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IAS / IFRS

What is IFRS?

IFRS stands for **International Financial Reporting Standards**. IFRS are **rules**, **protocols**, and **compliance standards public companies must abide by when creating their public disclosures**. The IASB established IFRS with the aim of harmonizing and subsequently converging financial metrics globally. IFRS standards are defined by ifrs.org as, "a single set of accounting standards, developed and maintained by the International Accounting Standards Board with the intention of those standards being capable of being applied on a globally consistent basis - by developed, emerging and developing economies - thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers."

These standards aspire to reduce the differences between accounting metrics to:

- promote the development of an integrated financial and competitive market
- encourage transparent financial information
- protect investors

What is the IAS?

IAS stands for International Accounting Standards. IAS was the first attempt at a single universal set of accounting standards way back in 1973 when IFRS was just a twinkle in finance's eye. These standards were originally issued by the International Accounting Standards Committee (IASC). Just like IFRS, the goal of IAS as to make global businesses easier to compare, aid in transparency, improve trust, and foster international trade.

What's the difference between the IAS and IFRS?

IAS is simply the original IFRS. When the IASB came into existence in 2001, it agreed to adopt IAS standards and name them under IFRS. As the IASB issues and updates standards today, IFRS standards supersede any old IAS standards.

What are some of the high level differences between GAAP and IFRS?

- **Governing body:** GAAP is issued by the FASB, whereas IFRS is issued by the IASB.
- Adoption: GAAP is determined by government sponsored accounting entities (mostly US), whereas IFRS is a single, international set of standards adopted consistently across complying countries.
- **Rules vs. principles:** GAAP is rules-based, whereas IFRS is principles-based.
- **Details:** With GAAP, there is very little room for interpretation or exceptions. GAAP is guided by very specific rules. IFRS leaves more room for interpretation. Therefore, different interpretations can be made for the same tax-related

- **Examples of accounting rules differences:** There are many differences between the accounting of GAAP vs. IFRS. For example, when it comes to inventory, IFRS does not allow the inventory method LIFO (last in, first out), whereas GAAP allows LIFO. For details of the accounting rules specific to GAAP and IFRS, refer to FASB and IASB statements.

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