

Adoption and Application of IFRS Standards in Asian Countries

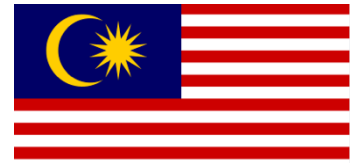
The IFRS Foundation, is a not-for-profit organization established in the public interest, dedicated on developing high-quality, globally accepted accounting and sustainability disclosure standards. These standards aim to be enforceable, understandable, and applicable worldwide.

The Foundation's standards are developed by two key standard-setting boards: the International Accounting Standards Board (IASB) and the newly formed International Sustainability Standards Board (ISSB). The IASB operates independently and consists of experts with recent practical experience in accounting standards setting, financial reporting, auditing, and accounting education. Geographical diversity is also a crucial consideration in selecting its members, ensuring a broad representation of global perspectives. The responsibilities of the IASB include the development and publication of IFRS Accounting Standards, including the IFRS for SMEs Accounting Standard. Moreover, the IASB oversees the approval of interpretations of IFRS Accounting Standards, a role previously held by the IFRS Interpretations Committee (formerly IFRIC).

In today's interconnected global economy, harmonizing financial reporting standards is crucial for fostering transparency, comparability, and investor confidence across borders. International Financial Reporting Standards (IFRS) play a pivotal role in achieving this goal by providing a unified framework that enhances the quality and reliability of financial information worldwide. The adoption of IFRS not only facilitates seamless integration into global capital markets but also supports sustainable economic growth by promoting sound corporate governance and accountability.

Across Asia, the journey towards IFRS adoption varies, shaped by diverse regulatory landscapes, economic priorities, and cultural influences. This article explores the status of IFRS adoption in key Asian economies such as Japan, China, Vietnam, Hong Kong, Malaysia, Singapore, Indonesia, and Thailand. Each country's unique approach to adopting and applying IFRS reflects its commitment to aligning national accounting standards with international best practices while addressing local economic realities.

By examining the specific strategies, jurisdictional authorities, and implications for financial reporting in these countries, this analysis seeks to provide valuable insights into the challenges and opportunities associated with achieving global accounting standardization. Understanding these dynamics not only illuminates the complexities of regulatory convergence but also underscores the transformative impact of IFRS on enhancing financial transparency and driving sustainable economic development in Asia and beyond.



MALAYSIA

Extent of IFRS Application

- Domestic Public Companies

Malaysia mandates the use of Malaysian Financial Reporting Standards (MFRS), which are fully compliant with IFRS, for all domestic public companies. This requirement ensures that financial statements are prepared in accordance with international standards, promoting transparency and comparability.

- Foreign Companies

Foreign companies listed on Malaysian exchanges are also required to prepare their financial statements in compliance with MFRS, aligning them with domestic companies' standards.

- IFRS for SMEs

The IFRS for SMEs Standard is not adopted in Malaysia. Instead, private entities can use the Malaysian Private Entities Reporting Standard (MPERS), which is based on the IFRS for SMEs but tailored to local needs.

Relevant Jurisdictional Authority

The Malaysian Accounting Standards Board (MASB) holds authority over the setting of accounting standards within Malaysia. Operating under the auspices of the Financial Reporting Foundation (FRF), MASB plays a pivotal role in developing and upholding high-quality accounting standards tailored for financial reporting in the country.

MASB ensures that Malaysian Financial Reporting Standards (MFRS) are harmonized with International Financial Reporting Standards (IFRS) through a meticulous process of continuous review and adoption. This alignment aims to facilitate transparency, comparability, and consistency in financial reporting practices across Malaysia.

For more information on MASB and its standards-setting activities, please visit their website at www.masb.org.my or contact them via email at masb@masb.org.my

Conclusion

Malaysia's commitment to IFRS through the adoption of MFRS reflects its dedication to maintaining high standards of financial reporting. This alignment facilitates greater integration with global financial markets, enhances investor confidence, and supports economic growth. The implementation of MPERS for SMEs demonstrates a balanced approach, catering to the specific needs of smaller entities while maintaining coherence with international standards.



SINGAPORE

Extent of IFRS Application

- **Domestic Public Companies**
Singapore mandates the use of Singapore Financial Reporting Standards (International) (SFRS(I)), which are equivalent to IFRS, for all listed companies. This requirement ensures consistency and comparability of financial information with global standards.
- **Foreign Companies**
Foreign companies listed on the Singapore Exchange (SGX) are required to comply with SFRS(I) or IFRS, providing flexibility while maintaining rigorous reporting standards.
- **IFRS for SMEs**
Singapore has not adopted the IFRS for SMEs. Instead, smaller entities follow the Singapore Financial Reporting Standards (SFRS), which are designed to cater to local business contexts.

Relevant Jurisdictional Authority

The Accounting Standards Council (ASC) serves as Singapore's national authority entrusted with prescribing accounting standards. Aligned with its role in maintaining Singapore's reputation as a global financial hub, the ASC ensures that Singapore Financial Reporting Standards (International) (SFRS(I)) are harmonized with International Financial Reporting Standards (IFRS).

The ASC's responsibilities encompass overseeing the development, review, and adoption of accounting standards. This process ensures that the standards are not only responsive to the needs of the business community in Singapore but also adhere to internationally recognized practices in financial reporting.

For more detailed information about the ASC and its activities in setting accounting standards, please visit their website at www.asc.gov.sg or contact them via email at asc@asc.gov.sg.

Conclusion

Singapore's adoption of SFRS(I), equivalent to IFRS, underscores its commitment to high-quality financial reporting standards. This approach not only enhances transparency and comparability but also solidifies Singapore's position as a leading international financial center. The flexibility for foreign companies to use either SFRS(I) or IFRS reflects a pragmatic approach, accommodating diverse corporate structures while maintaining stringent reporting requirements.

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INDONESIA

Extent of IFRS Application

- **Domestic Public Companies**
Indonesia has not adopted IFRS Standards for domestic public companies. Instead, it follows a convergence approach, aligning its national standards (SAK) with IFRS without fully adopting them.
- **Foreign Companies**
Foreign companies listed in Indonesia are required to use SAK rather than IFRS.
- **FRS for SMEs**
Indonesia has not adopted the IFRS for SMEs Accounting Standard and is not considering its adoption. SMEs use the Indonesian Tier 2 standard, SAK ETAP, developed with reference to the IFRS for SMEs Standard.

Relevant Jurisdictional Authority

The Indonesian Financial Accounting Standards Board (DSAK IAI), operating under the Indonesian Institute of Accountants (IAI), serves as the national standard-setting body responsible for establishing the Indonesian Financial Accounting Standards (SAK).

Recognized by the Indonesian government through legislations such as Indonesian Law No. 40/2007 on Limited Liability Companies and Law No. 8/1995 on Capital Markets, the standards set by DSAK IAI play a crucial role in the regulatory framework of Indonesia's financial reporting.

For further information about DSAK IAI and the Indonesian Financial Accounting Standards, please visit their website at www.iaiglobal.or.id or reach out via email at dsak@iaiglobal.or.id (cc: aucky.pratama@iaiglobal.or.id).

Conclusion

Indonesia's approach to IFRS reflects a careful balancing act between aligning with global standards and addressing local economic and regulatory needs. By committing to a convergence strategy rather than full adoption, Indonesia ensures that its financial reporting remains relevant and comparable internationally while mitigating potential implementation challenges. The DSAK IAI continues to work on narrowing the differences between SAK and IFRS, demonstrating a strong commitment to enhancing the quality and transparency of financial reporting in the country.



JAPAN

Extent of IFRS Application

- Domestic Public Companies

Japan allows the voluntary use of IFRS Standards for consolidated financial statements of certain domestic companies. However, the use of Japanese Generally Accepted Accounting Principles (GAAP) remains predominant.

- Foreign Companies

Foreign companies listed on Japanese exchanges are permitted to use IFRS Standards for their consolidated financial statements without reconciliation to Japanese GAAP.

- IFRS for SMEs

Japan has not adopted the IFRS for SMEs. Instead, smaller entities follow the Japanese Accounting Standards for Small and Medium-Sized Entities (JMIS) or other simplified standards.

Relevant Jurisdictional Authority

The Accounting Standards Board of Japan (ASBJ) holds a central position in the establishment of accounting standards within Japan. Working closely with the Business Accounting Council (BAC) and the Financial Services Agency (FSA), ASBJ ensures that its standards align with international best practices.

ASBJ's standards are integral to Japan's regulatory framework and are recognized under key legislations such as the Financial Instruments and Exchange Act and the Companies Act. These standards provide a robust basis for financial reporting across various sectors in Japan.

For more information about ASBJ and its initiatives in setting accounting standards, please visit their website at www.asb.or.jp or contact them via email at info@asb.or.jp.

Conclusion

Japan's approach to IFRS reflects a cautious transition, allowing for voluntary adoption while maintaining the predominance of Japanese GAAP. This dual approach accommodates global integration while preserving the regulatory framework tailored to Japanese business practices. The ongoing collaboration between ASBJ, BAC, and FSA ensures that Japanese accounting standards evolve in concert with international developments, fostering transparency and investor confidence.



CHINA

Extent of IFRS Application

- **Domestic Public Companies**
China has adopted IFRS Standards for listed companies on domestic exchanges. However, there are significant modifications and local interpretations under Chinese Accounting Standards (CAS) based on IFRS.
- **Foreign Companies**
Foreign companies listed in China may use IFRS Standards for their consolidated financial statements, subject to certain reconciliations and adjustments under CAS.
- **IFRS for SMEs**
China has not adopted the IFRS for SMEs. Instead, smaller entities follow simplified accounting standards issued by the Ministry of Finance (MOF) or local standards.

Relevant Jurisdictional Authority

The Ministry of Finance (MOF) and the Chinese Accounting Standards Committee (CASC) jointly oversee the establishment and implementation of accounting standards in China. CASC works in close collaboration with the International Accounting Standards Board (IASB) to ensure that Chinese Accounting Standards (CAS) are aligned with International Financial Reporting Standards (IFRS).

MOF's standards play a crucial role in shaping China's regulatory landscape, influencing financial reporting practices across diverse sectors and markets within the country.

For further details regarding MOF and CASC's roles in setting accounting standards in China, please visit their website at www.mof.gov.cn or reach out via email at webmaster@mof.gov.cn.

Conclusion

China's adoption of IFRS for listed companies represents a significant step towards global convergence, albeit with local modifications and interpretations under CAS. This approach balances the need for international alignment with considerations of national economic priorities and regulatory controls. The collaboration between MOF, CASC, and IASB underscores China's commitment to enhancing financial transparency and harmonizing accounting practices in a complex and rapidly evolving market environment.



VIETNAM

Extent of IFRS Application

- Domestic Public Companies

Vietnam has not fully adopted IFRS Standards. Listed companies use Vietnamese Accounting Standards (VAS), which are undergoing convergence with IFRS through the roadmap issued by the Ministry of Finance (MOF).

- Foreign Companies

Foreign companies listed in Vietnam may use IFRS Standards for their consolidated financial statements, subject to reconciliations and adjustments to comply with VAS.

- IFRS for SMEs

Vietnam has not adopted the IFRS for SMEs. Instead, smaller entities follow simplified accounting standards issued by the MOF or VAS for micro-enterprises.

Relevant Jurisdictional Authority

The Ministry of Finance (MOF) of Vietnam holds the mandate for issuing accounting standards in the country. Under its oversight, the MOF's Accounting and Auditing Policy Department ensures the alignment of Vietnamese Accounting Standards (VAS) with International Financial Reporting Standards (IFRS), facilitating international comparability and transparency in financial reporting practices.

The MOF plays a pivotal role in setting and enforcing accounting standards that contribute to Vietnam's economic development objectives and enhance financial transparency across various sectors.

For more information on the MOF's role in accounting standards and convergence efforts with IFRS, please visit their website at www.mof.gov.vn or contact them via email at webmaster@mof.gov.vn.

Conclusion

Vietnam's approach to accounting standards reflects a progressive convergence with IFRS, guided by the MOF's roadmap. While VAS remains the predominant framework for financial reporting, the alignment with international standards enhances transparency and facilitates capital flows. The ongoing convergence efforts signify Vietnam's commitment to improving the quality and comparability of financial information, thereby supporting investor confidence and sustainable economic growth.



HONG KONG

Extent of IFRS Application

- Domestic Public Companies

Hong Kong has fully adopted IFRS Standards for listed companies. The Hong Kong Financial Reporting Standards (HKFRS), equivalent to IFRS, are issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

- Foreign Companies

Foreign companies listed in Hong Kong are required to use IFRS Standards or their home country GAAP for their consolidated financial statements, subject to certain reconciliations.

- IFRS for SMEs

Hong Kong has not adopted the IFRS for SMEs. Smaller entities follow the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for PE), designed for simplified reporting requirements.

Relevant Jurisdictional Authority

The Hong Kong Institute of Certified Public Accountants (HKICPA), facilitated through its Financial Reporting Standards Committee (FRSC), issues Hong Kong Financial Reporting Standards (HKFRS) and ensures their alignment with International Financial Reporting Standards (IFRS). Oversight of compliance with these standards is managed by the Financial Reporting Council (FRC).

The HKICPA plays a pivotal role in setting and promoting high-quality financial reporting standards in Hong Kong, bolstering its reputation as an international financial center.

For more information about HKICPA and HKFRS, please visit their website at www.hkicpa.org.hk or contact them via email at hkicpa@hkicpa.org.hk.

Conclusion

Hong Kong's full adoption of IFRS Standards underscores its commitment to transparency and international best practices in financial reporting. The alignment of HKFRS with IFRS enhances comparability and facilitates access to global capital markets. The flexibility for foreign companies to use their home country GAAP or IFRS for financial reporting in Hong Kong reflects a pragmatic approach to accommodating diverse regulatory environments while maintaining rigorous standards.



THAILAND

Extent of IFRS Application

- Domestic Public Companies

Thailand has adopted Thai Financial Reporting Standards (TFRS), which are substantially converged with IFRS. Listed companies are required to use TFRS, ensuring alignment with global reporting standards.

- Foreign Companies

Foreign companies listed in Thailand may use IFRS Standards or their home country GAAP for their consolidated financial statements, subject to reconciliations with TFRS.

- IFRS for SMEs

Thailand has not adopted the IFRS for SMEs. Smaller entities follow simplified accounting standards issued by the Federation of Accounting Professions (FAP) or TFRS for Non-Publicly Accountable Entities.

Relevant Jurisdictional Authority

The Federation of Accounting Professions (FAP) of Thailand is the authoritative body responsible for issuing Thai Financial Reporting Standards (TFRS) and ensuring their alignment with International Financial Reporting Standards (IFRS). Oversight of compliance with these standards is supervised by the Securities and Exchange Commission (SEC).

The FAP plays a critical role in promoting uniformity and transparency in financial reporting practices across Thailand's diverse business sectors.

For more information about FAP and TFRS, please visit their website at www.fap.or.th or contact them via email at info@fap.or.th.

Conclusion

Thailand's adoption of TFRS represents a significant step towards harmonizing financial reporting practices with international standards. The convergence with IFRS enhances transparency, comparability, and investor confidence in Thai capital markets. The regulatory oversight by FAP and SEC ensures that accounting standards evolve in line with global developments, supporting Thailand's economic resilience and integration into the global financial community.

FINAL OVERALL CONCLUSION

The adoption and application of IFRS in Malaysia, Singapore, Indonesia, Japan, China, Vietnam, Hong Kong, and Thailand highlight diverse approaches to aligning national accounting standards with international best practices.

While some countries have fully adopted IFRS-equivalent standards to enhance transparency and comparability, others pursue convergence strategies to balance global integration with local economic priorities. These efforts underscore the complexity and importance of harmonizing financial reporting standards in an increasingly interconnected global economy.

As these countries continue to refine their accounting frameworks, their experiences offer valuable insights into the challenges and opportunities associated with achieving global accounting standardization, thereby fostering investor confidence and sustainable economic growth across the region.