

IFRS: Accounting Standards

International Financial Reporting Standards and the IASB

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What is the International Accounting Standards Board (IASB) and why are the International Financial Reporting Standards (IFRS) issued by it so important?

IFRS are International Financial Reporting Standards, which are issued by the International Accounting Standards Board (IASB). Nearly 100 countries use or coordinate with IFRS. These countries or groups of countries include the European Union, Australia, and South Africa. While some countries require all companies to adhere to IFRS, others merely allow it or try to coordinate their own country's standards to be similar. The IASB is working toward this goal in a partnership with some of the most influential accounting standard-setters across the globe.

What is the Goal of the International Accounting Standards Board (IASB)?

The IASB is a committee with 14 members, from nine different countries, which work to develop global accounting standards. The goal of this committee is to create global standards that are transparent, enforceable, understandable, and of high-quality. These members create the International Financial Reporting Standards (IFRS) that are used by so many countries around the world. Each committee member has one vote for each of the standards that is voted upon and this privately funded group of accounting standards setters are based in London.

The Acceptance of IFRS

While there are many countries that abide by IFRS, there are still many that do not. Notably, the United States Financial Accounting Standards Board and the Accounting Standards Board (AcSB) of Canada do not adhere directly to IFRS. However, there is a currently a partnership between these and other countries with the IASB to try to coordinate standards that come together. This is an ongoing process, it will not happen overnight.

Why are the IASB and IFRS Important?

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) that they issue are very important for the future of accounting. With businesses turning global, it is important that investors are able to compare companies under similar standards. Likewise, it is important for businesses operating in multiple countries to be able to create financial statements that are understandable in all of the countries they operate in.

Eventually, International Accounting Standards Board (IASB) and other accounting organizations hope to see a convergence of all accounting standards throughout the world. This type of convergence, would allow for the best of circumstances for investors and other interested parties to be able to examine and compare companies in a transparent and equal way. With the coordination of the International Financial Reporting Standards (IFRS) with other accounting standards from around the globe, this goal of convergence may not be as far-fetched as it may sound.

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