniform standards for the creation and presentation of financial statements and to raise the level of financial reporting to an international level.

RESPONSIBLE BODIES FOR THE ENFORCEMENT OF IFRS IN SELECTIVE COUNTRIES

Here are a few professional organizations that have been set up in various nations to aid in those nations for proper adoption of IFRS:

There are two levels of enforcement in Germany:

A. - General Financial Reporting Enforcement Panel which examines the consolidated and non-consolidated financial statements.

B. - Federal Financial Supervisory Authority is the second level of enforcement, to whom case is referred in case of any violation of rules or in case of any other problem with regards to this.

The implementation of IFRS is overseen by the Institute of Certified Public Accountants in Kenya and the Capital Markets Board in Turkey.

The Institute of Charted Accountants of India (ICAI) is in charge of enforcing IFRS in India. For the correct application of IFRS, it formed the Financial Reporting Review Board (FRRB).

The Securities and Exchange Commission of Pakistan's Monitoring and Enforcement Department is in charge of enforcing the IFRS in Pakistan.

The South African Institute of Charted Accountants and the Johannesburg Stock Exchange are in charge of enforcing IFRS in South Africa.

This study demonstrates how the IFRS is an expanding and globalizing idea. For the correct adoption and enforcement of IFRS, various relevant bodies have been set up in various nations.

EXTENT OF APPLICATION AND ADOPTION OF IFRS IN SELECTIVE COUNTRIES

The extent of IFRS implementation varies from nation to nation, including:

Only financial institutions and listed enterprises in Brazil are required to adhere to IFRS. In the case of Kenya, IFRS must be adopted for both consolidated and non-consolidated financial statements by all businesses, whether publicly traded or privately held. Companies must adhere to IFRS in Germany when preparing consolidated financial statements; however, individual financial statements must not be prepared using IFRS.

For the adoption of IFRS, a three-tier approach is used in India and is as follows:

Level- 1 Large-scale businesses must adopt IFRS.

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Level- 2 Small and medium enterprises required to adopt IFRS with certain simplifications.

Level- 3 Small and medium enterprises required to adopt IFRS with certain exceptions.

In Pakistan, Africa, and Turkey, IFRS is only applicable to publicly traded corporations with widely held shares, and alternative reporting requirements are provided for small and medium-sized businesses.

PRACTICAL DIFFICULTIES IN THE IMPLEMENTATION OF IFRS

The following are some challenges that different countries encounter in properly implementing IFRS.:

1. *Existing country legislation and IFRS diverge*: - It is challenging to execute the IFRS because of the variations in legislation that apply in different nations. Regarding disclosures and the presentation of financial statements, these regulations have distinct obligations. Following are some of the different laws that apply in various nations:

India - Companies Act, 2013.

Pakistan - Companies Ordinance, 1984.

South Africa - Companies Act, 1973.

Turkey - Commercial Code, 1957.

2. *Difficulty in enforcement of IFRS*: - For the adoption and implementation of IFRS, various relevant entities have been established in various nations. Additionally, it hinders the correct application of IFRS. For instance, a two-tier system is used in Germany to implement IFRS, and a three-tier system is used in India to apply IFRS. The IFRS is difficult to adopt as a result of these variations.

3. *The interval between IFRS adoption and implementation*: - A significant amount of time typically elapses between the decision to adopt IFRS and its actual implementation. This is yet another obstacle to IFRS being properly implemented. For instance, in the case of Kenya, the decision to implement IFRS was made in 1998, but it was only fully put into practice in 1999.

4. *Technical challenges in the implementation of IFRS*: - This is the primary challenge to correctly implementing IFRS. The technical proficiency of financial statement preparers, auditors, regulatory bodies, and users is necessary for the practical implementation of IFRS. But it becomes challenging to adopt IFRS adequately due to the lack of a sufficient number of technically skilled accountants and auditors.

5. *Difficulty in adjusting to IFRS's quick changes*: - It becomes difficult for IFRS to be quickly adopted and implemented in many countries as a result of more frequent revisions to the standard. It is due to the lack of adequate structure for the correct application of IFRS.

RECOMMENDATIONS FOR IFRS IMPLEMENTATION IN A PROPER MANNER

On the basis of research into the various IFRS implementation issues that various nations have encountered, the following steps are advised to address these issues:

1. Both the design phase and the implementation phase of IFRS should involve the preparers, users, regulators, and professional groups.

2. Since IFRS cannot be applied in its entirety at once, specify the IFRS's scope and applicability in relation to the type of company to which it is applicable. For instance, small and medium-sized businesses must be granted specific concessions while adopting IFRS.

3. The government should launch a program to raise public knowledge of the proper application of IFRS and to raise the level of compliance with accounting standards among particular corporate firms.
4. Significant financial or non-financial incentives must be provided for reporting frequently in accordance with IFRS and other necessary standards in order to encourage enterprises to adopt IFRS.
5. The nations that are experiencing an inflationary trend need to be given special care.
6. There is a gap between the trained experts needed and the trained professionals available, so the professional bodies in charge of adopting and implementing IFRS must periodically hold various IFRS training programs.
7. The swift adoption of IFRS requires the full backing and unwavering commitment of several professional accountancy groups.
8. It must be covered in the university and college curricula in order to modernize accounting education and guarantee a minimal level of quality.

CONCLUSION

One of the key prerequisites for the application of IFRS is an efficient control and enforcement mechanism. For the proper application of IFRS, all involved parties—including directors, auditors, accountants, and various professional bodies—must band together and collaborate. The appropriate adjustments must be made to current laws, i.e., the tax code, in order to bring the current reporting system into compliance with IFRS. Tax laws, the Companies Act, etc. Many professional organizations have made the required preparations for the implementation of IFRS. These measures, however, are insufficient to guarantee complete IFRS compliance. For the smooth adoption of IFRS, self-regulation, awareness, and appropriate training are required rather than only an enforcement mechanism.

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