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AN EXECUTIVE GUIDE TO IFRS: CONTENT, COSTS AND BENEFITS TO BUSINESS

Walton, P. (2011). Chichester, UK: John Wiley & Sons Ltd
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The International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), are the most widespread financial reporting standards in the world. In addition, the International Financial Reporting Standards also encompass the standards which are still in force, developed by the International Accounting Standards Committee, i.e. the International Accounting Standards (IAS), as well as numerous interpretations of the standards.

In his book titled: *An Executive Guide to IFRS: Content, Costs and Benefits to Business,* in a precise and constructive manner, the author – Peter Walton (a professor of accounting at ESSEC Business School in Paris) gives guidelines for understanding and the proper usage of the International Financial Reporting Standards. The aim of the book is to present the principal features of the International Financial Reporting Standards and provide an explanation of their role in the world. The book is intended for accountants, financial analysts, financial managers and students. The book is divided into eleven chapters, and every chapter begins with a short resume and ends with a conclusion. The book contains the subject index as well as the recommended literature for further research.

The first part of the book, titled: *Worldwide Convergence on IFRS* (pp. 1-14), starts from the convergence process as a tendency to use unique, globally accepted financial reporting standards which should have priority over the standards adopted at national levels. Further, it is stated that convergence can have numerous advantages (for example, a reduction in the cost of capital); however, it can also be accompanied by numerous difficulties (for example, high costs of a company's transition from national to international standards). The author highlights the fact that using the same accounting basis worldwide may increase comparability among companies, which can increase the efficiency of investments. This part of the book also discusses the use of the International Financial Reporting Standards in certain countries (Germany, Belgium, France, Italy, Switzerland, Australia, Canada, Mexico, Argentina, India and Brazil).

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The title of the second part of the book is: *Content of Financial Statements* (pp. 15-44). This part begins with an explanation of the key terms important for understanding the book as well as the IFRS. Thereafter, the author specifies the content of the set of financial statements and gives an example for each of them, emphasizing that notes to accounts are an integral part of the annual set of financial statements; they, however, are not elaborated on in this part of the book. the other subjects considered in this part are accounting policies and changes, fair presentation and interim financial statements. This part of the book also contains an appendix related to the Conceptual Framework for Financial Reporting.

The third part, titled: *Investments in Other Companies* (pp. 45-64), considers the problems of consolidation and business combinations. Upon defining and explaining the control of the parent entity over its subsidiary entities, the author discusses the existing standards and the standards which are to be applied in the future, and which deal with related problems. Multinational companies may have one or more dependent entities in different countries, which generates the problem of converting financial statements into a single currency of the country of the parent company. The author identifies this problem and analyzes it. In accordance with the title of the third part of the book, the author further considers the standards relating to business combinations, investments in associates and joint ventures, assets held for disposal and equity investments. At the end of this part of the book, there is an appendix on fair value measurement, which is very important, taking into consideration the growing tendency to use this measuring attribute for the items of financial statements.

Income Statement Items (pp. 65-84) is the title of the fourth part of the book, which deals with the standards that have an influence on the recognition and measurement of the items presented in the income statement. The most analyzed segment in this part of the book is revenue recognition. The author notices, and does it correctly, that the International Financial Reporting Standards are not sufficiently devoted to specific industries, but yet make an exception when it comes to agriculture. Further, this part considers: accounting for government grants and a disclosure of the government's assistance, pensions, stock options, the measurement of inventories and the calculation cost of goods sold, income taxes, borrowing costs, effects of changes in foreign exchange rates and financial reporting in hyperinflationary economies.

The fifth part of the book, which is titled: *Balance-Sheet Items* (pp. 85-114), is devoted to the elements of the statement of the financial position (the balance sheet) and to the related standards. This part begins with considering items such as fixed assets, i.e. property, plant and equipment, investment property, leased assets, intangible assets, an exploration for and an evaluation of mineral resources, highlighting the specific character of assets held for sale, which are also mentioned in the third part of the book. The problems of recognition, measurement and disclosure related to financial assets and liabilities are considered at the end of this chapter.

In the sixth part, bearing the title: *Other Significant Standards* (pp. 115-126), there is an elaboration on the standards and the interpretations which are not directly connected with the items of income statements and the balance sheet, as it was the case with the standards which were discussed in the parts four and five of the book, but the importance of which cannot be neglected. Those are the standards and the interpretations relating to: the transition from national standards to international ones, i.e. to the IFRS, related-party disclosures, segment reporting, service concession arrangements and events after the balance-sheet date. These standards refer, above all, to big business entities. A separate standard deals with insurance contracts, and it is analyzed at the end of this part of the book.

The seventh and at the same time the smallest part of the book, titled: *The IFRS for SMEs* (pp. 127-135), outlines the development and the content of a special document (standard) referring to small and medium-sized businesses as well as to considerable simplifications in the treatment of transactions in comparison with the standards applied by big companies and companies with public accountability.

Striving to compare the International Financial Reporting Standards and the US Generally Accepted Accounting Principles, in the eighth part of the book, titled: *Comparison With US GAAP* (pp. 137-154), the author focuses on general and concrete differences between these sets of standards because the successfulness of the global convergence of financial reporting standards depends on decreasing and/or the elimination of these differences. In the author's opinion, the development of new, common standards and the adjusting of the existing ones should lead to the elimination of differences in the future.

The title of the ninth part of the book is: *The IASB's Standard-Setting Process* (pp. 155-174). This part provides a detailed insight into the process of standard setting. The process begins with making a decision on putting a specific problem on the agenda, only to continue with discussions on the problem, publishing a discussion paper, additional discussions on the problem, and be followed by publishing an exposure draft, and finally publishing a standard. The structure of the standard-setting organization, finance and monitoring the IASB are treated separately and possibilities of lobbying in the process of standard setting are pointed to.

The tenth part, bearing the title: *History of the IASB* (pp. 175-198), begins with dividing the history of the international standard-setter into four phases: the start-up phase, the phase of the development of the basic standards, the enhancement phase and the phase of the leader of world convergence, with the aim of understanding the transformation of the IASC into the IASB. Further, in the context of convergence, the establishing of a connection between the International Accounting Standards Board and the US Securities and Exchange Commission and the European Union bodies is pointed to, stating that the global economic crisis was the most important event for the Board in the first decade of its existence. In our opinion, the global economic crisis was the biggest challenge for the Board, and some of the most important events are the agreements with the American standard-setter and the beginning of the application of the International Financial Reporting Standards in the European Union.

The last, eleventh part of the book, titled: *Observer Notes* (pp. 199-216), contains the personal impressions of the author from his participating in the meetings of the International Accounting Standards Board, and thereafter a comparison with the decision-making processes of the US Financial Accounting Standards Board (FASB). Further, the author presents the structure of the Board from the aspect of the professional experience of its members, comparing the state in the year of its establishment with the period of ten years after that. On the last pages of the book, the author presents fair value controversies and explains the essence of executory contracts, a true and fair view in comparison with the European Union regulations and anti-abuse measures.

Peter Walton is an author with an impressive biography and bibliography. He used to work as an accountant in British and French companies, and then turned to academic work. The fact that he did his MSc and PhD at the London School of Economics speaks enough about him and his work, and the quality of the book itself is indisputable. However, the book could be even more comprehensive if, at the beginning, the need for accounting regulations and the essence of financial reporting standards, generally speaking, were pointed to readers. After the book was published, six more International Reporting Standards have been published, too. This is a good reason for the author to consider publishing a new edition which would include new developments in the regulations.

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