



**Advantages  
you will see of IFRS**

IFRS or International Financial Reporting Standards as would be the associated expansion of this acronym is a globally accepted accounting standard. It is a precise set of preparing reports and financial statements that help read the company data in a fashion observed worldwide. The advantages of this approach in the global business world are elaborated below.

**1. Easy Comparison** - Globalization to start with! The main advantage of IFRS is it allows the comparison of different companies, as data is presented on the same basis. All countries have their own Generally Accepted Accounting Principles (GAAP) which is used to evaluate and make the financial statements, this data varies in all countries depending on their basic guidelines and principles hence making comparison with competition or otherwise unfeasible. When all companies follow the same accounting pattern which is with IFRS, this process of comparison and analyses thus becomes possible.

**2. Developing a Unified Set of Accounting and Reporting Standards** - With a single set of accounting framework, the understanding of accounting procedures can be broken down from its complexity to a standard procedure. It also facilitates better understanding and efficient reporting of financial data.

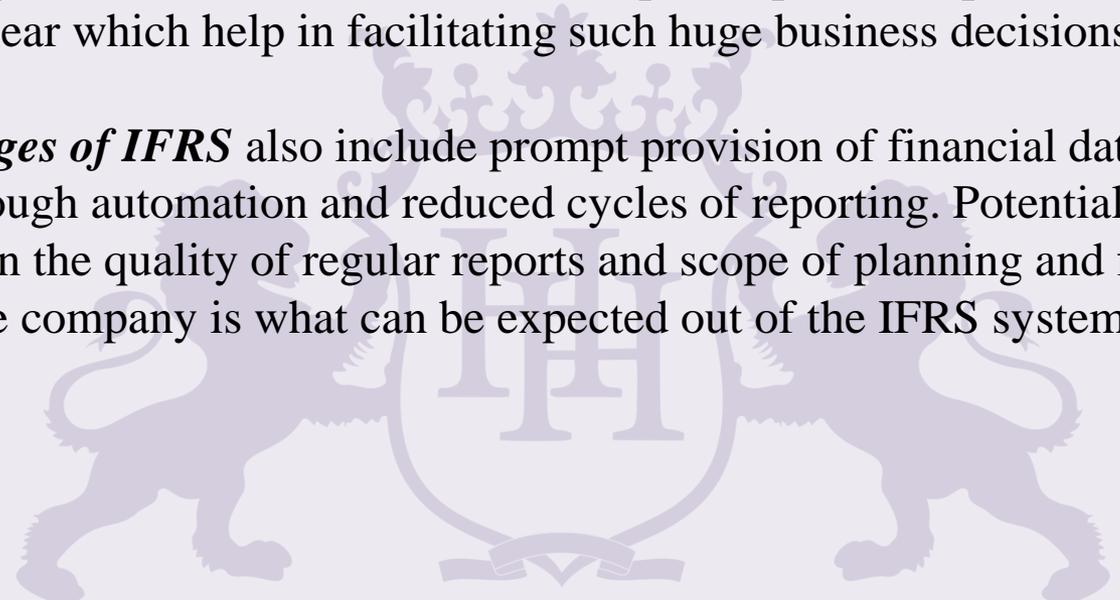
**3. Highly transparent and globally enforceable reporting** - IFRS works on a principle based philosophy rather than a rule based philosophy. The rules philosophy could prove to be in favor of one entity or for a particular period of time and bad for the opposite entity or another stretch of time. Whereas working over principles, there is equality and transparency in the picture. IFRS also takes into account substance along with the legal form. It makes sure that the complete and relevant information is present in the financial statement, always providing a transparent picture with the least scope of manipulation.

**4. Encourages cross border transactions and investments** - With a framework that everybody can understand in the different parts of the world, the financial statements are more recognizable for investors and potential collaborators, which brings about trade on a global level and facilitates business growth. It builds a great amount of trust amongst all the parties involved, which is the buyers and suppliers, or the investors and investees since the single set of accounting makes the current position of each entity extremely clear and transparent. This also helps to build the confidence of the company's global stakeholders.

**5. Facilitate international acquisitions and mergers** - With the increased exposure to the global market; access to foreign companies has become easier and more approachable.

This has shown an increased trend in making way for more foreign capital drawn in, in the forms of acquisitions and mergers with bigger brands and multinationals. IFRS is the key to reporting statements that are globally understood and can be analyzed and assessed by the financial authorities, a transparent picture is provided and risk involved are clear which help in facilitating such huge business decisions.

Other *advantages of IFRS* also include prompt provision of financial data, shortened time taken through automation and reduced cycles of reporting. Potential improvement in the quality of regular reports and scope of planning and forecasting revenues of the company is what can be expected out of the IFRS system of reporting.



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EDUCATION

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