IFRS: The journey so far.

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The journey in IFRS

- June 1973, IASC was established
- IASC issued IASs from 1975 up to 2001 (41)
- IASB restructured to take over from IASC from April 2001:
  - Revised all the extant IAS
  - Withdrew and replaced a number of the IASs and SICs interpretations (13 IASs)
  - Issued new IFRSs and IFRIC interpretations (14 IFRSs)
- EU adopted IAS as Europe’s accounting standards for listed companies
- By 2005, the EU’s decision triggered adoption by other countries outside of the EU: Australia, New Zealand, Hong Kong, South Africa
- Public support for global accounting standards- G20, WB, IMF
What are IFRSs?

International Financial Reporting Standards (IFRSs) are standards and interpretations issued by the International Accounting Standards Board (IASB). They comprise:

a. International Financial Reporting Standards (14);

b. International Accounting Standards (28);

c. IFRIC Interpretations (15); and

d. SIC Interpretations (8)
How is IFRS for SMEs different from IFRS?

• Much smaller in content;
• Some topics in IFRS omitted if not considered relevant to private companies;
• Where IFRS has options, only the simpler options are included;
• Recognition and measurement simplification
• Disclosure simplification
  – Disclosure checklist reduced from 3000 to only 300
• Drafting simplification
Benefits of Adopting of IFRS

• Ball (2006) and Epstein & Jermakowicz (2013).
  – Facilitates the free flow of capital by eliminating accounting risk and reducing listing requirements and costs on international stock exchanges
  – Increased cross-border financing;
  – emergence of true multinational companies;
  – a heightened willingness to cooperate across borders to enhance national, regional and even global economic strength;
  – an awareness by securities regulators around the world of the necessity for comparable data”
Benefits of Adopting of IFRS

• Epstein (2009) confirms:
  – “there is certainly empirical research evidence to support the notion that uniform financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flow” (p. 31).
Challenges in IFRS adoption

• Centralizes political pressure on the global standards setting body;
• Monopoly conferred on the global standard setting body over the standard setting process;
• A single set of global standards may not be suited to all economic environments;
• Cost of migration by local firms from existing national GAAP;
• Shifts regulatory competition from the creation of accounting standards to the interpretation, implementation, and enforcement of existing IFRS in local markets and possibly lead to regional versions of IFRS or different de facto standards.
• Note: some of these challenges have been refuted by a study done by IASB (Pacter, 2014).
Global trends in the adoption of IFRS

Pacter (2014)

Also visit [http://go.ifrs.org/global-standards](http://go.ifrs.org/global-standards) for jurisdictional profiles

- About 129 jurisdictions have adopted IFRS
  - IFRS required for listed companies in over 100 jurisdictions
  - The rest do use IFRS to some extent
  - In almost all of these jurisdictions, the audit reports refers to IFRS
IFRS in Ghana: The journey so far

• The use of British accounting standards
  – Up to 1996: SSAPs, and later FRS
  – From 1997 to 2008: GNAS
  – From 2009 to date: IFRS for PIEs
  – From 2013 to date: IFRS for SMEs for SMEs

• In January 2007, the ICAG, in collaboration with other Regulatory Bodies
  – Bank of Ghana,
  – National Insurance Commission, and
  – Securities and Exchange Commission launched the adoption of IFRS in Ghana.
Which entities should apply IFRS?

• Public Interest Entities
  – Companies which hold assets in a fiduciary capacity for a broad range group of outsiders as its primary business.
    • Banks
    • Investment banks
    • Credit Unions
    • Insurance companies
    • Mutual funds
    • Securities brokers / dealers
  – Companies listed on the stock exchange (37 in Ghana)
    • A company which has its debt or equity instruments being traded in a particular stock market
    • A company which is in the process of having its debt or equity instruments listed for trading on a particular stock market
IFRS in Ghana: The journey so far

• State of IFRS compliance
  – As at end of April 2013, all the listed entities had adopted IFRS.
  – Audit reports from the practice firms have largely not been qualified for non-compliance with IFRS.

BUT!!!!!!!!!!!!!
Monitoring compliance with IFRS

• ICAG has established an audit quality monitoring [AQM] unit:
  – to ensure that auditors who audit PIEs apply International Standards on Auditing (ISA) and
  – ensure that PIEs comply with the requirements of IFRS
  – ensure that SMEs comply with the requirements of IFRS for SMEs

• The quarterly publication of financial statements supported by the ‘facts behind the figures’ regime encouraged by the Ghana Stock exchange adds to the timeliness of information available to market participants.
The Way Forward

• PIEs need to train their reporting accountants on the IFRS.
• SMEs need to train their reporting accountants on the IFRS for SMEs.
• Audit firms need to train their reporting accountants on the IFRSs and IFRS for SMEs.
• Audit firms also need to insist that the financial reports of their clients are in compliance with the requirements of IFRS and IFRS for SMEs.
• Academia need to churn out graduates well equipped with IFRS knowledge and skills
• The joint efforts of ICAG, SEC, the Stock Exchange and other regulators at ensuring compliance cannot be over emphasized.
The Way Forward

The emerging reporting framework

• The future of financial reporting seems increasingly to be heading towards integrated reporting.
• Integrated reporting provides information not only on the financials of an entity, but also information on strategy, governance, performance, and prospects.

• The primary benefit of integrated reporting is that it allows a company to better understand, manage and report on multiple dimensions of value.

• It has been suggested that the integrated report will become an organization’s primary report, which links in with various supporting, more detailed, reports.
END PRESENTATION

Questions, comments, remarks, observations, contributions, suggestions etc.

THANK YOU