

ANALYSIS OF IMPACT OF CHANGES IN IFRSs ON CONVERGENCE OF ACCOUNTING SYSTEMS IN WORLD

Lyudmyla Shkulipa*

Department of Accounting and Taxation, National Academy of Statistics, Accounting and Audit, Ukraine

E-mail: job.shkulipa@gmail.com

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Abstract: The article examines the impact of updated IFRS on the current convergence of national accounting and reporting rules in Japan, the USA, China, France, Germany, the UK, and Ukraine based on a theoretical analysis of 59 rules and concepts of IFRS. The new differences between the updated IFRS and GAAP of these countries based on the comparative analysis were revealed. The results of the study show currently Ukraine (51%) and the United Kingdom (47%) are the most convergent with IFRS, although their degree of convergence has decreased significantly after recent innovations in IFRS; a new question arises for the UK after Brexit regarding the further application of IFRS; countries with strong national accounting traditions continue to avoid rapid changes in their GAAP; 4) the increase in the convergence of GAAP Japan with IFRS will not be possible shortly. The conclusion states that the main obstacle in the convergent process GAAP and IFRS is that: 1) IFRS are changing based on GAAP USA, rather than vice versa; 2) IFRS do not belong to the "stable to change standards", so users have a certain distrust of the declared high quality of IFRS. The study results add significant novelty to scientific and practical research on the impact of frequent changes in IFRS both locally and internationally.

Keywords: IFRS, GAAP, US, financial reporting, national accounting rules, comparative analysis, EU, standards

JEL Classification: M40, M39, M41

1. Introduction

An important feature of IFRS is the fact that the implementation process is accompanied by a forced compromise between different national systems. However, a distinction between the adoption of IFRS and the convergence of IFRS should be made. At the jurisdictional level, the adoption means that national rules

* Corresponding author: Lyudmyla Shkulipa. E-mail: job.shkulipa@gmail.com

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are repealed and replaced directly by IFRS requirements. This replacement can generally be chosen for all or some (for example, consolidated) financial statements; for different categories of business entities (listed and non-listed, domestic, or foreign). The convergence to IFRS is one of the means of standardization, which means the gradual replacement of own national accounting rules by IFRS. That is why the double advantage of IFRS is that, on the one hand, they make the reporting principles universal, on the other hand, they leave space for preserving the national features of the financial system.

Given the history of the origin of IFRS (see Figure 1), there is a hypothesis that those national rules for accounting and financial reporting that were the basis of IFRS are the most convergent with IFRS. However, practice shows the opposite: the GAAP USA and Germany are less uniform with IFRS (Walton, 1992) than, for example, Switzerland and China (Nobes, 2006). In this regard, the purpose of this article is to investigate the impact of the updated IFRS on the current convergence of national accounting and reporting rules in the world; to identify countries whose accounting standards are most convergent with IFRS currently.

As shown in Figure 1, the existence of the two largest national accounting systems - American and British, set the rules for accounting and financial reporting all over the world. "The United Kingdom, the United States, and Canada," quoted Benson, president of AICPA, "were three the most important countries in the world of accounting at the time, but there was very little dialogue between them" (Véron, 2020, p. 10).

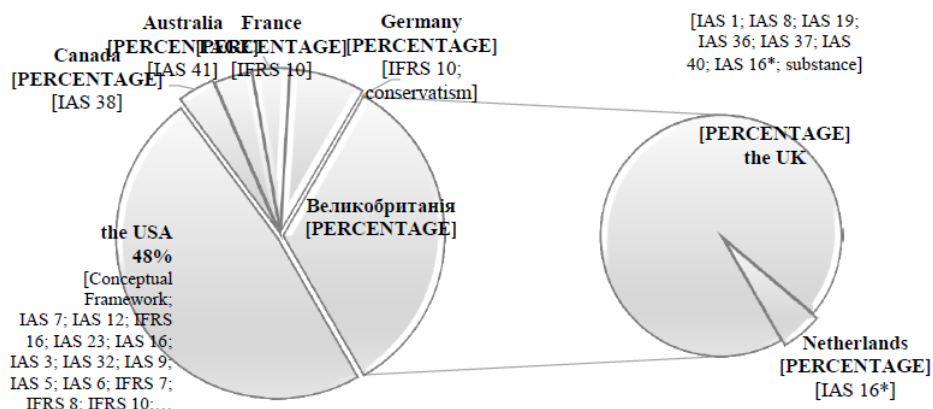


Figure 1 National accounting rules underlying IFRS

Notes: * the standard is based on the practical principles of accounting in these countries.

Source: based on Appendix A.

One key similarity between American and British accounting was the separation of financial reporting rules from tax rules (Brezeanu et al., 2018). However, despite

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this and closely related history, languages, and legal systems, after the 1990s their accounting boards - the FASB (USA) and the IASB (headquartered in London and with a majority of British workers) - began to compete for influence over state and development of accounting worldwide.

Although the FASB (US GAAP) standards were and are less available in official translations into other languages, they covered 52% of global capital markets, while the IASB standards, with official translations into 17 languages, - almost twice less (25%) (Zhuk, 2010). It is explained the US influence on the accounting of other countries, including IFRS, was initial, although there are versions that American accounting has historically been exporting from the United Kingdom (Nobes, 2016).

However, after several economic crises in the US and the EU's accession to IFRS in 2005, which aimed to create a common capital market, reduce costs and trade difficulties, it seemed to be a global convergence of accounting. However, the economic confrontation between the United States (with Japan) and the European Union has further exacerbated the competition between the two global accounting systems. Therefore, after the Brexit, the UK may move away from IFRS and return to its GAAP, which will balance British standards with American ones. However, it depends on the country's chosen policy regarding the future status and role of IFRS for the UK.

"Harmonization depends more on the Anglo-Saxon countries. If these countries could agree with their principles and standards, they could be gradually adopted by other countries" says the "Volvo" CEO (Cheporov, 2000). It is believed that if the United States and Japan adopt IFRS, these standards will become global in all respects. The rest of the countries wishing to enter the world economy will be forced to adopt IFRS (Dipiase et al., 2003, p. 74).

However, Kireitsev critically evaluates the process of unification of the national accounting system with the methodology of IFRS, considering this system constantly catching up with the economic interests of "global players", deprived of the opportunity to perform a social function (Kireitsev, 2007, p. 67). Therefore, it is natural that the representatives of each accounting system pursue their own goals and are not particularly interested in the convergence of the two accounting standardization systems.

Therefore, to achieve the aim of this study the following research questions arise:

Research Question 1. How will changes in IFRS affect the current convergence of national accounting and reporting rules in the world?

Research Question 2. Which GAAP countries should be surveyed to verify global convergence?

Thus, this paper is organized as follows. Related literature is reviewed in Section 2, and the research questions are provided in Section 1 and Section 2. Section 3

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describes the used research methods. Section 4 presents and interprets the result of the main analysis. A concluding discussion is presented in Section 5.

2. Prior Literature

Most of the previous research was based on studies of the IFRS impact on various areas of accounting within a particular country. For example, Tawiah (2020) and Adhana (2020) examined the convergence of GAAP India with IFRS in terms of possible benefits and complications. Barhamzaid (2019) compared old and new Chinese Accounting Standards (CAS) more widely, covering 1996-2017. The scientists believe that China with weaker institutional characteristics will benefit less from convergence with IFRS compared to more developed Western economies. However, China's convergence with IFRS has reduced the managerial role of conservative accounting in dividend policy, reducing the conservatism of accounting for listed firms. The impact of the convergence in China from 2000 to 2011 was studied by Bradford et al. (2017). Chen et al. (2017) also believe that Chinese firms as market participants will receive better quality in their financial statements and access to external financing. Gao et al. (2018) confirm the previous research, arguing that the external impact of IFRS is appeared in improving the comparability of accounting information.

The relevance of the Gao et al. (2018) and Chen et al. (2017) studies was confirmed by Onodi et al. (2018), who examined the relationship between the convergence of accounting standards and the quality of financial reporting in Nigeria. Their results showed that the adoption of IFRS has a significant impact on the market value of the share, so the principles of accounting in the country should be applied similarly to other countries. Investors in the international markets will be able to use the financial information of any country (Onodi et al., 2018).

Obradovic et al. (2018) studied the incipience of IFRS in Serbia. They found mainly the accounting quality after the adoption of IFRS by Serbian firms; so, the authors support the process of global convergence of financial reporting standards. However, scientists believe that the quality of accounting also depends on the experience of applying IFRS. Therefore, the experience of applying IFRS is considered to be the most influential on the level of support for global convergence of financial reporting standards in emerging countries (such as Serbia).

The impact on the convergence of Algeria's national standards was considered by Saidi (2013). The scientist noted, in particular, the process of transformation to IFRS for Algeria should be applied more carefully, as the country has lived for more than five decades in a planned centralized economy. Also, the author calls for the urgent need to develop an appropriate regulator to ensure the application of the new financial accounting system and the involvement of all stakeholders in the requirements of the accounting new era.

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Kallousa et al. (2018) examined US GAAP and IFRS in terms of rules and principles, providing advice on how to improve the standard-setting process. More similar to our study was the Burke study (2019), which examined a joint project of the FASB and the IASB on accounting for insurance contracts. This study identified how the advantages and disadvantages of convergence of accounting standards can vary within the industry. The author found that insurers in the United States reacted more negatively to a joint draft of boards than European insurers (Burke et al., 2019; Fuad et al., 2019).

Overall, the previous studies have shown that one of the main objectives of IFRS adoption is to increase the comparability of financial statements. To achieve this, Lin et al. (2017) studied IFRS, GAAP USA, and Germany in 2005. The results of their study showed that convergence with IFRS does not quickly avoid differences between statements. The findings of this study are useful for standards developers as they evaluate alternative methods of national standards harmonization with IFRS (Lin et al., 2017). The broader comparison of GAAP and IFRS was made by Nobes and Parker (2016), which found that the benefits of mandatory convergence with IFRS are inherent in countries with stronger legal instruments and focused on investor protection.

Therefore, analyzing the prior literature, we find that the impact of IFRS on the convergence of national accounting and reporting rules has been studied quite often, but with a focus on the impact of financial reporting quality and benefits in accounting systems such as China, Algeria, India, USA, Germany, and France. Overall, the literature coverage did not provide a clear picture of the impact of the updated IFRS on the convergence of national accounting rules in the modern direction and terms of detailed accounting and reporting rules of more than two countries simultaneously.

In this regard, to achieve the goal of the study, several research questions are added.

Research Question 3. Which national accounting and reporting rules should be chosen to compare convergence with IFRS rules?

Research Question 4. What are the consequences of the revised IFRS are scheduled for the planned global convergence?

Research Question 5. Which countries' standards are the most convergent with the revised IFRS nowadays?

3. Research Methods

This study is *descriptive*; each international standard with updates and amendments in force in 2020 is described numerically in comparison with the GAAP of other countries. This helps to describe the most relevant accounting rules for 2020 and to understand their current impact on the local and global levels. For a thorough study

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of the topic, a qualitative approach was used because qualitative research is considered particularly effective for presenting specific information from accounting researchers.

Most previous studies have used *comparative analysis* to study the world experience the transition from national accounting standards to IFRS (Nobes and Parker, 2016; Lin et al., 2017; Tawiah, 2020; Adhana, 2020). This article also bases on the comparative analysis of national accounting rules with IFRS rules. However, as the comparison of 11 accounting and reporting rules proposed by Nobes et al. (2016) is not considered sufficient in the study of the impact of IFRS on the convergence of national accounting standards in the world, in this article it was decided to expand the list of the main accounting rules to 59 (see Appendix B), which include the most relevant and widely used in practice rules and concepts of IFRS nowadays. This will help to improve the accuracy of the study results, as it is assumed that the previous selection of accounting rules by researchers did not fully include all relevant accounting rules that could reflect the real picture of convergence and the impact of IFRS on national accounting systems.

Also, due to the relevance in the previous studies of the national accounting systems of the US, China, Japan, and Germany, in this article, it was decided to add France (as a European country), the UK (in the post-Brexit period) and Ukraine (as an emerging country), which have different accounting characteristics and attitudes to IFRS. This will make it possible to identify the countries with the most converging national IFRS accounting standards currently more accurately. Therefore, to achieve this goal, a comparative table of GAAP of these countries in terms of 59 basic accounting rules was developed (see Appendix B).

For the primary data, a comparison of the accounting rules by Nobes et al. (2016) and the official websites of the accounting boards of Japan, the USA, China, France, Germany, the UK, and Ukraine was chosen. It allowed us to fill in the comparison table (see Appendix B) with the selected accounting rules actual in the observed countries in March 2020. As noted by Merigo et al. (2017) bibliometrics is very useful for the organization of existing knowledge within the scientific discipline; that is why the *bibliometric analysis* was also used in the study.

The secondary data was gathered and performed after analyzing 59 GAAP rules of Japan, USA, China, France, Germany, UK, and Ukraine using a *quantitative research* method - by calculating accounting rules for each country that do (or do not) match with IFRS or GAAP USA. This method helped to assess the level of the national standards convergence in Japan, the USA, China, France, Germany, the UK, and Ukraine in the quantitative ratio with IFRS and US GAAP, to compare the similarity of accounting and reporting rules between them and identify countries whose standards are most convergent with IFRS nowadays.

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In this study, a comparative table of 59 accounting and reporting rules for seven countries the first time summarizes the link between the national standards of countries and two of the largest sets of standards in the world (US GAAP and IFRS) before and after changes in IFRS. To compare the existing before and after the changes in IFRS extent of convergence of GAAP of the investigated countries, a *literature review* of previous studies by international scientists was used. To study the new discrepancies between the revised IFRS and GAAP in Japan, USA, China, France, Germany, UK, and Ukraine, a set of theoretical research methods, such as deduction and induction, analysis and synthesis, comparison, generalization, systematization, and interpretation of results, was used.

As a result, this theoretical type of research with elements of inductive generalization of specific observations to expand scientific understanding and development of knowledge, theories, and forecasts of the impact of the revised IFRS on the convergence of 59 national accounting and financial reporting rules of Japan, USA, China, France, Germany, UK, and Ukraine is a novelty of the study and a significant contribution to scientific and practical research about the impact of frequent changes in IFRS on the local and global level.

4. Research Results

The impact of the revised IFRS on the convergence of the national accounting and financial reporting rules of Japan, the United States, China, France, Germany, the United Kingdom, and Ukraine will be discussed in numerical order of standards below; and the appropriate changes of IFRS are added to the comparative table in Appendix B.

IAS 1. IFRSs examine targeted improvements in the structure and content of primary financial statements with an emphasis on the income statement. The IASB Exposure Draft ED/2019/7 "General Presentation and Disclosures" which will complement the current IAS 1, continues to be revised by the developers. However, after its approval, the convergence of US GAAP and IFRS will be lost again, in particular in the inclusion of extraordinary items in the report. After all, until 2015, the US GAAP included these items in the income statement.

Unlike IFRS, US GAAP does not have specific guidelines that require to include into the cash flows from operating activities that cash outflows for assets held for lease to others and subsequently for sale, and cash inflows from lease payments and subsequent sales (ASU 2016-15, BC 47). However, after the approval of ED/2019/7, new changes in IFRS are expected to reflect all cash inflows and outflows related to the lease in financial activities.

IAS 23. Until 2019, there were some differences between US GAAP and IFRS - which loans are included to calculate the weighted average capitalization rate. After the entry into force of the amendment to IAS 23 on January 1, 2019, these

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differences have disappeared: any outstanding loan related to the construction or production of an asset becomes part of total loans after the acquisition of rights to the asset and is included in the weighted average rate capitalization.

IAS 32. According to the recent amendments to IFRS in the accounting of complex (or hybrid) financial instruments and the Discussion Paper "Financial Instruments with Equity Characteristics", there is a significant approximation of international accounting rules to US GAAP, especially in the allocation of financial liabilities and equity within a financial instrument.

For example, unless certain conditions that require the allocation of embedded features of a financial instrument are performed, hybrid financial instruments under US GAAP are accounted as a financial liability or an equity instrument. Similar conditions are prescribed in this Discussion Document of the IASB, which provides the classification of financial instruments as a financial liability in terms of the assessment of two features (time and amount). As a result, the new changes will harmonize the accounting for complex (IFRS) / hybrid (US GAAP) financial instruments, which have had different effects on balance sheets and incomes, as well as US and IFRS statements.

IFRS 3. IFRS after recent changes regulates the accounting of business combinations by a separate standard (IFRS 3), usually using the acquisition method. The GAAP USA and the UK call these combinations a merger or pooling of interests, and GAAP Germany calls as the taxed acquisition. Besides, IFRS 3 additionally includes requirements for accounting for associations formed not only through acquisitions but also mergers and accession (IFRS 3, p. B6).

Overall, according to both systems of standards (IFRS and GAAP USA), after the acquisition of a new subsidiary, the identified assets/liabilities must be carried to the consolidated balance sheet at their fair value. However, if the fair value of a liability arising from a business combination cannot be determined accurately, ASC 450 requires to recognize this liability as a contingent liability. However, IFRS require that these liabilities not be recognized but disclosed in the notes. Plus, after the new amendments, IFRS they do not allow the recognition of contingent assets acquired in a business combination, while the US GAAP requires the recognition of these contingent assets at fair value. Also, IFRS do not allow for the proportional consolidation of a joint venture (see Appendix B), unlike the GAAP of the USA, China, and initiated this rule in France (see Appendix A).

A new clarification of the definition of "business" allows to state that IFRS and GAAP USA will take again convergence after the new amendment to IFRS 3 entry into force from January 1, 2020. That is, given the new US concept of "probability" with the phrase "in substance" while determining whether a transaction is non-business, IFRS will also receive a similar threshold when measuring a group of assets as a business combination (i.e., not a business) if all "in substance" of the

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fair value of these assets is concentrated in one or more groups of the identified similar assets.

IFRS 9. Despite the joint efforts of the IASB and the FASB to develop a single set of generally accepted accounting standards for financial instruments, the differences between GAAP USA and IFRS in this area of accounting after the changes are even greater due to the inability to reconcile the positions of both boards. Thus, from both updated US standards: (1) ASU 2016-1 "Financial Instruments - Overall" (Subtopic 825-10), published in January 2016, and (2) ASU 2016-13 "Financial Instruments - Credit Losses" (Topic 326), published in July 2016, it is noticeable that the FASB, unlike the IASB, is very careful when making changes to standards. As a result, differences in derivative accounting and hedging remain between the two systems of accounting standards, and the classification and impairment of financial instruments, as predicted, will receive increased attention.

For example, the legal form, intentions, and capabilities of business still determine the classification of financial assets under US GAAP, while the classification under IFRS 9, effective from 2018, is based on new criteria: contractual cash flows and business models (see Table 1).

Table 1 Differences in the accounting of financial instruments after changes in GAAP USA and IFRS

<i>Accounting for financial instruments according to ASU 2016-01 «Financial Instruments - Overall»</i>		<i>Accounting for financial instruments according to IFRS 9 «Financial Instruments»</i>	
<i>Criterion</i>	<i>Components</i>	<i>Criterion</i>	<i>Components</i>
<i>Legal form</i>	Equity, debt securities, trade receivables	<i>Cash flow under the contract</i>	SPPI*, He-SPPI
<i>Business intentions and opportunities</i>	Available for sale or held for redemption (debt securities), trading instruments	<i>Business model</i>	Cash flow from debt payments and/or trading instruments
<i>Evaluation categories</i>	1) at AMS: • debt securities held for redemption **; • non-marketable debt instruments (fair value could not initially be estimated); 2) at FVTOCI: • debt securities available for sale; 3) at FVTPL: • trading financial instruments (or for sale); • any securities or investments that do not give	<i>Evaluation categories</i>	1) at AMS: • debt securities for the receipt of interest and the principal amount of debt **; • financial assets in foreign currency; 2) at FVTOCI: • debt securities available for sale; • investments in equity; 3) at FVTPL: • trading financial instruments; • investments in equity (without

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Accounting for financial instruments according to ASU 2016-01 «Financial Instruments - Overall»		Accounting for financial instruments according to IFRS 9 «Financial Instruments»	
	the investor significant influence over the investee		the right to change it after initial recognition); • non-financial items (purchase and sale) that can be repaid with funds or other financial instruments

Note: * payments only of the main amount of debt and interest.

** credits, loans, and bank papers.

Source: based on PKF International Ltd. (2019); IFRS 9; Appendix B.

Thus, according to the new methodology (after ASU 2016-01), trading financial instruments are initially measured at fair value, changes that should be reflected in the income statement (similar to the FVTPL under IFRS). However, if the fair value is unknown, they are carried at cost, taking into account the possible impairment loss using quantitative and qualitative methods.

Unlike ASU 2016-01 and the internal rules of most countries, IFRS 9 allows users to measure initially by the FVTPL not only securities intended for sale (or trading) but also investments in fixed assets, which are usually held at cost. So, the main difference in the accounting of financial instruments by IFRS is the new categories of their valuation, which depend on the SPPI-criterion and business model (see Table 2). However, for all other financial instruments (trading, derivative and non-equity instruments measured at fair value), further evaluation, similar to US GAAP is performed under the FVTPL.

The GAAP China, the UK, and France (see Appendix B) differ from IFRS and GAAP USA in the focus of financial instruments accounting on the market - valuation of derivatives and securities at fair value. At the same time, in France, this difference is typical only for non-consolidated financial statements.

Also, another change in the updated IFRS that reduces convergence with US GAAP should be noted - the recognition in other comprehensive income (rather than net income) of gains or losses from revaluation at fair value due to changes in the issuer's (reporting entity's) credit rating. However, given that both the IASB and the FASB have their models of expected credit losses (see Table 2), the impact on the management of financial statements, operational and credit risks differs significantly.

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Table 2 Differences in the expected credit loss (ECL) models after changes in US GAAP and IFRS

<i>Distinguishing features</i>	<i>Model of the current expected credit losses according to ASU 2016-13 «Financial instruments – Credit Losses»</i>	<i>Expected credit loss model according to IFRS 9 «Financial instruments»</i>
<i>Model name</i>	CECL (current expected credit losses)	ECL (expected credit losses)
<i>Stages</i>	During the whole life cycle	Three stages: low risk (stable), significantly increased risk, critical
<i>Application to financial assets</i>	At the amortized cost, excluding available-for-sale debt securities (FVTOCI)	At amortized cost and FVTOCI
<i>Minimal level of losses</i>	0	> 0
<i>The level of the impaired credit assets (created or acquired) at initial recognition</i>	> 0	> 0

Source: based on PKF International Ltd. (2019); IFRS 9; Appendix B.

As shown in Table 2, the ECL of both US GAAP and IFRS requires an accounting of financial liability during the whole life cycle. However, the biggest difference between US GAAP and IFRS is in the time of credit risk recognition: a) the revised US GAAP uses the CECL model, which depends solely on the default risk throughout the life cycle; b) the new IFRS 9 uses the ECL model, which requires a three-step identification of credit risk.

Thus, it was obtained much narrower limits of the American model of CECL than in IFRS, by excluding debt securities available for sale. In this case, if the amortized cost is lower than the fair value of the assessed debt securities, the difference is accounted for as an impairment loss without the use of the CECL model. IFRS 9, unlike US GAAP, applies the ECL model to these debt instruments measured at FVTOCI. The minimum amount of the expected loss is also different: US GAAP allows zero loss for a particular loan asset of the highest level, while IFRS 9 requires a weighted average result with a minimum amount of loss that must be non-zero.

Thus, despite the increase in the effectiveness of both standards' sets, recent changes in the measurement of expected losses from financial instruments have increased the differences between them. The updates to IFRS 9 are considered more radical. Therefore, companies with global activity or international funding requirements should review reporting requirements both inside and outside the

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country. For the complex reporting structures, the solution varies from choosing exclusively US GAAP or IFRS, or reconciling statements between two sets of standards, or reporting simultaneously on both sets of standards.

IFRS 15. As the FASB opposed the immediate recognition of revenue, permitted by the previous IASB standards (IAS 18 and IAS 11), in 2014 both boards decided to develop a common standard for equal revenue recognition (Yen et al., 2014). As a result, in the USA the revenue standard is set as section 606 of the Codification of Accounting Standards - "Revenue from Contracts with Customers" (ASC 606[†]), which is almost identical to IFRS 15, except for some transitional regulations and issues that result from inherent differences between IFRS and US GAAP. However, due to the issued amendments to IAS 15 in April 2016, FASB issued the appropriate changes to ASC 606. As a result, the number of differences between IFRS and US GAAP 15 grew (see Table 3).

Table 3 Differences in revenue accounting after changes in US GAAP and IFRS

<i>Revenue accounting according to ASC 606 «Revenue from Contracts with Customers»</i>	<i>Revenue accounting according to IFRS 15 «Revenue from Contracts with Customers»</i>
Revenues and gains are separated in the definitions	Revenues and gains are combined in one definition
Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations (FASB Conceptual Framework, 1980, p. 63). Gains are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from revenues or investments by owners (FASB Conceptual Framework, 1980, p. 67).	Revenue arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties, and rent. Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity. Gains represent increases in economic benefits and as such are no different in nature from revenue (Conceptual Framework, 2010, p. 4.29).
The measurement of revenue is based on the fair value of the arranged or received	The measurement of revenue is based on the fair value of the received amount (or

[†] For government agencies, ASC 606 is effective after December 15, 2017, including interim periods within that reporting period; for non-state - after December 15, 2018, for intermediate periods - after December 15, 2019. Early application is prohibited and retrospective adoption is required.

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Revenue accounting according to ASC 606 «Revenue from Contracts with Customers» amount (which is more obvious)	Revenue accounting according to IFRS 15 «Revenue from Contracts with Customers» receivables)
Accounting for the delivery of goods that occur after the customer has gained control of the goods, may be considered as <i>the fulfillment of the promise to transfer the goods</i>	Accounting for the delivery of goods that occur after the customer has gained control of the goods, may be considered as <i>an additional promised service</i>
There are detailed instructions for giving customer incentive payments	There are detailed instructions for giving customer incentive payments, <i>including unused incentives</i>
Revenue from intellectual property licenses is recognized <i>during the period</i>	Revenue from intellectual property licenses is recognized <i>at a particular point in time</i> (unless there are significant cases that could materially affect the benefit).
License renewal or extension leads to revenue recognition <i>at the beginning of the renovation</i>	License renewal or extension leads to revenue recognition when the parties agree to renew or <i>at the beginning of the renewal period</i> (depending on the circumstances)
It is allowed to choose the exclusion of all income taxes from the transaction price measurement	Do not contain such permission.

Source: based on PKF International Ltd. (2019); IFRS 15; Nobes (2016).

As shown in Table 3, the issue of "ordinary activities" remains in the revenue definitions between IFRS 15 and ASC 606. Despite the abolition of this concept from IAS 1 (2005), in IFRS 15 it is used again. This may be due to the IASB's intention to return "extraordinary items" into the financial statements, according to it not all inflows will be considered ordinary. However, in this case, it will be necessary to add in IFRS the "gain" element of financial statements, which separates ordinary activities (income) from operating (revenue) according to the US GAAP.

Overall, the US GAAP revenue recognition guidelines consist of more than a hundred FASB and SEC rules, so they are quite comprehensive. In particular, the guidelines for recognizing revenue from construction and customer service contracts contain much more guidance than IFRS. The grouping and aggregation of these agreements differ in some cases. Although in theory, the nature of US GAAP for construction and service contracts is more recommended than instructive, in practice they are used as mandatory.

The priority of the percentage completion method in GAAP USA is limited by the transfer of control to the client. This method has received another name in the new

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convergent IASB standard - "result method". Besides, U.S. GAAP contains other detailed revenue recognition guidelines required for specific industries, including airline and oil and gas companies, financial services, real estate, health care, entertainment, and nonprofits.

In addition to those listed in Table 3 differences, US GAAP also contains more exceptions that lead to deferred income. In particular, the method of percentage completion is essentially identical to IFRS but contains regulations that delay revenue recognition until a reliable assessment concept, which is called objective evidence for specific manufacturers (VSOE). The VSOE can be either the price charged for the supply if it is sold separately or the price set by management, which does not change until the introduction of another product on the market. The SEC provides even more detailed recommendations for registered legal entities. Thus, if a VSOE is not available for any of the revenue elements, the full amount of revenue under the contract cannot be recognized.

Another exception, which leads to deferred revenue under US GAAP, concerns research, and development agreements. Thus, the revenue recognition is delayed based on meeting the conditions agreed at the beginning of the agreement, and they cannot be changed if the implementation of the agreements is started. In addition, entities are further permitted to defer revenue recognition based on their chosen accounting policies.

However, as the former FASB Chairman, Leslie F. Seidman, notes: "We have successfully reached a global converged standard for revenue recognition from contracts with customers by establishing identical reporting principles about nature, timeliness, and performance agreements. The new standard is the result of eight years' efforts by the boards to improve the comparability of US GAAP and IFRS" (Conference 40 FASB, 2013).

Thus, the basic principles of IFRS 15 and ASC 606 that make them convergent include: • revenue should be recognized after the sale of the good or service; • there must be a valid agreement with the customer, which sets the conditions of goods/services exchange, • fulfillment of the obligation must be accompanied by the transfer of risks and benefits of goods or services ownership, • the buyer's price is fixed, • payment must be properly guaranteed. Both accounting standards (IFRS 15 and ASC 606) additionally require full disclosure, including in the interim, that changes the presentation way of the information in the notes to the financial statements. In addition, the US public companies must follow the guidelines of SEC Topic 13 "Revenue Recognition", which is also identical to the above principles.

IFRS 16. Despite the similarity of lease accounting between US GAAP and IFRS (see Figure 1), there has been some controversy between the FASB and the IASB regarding the lease classification and its reflection in lessee balance sheets

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(Appendix B). In this regard, the joint efforts of the boards resulted in the issuance in 2016 of a new lease standard IFRS 16 and a corresponding update in ASC 842 "Leases", which take into account the complications in the accounting of operating leases. Therefore, the convergence in lease accounting is expected from the moment of the updates entry into force, at least in issues of capitalization of financial lease assets and liabilities in the lessee balance sheets.

However, it is inappropriate to mention the full convergence of US GAAP and IFRS in terms of lease accounting, as several differences have remained (see Table 4). Thus, from Table 4 it becomes clear that quantitative lease disclosures under IFRS are more useful to investors in estimating future cash flows that were not previously included in the valuation of lease liabilities. But the investors of U.S. GAAP companies should require management to make the quantitative disclosures additionally if the company has a significant amount of lease. Therefore, US GAAP needs appropriate quantitative additions to existing qualitative characteristics of lease information.

Table 4 Differences in lease accounting after changes in US GAAP and IFRS

<i>Lease accounting according to ASC 842 "Lease"</i>	<i>Lease accounting under IFRS 16 "Lease"</i>
ACCOUNTING FOR THE LESSEE	
There is a classification of leases into operating or financial.	There is no classification of leases into operating or financial. All leases of more than 12 months or more than \$ 5,000 should be reflected.
No tax benefits for the lessee	Tax benefits are possible for assets worth less than \$ 5,000.
ACCOUNTING FOR THE LESSOR	
Revaluation <i>is not possible</i> , investment property is not separated from other fixed assets	Revaluation <i>is possible</i> for leased assets measured at fair value under IAS 40 or the cost method under IAS 16.
Changes in lease payments based on changes in the <i>lease term</i> require a revaluation of lease liabilities	Changes in lease payments based on changes in the <i>discount rate</i> require a revaluation of lease liabilities
Lease interest is classified in <i>operating activities</i> in the Cash Flows Statement	Lease interest may be recognized in <i>operating, investing, or financing activities</i> in the Cash Flows Statement *
It uses a zero-risk loan rate to discount each lease liability.	It uses a discount rate adjusted for the specific risks of the lease liability.
A sublease is based on the sublease asset of the lessor	A sublease is based on the right to use the sublease asset.
In the lease-type sales, it allows to recognize and adjust initial gains or losses under non-	In the lease-type sales it allows us to recognize the initial revenue, and in the lease of direct

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<i>Lease accounting according to ASC 842 "Lease"</i>	<i>Lease accounting under IFRS 16 "Lease"</i>
market conditions	financing – to recognize the financial income.
It provides clear guidance on the gathering of accounting data for the initial recognition and measurement of leases with a sale type	It does not provide clear guidance on the gathering of accounting data to guarantee the residual value (if the seller-lessee has a significant opportunity to buy the leased object, it is not a lease with the type of sale)
It does not contain direct guidance on the financial instrument in the lease accounting, even if the lessor has a significant share of the market value of the asset	It contains instructions on financial instruments in leases such types as sales or direct financing
It contains detailed requirements for a quality description of lease contracts, assumptions, and judgments.	It contains detailed requirements for qualitative and quantitative disclosure of information about future cash outflows that the lessee is potentially exposed

Note: * The IASB is considering draft ED/2019/7, which requires to include it in financial activities.

Source: the author's development based on PKF International Ltd. (2019); IFRS 16; Nobes (2016).

IFRS 17. As known, IFRS 17 "Insurance Contracts" was issued in May 2017 to establish a comprehensive standard for the identification, recognition, measurement, presentation, and disclosure of insurance contracts in the financial statements. The standard will take effect for the reporting periods from January 1, 2023, or later. At the same time, the conditions of its early application were considered.

The US GAAP requirements for insurance contracts differ from the requirements of IFRS 17, in particular: a) scope; b) types of insurance contracts; c) assessment of insurance contracts; d) the level of aggregation; e) risk allocation; f) recognition of onerous contracts; g) reinsurance; e) deferred acquisition costs; h) revenue recognition; i) income accounting of the 'first day'; j) options and guarantees measurement; k) distribution of embedded derivatives within insurance contracts; l) recognition of the insurance contract as a financial instrument; m) presentation and disclosure of information (Appendix B).

Besides, even though both sets of standards provide for short-term and long-term insurance contracts with some modified requirements for subcategories, the subcategories between them differ (PKF International Ltd., 2019, p. 886).

The Conceptual Framework of financial reporting, although it has long been a joint project of the FASB and the IASB, has in recent years acquired significant differences with the American report-concepts of financial statements, such as:

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Lowering the probability threshold under IFRS (from 50% to 0%) leads to "symmetric" prudence and the disappearance of contingent assets/liabilities from financial statements by IFRS (Shkulipa, 2021). In the GAAP USA, this threshold remains at 75% -80%;

the returned concept of the substance over form in 2018 to IFRS also highlighted the difference with US GAAP, based on the legal form of a document for accounting (as do most national rules).

Thus, it can be noted that the revised Conceptual Framework (2018) has moved somewhat away from American report-concepts towards the British, which started the concept of substance over form. However, the obtained rejection from IASB to British regulators in 2015 to include "asymmetric" prudence in the new Conceptual Framework (2018) indicates the impact of national accounting rules of other European countries on IFRS, for example, Germany. "Asymmetric prudence" has been confirmed also in a survey by Safta et al. (2020) that showed a majority percentage of the Romanian companies listed on the Bucharest Stock Exchange (it means IFRSs reported companies) for the analyzed period 2017-2018 resort to manipulation of information provided through financial statements (approx. 84%).

5. Discussion and Conclusions

According to the goal in this article, the study allows to state the fact that Ukraine (51%), and the UK (47%) are countries with the most convergent with IFRS national accounting standards currently (see Figure 2).

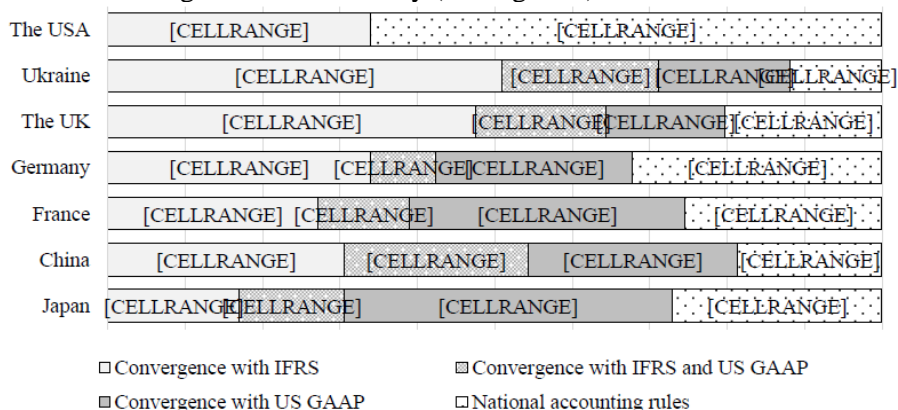


Figure 2 The extent of convergence of national accounting standards of Japan, France, China, Germany, UK, and Ukraine with IFRS and GAAP USA

Source: author's generalization based on the information given in Appendix B.

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This result is obviously for the UK - most of the IFRS were historically based on the British accounting rules (see Figure 1). As mentioned above, the disadvantage of empirical classifications is that researchers can select data that focus on differences that may be surface or misinterpreted. Therefore, given the above, the error of the obtained results of 9% is excluded, as the number of accounting rules selected for the study was 59, while in prior scientific studies only 10-20 rules were taken into account.

As Figure 2 shows, after the United Kingdom and Ukraine, the United States ranks third in terms of convergence with IFRS. That is, although most of the changes in IFRS were aimed at convergence with US GAAP, the expected convergence level between them was not achieved - the sets of standards are similar in principles and rules of accounting by only 34%.

On the one hand (non-political), the problem of the US transition to IASB standards is explained by the need to change all accounting literature and retrain American accountants and auditors. On the other hand, a rely on principles (US GAAP) rather than rules (IFRS) complicates the use of fair value, which requires detailed guidance while preparing financial statements. In this regard, M. Nelson notes that rules include "specific criteria" that are useful for reducing inaccuracies, although they can lead to excessive complexity and structuring (Nelson, 2003). The scholars Benston, Bromwich, and Wagenhofer even call for including "reassessment" in the US GAAP to accurately reflect financial information (Benston et al., 2006, p. 148). However, Nobes and Parker see the expediency in reducing the number of accounting rules by determining the best principles, which, in his opinion, will lead to greater accuracy and less structuring at the same time (Nobes and Parker, 2016, p. 148). Therefore, he proposes to abandon the distinction between operating and finance leases.

Thus, the consequences of global standardization have not been justified, and countries with strong national accounting traditions — the United States, Germany, Japan, and France — continue to avoid rapid changes in their GAAPs. Besides, shortly, it is predicted that the United Kingdom will join these countries, which after the exit of political EU pressure will be able to choose its direction in standardization. After all, at the moment, illustrated in Figure 3, the convergence of 'GAAP USA / IFRS' (34%) is greater than 'GAAP USA / GAAP UK' (15%).

Also, it should be noted that France and the United Kingdom, although they seem similar in the implementation of accounting directives in domestic law, their internal systems are the most different: in France, the capitalization of the lease is not allowed because the legal form of the contract (i.e. lease) takes precedence over its economic substance (i.e. the asset acquisition).

Also, unlike the United Kingdom and Germany, France had its chart of accounts, which was not just a classifier, but contained detailed instructions on internal

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accounting and external reporting; it included the definition of accounting terms, valuation rules, and financial reporting model. That is France created a national language of accounting, which was studied by French accountants, even in the postwar period (Nobes, 2016, p. 17). Therefore, scholars Kval and Nobes aptly point out that France and Spain were the least aware of the implications of IFRS because they were furthest from the culture, ethics, and requirements of the IASB (Nobes, 2016, p. 401).

Germany also, despite the common content in IFRS and the UK, today leaves national the nature of audit regulation, exchange rules, and other law enforcement agencies. This is because IFRS adopted by the EU is not fully convergent with IFRS (IASB)[‡], which in practice has led to confusion and audit problems. Therefore, for this reason, most auditors in their reports for companies from EU countries recommend fulfilling the legal obligation also under IFRS (IASB), in addition to IFRS (EU).

Also, Figure 3 confirmed the reason for the low convergence of GAAP Japan with IFRS (17%), revealing their convergence with US GAAP by 42%. Indeed, until 2001 (until there was significant harmonization of US GAAP and IFRS), there were many differences in Japan with IFRS, for example, in mergers accounting (business combinations by IFRS). Therefore, the joint FASB and IASB projects can be called the impetus for official convergence between GAAP Japan and IFRS. However, the study suggests that a significant increase in the convergence of GAAP Japan with IFRS will not happen in the nearest time (maximum by 20% due to common rules in IFRS and US GAAP, as 14% has already been adopted by Japan), firstly, due to the suspension of cooperation between the FASB and the IASB, and secondly, the significant similarity of Japanese standards with American ones (by 42%) requires greater convergence between US GAAP and IFRS. That is, the second cause of the obstacle depends on the first.

As for China, the roughly equal compliance of the Chinese GAAP (27%) and IFRS (31%) is due to the historical fact that Chinese accounting in the 70s and 90s was constantly under pressure from the UK (Hong Kong) and USA (the rest of China). Besides, the study shows that the weak institutional infrastructure in China's transition economy undermines IFRS's goal of attracting investment by improving the quality of financial reporting. However, despite the significant limitations of IFRS, GAAP China is considered closer to IFRS (rather than US GAAP) because it sets more rules than accounting principles.

Thus, the studied impact of IFRS on the current convergence of national accounting and reporting rules before and after the changes summarizes the link

[‡] EU law requires management to report a "true and fair view" of financial information, while IAS 1 states "faithful representation".

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between national standards of countries and the two largest world sets of standards (US GAAP and IFRS) in the following figure (see Figure 3).

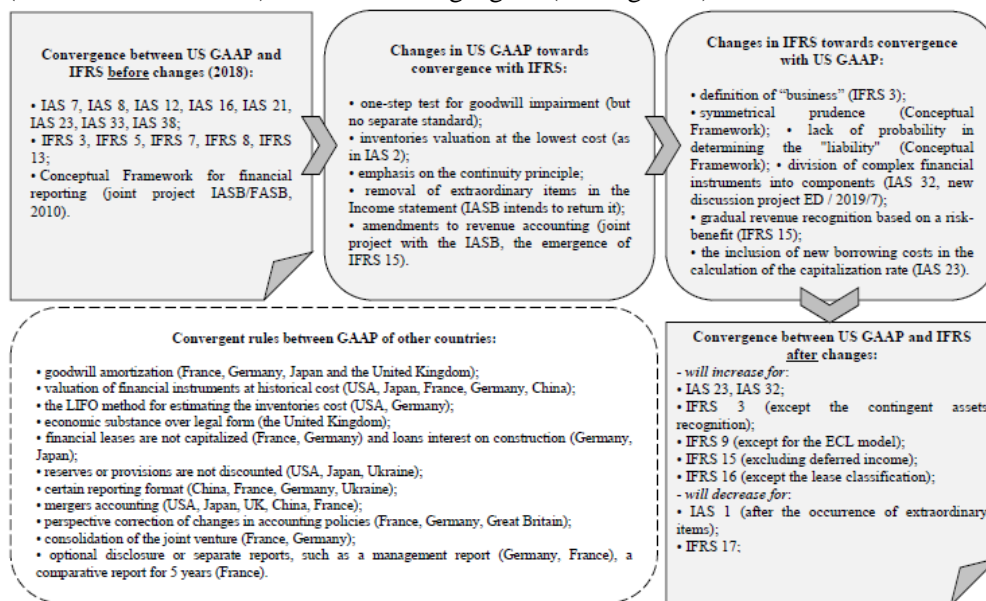


Figure 3 Analysis of the impact of changes in IFRS on the convergence of national accounting standards

Source: own development

Thus, the study showed that in the process of taking measures to approximate US GAAP to IFRS, the latter change more based on the US GAAP than vice versa. The reasons for this American dominance in global standardization are: • the economic significance of American multinational corporations (TNCs); • high technical characteristics of GAAP USA; • quality of American accounting publications; • the influence of the American scientific and professional accounting community. The last state was confirmed by Cernusca (2020) in terms of the importance of student participation in internships, scientific sessions, Erasmus scholarships, voluntary actions, Work and Travel Programs, teambuilding programs to develop hard and soft skills in accounting.

Besides, another reason should be added to this list - "stability of standards to change", because users have a certain distrust of the declared high quality of IFRS, which are already too often amended. Therefore, the opinion of Zhuk (2010) is accurate about the importance of not rushing with the implementation process or even the adaptation of all new IFRS in Ukraine. In particular, the scientist predicts another increase in the convergence between "the standards of London and

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Washington soon, and, consequently, Ukraine and the world will again be forced to respond to the new requirements of the updated international standards" (Zhuk, 2010).

Indeed, both the FASB and the IASB have acknowledged that they do not have sufficiently convergent standards, so given the needs of investors from around the world, they consider it necessary to work together at least to improve the comparability of financial statements. This confirms the exacerbation of the problem of comparability due to the growing differences between the US GAAP and IFRS, which may be the subject of further research in this area. The obtained results of the study allow us to conclude that financial reporting will acquire new issues in comparability not only between countries but also within IFRS-reported companies for the periods before and after changes in IFRS, especially if they choose modified ways to transition to IFRS revisions. Therefore, further research will focus on complicating the comparability of IFRS financial statements between different countries, as well as ways for its possible future resolution.

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Author Contribution

Lyudmyla Shkulipa conceived the study and was responsible for the literature, design, data collection, development of the data analysis, data interpretation, and proofreading of the work.

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Country-sources of some IFRS key requirements

Standard	Key requirement	The country as a source
IAS 1	Deviation of the "fair view"	The UK, Company Act 1997
IAS 1	Second income statement (Now statement of other comprehensive income)	The UK, FRS 3 «Statement of financial results»
IAS 7	Statement of Cash Flows	The USA, SFAS 95 «Statement of Cash Flows»
IAS 8	Retrospective changes in accounting policies	The UK, FRS 3 «Statement of financial results»
IAS 12	Deferred tax based on temporary differences	USA, SFAS 109 «Income taxes», APB 11 (1967) + UK, SSAP 5
IAS 16	Possibility of fixed assets revaluation	Netherlands and UK (practice)
IAS 17/ IFRS 16	Capitalization of a financial lease	The USA, SFAS 109 «Income taxes», SFAS 13 «Lease accounting» (1976), currently – 840
IAS 19	Actuarial gains and losses in the Statement of other comprehensive income	The UK, FRS 17 «Payments for retirement»
IAS 23	Capitalization of interest on construction	The USA, SFAS 109 «Income taxes»
IAS 36	Reduction of usefulness based on reimbursement with the necessary reverse	The UK, FRS 11 «Impairment of fixed assets and goodwill»
IAS 37	Discounting of provisions	The UK, FRS 12 «Provisions, contingent liabilities and contingent assets»
IAS 38	Criteria for development costs capitalization	Canada
IAS 38/ IFRS 3	Decrease in usefulness only for intangible items of indefinite term	The USA, SFAS 142 «Goodwill and intangible assets»
IAS 38/ IFRS 3	Market alignment for trading and derivative financial instruments	The USA, SFAS 115 «Accounting for some investments in debt and equity securities»/ SFAS 133 «Derivative accounting and hedging»
IAS 40	Accounting of investment property separately from fixed assets	The UK, SSAP 19 «Accounting for investment property», changed to FRS 102
IAS 41	Biological assets are measured at fair value	Australia
IFRS 5	Accounting of assets held for sale	The USA, SFAS 144 «Accounting for impairment or disposal of fixed assets»
IFRS 6	Accounting for oil and gas activities, exploration assets	USA practice
IFRS 7	Disclosure of financial instruments fair value	The USA, SFAS 107 «Disclosure of financial instruments fair value»
IFRS 8	Segment reporting based on internal reporting	The USA, SFAS 131 «Disclosure of business segments and related information»
IFRS 10	Consolidation	USA, 1931
IFRS 10	Consolidation based on control	Germany, <i>Aktiengesetz</i> «Law on Joint Stock Corporation» 1965
IFRS 10	Proportional consolidation for joint ventures accounting	France
IFRS 15	Recognition of revenue "risk-benefit"	USA, SEC 104, later ASC 606-10
Conceptual Framework for Financial Reporting	Most concepts of financial reporting	Concepts FASB, USA
	Substance over form	UK
	Prudence	GAAP Germany 252

Source: based on Nobes (2016, p. 172); PKF International Ltd. (2019)

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Appendix B

Comparison between the National Accounting and Financial Reporting Rules and IFRS Principles

List of accounting rules	Comparison between the National Accounting and Financial Reporting Rules and IFRS Principles									
	IFRS (IASB)	GAAP USA	GAAP Japan	ASBE China	GAAP France	GAAP Germany	GAAP UK	GAAP Ukraine	IFRS for SMEs	
1. Balance sheet (liquidity in descending order)	Optional	yes	yes	Yes	no	no	No	no	optional	
2. Horizontal format of balance sheet	Optional	yes	yes	Yes	yes	yes	No	yes	optional	
3. Adherence to the established reporting format	No	no	yes	Yes	yes	yes	No	yes	no	
4. LIFO is allowed	No	yes	no	No	no*	yes, but with conditions	No	no	no	
5. Measurement of some fixed assets at fair value	Optional	no (7.9% - yes)	no	No	no	no	no (13.4% - yes)	no	no	
6. Measurement of investment property at fair value	Yes	60% - no	no	No	88% - yes	90% - yes	73% - yes	yes	yes	
7. Investment property accounting separately from fixed assets	Yes	no	no	Yes	no	no	Yes	yes	yes	
8. Assets and investment property revaluation	Yes	no	no	No	yes, excepting stocks	no, excepting for banks and financial institutions	Yes	yes	yes	
9. Capitalization of finance leases	Yes	yes	yes	Yes	no, optional	mainly no	Yes	yes	yes	
10. Capitalization of development costs (keeping to the criteria) / recognition of internally generated intangible assets	Yes	no, except software	no, except software	Yes	no	no	no, except software	yes	no	
11. Capitalization of advertising costs	No	yes	no	No	yes	no	No	no	no	
12. Capitalization of interest on loans	mainly no	yes	yes	mainly no	mainly no	mainly no	mainly yes	no	no	
13. Capitalization of construction interest	Yes	yes	mainly no	optional	optional	optional	Optional	yes	no	
14. Accounting of fixed assets components	Yes	optional	—	Yes	optional	mainly no	Yes	no	yes	
15. Measurement of agricultural products and biological assets at fair value	Yes	mainly no	no	No	no	—	—	no	yes	
16. Measurement of contingent assets acquired in a business combination at fair value	No	yes	—	No	no	no	No	no	no	
17. Recognition of contingent liabilities received after a business combination if fair value cannot be estimated	No	yes	no	Yes	no	no	No	no	no	

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	IFRS (IASB) depreciation	GAAP U.S.A depreciation	GAAP Japan amortization within 20 years	ASBE China depreciation	GAAP France amortization	GAAP Germany amortization within 10 years	GAAP UK amortization	GAAP Ukraine depreciation	IFRS for SMEs amortization
18. Goodwill	depreciation	depreciation	amortization within 20 years	depreciation	amortization	amortization within 10 years	amortization	depreciation	amortization
19. Annual review of the assets residual value and useful life is required	Yes	no, if necessary	yes	Yes	yes	yes	no, if necessary	no, if necessary	no, if necessary
20. Annual impairment test for intangible assets and goodwill	Yes	yes	yes	Yes	no, if necessary	yes	Yes	yes	no, if necessary
21. Impairment test includes discounting	Yes	no	no	No	rules are not detailed	rules are not detailed	Yes	yes	necessary
22. Impairment test includes GCU	Yes	no	no	Yes	no	no	Yes	yes	yes
23. Amortization of intangible assets without useful life	No	no	yes, all with a useful life	No	no	yes, all with a useful life	yes, all with a useful life	no	yes, all with a useful life
24. Ability to recover impairment losses	Yes	no	no	No	yes	yes	Yes	yes	yes
25. Ability to return write-offs	Yes	no	no	Yes	yes	yes	Yes	yes	no
26. Measurement of derivatives and marketable securities at fair value	Yes	yes	yes	Yes	no*	no	No	no	yes
27. Insurance contract is a financial instrument	Yes	no	no	No	no	no	Yes	no	no
28. Measurement of non-market shares at fair value	Yes	no	no	No	no	yes	No	yes	no
29. Convertible debt instruments are liabilities	Liability and equity	Liability and equity	Liability	Liability	Liability OR equity	Liability and equity	Liability	Liability and equity	Liability
30. Pension obligation is fully recognized	Yes	no	yes	No	no	yes	No	yes	yes
31. Pension liabilities are discounted	yes (market rate)	no	no	Yes	—	yes (bank rate)	Yes	yes	yes
32. Decrease in liabilities at the end of employment	Yes	no	no	Yes	no	yes	Yes	yes	yes
33. Actuarial losses/gains in the Statement of other comprehensive income	Yes	yes	no	no rules	no (50% - yes)	63% - yes	85% - yes	no	optional
34. Dividends are accrued	No	yes	yes	No	no	yes	Yes	yes	no
35. Onerous contracts are recognized in Provisions	Yes	no	—	Yes	no	yes	Yes	yes	no
36. Provisions are discounted	Yes	mainly no	mainly no	Yes	no	yes	Yes	yes	yes
37. Provisions for assets repair at initial recognition	Yes	no	no	Yes	yes	no	Yes	no	yes
38. Provisions for business restructuring	Yes	yes	no rules	Yes	yes	no	Limited	yes	yes
39. Debt restructuring	Yes	yes	no rules	Yes	yes	—	Yes	—	yes
40. Unregulated currency increase in income	Yes	yes	yes	Yes	no	only for some	Yes	yes	yes

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List of accounting rules	IFRS (IASB)	GAAP USA	GAAP Japan	ASBE China	GAAP France	GAAP Germany	GAAP UK	GAAP Uthrive	IFRS for SMEs
41. Completed contract method	Limited	limited	yes	Yes	limited	limited	Yes	yes	yes
42. Extraordinary items in the income statement	Yes	no	yes	No	no	indirectly	yes - in theory, no - in practice	no	no
43. Statement of other comprehensive income as a part of financial reporting	Yes	yes	yes	Yes	optional	no	Yes	yes	yes
44. Reclassification of other comprehensive income to profit or loss	Yes	yes	yes	Yes	no	no	No	no	yes
45. Statement of changes in equity (separately)	No	74% - yes	yes	No	80% - yes	61% - yes	Optional	yes	yes
46. Lease interest paid in the operating activities of the cash flows statement	Yes	no	no	No	62% - no	83% - no	82% - yes	yes	no
47. Expenses focused on nature in the income statement	No	no	no	No	yes	yes	No	no	yes
48. Changes in accounting policies and errors correction through revenue	No	yes	no	no rules	no	no	No	no rules	no
49. State (government) is obliged to purchase a concession service	Detailed	added	no	no rules	no	no, if in the management report	Yes	yes	yes
50. Disclosure about a cessation of activities	Yes	yes	no	Yes	yes	yes	Yes	yes	yes
51. Disclosure of related parties' interests	No	yes	yes	No	no	separate report	No	yes	no
52. Disclosures about investments from investment companies	Yes	yes	no	Yes	yes, few	optional	No	desirable	yes
53. Disclosure of liabilities by segments	Yes	equity method	no	cost method	yes	or equity method	Yes	yes	no
54. Temporarily-held subsidiaries are consolidated	no, equity method	yes, in some industries	no	or equity method	76% - yes	84% - no	77% - no	no	no (equity or cost method)
55. Proportional consolidation of the joint venture in the consolidated financial statements	Yes	no	yes	Yes	no	no	Yes	yes	joint operation - no
56. There is a "joint activity", "joint operation"	Yes, or at fair value (in equity) method	no, at fair value	yes	yes (as a part of equity)	yes	yes (as a part of equity)	Yes	yes	yes, or at fair value
57. Measurement of uncontrolled shares at proportional participation in net assets	Yes	no	no	No	no	no	Yes	yes	yes
58. Economic substance over form	Yes	no	no	no	no	no	Yes	yes	yes
59. Important role of the Conceptual Framework in the established standards, disclosure of information about some items	Yes	no	no	no	no	no	no	no	yes



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List of accounting rules	IFRS (IASB)	GAAP USA	GAAP Japan	ASBE China	GAAP France	GAAP Germany	GAAP UK	GAAP Ukraine	IFRS for SMEs
Convergence with IFRS	X	20	10	18	16	20	28	30	—
Convergence with US GAAP	20	X	25	16	21	15	9	10	—
Convergence with IFRS and US GAAP	20	20	3	14	7	5	10	12	—
For consolidated reports of listed companies	EU countries	GAAP USA	GAAP Japan (modified) or GAAP USA or IFRS	GAAP + IFRS or GAAP Hong Kong	IFRS (adopted EU)	IFRS (adopted EU) + GAAP Germany	IFRS (adopted EU)	MC#3	—
For non-consolidated reports of domestic companies	Depending on the country	Prohibition of IFRS	Voluntary IFRS	GAAP China = IFRS	Prohibition of IFRS	GAAP Germany + IFRS	IFRS (adopted EU) or GAAP	MC#3 or GAAP	—

Notes: * for non-consolidated reports.
 Underlined text – after changes in IFRS.

as source of IFRS-principle

Source: based on PKF International Ltd. (2019); Nobes (2016, p. 364); Shkulipa (2018).

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