Chapter 1 International GAAP

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Chapter 1 International GAAP

1 WHY INTERNATIONAL FINANCIAL REPORTING STANDARDS MATTER

With globalisation has come the increasing integration of world markets for goods, services and capital – with the result that companies that traditionally were reliant on their domestic capital markets for financing now have substantially increased access to debt and equity capital, both inside and outside their national borders.

Yet – perhaps not entirely surprisingly – the world of financial reporting was slow to respond reflecting, no doubt, a widespread nationalism in respect of countries' own standards.

Undoubtedly, one of the main advantages of a single set of global accounting standards is that it would enable the international capital markets to assess and compare inter-company performance in a much more meaningful, effective and efficient way. This should increase companies' access to global capital and ultimately reduce the cost thereof. Thus the request for global standards came both from regulatory bodies and from preparers of financial statements. As early as 1989 the International Organisation of Securities Commissions (IOSCO), the world's primary forum for co-operation among securities regulators, prepared a paper noting that cross border security offerings would be facilitated by the development of internationally accepted standards. For preparers, greater comparability in financial reporting with their global peers had obvious attractions.

Notwithstanding these anticipated benefits, it has only been since 2000 that there has been a serious effort made toward such global standards. This came about largely as a result of the European Commission's announcement in June 2000 that it would present proposals to introduce the requirement that all listed European Union (EU) companies report in accordance with International Accounting Standards by 2005. This requirement not only changed the face of European financial reporting, but global reporting as well after many other countries followed Europe's lead. Indeed, the IFRS Foundation reports that 144 jurisdictions require IFRS standards for all or most domestic publicly accountable entities (listed companies) in their capital markets.[1]

Thus global financial reporting has ceased to be characterised by numerous disparate national systems to the point at which there are today essentially only two – IFRS and US GAAP.

2 THE IFRS FOUNDATION AND THE IASB

2.1 The standard-setting structure

The diagram below illustrates the structure within which standards are set by the International Accounting Standards Board (IASB).

The various elements of the structure are discussed further below.

Unless indicated otherwise, references to IFRS include the following:

- International Financial Reporting Standards – standards developed by the IASB;
- International Accounting Standards (IAS) – standards developed by the International Accounting Standards Committee (IASC), the predecessor to the IASB;
- Interpretations developed by the IFRS Interpretations Committee (Interpretations Committee) or its predecessor, the Standing Interpretations Committee (SIC); and
- International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) – a stand-alone standard for general purpose financial statements of small and medium-sized entities (as defined).

2.2 The IFRS Foundation

The governance of the IFRS Foundation primarily rests with the Trustees of the IFRS Foundation (Trustees) who, in turn, act under the terms of the IFRS Foundation Constitution (the Constitution).[2] Section 17 of the Constitution requires a review, every five years, of the structure and effectiveness of the IFRS Foundation. The last review

was completed in 2016 and, as a result, the Constitution was revised in the same year. In October 2018, the Trustees approved a narrow-scope amendment to the Constitution to extend the term of the Trustee Chair and Vice-Chairs up to a maximum of nine years, taking into account any previous term already served as Trustee, Vice-Chair or Chair, as the case may be. The Trustees also approved an amendment to allow for the Trustee Chair to be appointed from among the Trustees or to be recruited externally. In August 2020, as a result of the amendments to the Due Process Handbook (the Handbook) (see 2.6 below), an amendment was made to the Constitution to reflect that the IFRS Advisory Council (the Advisory Council) advises the Board (and Trustees) on strategic matters and, especially since the establishment and activity of the Accounting Standards Advisory Forum (ASAF), it no longer functions as a technical consultative body.[3]

The 2020 Agenda Consultation was initiated in September 2019. At the time of writing, the Board is discussing the content of a Request for Information. To assist stakeholders affected by the coronavirus pandemic, the publication of the Request for Information will be postponed to the first half of 2021 (estimated March 2021).[4]

It is a requirement of the Constitution that, in order to ensure a broad international basis, there must be:[5]

- six Trustees appointed from the Asia/Oceania region;
- six Trustees appointed from Europe;
- six Trustees appointed from the Americas;
- one Trustee appointed from Africa; and
- three Trustees appointed from any area, subject to maintaining overall geographical balance.

The appointment of Trustees to fill vacancies caused by routine retirement or other reasons is the responsibility of the remaining Trustees but subject to the approval of the Monitoring Board as discussed at 2.3 below. The appointment of the Trustees is normally for a term of three years, renewable once.[6]

The Constitution requires that the Trustees comprise individuals that, as a group, provide a balance of professional backgrounds, and have an interest in promoting and maintaining transparency in corporate reporting globally. This includes individuals with global experience at a senior level in securities market regulators, firms representing investors, international audit networks, preparers, users, academics and officials serving the public interest. To achieve such a balance, Trustees are selected after consultation with the accounting and audit profession, the securities market and other public interest bodies, regulators, investors, preparers, users and academics. The Trustees are required to establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.[7]

The Constitution provides that 'all Trustees shall be required to show a firm commitment to the IFRS Foundation and the IASB as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with

the adoption and application of high quality global accounting standards developed for use in the world's capital markets and by other users'.[8]

The Trustees are responsible also for appointing the members of the IASB, Interpretations Committee, IFRS Advisory Council (the Advisory Council)[9] and the Accounting Standards Advisory Forum (ASAF).[10] In addition, their duties include the following:[11]

- appointing the Executive Director, in consultation with the IASB Chair, and establishing his or her contract of service and performance criteria;
- reviewing annually the strategy of the IFRS Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB's agenda;
- assuming responsibility for establishing and maintaining appropriate financing arrangements;
- approving annually the budget of the IFRS Foundation and determining the basis for funding;
- reviewing broad strategic issues affecting financial reporting standards, promoting the IFRS Foundation and its work and promoting the objective of rigorous application of IFRS, provided that the Trustees are excluded from involvement in technical matters relating to financial reporting standards;
- establishing or amending operating procedures for the Trustees;
- establishing and amending operating procedures, consultative arrangements and due process for the IASB, the Interpretations Committee and the Advisory Council and reviewing their compliance;
- approving amendments to the Constitution after following a due process, including consultation with the Advisory Council and publication of an exposure draft for public comment and subject to the voting requirements given in the Constitution;
- exercising all powers of the IFRS Foundation except for those expressly reserved to the IASB, the Interpretations Committee and the Advisory Council;
- fostering and reviewing the development of educational programmes and materials that are consistent with the IFRS Foundation's objectives; and
- publishing an annual report on the IFRS Foundation's activities, including audited financial statements and priorities for the coming year.

The IFRS Foundation's funding is derived primarily from voluntary contributions from jurisdictions that have put in place national financing regimes. While funding mechanisms differ, most jurisdictions have established either a levy on companies or a system of publicly supported financing. The IFRS Foundation is continuing its work towards a global funding system characterised by a long-term commitment by jurisdictions, public sponsorship (either direct or implicit governmental or regulatory support), flexibility, proportionally allocated contributions and public accountability in the budget process.[12] In 2019, the major funders of the IFRS Foundation were the international accounting firms, the European Commission, Japan and China.[13]

2.3 The Monitoring Board

The Monitoring Board was created to address a perceived lack of accountability and responsiveness by the IASB and the IFRS Foundation to the concerns of its constituents.

The Monitoring Board provides a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters.[14]

The Charter of the Monitoring Board notes that the Monitoring Board's mission is:[15]

- to cooperate to promote the continued development of IFRS as a high quality set of global accounting standards;
- to monitor and reinforce the public interest oversight function of the IFRS Foundation, while preserving the independence of the IASB. In that regard;
  - to participate in the selection and approval of the Trustee appointments;
  - to advise the Trustees with respect to the fulfilment of their responsibilities, in particular with respect to regulatory, legal and policy developments that are pertinent to the IFRS Foundation's oversight of the IASB and appropriate sources of IFRS Foundation funding; and
  - to discuss issues and share views relating to IFRS, as well as regulatory and market developments affecting the development and functioning of these standards.

The responsibilities of the Monitoring Board are to:[16]

- participate in the process for appointing Trustees and approve the appointment of Trustees;
- review and provide advice to the Trustees on the fulfilment of their responsibilities – there is an obligation on the Trustees to report annually to the Monitoring Board; and
- meet with the Trustees or a sub-group thereof at least annually; the Monitoring Board has the authority to request meetings with the Trustees or separately with the chair of the Trustees and with the chair of the IASB to discuss any area of the work of the Trustees or the IASB.

At the time of writing, the Monitoring Board comprises representatives of:[17]

- the IOSCO Board;
- the Securities and Exchange Commission (SEC), United States of America;
- the European Commission;
- the Financial Services Agency, Japan;
- the IOSCO Growth and Emerging Markets Committee;
- the Comissão de Valores Mobiliários, Brazil;
- the Financial Services Commission, Republic of Korea;
- the Ministry of Finance, People's Republic of China;
- the Basel Committee on Banking Supervision (observer);
- the IOSCO Africa and Middle-East Regional Committee (observer); and
- the IOSCO Inter-American Regional Committee (observer).

The current chairman is the representative of the IOSCO Board.

Membership of the Monitoring Board is assessed based on the following criteria:[18]

- the member must be a capital market authority responsible for setting the form and content of financial reporting in its jurisdiction;
- the jurisdiction has made a clear commitment to moving towards application of IFRS and promoting global acceptance of a single set of high-quality international accounting standards as the final goal;
- the IFRS standards to be applied should be essentially aligned with IFRS standards developed by the IASB;
- the jurisdiction can be regarded as a major market for capital-raising based on the size of market capitalization, the number of listed companies and capital market activity;
- the jurisdiction makes financial contributions to setting IFRS;
- the jurisdiction has a robust enforcement mechanism to ensure proper implementation of relevant accounting standards; and
- the relevant national or regional standard-setting body is committed to contributing actively to the development of IFRS.

Historically the motivation for the use of IFRS was to facilitate cross-border capital raising and, therefore, the membership of the Monitoring Board was focused on capital markets authorities that were committed to the development of high-quality global accounting standards. While this continues to be a criterion for membership, beginning with the 2016 review of its members, the Monitoring Board will evaluate the integration of IFRS for domestic issuers in that member's jurisdiction.[19]

2.4 The International Accounting Standards Board (IASB)

The members of the IASB are appointed by the Trustees.[20] Currently, the IASB comprises 13 members while the Constitution provides for 14 members. The main qualifications for membership of the IASB are professional competence and recent relevant professional experience.[21]

The Trustees are required to select IASB members so that the IASB, as a group, will comprise the best available combination of technical expertise and diversity of international business and market experience, including auditors, preparers, users, academics and market and/or financial regulators. No individual should be both a Trustee and a member of the IASB at the same time.[22] Furthermore, the IASB, in consultation with the Trustees, is expected to establish and maintain liaison with national standard-setters and other official bodies concerned with standard-setting to assist in the development of IFRS and to promote the convergence of national accounting standards and IFRS.[23]

The IASB will normally be required to comprise:[24]

- four members from Asia/Oceania;
- four members from Europe;
- four members from the Americas;
- one member from Africa; and
- one member appointed from any area, subject to maintaining overall geographical balance.

The responsibilities of the IASB are listed in Section 36 of the Constitution. Its primary role is to have complete responsibility for all IASB technical matters including preparing and issuing IFRS standards (other than interpretations) and exposure drafts, each of which is required to include any dissenting opinions; and final approval of and issuing interpretations developed by the Interpretations Committee.[25]

Approval by at least eight members of the IASB is required for the publication of an exposure draft and IFRS (which includes final interpretations of the Interpretations Committee), if there are fewer than 14 members of the IASB. If there are 14 members, approval is required by at least nine members.[26] Other decisions of the IASB, including the publication of a discussion paper, require a simple majority of the members present at a meeting that is attended by at least 60% of the members.[27] The IASB has full discretion over its technical agenda and over project assignments on technical matters. It must, however, consult the Trustees on its agenda, and the Advisory Council on major projects, agenda decisions and work priorities. In addition, the IASB is required to carry out public consultation every five years in developing its technical agenda.[28] The most recent agenda consultation took place in August 2015. In November 2016, the IASB published the *IASB® Work Plan 2017-2021 (Feedback Statement on the 2015 Agenda Consultation)* on its agenda consultation and its five-year plan. The IASB adopted a central theme for its activities: 'Better Communication in Financial Reporting'.[29]

The IASB meets monthly, but not in August. These meetings are open to the public and meeting materials are available on the IASB's website.

2.5 The IFRS Interpretations Committee (the Interpretations Committee)

For IFRS to be truly global standards, consistent application and interpretation is required. The Interpretations Committee assists the Board in improving financial reporting through timely assessment, discussion and resolution of financial reporting issues identified within the IFRS framework.[30]

The national accounting standard-setting bodies and regional bodies involved with accounting standard-setting are often consulted on issues referred to the Interpretations Committee.[31] The Interpretations Committee is expected to address issues:[32]

'(a) that have widespread effect and have, or are expected to have, a material effect on those affected;

(b) where financial reporting would be improved through the elimination, or reduction, of diverse reporting methods;

(c) that can be resolved efficiently within the confines of existing IFRS standards and the *Conceptual Framework for Financial Reporting;* and

(d) the matter is sufficiently narrow in scope that the Board or the Interpretations Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the Board or the Interpretations Committee and stakeholders to undertake the due process required to change a standard.'

The Board may seek the assistance of the Interpretations Committee in developing narrow-scope amendments (which include annual improvements), drawing on the Interpretations Committee's experience of the application of IFRS standards.[33]

If the Interpretations Committee does not plan to add an item to its work programme, it publishes a tentative agenda decision in the *IFRIC Update* and on the IFRS Foundation website and requests comments on the matter. The comment period for tentative agenda decisions is normally at least 60 days. After considering comments received, the Interpretations Committee will either confirm its decision and publish an agenda decision, revise its tentative agenda decision and re-expose for comment a revised tentative agenda decision, add the issue to its work programme or refer the matter to the IASB.[34]

Before an agenda decision is published, the Board is asked –at its first public meeting at which it is practicable to present the agenda decision –whether it objects to the agenda decision. Specifically, Board members are asked whether they object to (a) the Interpretations Committee's decision that a standard-setting project should not be added to the work plan, and (b) the Interpretations Committee's conclusion that the agenda decision does not add or change requirements in IFRS standards. If four or more Board members object, the agenda decision is not published and the Board decides how to proceed.[35]

The Interpretations Committee has 14 voting members. The chair, who is appointed by the Trustees, is a member of the IASB, the Director of Technical Activities or an appropriately qualified individual. The chair does not have the right to vote. The Trustees may appoint representatives of regulatory organisations, who have the right to attend and speak at meetings but not the right to vote.[36] Currently, the Basel Committee on Banking Supervision, European Commission and IOSCO have observer status. The quorum for a meeting is 10 members,[37] and approval of draft or final interpretations requires that not more than four voting members vote against the draft or final interpretation.[38]

The Interpretations Committee meets six times a year. All technical decisions are taken at sessions that are open to public observation. Although the Interpretations Committee develops interpretations, because they are part of the respective IFRS standards, they must be ratified by the IASB.[39]

2.5.1 Agenda decisions

An agenda decision explains why a standard-setting project has not been added to the work plan and, in many cases, includes explanatory material.[40] It cannot add or change requirements in IFRS standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS standards apply to the transaction or fact pattern described in the agenda decision.[41] Explanatory material derives its authority from the standards themselves. Accordingly, an entity is required to apply the applicable IFRS standard(s), reflecting the explanatory material in an agenda decision.[42]

In December 2018, the Board discussed the timing of application of accounting policy changes that result from an agenda decision published by the Interpretations Committee and confirmed its view that it expects companies to be entitled to sufficient time to implement changes in accounting policy.

In March 2019, the Board further explained its position on agenda decisions. Firstly, the Board acknowledged that agenda decisions often provide new information that should be seen as helpful and persuasive. It follows that a company does not make an error simply because its application of IFRS was inconsistent with an agenda decision. Secondly, regarding how quickly companies are expected to implement an accounting policy change that results from an agenda decision, the Board formally acknowledged that it may

take time to implement such an accounting policy change. The Board believes that this reflects its expectations of what is reasonable for preparers, assists companies in implementing any such change, and ultimately supports consistent application of IFRS by facilitating accounting policy changes. What constitutes 'sufficient time' would depend on the particular facts and circumstances, taking into account the accounting policy change and the reporting entity and would require judgement. What the Board had in mind was 'a matter of months rather than years'. However, it is not expected that sufficient time would include the time needed to undertake related steps, such as changing affected covenants in documents nor the time to wait to see whether any of the Board's projects could remove the need to make an accounting policy change (to avoid two changes in accounting in a short period of time).[43] The Board also made it clear that companies need to consider agenda decisions and implement any necessary accounting policy changes on a timely basis (i.e. as soon and as quickly as possible). If necessary, companies should be in a position to explain their implementation process and, if material, consideration should be given to whether disclosure related to the accounting policy change is required.[44] The Due Process Handbook has also been amended in August 2020 to reflect this.[45]

2.6 The Due Process Handbook

The Trustees' Due Process Oversight Committee (DPOC) is responsible for overseeing the due process procedures of the IASB and Interpretations Committee throughout all the development stages of a standard, the IFRS Taxonomy or an interpretation, including agenda-setting and post-implementation reviews (PIRs).[46] The Foundation published the revised Handbook in August 2020. The main changes are:[47]

- clarifying the authority of agenda decisions published by the Interpretations Committee and their role in supporting consistent application of IFRS standards and enhancing the related due process by formally involving the Board in their finalisation; and
- reflecting recent developments in the Board's effect analysis process – assessing the likely effects of a new or amended IFRS standard – that emphasise the role of such analyses in standard-setting and make it clear that such analyses take place at all stages of standard-setting.

In addition, the amendments enhance and streamline the consultation requirements for adding major projects to the Board's work plan; update and enhance the minimum amount of review required for educational material produced by the Foundation; and clarify the DPOC's role in overseeing the IFRS Taxonomy due process.

The Handbook describes the due process requirements of the IASB and Interpretations Committee.[48] The requirements are built on the following principles:[49]

- transparency – the IASB and the Interpretations Committee conduct their standard-setting process in a transparent manner;
- full and fair consultation – considering the perspectives of stakeholders globally; and
- accountability – the IASB analyses the potential effects of its proposals on affected parties and explains the rationale for why it made the decisions it reached in developing or amending a standard.

In order to gain a wide range of views from interested parties throughout all stages of the development of IFRS, the Trustees and the IASB have established consultative

procedures with the objective of ensuring that, in exercising its independent decision-making, the IASB conducts its standard-setting process in a transparent manner.[50] The Handbook specifies some minimum steps that the IASB and the Interpretations Committee are required to follow before a standard or interpretation can be issued.[51] The following due process steps are mandatory:[52]

- debating any proposals in one or more public meetings;
- exposing for public comment a draft of any proposed new standard, proposed amendment to a standard or proposed interpretation with minimum comment periods;
- considering in a timely manner those comment letters received on the proposals;
- considering whether the proposals should be exposed again;
- consulting the IFRS Advisory Council (see 2.7 below) and the Accounting Standards Advisory Forum (see 2.8 below) on the work plan, major projects, project proposals and work priorities; and
- ratification of an interpretation by the IASB in a public Board meeting.

The steps specified in the Constitution that are 'non-mandatory' include:[53]

- publishing a discussion document (for example, a discussion paper) before an exposure draft is developed;
- establishing consultative groups or other types of specialist advisory groups;
- holding public hearings; and
- undertaking fieldwork.

If the IASB decides not to undertake any of the non-mandatory steps, it is required to inform the DPOC of its decision and reason (known as the 'comply or explain' approach). Those explanations must be published in the decision summaries and in the Basis for Conclusions with the exposure draft or IFRS in question.[54]

Although not mandatory, the IASB conducts public meetings and roundtables to ensure that it has appropriate input from its constituents.

The IASB normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent, the IASB may consider a comment period of no less than 30 days, but it will only set a period of less than 120 days after consulting, and obtaining approval from, the DPOC.[55]

Under a 'fast track' comment process, if the matter is exceptionally urgent, and only after formally requesting and obtaining prior approval from 75% of the Trustees, 'the IASB may reduce the period for public comment on an exposure draft to below 30 days but may not dispense with a comment period'.[56]

2.7 The IFRS Advisory Council (the Advisory Council)

The Advisory Council (whose members are appointed by the Trustees) provides a forum for geographically and functionally diverse organisations and individuals with an interest in international financial reporting to:

- provide input on the IASB's agenda, project timetable and project priorities; and
- give advice on projects, with emphasis on application and implementation issues, including matters that may warrant the attention of the Interpretations Committee.[57]

A secondary objective of the Advisory Council is 'to encourage broad participation in the development of IFRS as high-quality, globally-accepted standards.'[58]

The Advisory Council comprises thirty or more members, having a diversity of geographical and professional backgrounds. The chair of the Council is appointed by the Trustees, and may not be a member of the IASB or a member of its staff.[59] The Advisory Council normally meets at least two times a year, and its meetings are open to the public. The matters on the agenda for the Advisory Council's meetings will include those strategic matters and other priorities identified through consultation with the chair of the Advisory Council and representatives of the Trustees and the Board. In addition, the IASB must consult the Advisory Council in advance of any proposed changes to the Constitution.[60]

Members are appointed for an initial term of three years and may be asked to remain for up to three additional years.[61]

2.8 Accounting Standards Advisory Forum (ASAF)

The ASAF, established in 2013, is an advisory group consisting of national accounting standard-setters and regional bodies, the purpose of which is to provide technical advice and feedback to the IASB.

The membership of the ASAF consists of 12 non-voting members (appointed by the Trustees), plus the chair, who is the IASB chair or vice-chair. To ensure a broad geographical representation, the members are from the following geographic regions:[62]

- one member from Africa;
- three members from the Americas (North and South);
- three members from the Asia/Oceania region;
- three members from Europe (including non-EU); and
- two members appointed from any area of the world at large, subject to maintaining overall geographic balance.

The ASAF meets four times a year, and its meetings are open to the public.

The objective of the ASAF is 'to provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high-quality accounting standards.' The ASAF was established to:[63]

- support the IFRS Foundation in its objectives, and contribute towards the development, in the public interest, of a single set of high quality understandable, enforceable and globally accepted financial reporting standards to serve investors and other market participants in making informed resource allocations and other economic decisions;
- formalise and streamline the IASB's collective engagement with the global community of national standard-setters and regional bodies in its standard setting process to ensure that a broad range of national and regional input on major technical issues related to the IASB's standard setting activities are discussed and considered; and
- facilitate effective technical discussions on standard-setting issues, primarily on the IASB's work plan but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions.

As required by the ASAF's Terms of Reference, the Trustees completed their second review of the ASAF in 2018, following the first review undertaken in 2015. There was very positive feedback from the review, highlighting that the ASAF continues to be a key component of the IFRS Foundation's engagement strategy with national standard-setters. Actions taken following the 2015 review have resulted in positive change and there were improvements made to the 'feedback loop' between the Board and the ASAF. As a result of the review, the Trustees have decided not to incorporate consultation with the ASAF as a mandatory due process step in the Handbook. The Trustees also found no compelling reason to amend the Constitution to incorporate an explicit reference to the ASAF. The Trustees are amending the Terms of Reference to permit one ASAF meeting a year to be held via videoconference. In addition, the Trustees decided that formal three-yearly reviews of ASAF are no longer necessary and will amend the ASAF Terms of Reference accordingly.[64]

2.9 Other advisory bodies

In addition to the Advisory Council and the ASAF, discussed in 2.7 and 2.8 above, respectively, above, the IASB has a number of other formal advisory bodies that provide input on its work and resources to consult. Meetings with the advisory bodies are held in public and meeting materials are available on the IASB's website.

The IASB's other advisory bodies are as follows:[65]

- Capital Markets Advisory Committee – provides the IASB with regular input from the international community of users of financial statements;
- Emerging Economies Group – enhances the participation of emerging economies in the development of IFRS standards;
- Global Preparers Forum – provides the IASB with input from companies preparing financial statements;
- IFRS Taxonomy Consultative Group – helps develop the IFRS Taxonomy;
- Islamic Finance Consultative Group – focuses on potential challenges in applying IFRS to Shariah-compliant instruments and transactions;
- SME Implementation Group – supports the international adoption of the *IFRS for SMEs* and monitors its implementation;
- World Standard-setters Conferences – helps achieve the G20-endorsed objective of global accounting standards;
- Transition Resource Group for IFRS 17 Insurance Contracts – aids the implementation of IFRS 17 – *Insurance Contracts*;
- Consultative Group for Rate Regulation – informs the project on rate regulation; and
- Management Commentary Consultative Group – informs the project on management commentary.

3 THE IASB'S TECHNICAL AGENDA AND CONVERGENCE WITH US GAAP

3.1 The IASB's current priorities and future agenda

The IASB's 2020 activities focused on:[66]

- assessing whether it would be feasible to permit subsidiaries that are small and medium enterprises to apply the recognition and measurement requirements of IFRS standards and the disclosure requirements of the *IFRS for SMEs* standard with minimal tailoring of those disclosure requirements;
- proposing new requirements for presentation and disclosure in financial statements, with a focus on the statement of profit or loss;
- developing an accounting model that will require rate-regulated companies to provide information about their incremental rights to add amounts, and incremental obligations to deduct amounts, in determining the future rates to be charged to customers as a result of goods or services already supplied;
- discussing whether it can develop requirements that would improve the comparability and transparency of accounting for combinations under common control to help investors compare and better understand information that companies provide in financial statements about such transactions;
- exploring whether it can develop an accounting model that would enable investors to understand a company's dynamic risk management activities and to evaluate the effectiveness of those activities;
- exploring amendments to IAS 32 – *Financial Instruments: Presentation* – to address common accounting challenges that arise in practice when applying the standard;
- assessing whether it would be feasible to eliminate measurement inconsistencies by capping asset returns used in estimates of pension benefits that depend on asset returns, without changing other aspects of IAS 19 – *Employee Benefits*; and
- performing the post-implementation review of IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements* – and IFRS 12 – *Disclosure of Interests in Other Entities.*

At the time of writing, the IASB's work plan reflects that work on a number of these projects will continue into 2021 and beyond.

The IASB conducted its most recent agenda consultation in August 2015, the outcome of which set the technical priorities until 2021. The work plan has been revised in response to feedback received during the agenda consultation. The IASB has adopted the theme 'Better Communication in Financial Reporting' and much of the work will focus on making the financial information more relevant and improving the communication of that information. See 2.2 above for information on the next agenda consultation.

3.2 IFRS/US GAAP convergence

'Convergence' is a term used to describe the coming together of national systems of financial reporting and IFRS. Between 2002 and 2013, the IASB and FASB had various projects to both improve IFRS and US GAAP, respectively, and to achieve their convergence. In addition, the US Securities and Exchange Commission (SEC) have taken some steps towards the acceptance of IFRS in the US. In 2007, the SEC began permitting foreign private issuers to file IFRS financial statements without reconciliation to US GAAP. In 2008, the SEC set out a proposed roadmap outlining the milestones and conditions that, if met, could lead to the use of IFRS in the US by domestic registrants. In 2011, the SEC staff issued a work plan to explore the incorporation of IFRS into the US financial reporting system. The SEC staff has since published its final report on the IFRS work plan that raised significant concerns about the further incorporation of IFRS in the US capital markets.

In 2013, the convergence process between the IASB and the FASB largely came to an end. One of the messages the IASB staff received from respondents outside of the US to the 2011 agenda consultation was for the IASB to consider whether convergence should continue to be a priority. Ultimately, developing 'a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards' has largely superseded convergence as a significant driver of the IASB's agenda setting process. In fact, the Handbook, which was revised in 2013, removed convergence from the list of factors that are influential in setting the agenda.

4 THE ADOPTION OF IFRS AROUND THE WORLD

4.1 Worldwide adoption

Since 2001, there has been a tremendous increase in the adoption of IFRS around the world. The precise way in which this has happened has varied among jurisdictions. This section sets out a brief description of how a number of key jurisdictions in each continent have approached the adoption. Some have adopted full IFRS, i.e. IFRS as issued by the IASB. Other jurisdictions have converged, or have a plan to converge, their standards with IFRS.

An entity is required to apply IFRS 1 – *First-time Adoption of International Financial Reporting Standards* – when it first asserts compliance with IFRS. The IASB has, therefore, established unambiguously the principle that full application of its standards and related interpretations is necessary for an entity to be able to assert that its financial statements comply with IFRS (as issued by the IASB). Consequently, it is necessary for countries that align their national standards with IFRS to require the application of IFRS 1 so that entities reporting under those standards can assert compliance with IFRS. In addition, an entity that applies IFRS as amended by a local authority cannot assert compliance with IFRS.

The following table summarises IFRS adoption (generally for consolidated financial statements) in jurisdictions with domestic market capitalisation exceeding US$500 billion as at 30 June 2020. For further details on selected locations, see 4.2 to 4.6 below. In addition, the IFRS Foundation is developing profiles of application

of IFRS. At the time of writing, profiles for 166 jurisdictions have been completed and are available on the IASB's website.

Jurisdiction	IFRS Status	IFRS Permitted
Australia	Required for all publicly accountable entities, and any entities preparing general purpose financial statements that elect not to apply the framework under the Reduced Disclosure Requirements (RDR). Non-publicly accountable reporting entities are required to apply IFRS recognition and measurement requirements, but can provide simplified disclosures under the RDR.	
Brazil	Required for regulated public companies, with exemptions for banks and real estate companies; other companies must follow converged national standards.	
Canada	Required for publicly accountable entities.	Permitted for all other entities.
Mainland China	Substantially converged national standards.	
European Union	IFRS as adopted by the European Union (EU) (EU IFRS – see 4.2.1 below) required for consolidated financial statements of all EU companies listed on an EU regulated market. Exemption for non-EU companies applying for listing on an EU regulated market that apply certain GAAPs determined by the European Commission to be equivalent to EU IFRS.	EU member states may permit or require the application of EU IFRS by unlisted companies and in separate financial statements.
France	See European Union.	EU IFRS permitted for the consolidated financial statements of non-listed entities.
Germany	See European Union.	EU IFRS permitted for the consolidated financial statements of non-listed entities.
Hong Kong	HKFRS (converged with IFRS) is required for all Hong Kong incorporated companies (listed and non-listed).	Permitted for listed companies incorporated overseas.
India	IFRS converged Indian Accounting Standards (Ind AS), with some mandatory and numerous optional departures from IFRS, to apply in phases from financial years beginning on or after 1 April 2016.	Until Ind AS was introduced, listed companies with subsidiaries were permitted to apply IFRS in consolidated financial statements. This option is no longer available.
Italy	See European Union. EU IFRS is required in the separate financial statements of companies on the Italian regulated stock exchange except insurance companies. Scope of EU IFRS extended to certain financial institutions.	EU IFRS permitted in the statutory separate and consolidated financial statements of all other non-listed entities and non-regulated enterprises (except SMEs).

Jurisdiction	IFRS Status	IFRS Permitted
Japan	Mandatory adoption has been put on hold for the time being.	Permitted for most companies that are listed or planning to be listed on a domestic stock exchange.
Korea	IFRS as adopted by Korea without modification (K-IFRS) is required for all listed entities, unlisted financial institutions and state-owned entities.	K-IFRS permitted for non-listed entities.
Russia	Required for banks, insurance entities, non-state pension funds, clearing institutions, certain investment management entities, listed companies and for some state unitary enterprises and state-owned public joint-stock companies. Substantially converged national standards applicable to stand-alone financial statements.	
Saudi Arabia	IFRS (as adopted by the local regulators – mainly with some additional disclosure requirements) is required for banks, insurance companies and listed entities.	Non-listed entities have the option to adopt either full IFRS or IFRS for SMEs. Self-regulated entities can choose, but are not required, to adopt IFRS.
Singapore	Singapore incorporated entities listed on the Singapore Exchange are required to file financial statements prepared in accordance with converged national standards equivalent to IFRS (Singapore Financial Reporting Standards (International) – SFRS(I)). Foreign entities that are listed on the Singapore Exchange are required to file financial statements prepared in accordance with SFRS(I), IFRS or US GAAP.	Singapore incorporated entities are permitted to file IFRS financial statements with approval.
South Africa	Required for all listed companies. Non-listed companies generally use either IFRS or IFRS for SMEs.	
Spain	See European Union.	EU IFRS permitted for non-listed groups for consolidated financial statements; no reversion to local GAAP once an entity has applied EU IFRS.
Switzerland	Issuers of equity securities that are incorporated in Switzerland and listed under the International Standard on the SIX Swiss Exchange (SIX) must apply either IFRS or US GAAP. Other listed entities incorporated in Switzerland must apply IFRS, US GAAP or Swiss GAAP-FER. Entities not incorporated in Switzerland must apply IFRS, US GAAP or a national GAAP deemed by the SIX to be equivalent.	IFRS permitted in consolidated statutory financial statements of non-listed entities.

Taiwan	Standards and interpretations endorsed by the local regulators apply for financial statements beginning on or after 1 January 2020. The effective dates for standards and interpretations for Taiwan IFRS are mostly aligned with global effective dates; however, early adoption is generally not permitted.	IFRS permitted for foreign issuers, with reconciliation to 'Taiwan-IFRS'.
United Kingdom	See European Union. In addition, EU IFRS is mandatory when a company admitted to the UK Alternative Investment Market (AIM) is incorporated in the European Economic Area (EEA) unless such company is not a parent company. As a result of the UK's withdrawal from the EU, UK companies should apply UK-adopted international accounting standards (UK-adopted IAS) rather than EU IFRS for financial years beginning on or after 31 December 2020. This is discussed further at 4.2.3 below.	EU IFRS or UK-adopted IAS permitted for all companies, except in the charities sector; restrictions on reversion to local GAAP once an entity has adopted EU IFRS or UK-adopted IAS.
United States	Substantial convergence of selected standards.	Permitted for foreign private issuers preparing financial statements in accordance with IFRS as issued by the IASB. There is no endorsement process in the US.

4.2 Europe

4.2.1 EU

In July 2002, the European Parliament adopted Regulation No. 1606/2002 (the Regulation), which required publicly traded EU incorporated companies[67] to prepare, by 2005 at the latest, their consolidated financial statements under IFRS 'adopted' (as discussed further below) for application within the EU. Although an EU regulation has direct effect on companies, without the need for national legislation, the Regulation provides an option for EU member states to permit or require the application of adopted IFRS in the preparation of annual unconsolidated financial statements and to permit or require the application of adopted IFRS by unlisted companies. This means that EU member states can require the uniform application of adopted IFRS by important sectors, such as banking or insurance, regardless of whether companies are listed. An analysis of the implementation of the Regulation published in 2012 shows that nearly all EU member states use the option to permit the application of adopted IFRS in the consolidated accounts of some or all types of unlisted companies. More than half of the EU member states also permit the application of adopted IFRS in the annual financial statements of some or all types of unlisted companies.[68]

The Regulation established the basic rules for the creation of an endorsement mechanism for the adoption of IFRS, the timetable for implementation and a review clause to permit an assessment of the overall approach proposed. The European Commission took the view that an endorsement mechanism was needed to provide the necessary public oversight. The European Commission considered also that it was not appropriate, politically or legally, to delegate accounting standard-setting unconditionally and irrevocably to a private organisation over which the European Commission had no influence. In addition, the endorsement mechanism is responsible for examining whether the standards adopted by the IASB satisfy relevant EU public policy criteria.

The role of the endorsement mechanism is not to reformulate or replace IFRS, but to oversee the adoption of new standards and interpretations, intervening only when they contain material deficiencies or have failed to cater for features specific to the EU economic or legal environments. The central task of this mechanism is to confirm that IFRS provides a suitable basis for financial reporting by listed EU companies. The mechanism is based on a two-tier structure, combining a regulatory level with an expert level, to assist the European Commission in its endorsement role.

The recitals to the Regulation state that the endorsement mechanism should act expeditiously and also be a means to deliberate, reflect and exchange information on international accounting standards among the main parties concerned, in particular national accounting standard setters, supervisors in the fields of securities, banking and insurance, central banks including the European Central Bank (ECB), the accounting profession and users and preparers of accounts. The mechanism should be a means of fostering common understanding of adopted international accounting standards in the EU community.[69]

The European Commission is advised on IFRS by the European Financial Reporting Advisory Group (EFRAG). In addition to EFRAG, the European Commission seeks approval from its member states through the Accounting Regulatory Committee. EFRAG is a private sector body established by the European organisations prominent in European capital markets, e.g. Accountancy Europe and the European Banking Federation. In addition to advising the European Commission on endorsement of IFRS, EFRAG is the mechanism by which Europe as a whole can participate in the global debate on accounting standards and it coordinates European responses to IASB proposals. EFRAG plays a proactive role issuing discussion papers, field-test reports and feedback statements on outreach events. The objective of the proactive work is to involve European stakeholders at an early stage in identifying necessary improvements to financial reporting to influence the IASB. EFRAG's activities also include assessments of whether the IASB's proposals and IFRS requirements are conducive to the European public good. This includes the interaction with economic concerns, such as financial stability and growth.

The EFRAG Board includes, in equal numbers, representatives of European stakeholder organisations and national standard setters and is led by the President of the EFRAG Board, who is nominated by the European Commission. The EFRAG Board is responsible for all EFRAG positions and operates on the basis of a consensus-based decision-making process with the objective of Europe speaking with one voice. The European Commission, the European supervisory authorities and the ECB participate in the EFRAG Board in an observer capacity. The EFRAG Board takes all its decisions after considering the advice of the EFRAG Technical Expert Group and the results of

EFRAG's due process, and after hearing from the Accounting Regulatory Committee and making all assessments deemed relevant from the political perspective.

The EU endorsement process is only completed when the standard, interpretation or amendment is published in the Official Journal of the European Union. The advice from EFRAG and the vote by the ARC are not sufficient to adopt a standard, interpretation or an amendment.

4.2.1.A Endorsed IFRS standards

To date, apart from the carve out from IAS 39 – *Financial Instruments: Recognition and Measurement* – and the decision not to endorse IFRS 14 – *Regulatory Deferral Accounts*, all IASB standards which are currently effective have ultimately been endorsed.[70]

IAS 39 as endorsed for use in the EU is currently different in one important respect from the version published by the IASB. Certain text has been carved out so that, essentially, the EU version allows the use of macro fair value hedge accounting in situations that the full version of IAS 39 does not. The European Commission has continued to emphasise the need for the IASB and representatives of European banks to find an appropriate technical solution to allow the removal of the carve-out as rapidly as possible. However, there have been only limited signs of progress on this issue and IFRS 9 – *Financial Instruments* – does not remove the reasons for the carve-out (see Chapter 44 at 5). Consequently the carve-out continues to be available for entities that prepare their financial statements in accordance with IFRS as endorsed for use in the EU and continue to apply the macro fair value hedge accounting requirements of IAS 39.

The July 2014 version of IFRS 9, the October 2017 amendments to IFRS 9 and, the amendments to IFRS 4 – *Insurance Contracts* – delaying the application of IFRS 9 for certain insurers until 2021 were endorsed for use in the EU in time for companies to adopt in the 2018 reporting season. However, the European Commission considered that the amendments are not sufficiently broad in scope to meet the needs of all significant insurance entities in the European Union. Consequently, for those entities that prepare financial statements in accordance with IFRS as adopted by the EU, the following modification applies:

'A financial conglomerate as defined in Article 2(14) of Directive 2002/87/EC may elect that none of its entities operating in the insurance sector within the meaning of Article 2(8)(b) of that Directive apply IFRS 9 in the consolidated financial statements for financial years the commencement of which precedes 1 January 2021 where all of the following conditions are met:

(a) no financial instruments are transferred between the insurance sector and any other sector of the financial conglomerate after 29 November 2017 other than financial instruments that are measured at fair value with changes in fair value recognised through the profit or loss account by both sectors involved in such transfers;

(b) the financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39;

(c) disclosures requested by IFRS 7 – *Financial Instruments: Disclosures* – are provided separately for the insurance sector applying IAS 39 and for the rest of the group applying IFRS 9'.[71]

The purpose of (a) above is to prevent a group transferring financial instruments between different 'sectors' (i.e. between insurance and non-insurance subsidiaries) with the purpose of either avoiding measurement of those financial instruments at fair value through profit or loss in the group financial statements or recognising previously unrecognised fair value gains or losses in profit or loss.

A financial conglomerate (as defined above) which takes advantage of this 'top-up' to use a mixed IFRS 9/IAS 39 measurement model for financial instruments in its consolidated financial statements should not make an explicit and unreserved statement that those consolidated financial statements comply with IFRS as issued by the IASB. *[IAS 1.16]*. Similarly, depending on local regulations, use of the 'top-up' may affect the ability of subsidiaries of the financial conglomerate that are parent entities from using the exemption from preparing consolidated financial statements discussed in Chapter 6 at 2.2.1.D. We expect this 'top up' to be added to the 2020 amendments, but at the time of writing, this has not yet been finalised.

The September 2019 amendments to IAS 39 and IFRS 9 addressing IBOR reform were endorsed in January 2020, in time for companies to adopt the amendments in the 2019 reporting season, but at the time of writing neither IFRS 17 nor the amendments to IFRS 4, extending the delayed application of IFRS 9 for certain insurers until 2023, have been endorsed.

Previously, there were standards and a number of Interpretations Committee interpretations that have had delayed application dates. The most notable is the effective date for IFRS 10, IFRS 11, IFRS 12, IAS 27 – *Separate Financial Statements* – and IAS 28 – *Investments in Associates and Joint Ventures* – for which the European Commission permitted a one-year deferral to the mandatory effective date set by the IASB.

Although issued by the IASB in May 2017, IFRS 17 has not yet been endorsed and, at the time of writing, the timeline for endorsement was still unclear.[72] In the process of preparing a draft endorsement advice, EFRAG has conducted significant outreach with constituents, including users. Constituents have raised a number of concerns during the course of the outreach. Several topics identified as meriting further consideration by the IASB were communicated by the EFRAG Board to the IASB in 2018. In a letter to the IASB in March 2020, the EFRAG Board however regretted that some of the Board's conclusions deviate from EFRAG's recommendations, in particular the annual cohort requirement. EFRAG noted that, without addressing this issue, the resulting standard would not be aligned with the insurance market and would not meet the required cost/benefits trade-off.[73] The final amendments to IFRS 17, issued in June 2020, did not include any changes to the annual cohort requirement.

4.2.1.B Evaluation of the Regulation

In 2014, the European Commission started an evaluation of the Regulation on the application of IFRS to assess whether:

- the Regulation achieved its objective in an efficient and effective manner;
- the criteria that all new IFRS should meet to become EU law are appropriate and whether the process for adoption of standards works properly; and
- the governance structure of the bodies developing the standards and advising the European Commission is appropriate.

The evaluation mainly included a public consultation, an informal expert group, and a review of literature on the impact of the mandatory adoption of IFRS in the EU and on the performance of IFRS during the financial crisis. The results were included in a report issued in 2015. The key findings showed that IFRS was successful in creating a common accounting language for capital markets and that there is still no well-defined alternative to IFRS. The evidence from the evaluation also showed that the objectives of the Regulation remain relevant. Companies that responded to the public consultation were mostly positive about their experience of using IFRS and in most cases, benefits outweighed costs. Investors also largely supported IFRS for improving the transparency and comparability of financial statements. Most stakeholders considered that the process through which IFRS become part of EU law works well.

However, the report identified room for improvement in some areas. Amongst others, it was noted that the coherence of standards with EU laws should continue to be assessed during standard development and endorsement. In addition, the European Commission announced that it will look at whether the powers of the European supervisory authorities are sufficient and will consider measures to simplify the endorsement process. Furthermore, the European Commission suggested that the IASB strengthen its impact analysis and consider the needs of long-term investors when developing standards.

On 31 January 2018, the High-Level Expert Group (HLEG) on Sustainable Finance, established by the European Commission, published its final report setting out strategic recommendations for a financial system that supports sustainable investments.[74]

In this report, the HLEG recommends the European Commission to change the Regulation:

- 'to specify that international accounting standards should only be adopted if they are conducive to the European public good, including its sustainability and long-term investment objectives; and
- to provide the power to the EU to adjust specific aspects of IFRS standards adopted by the IASB before transposing them into EU law. This would remove the anomaly of the EU being the only constituency currently forgoing such a possibility and can be confined to cases where key overarching EU policy goals would otherwise be compromised.'

Reference to the HLEG report has been made when the European Commission launched in March 2018 a consultation document *Fitness Check on the EU Framework for Public Reporting by Companies* (the Consultation Document) which generally sought stakeholder views on whether the EU framework for public reporting by companies is fit for purpose.[75] The objectives of this fitness check were:

- to assess whether the EU public reporting framework is overall still relevant for meeting the intended objectives, adds value at the European level, is effective, internally consistent, coherent with other EU policies, efficient and not unnecessarily burdensome;
- to review specific aspects of the existing legislation as required by EU law; and
- to assess whether the EU public reporting framework is fit for new challenges (such as sustainability and digitalisation).

The Consultation Document stated that the above-mentioned European Commission's evaluation of the Regulation in 2015 showed that the use of IFRS in the EU has significantly increased the credibility of IFRS and its use worldwide.

However, the current level of commitment to IFRS by third country jurisdictions would differ significantly and that very few of the major capital markets and large jurisdictions have made the use of IFRS as issued by the IASB mandatory. The European Commission then concluded that as a result, the level of global convergence achieved were sub-optimal compared to the initial objective on global use. The Consultation Document also addressed the issue that the current endorsement process would prevent the EU from modifying the content of the standards issued by the IASB. The European Commission claimed this fact had raised concerns, citing the report of the HLEG, that this lack of flexibility would prevent the EU from reacting if these standards were to pose an obstacle to broader EU policy goals such as long-term investments and sustainability. The questionnaire in the Consultation Document therefore asked respondents whether it is still appropriate that the Regulation prevents the European Commission from modifying the content of IFRS, given the different levels of commitment to require IFRS as issued by the IASB around the globe. Responses were due by July 2018; in October 2018 the European Commission published a summary report of the contributions to the public consultation.[76]

Stakeholders from 23 Member States and 25 third countries submitted 338 responses on the public consultation and most responses were submitted by entities from Belgium, France, Germany and the United Kingdom. Most respondents commented that the EU framework for public reporting overall brings added value and is coherent, effective and relevant for achieving its main intended objectives of safeguarding stakeholders' interests, ensuring financial stability, developing the internal market, integrated EU capital markets and promoting sustainability. In terms of developing the internal market and promoting integrated EU capital markets, IFRS standards were considered effective as they helped reduce the cost of capital and increase investments in the EU. Concerning the potential impact of IFRS standards on sustainable investments; whilst a few believed IFRS standards had led to pro-cyclicality and short-termism, most respondents said that (to their knowledge) there was no evidence of such impacts. Several respondents pointed out that the broad criterion of 'being conducive to the EU public good' should allow the European Commission to adequately consider sustainability and long-term investment concerns during the endorsement process, though few saw a need to spell out specific sustainability and long-term investments endorsement criteria.

Most respondents supported the status quo about the EU IFRS endorsement process and cautioned against 'EU carve-ins' that could lead to 'EU-IFRSs', a situation that could be detrimental to EU companies active globally and to foreign investments into the EU. Those who were in favour of 'EU carve-ins' did not see why the EU should not enjoy this power whilst other jurisdictions do. Some of them argued that 'carve-in' powers would increase the European Union's ability to influence the IASB standard-setting process compared to the current 'yes-no' endorsement process.

In connection with the HLEG report, the European Commission has issued its action plan for financing sustainable growth in March 2018 where it committed to

request EFRAG, where appropriate, to assess the impact of new or revised IFRS standards on sustainable investments.[77] As a result, the European Commission requested EFRAG in June 2018 to consider alternative accounting treatments for equity instruments as required by IFRS 9. Possible accounting treatments should properly portray the performance and risk of long-term investment business models for those equity and equity type investments that are much needed for achieving the UN Sustainable Development Goals and the goals of the Paris Agreement on climate change. The request addresses concerns that neither of the accounting treatments in IFRS 9 for equity instruments is attractive for long-term investors and that this might create a disincentive to hold equity instruments on a long-term basis which might in turn curb financing for sustainable projects. In May 2019, EFRAG launched a public consultation to gather constituents' views on whether alternative accounting treatments to those in IFRS 9 are needed whereby the consultation is intended to complement previous EFRAG discussions and consultations on the accounting treatment for financial instruments.[78] In January 2020, EFRAG provided its advice to the European Commission together with the Feedback Statement from the public consultation and a supporting paper. EFRAG advised, in particular, that the European Commission recommend to the IASB an expeditious review of the non-recycling treatment of equity instruments within IFRS 9.[79]

4.2.2 Russia

Stand-alone financial statements are required to be prepared by all legal entities in accordance with Russian Accounting Principles (RAP). Most of RAP are substantially based on IFRS, although some IFRS standards have no comparable RAP standard and some RAP standards that are based on IFRS have not been updated for recent changes.

However, Russian Federal Law on consolidated financial statements (the Law) requires mandatory application of IFRS for the preparation and presentation of consolidated financial statements by certain Russian entities, including credit institutions, insurance companies, listed companies, non-state pension funds, management companies of investment funds, mutual funds and non-state pension funds, and clearing institutions. In addition, pursuant to the Law, the Russian government issued a regulation that required certain state unitary enterprises and state-owned public joint stock companies to present their consolidated financial statements in accordance with IFRS. Russian entities that are otherwise in the scope of the Law but have no subsidiaries (except for banks that hold only a basic license) are also required to present their IFRS financial statements in addition to their single entity financial statements prepared under RAP. Credit institutions and listed companies are required to present their half-year interim consolidated financial statements under IFRS for interim purposes.

Credit institutions and listed companies are also required to present their half-year interim consolidated financial statements under IFRS for interim purposes.

There is an IFRS endorsement process in Russia. Individual IFRS standards (including interpretations) become mandatory starting from the effective date specified in the IFRS or from the date of its endorsement if it is later. IFRS standards can be voluntarily applied after they are endorsed but before their effective date. In practice, the time period between the IASB issuing a new or amended standard and its endorsement in

Russia is not significant, which allows Russian companies to early adopt IFRS standards and amendments.

The IFRS endorsement process involves an analysis of the Russian language text of an IFRS, provided by the IFRS Foundation, by the National Organization for Financial Accounting and Reporting Standards Foundation (NOFA), an independent, non-commercial organisation identified by the Ministry of Finance of the Russian Federation (Ministry of Finance). NOFA performs an analysis of an individual IFRS's suitability for the Russian financial reporting system. NOFA advises the Ministry of Finance whether an IFRS should be endorsed as issued by the IASB or whether certain requirements should be 'carved out' to meet the needs of the financial reporting system in Russia. The Ministry of Finance, after consultation with the Central Bank of the Russian Federation, makes the final decision on endorsement and publication of an IFRS.

At the time of writing, the Ministry of Finance has endorsed, without any 'carve outs', all IFRS standards effective from 1 January 2020. IFRS 17 has also been endorsed and, therefore, are available for early adoption by Russian companies.

4.2.3 United Kingdom

On 31 January 2020, the United Kingdom (UK) ceased to be a member of the EU. A Withdrawal Agreement with the EU was enacted into UK law by the European Union (Withdrawal Agreement) Act 2020 and entered into force. That agreement established a transition period ending on the implementation period completion day (defined as 31 December 2020), during which the UK continues to be subject to the EU legislative framework. After the implementation period completion day, the UK will no longer be a part of the EU Single Market or the EU Customs Union and will acquire 'third country' status, the terms of which will be defined in a new arrangement. At the time of writing, this new arrangement has yet to be determined and the UK government has indicated that the transition period will not be extended.

On the implementation period completion day, existing IFRS standards as adopted by the EU will be incorporated into UK law with effect from that date by way of the 'International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019' No 685 (IAS EU Exit Regulation). These standards will form 'UK-adopted IAS' which will replace EU IFRS for UK companies. The IAS EU Exit Regulation will give power to the Secretary of State for Business, Energy and Industrial Strategy (BEIS) to endorse new or amended standards, which would then form part of UK-adopted IAS, and to delegate this responsibility to an endorsement body. The intention is to delegate these functions to a newly-formed independent UK endorsement body.

For financial years beginning after the implementation period completion day, UK incorporated companies that do not apply UK GAAP will use UK-adopted IAS rather than EU IFRS. On the implementation period completion day, UK-adopted IAS will be identical to EU IFRS, but there is the potential for divergence if different endorsement decisions are made. UK incorporated entities with securities admitted to trading in the EEA may need to confirm they have followed both frameworks.

Until then, companies that are required or choose to apply EU IFRS will in general continue to apply those standards. Any new or amended standards adopted by the EU

during the transition period can continue to be used, but not those adopted afterwards. However, where a company is due to file its accounts for the relevant financial year after the transition period, that company may choose to apply UK-adopted IAS, including any new or amended accounting standards adopted by either the BEIS Secretary of State, or the UK endorsement body. If a company takes advantage of this option, it will be required to clearly state this fact when preparing its accounts for that financial year.

The above is based on existing legislation as at the time of writing, however there may be some further changes during the transition period as a result of any subsequent agreements reached between the UK and the EU or decisions taken under UK and/or EU law.

4.3 Americas

4.3.1 US

See 3.2 above for a discussion of the status of US adoption of IFRS.

4.3.2 Canada

For publicly accountable enterprises, the Accounting Standards Board (AcSB) adopted IFRS as Canadian GAAP for fiscal years beginning on or after 1 January 2011, with some deferrals for certain types of entities, which have now expired, and with the exception of pension plans and benefit plans that have characteristics similar to pension plans. Such plans follow the accounting standards for pension plans issued by the AcSB as of 1 January 2011, rather than IAS 26 – *Accounting and Reporting by Retirement Benefit Plans.*

The definition of 'publicly accountable enterprises' is essentially the same as 'publicly accountable entity' in IFRS for SMEs. Canadian publicly accountable enterprises that are registered with the US SEC are permitted to apply US accounting standards rather than IFRS. Securities regulators have indicated that they will consider permitting the use of US standards by Canadian rate-regulated entities that file with Canadian securities commissions even if they are not SEC registered. A number of these entities have been granted permission to use US standards.

For non-publicly accountable enterprises and not-for-profit organisations, the AcSB has developed new bases of accounting that are derived from Canadian standards rather than IFRS, although IFRS is also available for use by those entities on a voluntary basis.

The adoption of IFRS in Canada for publicly accountable enterprises means that the AcSB has effectively ceased to make final decisions on most matters affecting the technical content and timing of implementation of standards applied to publicly accountable enterprises in Canada. The AcSB's plans for incorporating new or amended IFRS into Canadian standards include reviewing all IASB documents issued for comment. As part of this process, the AcSB seeks the input of Canadian stakeholders by issuing its own 'wraparound exposure draft' of the IASB proposals, together with a document highlighting the key elements of the IASB proposals that are particularly relevant to Canadian stakeholders. In addition, the AcSB may perform outreach activities such as public roundtables. Any changes to IFRS must be approved by the AcSB before becoming part of Canadian GAAP.

While the AcSB retains the power to modify or add to the requirements of IFRS, it intends to avoid changing IFRS when adopting them as Canadian GAAP. Accordingly, the AcSB does not expect to eliminate any options within existing IFRS. As issues relevant to Canadian users of financial information arise in the future, the AcSB will work to resolve them through the Interpretations Committee or the IASB. In the event that a resolution by the Interpretations Committee or IASB is not possible, the AcSB will stand ready to develop additional temporary guidance.

The AcSB has an IFRS Discussion Group to provide a public forum to discuss the application of IFRS in Canada and to identify matters that should be forwarded to the Interpretations Committee for further consideration. The Group does not interpret IFRS or seek consensus on its application in Canada. It meets in public up to four times per year and has generated several submissions for the Interpretations Committee's agenda.

4.3.3 Brazil

Local accounting standards in Brazil (CPCs) have been converged with IFRS since 2010 and public companies regulated by the 'Comissão de Valores Mobiliários' (CVM) are also required to make a formal statement of compliance with IFRS as issued by the IASB for their consolidated financial statements. The previous exception for homebuilding companies, which were temporarily permitted to continue to apply IAS 11 – *Construction Contracts* – rather than IAS 18 – *Revenue* – under IFRIC 15 – *Agreements for the Construction of Real Estate*, was eliminated with the adoption of IFRS 15 – *Revenue from Contracts with Customers*. However, at the time of writing local regulators are still discussing how IFRS 15 should be applied for the homebuilding industry and the financial statements of entities in the industry do not refer to IFRS as issued by the IASB as the basis of preparation.

Banks are regulated by the Brazilian Central Bank, which continues to require preparation of financial statements under its pre-existing rules. However, larger companies, as defined by law, including banks, are also required to prepare annual financial statements in accordance with IFRS since 2010, which must be made publicly available. Insurance companies were required to adopt the local CPCs, and hence IFRS, in 2011.

Non-public companies outside financial services are required to apply the CPCs. Smaller non-public companies are permitted to apply CPCs for SMEs which is an equivalent of IFRS for SMEs.

4.4 Asia

4.4.1 China

4.4.1.A Mainland China

The Ministry of Finance in China (the MOF) – through its Accounting Regulatory Department – is responsible for the promulgation of accounting standards, which are applicable to various business enterprises.

Representatives of the China Accounting Standards Committee (CASC), which falls under the Accounting Regulatory Department of the MOF, and the IASB met in Beijing in November 2005 to discuss a range of issues relating to the convergence of Chinese

accounting standards with IFRS. At the conclusion of the meeting, the two delegations released a joint statement (2005 Beijing Joint Statement) setting out key points of agreement, including the following:

- the CASC stated that convergence is one of the fundamental goals of its standard-setting programme, with the intention that an enterprise applying Chinese accounting standards should produce financial statements that are the same as those of an enterprise that applies IFRS; and
- the delegation acknowledged that convergence with IFRS will take time and how to converge with IFRS is a matter for China to determine.

Since February 2006, the MOF issued a series of new and revised Accounting Standards for Business Enterprises (ASBE), which included the Basic Standard and 41 specific accounting standards. In April 2010, the MOF issued the *Road Map for Continual Convergence of the ASBE with IFRS* (the MOF Road Map), which requires the application of ASBE by all listed companies, some non-listed financial enterprises and central state-owned enterprises, and most large and medium-sized enterprises. The MOF Road Map also states that ASBE will continue to maintain convergence with IFRS.

In November 2015, representatives of the Trustees of the IFRS Foundation and the MOF held a bilateral meeting in Beijing, China. During the meeting, both parties noted the success of 2005 Beijing Joint Statement, between CASC and IASB. It is the view of both parties that 2005 Beijing Joint Statement has achieved its objectives. In particular, the ASBE is now substantially converged with IFRS and the use of those standards has significantly enhanced the quality and transparency of financial reporting in China. Recognising these developments, both parties updated the 2005 Beijing Joint Statement to reflect progress made in China and set out the following bases for future cooperation:

- reaffirming the goal of full convergence;
- enhancing continued cooperation; and
- establishing a joint working group for further cooperation.

To maintain continuous convergence with IFRS, during the period from July 2019 to June 2020, the MOF released (1) application guidance for non-monetary transactions and debt restructurings, which are based on the general principles of IFRS; (2) interpretations for clarified definition of related party, new definition of business and introduction of optional concentration test, which are consistent with IFRS; and (3) regulation on the accounting for coronavirus-related rent concessions, which is generally consistent with *Covid-19-Related Rent Concessions – Amendment to IFRS 16* released on 28 May 2020, except that practical expedient is also granted to lessors, but entities with securities listed on markets other than Mainland China are not allowed to apply the relief to lessor accounting.

ASBE, to a large extent, represents convergence with IFRS, with due consideration being given to specific situations in China. ASBE covers the recognition, measurement, presentation and disclosure of most transactions and events, financial reporting, and nearly all the topics covered by current IFRS. Most of ASBE is substantially in line with the corresponding IFRS, with a more simplified form of disclosures. ASBE and IFRS can be largely harmonised by selecting appropriate accounting policies with supplemental disclosures which satisfy the requirements of both sets of accounting standards.

However, there are ASBE standards that do not have an IFRS equivalent, such as accounting for common control business combinations, and there are certain standards that restrict or eliminate measurement alternatives that exist in IFRS. For example, the ASBE on investment property permits the use of the fair value model only when certain strict criteria are met. Furthermore, the more significant divergence from IFRS is that the ASBE on impairment of assets prohibits the reversal of an impairment loss for long-lived assets in all situations.

4.4.1.B Hong Kong

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the principal source of accounting principles in Hong Kong. These include a series of Hong Kong Financial Reporting Standards, accounting standards referred to as Hong Kong Accounting Standards (HKAS) and Interpretations issued by the HKICPA. The term 'Hong Kong Financial Reporting Standards' (HKFRS) is deemed to include all of the foregoing.

HKFRS was fully converged with IFRS (subject to the exceptions discussed below) with effect from 1 January 2005. The HKICPA Council supports the integration of its standard-setting process with that of the IASB.

Although the HKICPA Council has a policy of maintaining convergence of HKFRS with IFRS, the HKICPA Council may consider it appropriate to include additional disclosure requirements in an HKFRS or, in some exceptional cases, to deviate from an IFRS. Each HKFRS contains information about the extent of compliance with the equivalent IFRS. When the requirements of an HKFRS and an IFRS differ, the HKFRS is required to be followed by entities reporting within the area of application of HKFRS. However in practice, exceptions to IFRS are few and relate to certain transitional provisions.

Certain smaller companies or groups meeting the necessary requirements and size criteria are permitted (but not required) to adopt the HKICPA's locally developed small and medium-sized financial reporting framework and financial reporting standards.

4.4.2 Japan

Gradual convergence of Japanese GAAP and IFRS has been ongoing for a number of years; however, full mandatory adoption of IFRS in Japan has been put on hold for the time being.

In June 2009, the Business Advisory Council (BAC), a key advisory body to the Financial Services Agency, approved a roadmap for the adoption of IFRS in Japan. This roadmap gives the option of voluntary adoption to companies that meet certain conditions.

In June 2013, the BAC published the Interim Policy Relating to IFRS (the Policy), which further encourages the voluntary adoption of IFRS. The Policy states that although it is not yet the right time to determine whether or not to require mandatory implementation of IFRS in Japan, the BAC recognises that it is important to expand greater voluntary adoption of IFRS in Japan. Accordingly, conditions for voluntary adoption of IFRS have been relaxed, and some other measures have been taken to make the dual reporting of IFRS in consolidated financial statements and Japanese GAAP in standalone financial statements less of a burden on preparers.

The ruling Liberal Democratic Party (LDP) issued the Statement on Approach to IFRS (the Statement) in June 2013. In contrast to the Policy issued by the BAC, the Statement puts more emphasis on preparation for the future adoption of IFRS. The Statement highlights key points to expand greater voluntary adoption of IFRS in Japan.

IFRS as issued by the IASB is the basis of voluntary adoption of IFRS in Japan, but a further endorsement mechanism was put in place in 2015. It is contemplated that under this endorsement mechanism, each IFRS would be reviewed and amended only after careful consideration of situations specific to Japan. However, the endorsement mechanism has also been used to introduce a 'carved-out version' of IFRS to make transition to IFRS as issued by the IASB easier for Japanese companies. In June 2015, Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRS standards and the ASBJ Modifications were issued by the Accounting Standards Board of Japan (ASBJ). Since then JMIS has been periodically updated and the latest endorsement was finalised in December 2018 taking into account IFRS issued by the IASB until 31 December 2017, but excluding IFRS 17. JMIS differs from IFRS in that it requires goodwill to be amortised and requires all items recorded in other comprehensive income be recycled to profit or loss eventually. At the time of writing, no Japanese companies have announced plans to apply JMIS. It should be noted that despite the introduction of JMIS, there is no change in the option of Japanese companies to be able to use IFRS as issued by the IASB if they so elect.

As a result, the number of the companies adopting IFRS in Japan voluntarily (including those who have officially announced their plan to adopt IFRS in the future) increased to 223 as of July 2020, mostly larger companies. Although a small percentage of listed companies, the companies that have adopted or officially announced that they will adopt IFRS represent a significant and growing part of the market capitalisation of the Tokyo Stock Exchange, accounting for around 40% of the total market capitalisation at the time of writing.

4.4.3 India

Accounting standards in India are formulated by the Institute of Chartered Accountants of India (ICAI). The central government prescribes the standards of accounting or any addendum thereto, as recommended by the ICAI, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority (NFRA). The Ministry of Corporate Affairs (MCA) notifies the standards under the Companies Act by publishing them in the Gazette of India. Notified standards are authoritative under Indian law. Until the financial year ended 31 March 2016, all companies registered under the Companies Act were required to follow local GAAP known as Accounting Standards (ASs), which are based on old versions of IFRS and contain many key differences from IFRS.

In February 2015, the MCA notified the Companies (Indian Accounting Standards) Rules, 2015 laying down the roadmap for application of IFRS converged standards, known as Indian Accounting Standards (Ind AS), to Indian companies other than banking companies, insurance companies and non-banking finance companies (NBFCs). The Ind AS standards have also been notified.

In January 2016, the MCA issued the phasing-in dates of Ind AS applicability for NBFCs. The Reserve Bank of India also issued the Ind AS applicability dates in phases for banks starting from 1 April 2018. However, pending necessary legislative amendments and considering the level of preparedness of many banks, implementation of Ind AS to the banks has been deferred till further notice. The Insurance Regulatory and Development Authority of India initially expected Ind AS to be applied to insurers from the same date as banks. However, due to the issuance of IFRS 17 by the IASB, it was decided that the effective date of implementation will be decided after the finalisation of IFRS 17 by the IASB. All companies applying Ind AS are required to present comparative information according to Ind AS for at least one year. Ind AS will apply to both standalone financial statements and consolidated financial statements of companies covered under the roadmap.

Companies not covered under the roadmap can either apply Ind AS voluntarily or continue applying existing standards, i.e. ASs. If Ind ASs are applied voluntarily, this option will be irrevocable. Voluntary adoption of Ind AS is permitted for all companies other than NBFCs. In 2009, the Securities and Exchange Board of India, the securities regulator in India, permitted listed companies with subsidiaries to submit their consolidated financial statements in accordance with IFRS as issued by the IASB. Few companies in India have availed themselves of this option, which is no longer available for companies.

4.5 Australia

Australia has a regime in which IFRS standards are issued under its legal framework as Australian Accounting Standards (AAS). These are essentially word-for-word copies of IFRS ('IFRS equivalent'). AAS also include some additional Australian specific paragraphs for not-for-profit and public sector entities.

In addition to the IFRS equivalent AAS, there are some additional Australian specific standards for entities such as superannuation entities, general insurance and life insurance entities (the insurance standards will be replaced by AASB 17 – *Insurance Contracts*, which is equivalent to IFRS 17, once effective), not-for-profit entities and public sector entities and some additional disclosures exist within certain standards.

Compliance by Australian private sector for-profit entities with AAS will result in compliance with IFRS as issued by the IASB, unless they are not publicly accountable and elect to apply the Reduced Disclosure Requirements (RDR) framework. Explicit statements of compliance with IFRS – when they are compliant – are required to be made by the preparers (in the notes to the financial statements and in the Directors' Declaration required by the Corporations Act), as well by the auditors in their reports. Not-for-profit and public sector entities cannot make an explicit statement of compliance with IFRS, as they have other Australian specific accounting standards and Australian specific paragraphs to comply with in preparing financial statements.

Australia has not adopted the *IFRS for SMEs* standard, and it is unlikely to do so in the near future because of measurement differences and the removal of options as compared to IFRS. Australia has a RDR framework for reporting entities that are not publicly accountable (per the IFRS for SMEs definition). This framework requires such entities to apply all recognition and measurement requirements of AAS, but provide

RDR disclosures. The RDR disclosures are specified and were chosen based on the principles adopted by the IASB in its development of the *IFRS for SMEs* standard. Financial statements prepared under the RDR are general purpose financial statements, but will not be in compliance with IFRS as issued by the IASB. From 1 July 2021, the RDR framework will be replaced by the Simplified Disclosure Standard (SDS). SDS is more closely based on the disclosures of the *IFRS for SMEs* standard, with an overlay of certain Australian specific disclosures.

Australia also permits non-reporting entities (as defined by AAS) to prepare special purpose financial statements. Preparers are encouraged to follow the recognition and measurement requirements of AAS but have flexibility as to the level of disclosure they choose to provide. From 1 July 2021, the ability for private sector entities to prepare special purpose financial statements will be removed when financial statements are required by either Australian legislation to comply with AAS or 'accounting standards'; or another means (e.g. constitution) to comply with AAS. These entities will be required to prepare general purpose financial statements.

4.6 South Africa

For periods beginning on or after 1 January 2005, the South African securities exchange, JSE Limited (JSE), has required that all listed companies prepare financial statements under IFRS.

Effective 1 May 2011, the South African Companies Act permits different accounting frameworks to apply to different categories of companies based on their 'public interest score'. Listed companies are required to use IFRS, however other companies (depending on their public interest score) may apply IFRS, IFRS for SMEs, or in certain situations (introduced, in particular, for micro-entities) entity specific accounting policies as determined by themselves.

In addition to the disclosure requirements of IFRS and IFRS for SMEs, the South African Companies Act and the JSE impose certain additional disclosure requirements on reporting entities. Further, the previous South African standard setter – the Accounting Practices Board – has issued three Financial Reporting Guides. While these interpretations are specific to issues in the South African environment, IFRS reporters in South Africa make use of them as they are based on a framework equivalent to that used for IFRS. These are updated for developments in IFRS.

5 CONSISTENCY IN APPLICATION OF IFRS

The use of a consistent set of accounting standards by companies throughout the world has the potential to improve the comparability and transparency of financial information. The provision of higher quality information has been shown to reduce financial statement preparation costs and, it is believed, to enable capital markets participants to make better decisions. The global adoption of IFRS is a necessary condition for global comparability, but, on its own, it is insufficient. Global comparability cannot be achieved without a rigorous and consistent application of the standards. However, consistent application of the standards cannot be achieved unless countries adopt IFRS without modifying the standards issued by the IASB.

Studies into the impact of the use of IFRS indicate reduced cost of capital and improvements in share prices and trading, resulting in part from increased disclosure and enhanced information comparability. However, the research concludes that these improvements occur in countries with strong legal enforcement.[80] The adoption of IFRS alone is, therefore, unlikely to produce uniform financial reporting. The standards need to be applied, audited and enforced on a consistent basis in order to get the most out of comparability.[81]

Practitioners and regulators agree that enforcement of accounting standards is an integral part of achieving accounting quality under IFRS. With this in mind, ESMA has agreed on common enforcement priorities and has made the consistent application of IFRS one of its primary objectives. In December 2014, ESMA's guidelines on enforcement of financial information (the Guidelines) became effective. They replace earlier versions of the guidelines from ESMA and its predecessor, the Council of European Securities Regulators (CESR). The Guidelines apply to all EU national competent authorities and other bodies in the EU that undertake enforcement responsibilities. The Guidelines build on a common approach to the enforcement of financial information and reinforce coordination among European enforcers. In addition, the Guidelines codify European common enforcement priorities and include a requirement to discuss views on accounting matters prior to taking enforcement decisions.[82]

In addition to enforcement, ESMA contributes to the standard-setting process by engaging with the IASB and the Interpretations Committee by submitting comment letters and identifying areas of diversity in practice (including areas in which a lack of clarity in standards could lead to diversity in practice). In addition, the IFRS Foundation and ESMA have entered into a joint Statement of Protocols, which reaffirms the cooperation between the two entities as well as describes additional areas of cooperation including electronic reporting, the implementation of new standards and emerging financial reporting issues.[83]

The IFRS Foundation and IOSCO have entered into a joint Statement of Protocols to facilitate consistency in the application of IFRS. This is in addition to the memorandum of understanding between the capital markets authorities that formed the Monitoring Board (see 2.3 above) and the IFRS Foundation.[84]

The SEC stresses the importance of enforcing IFRS, not only through its filing review process of foreign private issuers, but also through its collaboration with foreign counterparts bilaterally and through IOSCO.[85]

Although consistent application of IFRS is not the primary responsibility of the IASB, it understandably takes a keen interest. The ASAF was established (see 2.8 above) to coordinate interaction with national and regional standard-setting bodies to, among other things, identify where divergence occurs across borders.[86] The post-implementation reviews of all major standards and interpretations are intended to identify and rectify difficulties in consistency that are identified only after the standard is used. The Interpretations Committee plays a key role as well.

Much has been written about consistency in IFRS, but a recurring message is that it requires a coordinated effort by standard-setters, preparers, regulators and auditors.

6 SUMMARY

IFRS is now, together with US GAAP, one of the two globally recognised financial reporting frameworks. Although the goal of a single set of high-quality global accounting standards has not been fulfilled, given the number of countries that have adopted or converged with IFRS or have plans to in the future, it is safe to say that IFRS has become 'International GAAP'.

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