

## ADVANTAGES OF ACCOUNTING BASED ON INTERNATIONAL STANDARDS

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**Annotation:** This article covers the important information about of role of accounting based on international standards. On the other hand, advantages and disadvantages of accounting based on international standards were noted.

**Key words:** *slipping back, financial reporting, financial activities, multinationals, investment decisions, governance standards, Complex implementation.*

In the rapidly changing world of business, it's clear that not all companies are doing well. Many organizations are struggling to keep up with the ever-changing demands of their industry and other businesses around them. This is why any company should be thoughtful about how they implement changes in their financial reporting process – because without a solid foundation, your organization may find itself slipping back into old habits or even worse, going bankrupt. IFRS offers many benefits for both investors and businesses alike including increased transparency, reduced costs associated with complicated accounting methods, and improved understanding of an organization's performance among others. If you're still unsure about implementing IFRS into your company's processes, consider these two questions: Is my company performing at its best? And does my company want to be the best it can be? If you answered “yes” to either question, then implementing these standards into your organization's financial reporting is a wise decision[1].

International Accounting Standards are rules that guide how companies around the world must record and report their financial activities, so that everyone does it the same way and it's easy to understand and compare.

- Enhances financial statement comparability – When companies around the world use the same rules for their accounts, it's easier to understand and compare them, like reading books printed in the same language.
- Reduces accounting costs for multinationals – Big companies that work in many countries save money because they have one set of accounting rules to follow,

instead of many different ones.

- Simplifies investment decisions – People who want to put money into businesses can make better choices because the financial health of companies is clearer and easier to figure out.
- Increases financial reporting transparency – Sharing information about money matters becomes clearer and more honest, which helps everyone trust the numbers they see.
- Improves corporate governance standards – Companies are guided to manage their business better and be more responsible to the people who have a stake in them, leading to stronger, healthier businesses.

#### Disadvantages of International Accounting Standards

- Complex implementation – Putting international accounting standards into practice can be tricky and often requires changing a lot of existing systems, which can be tough and time-consuming.
- High compliance costs – Making sure a company follows international accounting rules can be pricey, involving training staff and updating financial systems.
- Reduced national sovereignty – When countries adopt international standards, they may give up some control over their own accounting rules, which can affect how they manage their economies.
- Cultural misalignment – Different countries have their own ways of doing business that may not fit well with international standards, leading to misunderstandings or conflicts.
- Varying enforcement levels – Not all countries are strict about making sure companies follow international accounting standards, which can lead to unfair competition and unreliable financial information.

One of the main reasons why financial reports are so important is because it helps keep additional stakeholders informed about the financial situation of the business. In turn, this allows them to make intelligent decisions based on the information that they have been given. In recent times, it has become increasingly difficult for one entity to regulate companies from all different countries. In addition, there are a number of industry-specific accounting trends that cannot be translated easily around the world. This is why IFRS was created – with the goal of providing a single set of standards that can be applied globally, regardless of industry or country. In addition,

there are more and more businesses going global every day. Because of the increasing importance of having transparent financial reporting for international investments and trading partners, it has become necessary to implement a universal standard that any company in the world can follow.

The purpose of accounting is to communicate the organization's financial position to company managers, investors, banks, and the government. Accounting standards provide a system of rules and principles that prescribe the format and content of financial statements. Through this consistent reporting, a firm's managers and investors can assess the financial health of the firm. Accounting standards cover topics such as how to account for inventories, depreciation, research and development costs, income taxes, investments, intangible assets, and employee benefits. Investors and banks use these financial statements to determine whether to invest in or loan capital to the firm, while governments use the statements to ensure that the companies are paying their fair share of taxes. As countries developed different cultures, languages, and social and economic traditions, they developed different accounting practices as well. In an increasingly globalized world, however, these differences are not optimal for the smooth functioning of international business.

The primary reason for adopting one standard internationally is that if different accounting standards are used, it's difficult for investors or lenders to compare the financial health of two companies. In addition, if a single international standard is used, multinational firms won't have to prepare different reports for the different countries in which they operate. Accounting standards can be complex; and this makes modification of standards difficult. In addition, differing practices among various nations add to the complications of a unified accounting format. For example, in the United States and Great Britain, individual investors provide a substantial source of capital to companies, so accounting rules are designed to help individual investors. CIRCA, "International Accounting Norms: Background and Recent Developments in the EU," accessed November 26, 2010. Accounting used to meet the information needs of the capital in its own country and prepare financial reports using national accounting techniques. Therefore, each country in measuring and evaluating economic activities that differ from country to country has developed and applied different accounting techniques. The application of different accounting techniques has resulted in different financial statements in the same economic events. Developments that emerged with the effect of globalization caused the borders between countries to disappear and the countries of the world to become dependent on each other in economic terms[4]. All these developments create the need for a comparable and reliable financial reporting

and lead to efforts to eliminate the differences between countries, which is the subject of international accounting.

To sum up all given facts above it should be noted that due to the shortcomings brought by the cash-based accounting system in the world, countries are now transitioning to the accrual-based accounting system and are able to better monitor their assets and liabilities, make strategic decisions and make future plans more clearly. The accrual-based accounting system not only enables the country to see its assets and liabilities better, but also contributes more to financial statement users in comparing financial statements between countries. There are certain differences between IFRSs and IPSAS as a result of the research conducted except for specific public issues, and these differences were identified and specified in the article. Among the reasons for these differences, it is thought that the first one is the differences due to the updating of IPSAS in the light of IFRS, apart from the differences due to the nature of the public sector and private sector. It is expected that these differences will be eliminated in time with the updates and new standards to be issued. Due to the differences in nature of private sector and public institutions, IPSAS 22 Disclosure of Financial Information on General Management, IPSAS 23 Taxes and Other Unrequited Income and IPSAS 24 Presentation of Budget Information in Financial Statements, which are issued only for public institutions that are not in line with IFRS.

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