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Preface

If I had to summarize the essence of our mission in five words, I would say it is “building trust in financial markets.” The public interest in our work goes beyond serving the information needs of investors. We protect and strengthen the very fabric of trust in our market economies.

(Hans Hoogervorst, Chairman, International Accounting Standards Board, 2014¹)

The Global Accounting Environment

The role of efficient markets in facilitating continued global economic growth is an economic policy concern of governments around the world. It has been recognized that national differences in accounting standards and lack of transparency in financial reporting impede the efficient allocation of capital—an essential element for economic growth—by adding unnecessary risk and cost to investors. That is why the G20 Leaders, the International Monetary Fund, the World Bank, the Financial Stability Board and IOSCO have expressed their support for the IFRS Foundation’s mission of a single set of high quality global accounting standards (Prada 2014).

The evolution of uniform financial reporting standards has been an inevitable consequence of ever-increasing economic globalization. Recent research conducted by McKinsey & Co. revealed that more than one-third of all financial investments now involve international transactions (McKinsey 2014). It concluded that the total volume of global flows could triple in the next decade, powered by a combination of rising prosperity, the participation of the emerging world, and technological progress. Given these inexorable trends, financial information that is relevant, reliable and comparable is needed to permit the efficient allocation of capital, and for increased trust and confidence in capital markets.

The IFRS Foundation’s primary mission is to develop a single set of high quality, understandable, enforceable and globally accepted International Financial Reporting Standards (IFRS), based upon a clearly articulated, coherent set of foundational principles. Although a single, global language of financial reporting is now widely supported around the world, the controversy has come in determining what that single, global set of standards should be. This has been significantly complicated by differences in business and financial cultures among countries, as well as in accounting and auditing traditions and regulatory environments.

Progress toward Global Standards

IFRS has been widely accepted around the world and has unquestionably improved international financial reporting transparency and comparability, impacting both the amounts and patterns of