

Backgrounds that led to the preparation of the international financial reporting standards

The accounting standards that comprise part of the IFRS are known as the International Accounting Standards (IAS) that were issued by the board of the International Accounting Standards Committee (IASC).

The IASB took over from the IASC in 2001 in setting the continually evolving standards, calling the newer ones IFRS.

The IFRS are considered “principles based” since they establish broad rules as well as dictate specific treatments.

The IFRS comprise:

- International Financial Reporting Standards (IFRS)—standards issued after 2001.
- International Accounting Standards (IAS)—standards issued before 2001.
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC)—issued after 2001.
- Standing Interpretations Committee (SIC)—issued before 2001.
- Conceptual Framework for the Preparation and Presentation of Financial Statements (2010).

Applicability.

Each country that has adopted the IFRS has different applicability requirements. Some countries might require all profit making entities to comply with IFRS or all entities that use financial instruments except banks or just listed companies alone.

Therefore, the applicability of IFRS varies from country to country.

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Requirements

These entities' financial statements give information about performance, position and cash flow that is useful to a range of users in making financial decisions.

These users include shareholders, creditors, employees and the general public. A complete set of financial statements includes:

- Balance sheet
- Statement of comprehensive income
- Cash flow statement
- Statement of changes in equity
- A description of accounting policies
- Notes to the financial statements

Adoption Status

Around 90 countries have fully conformed with the IFRS.

In total, around 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies.

Among the major economies, the EU has fully conformed with IFRS while Japan has introduced a roadmap for adoption on which it will decide on 2012, with a target adoption date of 2015 or 2016.

The US is gradually transitioning from requiring only US GAAP to accepting IFRS and is expected to accept IFRS as the de rigueur financial reporting standards in the long term.

REFERENCE:

Compliance Online GRC Advisory Network.
Staff Editor. August 01, 2010.
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