

INTERNATIONAL FINANCIAL REPORTING STANDARDS UPDATES AND CHALLENGES

Nana SRESELI

Ivane Javakhishvili Tbilisi State University, 2 University St. 0177 Tbilisi Georgia
nana.sreseli@tsu.ge

Rusudan SRESELI

Ivane Javakhishvili Tbilisi State University, 2 University St. 0177 Tbilisi Georgia
rusamate@gmail.com

Abstract:

The International Financial Reporting Standards Foundation is a public interest foundation focused on designing and implementing standards that are compatible, comprehensive, and understandable all across the globe. IFRS has been continuously transforming its policies amid covid-19 and post-pandemic as well. We have critically analyzed the updates on IFRS standards by peeking into 2021 highlights. IFRS made progress by enhancing stakeholder engagement, efficient governance, and strategy, more focus on the growth and development of people, as well as Digital Financial, Reporting in 2021. It is now finalizing its plan for 2022-2026, considering the Third Agenda Consultation. There are many benefits to the implementation of IFRS, but there are a few challenges that come with its implementation as well

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I. WHAT IS IFRS?

The International Financial Reporting Standards Foundation is a non-profit institution focused on public interest and welfare and highly dedicated to establishing standards that are comprehensive, adaptable, and widely accepted around the globe. The IFRS Foundation is also responsible for promoting and implementing these designed standards. There are two standard-setting institutions- these include IASB and IISB that are freshly formed. IASB is responsible for determining the Accounting Standards, whereas ISSB is responsible for promoting and determining Sustainability Disclosure Principles.

The International Financial Reporting (IFRS) focuses on determining and defining how an organization generates and manages its financial accounts. The International Financial Reporting and Sustainability Disclosure Principles are determined by the International Sustainability how an organization reveals information regarding sustainability-related variables that can build up or hinder a company's potential to continue creating value. International Financial Reporting Standards Foundation is focused on making standards that provide efficiency, accountability, and adaptability to financial markets on an international level. This is a public interest organization that focuses on public social welfare by enhancing global economic trust and increasing overall financial stability across the globe.

The International Financial Reporting Standards (IFRS) are designed to improve cross-border consistency and content of accounting data. Traders and investors will be able to make more informed financial judgments due to this. The International Financial Reporting (IFRS) also contributes to greater transparency by bridging the information gap between capital sources and the recipients of those resources. Our Standards provide the information needed to hold managers accountable. The IFRS Standards are used by authorities worldwide as a source of consistent and comparable statistics. The International Financial Reporting Standards (IFRS) improve economic success and financial stability by aiding investors in making informed and responsible financial decisions.

Preview of 2021:

The IFRS Foundation has announced that the Climate Disclosure Standard Board (CDSB) and the Value Reporting Foundation (VRF) will become a part of IFRS. In addition, the Technical Preparation Working Group has drawn out a prototype climate and essential reporting criteria, which we have released. This Technical Readiness working group is well-versed in integrated reporting requirements and can assist in meeting the needs of investors. The ISSB will have a reach all across the world with substantial duties in Montreal and extra resources in London and

San Francisco. The ISSB's Asian agenda is now being debated. All stakeholder groups from across the world reacted positively to the news made at COP26.

Some of the achievements for 2021 are:

Stakeholder Engagement:

- In 2021, IFRS witnessed increased stakeholder involvement not just in board meetings but also while examining strategic objectives and implementing strategic decisions. Stakeholders were particularly committed to the subject of sustainability disclosures handled by ISSB.

- Managed to conduct outreach on documents published by Trustees' Report.
- Hosted a large international conference with over 140 participants from 70 nations and 30+ presenters.

Governance and Strategy:

- Made necessary changes to Constitution to incorporate the development of ISSB within the official framework.

- Continued working on the sustainability disclosure project, which resulted in the creation of ISSB.

- The successful shift of authority from Hans to Andreas as head of the International Accounting Standards Board.

- High engagement with the Board members.

Development of People:

- In 2021, the focus was on developing well-skilled and trained staff through training and coaching programs.

- Supported staff during the covid-19 crisis and continued to take care of them.
- The supported staff through a management change and integration of ISSB through efficient communication between the staff and management.

Digital Financial Reporting:

- increased collaboration with partners in the digital reporting community to aid with the digital consumption of financial information

- investigated digital implications for some IASB presentation and disclosure concepts
- aided authorities by employing or trying to implement the IFRS Accounting categorization
- established IFRS Accounting Taxonomy updates reflecting requirements in IFRS Accounting rules issued during the year and technological advancements

Looking Ahead:

For 2022, IFRS has the main objective of constructing the next board of directors meticulously and at a rapid speed. It is focused on establishing the staff, membership, and leadership while engaging close to jurisdictions all across the globe. IFRS is looking forward to welcoming Emmanuel Faber to the team. IFRS is also thrilled to see the ISSB grow under his leadership. Along with that, IASB's work will continue, and all focus will be on carrying out the plan for 2022.-to 2026. As we know that the International Sustainability Standards is newly formed, here is a timeline for how it came into existence.

THE ROUTE TO FORMING THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD



Figure 1 - 2022 Priorities

Trustees and IFRS Foundation:

- The main objective is to complete the combination of CDSB and VRF, including defining an operational model, by appointing the first ISSB and new IASB members and utilizing all resources and expertise from all organizations.
- For the ISSB implanting a multi-location model.
- More focus on the growth, development of people, and social welfare and providing the essential support to stakeholders.
- Incorporate virtual stakeholder engagement practices during the pandemic after the pandemic as well.
- Monitoring and analyzing the performance of the hybrid working style will allow IFRS to make amends to its current working style.
- Foundation is considering self-reporting, analyzing, and reporting on its performance.

ISSB:

- In 2022, ISSB should establish operations and decision-making processes.
 - ISSB will publish general disclosure requirement standards and drafts of proposed climate disclosure for public opinion and consultation.
 - Consultation on a recommended category that matches the suggested environment and general disclosure guidelines.
 - Before publishing the climate and general reporting required guidelines, perform a comprehensive review of public comments.
- Debate with the public on future ISSB priorities
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 - They are working closely with the IASB to ensure that IFRS Accounting Rules and IFRS Environmental Disclosure Standards are compatible.

IASB:

- IASB will give a final statement due to the Third Agenda Consultation and finalize the plan for 2022-2026. It will include all the strategic objectives and thorough planning that will be considered on the agenda for the coming years.
- By including both primary financial statements and secondary financial statements and following technical accounting initiatives.
- Focusing on advocating for the uniform implementation of Accounting Standards IFRS.
- Always looking for solutions to improve the situation.
- Taking on every chance to improve the International Financial Reporting Standards (IFRS).
- Working closely with IASB to make sure there is compatibility between IFRS Accounting Standards and IFRS Environmental Disclosure Standards.

II. BENEFITS AND CHALLENGES FACED BY IFRS**Benefits:**

For many years, according to Izedonmi (2011), a uniform global financial reporting system has been needed. For huge companies with operations in several countries, having a global standard is essential. By allowing a business to adopt a single reporting language across all divisions, adopting a single set of international standards would simplify accounting. If there is a universal set, investors and auditors will be able to examine the entire financial picture. And achievable. He cited the following arguments in support of IFRS adoption:

- Worldwide economic cooperation.
- Financial markets are becoming more interdependent.
- There are no impediments to capital flow across national borders.
- Greater capital mobility across geographical boundaries
- Companies have multiple capital market listings, both within and beyond their home jurisdiction.
- Stakeholders' constant desire for higher-quality data and more accountability.

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simplify accounting. If there is a universal set, investors and auditors will be able to examine the entire financial picture. According to Schachler (2012), the IFRS framework's implementation has acquired such momentum due to the expected benefits of accounting numbers in income statement transparency, consistency, reliability, and comparability. The International Financial Reporting (IFRS) suggests that sufficient data is high quality, clear, and consistent. This is advantageous to international organizations because it allows investors, creditors, financial analysts, and other users of the financial statements to assess the effectiveness of their investments comprehensively. (Latifah, I., Asfadillah, C., & Sukmana.R., 2012; Carson and Dowling, 2010; Latifah, I., Asfadillah, C., & Sukmana.R., 2012).

III. CHALLENGES

The adoption of IFRS Standards is fraught with challenges. Many firms have centered their transformation efforts on overcoming the compliance problems that arose with IFRS implementation. Many companies believe that the International Financial Reporting (IFRS) has resulted in a steady rise in annual accounting and compliance costs. As a result, some businesses are still using accounting practices from older Generally Accepted Accounting Principles. As a result, it's essential to highlight both the advantages and the limitations so that stakeholders may better understand why IFRS was chosen. Several studies have expressed opposing views on the importance of Implementing IFRS in emerging and developing nations.

According to studies, a small subset of accounting principles should be adopted. Standards cannot reflect the inequalities in national business. Different practices arise from changes in institutions and cultures. Because of its relatively high cost, IFRS adoption is anticipated to be less appealing in countries with poor governance institutions. Implementation issues include timely interpretation of standards, IFRS changes, accounting knowledge and experience possessed by financial statement users, preparers, auditors, authorities, and management motivation.

Based on those mentioned above, the following are some of the issues faced in the process of adopting IFRS in emerging economies:

- a lack of specific knowledge and hands-on experience.
- the need for consultation and training services
- Explain the problems encountered while applying the fair value approach
- and change costs. (transition).

Way Forward:

The IASB will focus on the following during future meetings.

- business model evaluation
- equity instruments and other comprehensive income
- revisions to contractual cash flows
- the amortized cost and the effective interest method
- other considerations relevant to IFRS 9 categorization measurement criteria.
- Working closely with IASB to make sure there is compatibility between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

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