

The role of the IASB in international financial reporting

Ann Tarca IASB Member

World Bank, Ministerial conference

Vienna 27 November 2018

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved

- 1. Scene setting:** IFRS Foundation, the IASB and IFRS Standards
- 2. Benefits of IFRS Standards:** Academic evidence – cross-border investment
- 3. IFRS Foundation and other organisations:** Rationale for co-operation

IFRS Foundation Mission Statement

To develop IFRS[®] Standards that bring **transparency, accountability** and **efficiency** to financial markets around the world.

Our work serves the public interest by fostering **trust, growth** and **long-term financial stability** in the global economy.

IFRS Foundation – 3 tier structure

Monitoring Board

Public
accountability

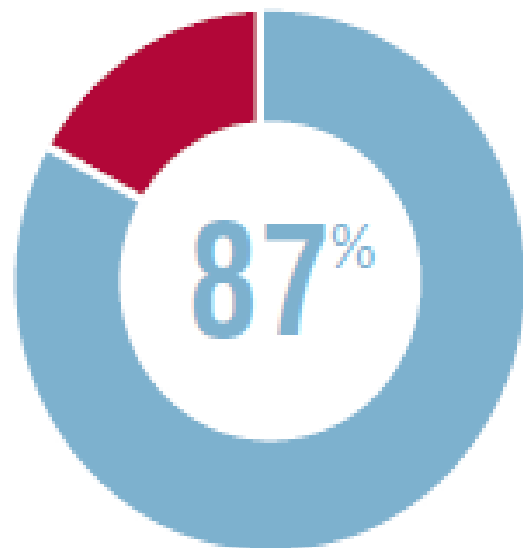
Trustees

Governance
& oversight

International Accounting
Standards Board

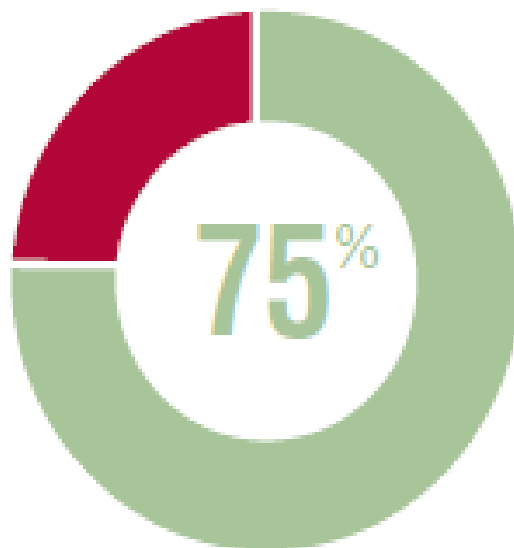
Independent
standard-setting

Use of standards IFRS and IFRS for SMEs



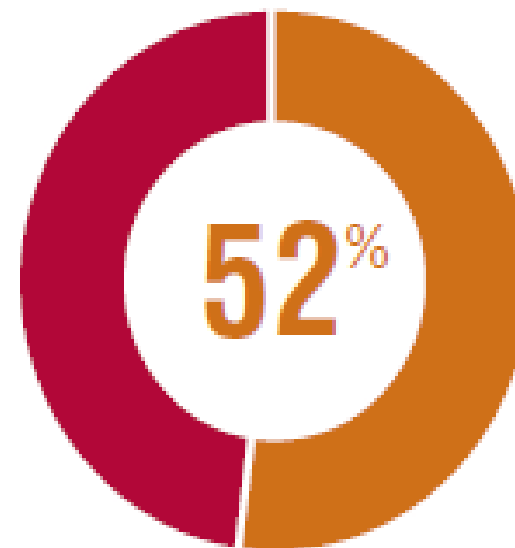
144 of **166**

jurisdictions assessed require the use of IFRS Standards



15 of **20**

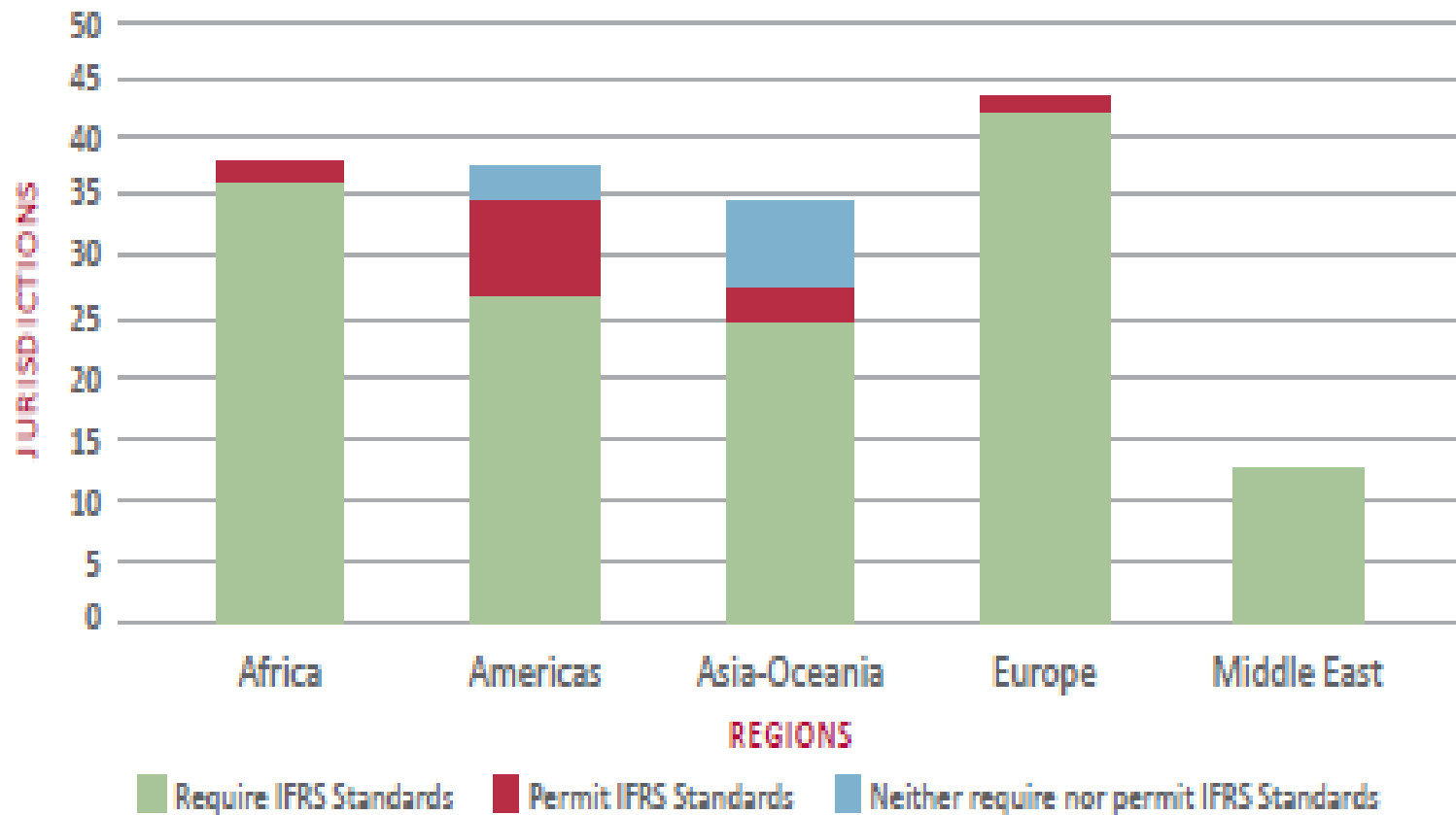
G20 economies require the use of IFRS Standards



86 of **166**

jurisdictions assessed require or permit the use of the IFRS for SMEs Standard

Use of IFRS by region 2017



Remaining major economies

Country	Status
China	<ul style="list-style-type: none">• ‘Substantially converged’ with IFRS• Most dual-listed Chinese companies already produce IFRS financial statements• October 2015 ‘Beijing Statement’ reaffirms China’s commitment to achieve full convergence
India	<ul style="list-style-type: none">• Ind AS ‘substantially converged’ with IFRS
Japan	<ul style="list-style-type: none">• Permit voluntary use of IFRS, ≈30% of total market cap now report using IFRS
United States	<ul style="list-style-type: none">• 500+ non-US companies report using IFRS• Domestic consideration stalled

Benefits of adoption of IFRS Standards

Evidence of benefits of adoption of IFRS Standards



- From early studies
 - De George and Shivakumar RAS 2016
- Improved transparency
- Lower cost of capital
- Improved cross-country investment
- Better comparability of financial reports
- Increased following by analysts

Benefits can vary...

- Benefits vary between firms and countries
- Observed benefits may reflect country setting and institutions
 - Extent of change from prior GAAP
 - Managerial incentives
 - Education and training
 - Legal institutions and enforcement of accounting standards
- Eg greater cross-border investment when implementation of IFRS ‘improves (industry) uniformity’ and is ‘credible’ [DeFond Hu, Hung and Li, JAE 2011]

Cross-border investment

[Beneish, Miller and Yohn JAAP 2015]

- Increase in foreign equity investment
 - In countries with higher: governance quality, economic development and creditor rights (prior to adoption)
 - Primarily from US
- Increase in foreign debt investment in all adopting countries
 - From US and other non-adopting countries
- Increase in investment reflects increase in financial reporting quality (rather than comparability)

Cross-border investment



- Stock ownership by foreign mutual funds increases with voluntary adoption of IAS [Covrig 2007]
- Adoption IFRS Standards decreases US investors home bias [Khurana and Michas 2011]
- Proportion of institutional ownership and number of investors increased in countries adopting IFRS [Florou and Pope 2012]
- Foreign mutual funds increased level of ownership in IFRS adopting countries [Yu and Wahid 2014]

IFRS Foundation Working with other organisations

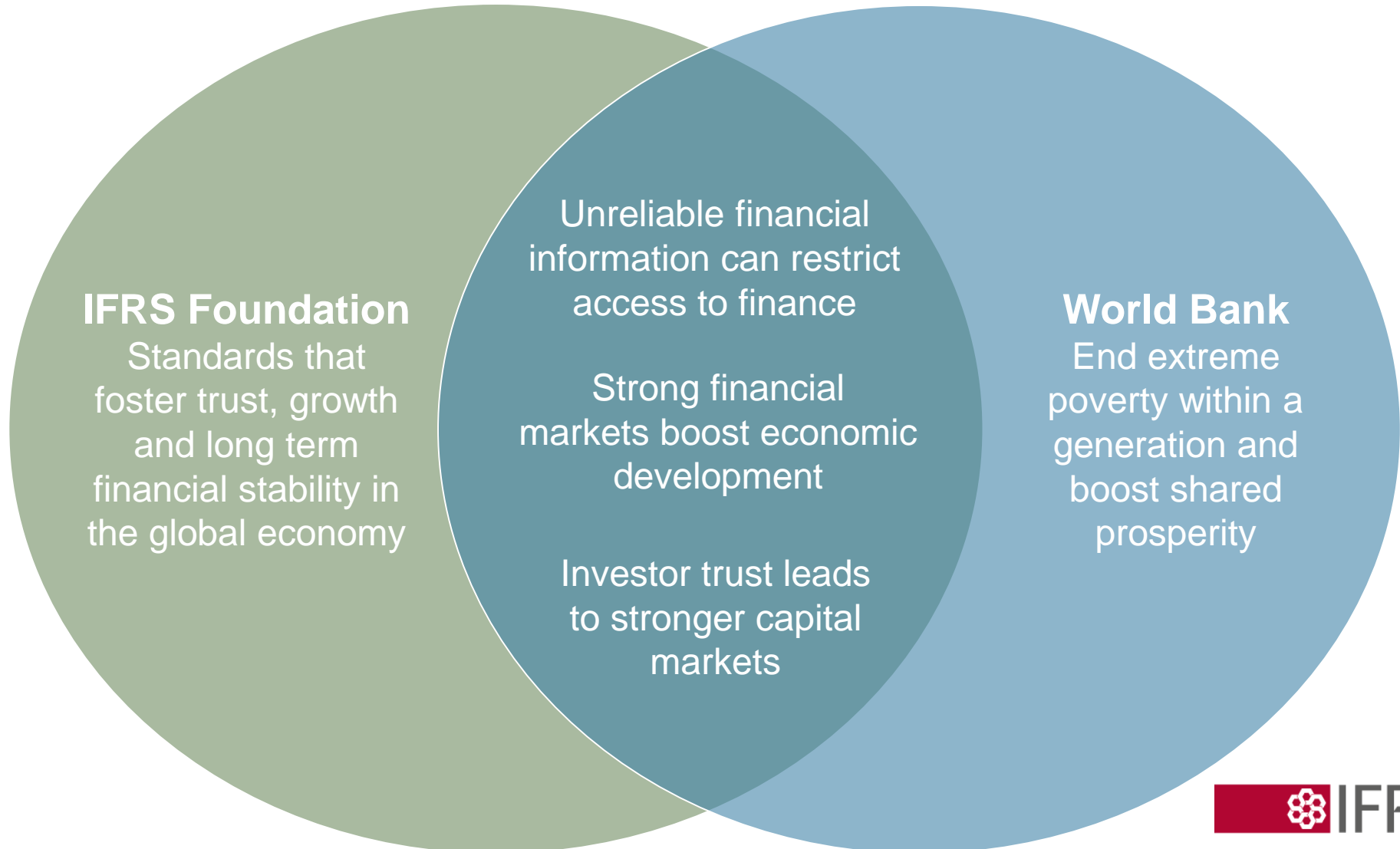
IFRS Foundation – working co-operatively



- National standard setters (Accounting Standards Advisory Forum, World Standard Setters, International Federation of Accounting Standard Setters)
- World Bank
- IOSCO, national security market regulators
- Basel Committee (Accounting Expert Group)
- Financial Stability Board
- EFRAG

World Bank and IFRS Foundation - Overlapping objectives

15



In conclusion...



- Benefits of adoption of IFRS Standards depend upon:
 - High quality standards
 - Implementation support
 - Institutional setting in adopting countries
- IFRS Foundation works with a range of organisations to produce high quality standards and to support effective implementation

Contact us

Keep up to date



@IFRSFoundation



IFRS Foundation



go.ifrs.org



IFRS Foundation

Comment on our work



go.ifrs.org/comment