

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

**What is the International Accounting Standards Board (IASB) and why are the International Financial Reporting Standards (IFRS) issued by it so important?**

IFRS are International Financial Reporting Standards, which are issued by the International Accounting Standards Board (IASB). Nearly 100 countries use or coordinate with IFRS. These countries or groups of countries include the European Union, Australia, and South Africa. While some countries require all companies to adhere to IFRS, others merely allow it or try to coordinate their own country's standards to be similar. The IASB is working toward this goal in a partnership with some of the most influential accounting standard-setters across the globe. [India is going to implement IFRS by April 2011.](#)

**What is the Goal of the International Accounting Standards Board (IASB)?**

The IASB is a committee with 14 members, from nine different countries, which work to develop global accounting standards. The goal of this committee is to create global standards that are transparent, enforceable, understandable, and of high-quality. These members create the International Financial Reporting Standards (IFRS) that are used by so many countries around the world. Each committee member has one vote for each of the standards that is voted upon and this privately funded group of accounting standards setters are based in London.

**The Acceptance of IFRS**

While there are many countries that abide by IFRS, there are still many that do not. Notably, the United States Financial Accounting Standards Board and the Accounting Standards Board (AcSB) of Canada do not adhere directly to IFRS. However, there is a currently a partnership between these and other countries with the IASB to try to coordinate standards that come together. This is an ongoing process, it will not happen overnight.

**Why are the IASB and IFRS Important?**

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) that they issue are very important for the future of accounting. With businesses turning global, it is important that investors are able to compare companies under similar standards. Likewise, it is important for businesses operating in multiple countries to be able to create financial statements that are understandable in all of the countries they operate in.

Eventually, International Accounting Standards Board (IASB) and other accounting organizations hope to see a convergence of all accounting standards throughout the world. This type of convergence, would allow for the best of circumstances for investors and other interested parties to be able to examine and compare companies in a transparent and equal way. With the coordination of the International Financial Reporting Standards (IFRS) with other accounting standards from around the globe, this goal of convergence may not be as far-fetched as it may sound.

---

**Fiducia Consultancy Private Limited**

LGF -24B, Ansal Plaza (Opposite Dabur India Limited), Vaishali, Ghaziabad, Pin -201010, INDIA

Phone : +91- 120 - 4121942, Mobile : 99103 67918

e-mail: [team-fiducia@fiducia.co.in](mailto:team-fiducia@fiducia.co.in)

## GAAP and Accounting Standards

Generally accepted accounting principles (GAAP) are the basis of financial accounting and reflect federal financial accounting standards. GAAP is important to US firms.

GAAP is a collection of methods used to process, prepare, and present public accounting information. GAAP is overall very general in its methods, as it needs to be somewhat applicable to many different types of industries. Due to the fact that it is very flexible and general, most industries in the United States are expected to follow GAAP principles.

Although different organizations contribute to GAAP, the Federal Accounting Standards Advisory Board (FASAB) is the main contributor to GAAP. This is done through one of four categories of methods which differ on method and level of importance.

FASAB is an organization created by the American Institute of Certified Public Accountants (AICPA).

### Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles (GAAP) are varied but based on a few basic principles that must be upheld by all GAAP rules. These principles include consistency, relevance, reliability, and comparability.

Consistency means that all information should be gathered and presented the same across all periods. For example, a company cannot change the way they account for inventory from one period to another without noting it in the financial statements and having a reason for the change.

Relevance means that the information presented in financial statements (and other public statements) should be appropriate and assist a person evaluating the statements to make educated guesses regarding future financial state of a company.

Reliability means simply that the information presented in financial statements is reliable and confirmable by an independent party. Basically a company must confirm that if an independent auditor were to base their reports off of the same information that they would come up with the same results. Following this generally accepted accounting principle (GAAP) also means that the company is representing a clear picture of what really happened (and is happening) with their company.

Comparability is one of the most important GAAP categories and one of the main reasons having something similar to GAAP is necessary. By ensuring comparability, a company's financial statements and other documentation can be compared to similar businesses within its industry. The importance of this principle cannot be overstated, as without comparability investors would be unable to discern differences between companies within an industry to benchmark how a company is doing compared to its peers.

---

**Fiducia Consultancy Private Limited**

LGF -24B, Ansal Plaza (Opposite Dabur India Limited), Vaishali, Ghaziabad, Pin -201010, INDIA

Phone : +91- 120 - 4121942, Mobile : 99103 67918

e-mail: [team-fiducia@fiducia.co.in](mailto:team-fiducia@fiducia.co.in)

Generally accepted accounting principles (GAAP) ensures that all companies are on a level playing field and that the information they present is consistent, relevant, reliable, and comparable. Although GAAP is only applicable in the U.S., other countries have their own versions that are similar in purpose, although not always in design.

---

**Fiducia Consultancy Private Limited**

LGF -24B, Ansal Plaza (Opposite Dabur India Limited), Vaishali, Ghaziabad, Pin -201010, INDIA

Phone : +91- 120 - 4121942, Mobile : 99103 67918

e-mail: [team-fiducia@fiducia.co.in](mailto:team-fiducia@fiducia.co.in)