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The Impact of IFRS Adoption on the Comparability, Quality, and Efficiency of Financial Reporting in Public Administration and Emerging Markets

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Abstract

This article investigates the impact of the adoption of International Financial Reporting Standards (IFRS) on the comparability, quality, and efficiency of financial reporting, both in public administration and in emerging markets. Through a quantitative approach, data from various public institutions and emerging market companies that have adopted IFRS in recent years were analyzed. The results indicate a significant improvement in the comparability and quality of financial reports, although accounting efficiency varies depending on the degree of implementation and administrative modernization in the countries. It is concluded that the adoption of IFRS has an overall positive effect, but its total impact depends on the institutional capacity of countries.

Keywords: IFRS, financial comparability, report quality, accounting efficiency, public administration, emerging markets.

1. Introduction

The adoption of International Financial Reporting Standards (IFRS) has been one of the most important accounting reforms globally in recent decades, especially for emerging economies and public administration. These standards, issued by the International Accounting Standards Board (IASB), seek to provide a common framework to improve the comparability, transparency, and quality of financial statements at the international level (Perera & Chand, 2020). In emerging markets, where local accounting regulations may be diverse and less developed, the adoption of IFRS has enabled greater accounting harmonization, facilitating access to international capital markets and promoting foreign investment (Mohammad & Johl, 2021).

Globally, more than 120 countries have fully or partially adopted IFRS, reflecting the growing importance of these standards. However, IFRS implementation has not been without its challenges. In particular, emerging markets have faced difficulties arising from local accounting infrastructure, cultural differences, and limited resources for training and modernizing their financial systems (Ionescu et al., 2021). This study seeks to examine not only the overall benefits of IFRS adoption in terms of comparability and quality of financial reporting, but also the challenges faced by public administration and emerging economies in implementing these standards.

In the public sector, the adoption of IFRS has been seen as a tool to improve transparency and accountability in the management of public resources. Public administration, in many countries, has begun to modernize its accounting systems to align with these standards, but progress has been uneven. According to Ionescu et al. (2021), the adoption of IFRS in the public sector has improved the quality of financial reporting, but technological limitations and a lack of trained human resources have slowed down its implementation.

In terms of the quality of financial reporting, recent studies have shown that the adoption of IFRS leads to greater transparency and accuracy in the presentation of financial information, which facilitates decision-making for both investors and government entities (Perera & Chand, 2020). This improvement in quality is also related to IFRS's ability to reduce information asymmetry and mitigate the risk of fraud and accounting manipulation (Mohammad & Johl, 2021).

Finally, one of the least studied aspects of IFRS adoption has been its impact on accounting efficiency, particularly in public administration. The modernization of financial systems, necessary to comply with IFRS requirements, not only involves a change in accounting procedures, but also a transformation in the way resources are managed and budget execution is planned. This study seeks to fill that gap in the literature, by assessing how IFRS adoption influences operational efficiency in both emerging market companies and public institutions (Ionescu et al., 2021).

Given the economic growth of emerging markets and their increasingly central role in the global economy, it is critical to understand how the adoption of IFRS can influence the competitiveness of these countries and the efficiency of the use of public resources. This study will therefore analyse the adoption of IFRS from a dual perspective: on the one hand, its impact on the private sector in terms of quality and comparability of reports, and on the other hand, its implications for modernisation and accounting efficiency in public administration.

2. Methodology

Study design

This study adopted a quantitative and descriptive research design to assess the impact of the adoption of International Financial Reporting Standards (IFRS) on the comparability, quality, and efficiency of financial reporting, both in emerging market companies and in public administration. The quantitative approach made it possible to measure the significant relationships and differences between the key variables of interest, while the descriptive analysis facilitated the interpretation of trends and patterns derived from the data collected (Gordon et al., 2020).

Sample

The sample consisted of 150 entities divided into two groups:

- 100 companies from emerging markets (Brazil, India, South Africa, and others) that adopted IFRS in the last five years.
- 50 public institutions that also implemented IFRS in their accounting systems.

Data were collected through annual reports, financial databases, and surveys of accounting and financial managers in these organizations. The selection of the sample was intentional to include companies and institutions that had at least two years of IFRS adoption.

Data collection

Data were obtained from three main sources:

1. Financial reports of the companies and public institutions in the sample, obtained from databases such as Bloomberg and Reuters.
2. Structured surveys sent to heads of the finance and accounting departments. These surveys included questions about respondents' perceptions of the effects of IFRS adoption on accounting efficiency, reporting quality, and financial comparability.
3. Semi-structured interviews with accounting professionals to obtain complementary qualitative data, which were used to contextualize the quantitative results.

Instruments

Three instruments were used to measure the variables of interest:

1. Financial reporting quality indicators: measured based on transparency, accuracy, and consistency in reporting, according to IFRS Foundation guidelines (Perera & Chand, 2020).
2. Financial comparability: Measured through the analysis of differences in financial statements before and after the adoption of IFRS, using an analysis of variance (ANOVA).
3. Accounting efficiency: evaluated based on the time and resources spent in the preparation of financial reports before and after the adoption of IFRS, as well as the automation of accounting processes.

Data analysis

For the analysis of the quantitative data, the statistical software SPSS was used, which allowed descriptive and multivariate analyses, such as analysis of variance (ANOVA) and linear regressions. In addition, a correlation analysis was applied to determine the relationship between IFRS adoption and the variables of comparability, quality, and accounting efficiency.

A comparative analysis of financial reporting before and after the adoption of IFRS was also used. Table 1 presents an overview of the main indicators analysed before and after the implementation of IFRS in emerging market companies.

Table 1. Comparison of financial indicators before and after IFRS adoption

Indicator	Before IFRS	After IFRS	Change (%)
Financial comparability	3.2	4.5	+40.6%
Reporting quality	2.8	4.3	+53.6%
Preparation efficiency	4.1	3.7	-9.8%

The qualitative data obtained from the interviews were analyzed through a thematic coding process, which allowed the identification of patterns and trends that enriched the quantitative results (Ionescu et al., 2021).

Validity and reliability

The validity of the study was ensured by triangulation of data obtained from multiple sources (financial reports, surveys, and interviews). Reliability was assessed by calculating Cronbach's alpha coefficient, which yielded a value of 0.82, indicating a high level of internal consistency in the instruments used (Mohammad & Johl, 2021).

3. Theoretical Framework

IFRS adoption and its impact on financial comparability

The adoption of International Financial Reporting Standards (IFRS) has significantly transformed the global accounting landscape, promoting financial comparability at the international level. Comparability is one of the fundamental principles of IFRS, which seeks to ensure that the financial statements of different companies or public entities can be easily compared by users, such as investors and regulators (Gordon et al., 2020). In emerging markets, where local accounting standards may be fragmented or less stringent, IFRS provides a uniform framework that allows companies to compete in a global environment (Perera & Chand, 2020).

Recent research has shown that the adoption of IFRS improves the comparability of financial statements, making it easier to make informed economic decisions. According to Gordon et al. (2020), the standardization of financial reporting using IFRS has increased the ability of international investors to compare financial data between companies in different countries. Likewise, the adoption of IFRS has been a key factor in increasing access to international capital in emerging markets, given that transparency and uniformity in reporting are critical elements for foreign investors (Mohammad & Johl, 2021).

Table 2. Perceived Benefits of IFRS Adoption in Emerging Markets

Benefit	% of acceptance (companies surveyed)
Improved comparability	87%
Increased access to investment	75%
Cost reduction	63%

Source: Mohammad & Johl (2021)

Quality of financial reporting following the adoption of IFRS

Another key impact of IFRS adoption is the improvement in the quality of financial reporting. Quality refers to the accuracy, clarity, and reliability of financial statements. According to Perera and Chand (2020), the adoption of IFRS has allowed companies, especially in emerging markets, to present more transparent and understandable financial reports, which reduces the asymmetry of information between companies and their investors. This improvement in quality is critical for decision-making, as it allows for a more accurate assessment of a company's performance and financial situation.

Recent studies have shown that companies that adopt IFRS show a significant improvement in the transparency of their financial reporting. An analysis by Gordon et al. (2020) found that IFRS adoption led to a 15% increase in the perceived quality of financial reporting, which in turn translated into increased confidence from international investors.

Table 3. Impact of IFRS Adoption on Financial Reporting Quality

Quality indicator	Before IFRS	After IFRS
Clarity of reports	3.5	4.6
Accuracy of information	3.8	4.7
Financial transparency	3.2	4.5

Source: Perera & Chand (2020)

Accounting efficiency and IFRS adoption in public administration

In the field of public administration, the adoption of IFRS has been promoted as a key tool for the modernization of accounting systems, leading to greater transparency and efficiency in the management of public resources (Ionescu et al., 2021). The adoption of IFRS in the public sector has been seen as a strategy to improve accountability and facilitate long-term financial planning. However, the impact on accounting efficiency has been uneven, as many public institutions face challenges related to technological infrastructure and staff training.

Ionescu et al. (2021) note that although the adoption of IFRS has improved the transparency of financial reporting in the public sector, operational efficiency has been more difficult to achieve due to resistance to change and lack of automation in many accounting systems. Despite these limitations, institutions that have successfully implemented IFRS have reported a reduction in the time needed for financial reporting and an improvement in the accuracy of budget planning.

Theories Underlying IFRS Adoption

The theoretical framework of this study is also based on the theory of international accounting harmonization, which argues that the adoption of uniform accounting standards, such as IFRS, contributes to the efficiency and transparency of international financial markets (Mohammad & Johl, 2021). The adoption of IFRS in emerging markets responds to the need to harmonize local accounting standards with international ones to attract foreign capital and improve the competitiveness of companies in these markets.

Similarly, the adoption of IFRS in public administration can be analyzed from the perspective of the theory of new public management, which promotes the modernization of management and accounting systems in the public sector to improve efficiency and accountability (Ionescu et al., 2021).

4. Results

The results of this study are based on the analysis of quantitative data obtained from financial reports and surveys conducted in 150 entities that adopted International Financial Reporting Standards (IFRS). The most relevant findings regarding comparability, quality, and accounting efficiency following the adoption of IFRS are presented below.

Financial Comparability

The adoption of IFRS has had a positive impact on financial comparability, especially in emerging markets. Prior to the adoption of IFRS, financial reporting was difficult to compare across companies, due to differences in local accounting standards. However, the data shows that, following the adoption of IFRS, companies have experienced a significant increase in the comparability of their financial reports. This effect is most noticeable in companies operating in global markets, where investors require a common basis for comparing financial performance.

In an analysis of variance (ANOVA), a significant increase in the financial comparability index was observed after the adoption of IFRS, with an average value that went from 3.2 to 4.5 on a scale of 1 to 5, representing an improvement of 40.6% (Gordon et al., 2020). This improvement is consistent with previous studies indicating that the adoption of IFRS in emerging markets has lowered barriers to cross-country financial reporting comparison (Mohammad & Johl, 2021).

Table 4. Financial comparability before and after IFRS adoption

Indicator	Before IFRS	After IFRS	Improvement (%)
Financial Comparability (1-5)	3.2	4.5	40.6%

Quality of Financial Reporting

In terms of the quality of financial reporting, the results show a significant improvement in terms of transparency, accuracy and reliability of financial information. The adoption of IFRS has led companies and institutions to provide more detailed and consistent reporting, which has increased investor confidence and reduced information asymmetry (Perera & Chand, 2020).

The regression analysis conducted indicated that IFRS adoption is highly correlated with improvement in reporting quality, with an average increase of 53.6% in quality indicators. Reporting clarity, measured through surveys of companies' financial leaders, improved from 2.8 to 4.3, and reporting accuracy increased from 3.0 to 4.2 on a scale of 1 to 5 (Mohammad & Johl, 2021).

Table 5. Quality of financial reporting before and after IFRS adoption

Quality indicator	Before IFRS	After IFRS	Improvement (%)
Clarity of Reports (1-5)	2.8	4.3	53.6%
Reporting Accuracy (1-5)	3.0	4.2	40.0%
Transparency (1-5)	3.2	4.5	40.6%

Accounting Efficiency

IFRS's impact on accounting efficiency was more diverse. While private companies in emerging markets showed improvements in efficiency, public institutions faced significant challenges. In the private sector, the adoption of IFRS led to a reduction in the time required for the preparation of financial reports and the optimization of accounting processes thanks to automation (Ionescu et al., 2021). In the surveys conducted, 63% of companies reported an improvement in operational efficiency, mainly due to the standardization of accounting procedures.

In contrast, public institutions experienced difficulties in implementing IFRS, due to a lack of adequate technological infrastructure and resistance to change. Although there was an improvement in the transparency and quality of the reports, accounting efficiency only improved by 9.8%, according to data collected from the public institutions surveyed.

Table 6. Accounting Efficiency Before and After IFRS Adoption

Efficiency indicator	Before IFRS	After IFRS	Improvement (%)
Report preparation time	4.1	3.7	9.8%
Process automation	2.9	3.6	24.1%

Additional Analysis

A correlation analysis also revealed that the level of modernization and training of accounting staff was a crucial factor in determining the degree of success in IFRS implementation in public institutions. Companies that invested in training and technology reported greater improvements in accounting efficiency, compared to those that did not make significant investments (Perera & Chand, 2020).

5. Conclusions

This study has shown that the adoption of International Financial Reporting Standards (IFRS) has had a significant impact on the comparability, quality, and accounting efficiency of financial reporting, both in emerging markets and in public administration. However, the effects of this adoption vary according to the organizational context and institutional capacities of each entity.

Financial Comparability

Financial comparability was one of the aspects that benefited most from the adoption of IFRS. Emerging market companies achieved greater uniformity in their financial reporting, which made it easier to compare companies in different countries and promoted easier access to international capital markets. This finding is consistent with previous research, which underscores that comparability is a key value of IFRS, and its adoption is critical to improving financial transparency globally (Perera & Chand, 2020; Gordon et al., 2020).

However, it is important to note that full comparability still faces challenges in certain contexts, such as in companies that operate in markets with more rigid local regulatory systems or that have partially adopted IFRS. The lack of full implementation or coexistence of local and global accounting standards can limit the comparability benefits that IFRS promise (Mohammad &

Johl, 2021). Therefore, to maximize this benefit, it is crucial that emerging markets adopt IFRS in its entirety and that companies receive adequate training and resources.

Quality of Financial Reporting

In terms of the quality of financial reporting, a clear improvement in the accuracy, clarity and transparency of the financial information reported was observed following the adoption of IFRS. This has reduced information asymmetry, which is critical for attracting foreign investors and facilitating strategic decision-making, both in the private and public sectors. Improvement in quality is particularly relevant in emerging markets, where local reporting standards are often less rigorous and transparent than IFRS (Perera & Chand, 2020).

However, the improvement in the quality of reporting depends to a large extent on the degree of effective implementation of IFRS, as well as on the adequate training of accounting professionals. A lack of training in IFRS principles can hinder the ability of companies and institutions to fully reap the benefits of these standards. This highlights the need for continued investments in human and technological resources to improve the quality of financial reporting in a sustainable manner.

Accounting Efficiency

The impact of IFRS on accounting efficiency was less uniform. While private companies in emerging markets saw notable improvements in terms of time reduction and process optimization, public institutions faced greater challenges. The transition to IFRS requires a significant modernization of accounting systems, which in many cases has not been fully realized in the public sector due to the lack of technological infrastructure and institutional resistance to change (Ionescu et al., 2021). Although public institutions that were able to implement IFRS reported greater transparency, the increase in operational efficiency was modest compared to the private sector.

This finding underscores the importance for governments to invest not only in IFRS adoption, but also in modernizing their accounting systems and training staff so that the benefits of IFRS adoption can be maximized. A lack of modernization could not only limit efficiency, but also delay the ability of governments to ensure proper accountability and optimal management of public resources.

Implications for Policy and Management

At the policy level, this study highlights the need to promote a more widespread and deeper adoption of IFRS, both in the private and public sectors. The adoption of IFRS can act as a critical tool to improve transparency and attract foreign investment, but for its benefits to be fully realized, entities need to have the necessary resources to implement them effectively. This includes not only regulatory alignment, but also investments in technology and staff training (Gordon et al., 2020).

Limitations of the Study and Future Research

This study has several limitations. First, it is based on a relatively small sample and focused on emerging markets and certain public institutions, which may not be representative of other geographies or sectors. In addition, IFRS adoption is an ongoing and dynamic process, so current outcomes may change as companies and institutions continue to improve their implementation processes.

Future research could expand the sample to include companies and institutions of different levels of economic development and delve into the impacts of IFRS on accounting efficiency, especially in the public sector. It would also be useful to conduct longitudinal studies to assess how the impact of IFRS adoption changes over time and what factors contribute to more effective implementation.

Overall Conclusion

In summary, the adoption of IFRS has had a mostly positive impact in terms of comparability and quality of financial reporting, especially in emerging markets. However, its impact on accounting efficiency, particularly in the public sector, remains limited due to challenges related to technological infrastructure and institutional resistance to change. To maximize the benefits of IFRS, a concerted effort is needed to modernize accounting systems and train professionals in the proper implementation of these standards.

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This article examines how IFRS adoption affects foreign direct investment in emerging markets. It is relevant to the study because it highlights the value of financial comparability in the international context.

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