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International Financial Reporting Standards and Their Effect on Global Supply Chain Dynamics

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***Abstract**. Global supply chain dynamics have been profoundly impacted by the implementation of International Financial Reporting Standards (IFRS), which have improved openness, decreased information asymmetry, and fostered strong governance and accountability frameworks. This qualitative assessment of the literature seeks to combine contemporary empirical research with theoretical viewpoints to investigate the complex effects of IFRS on supply chain management. This study employs a qualitative methodology, evaluating academic articles, case studies, and theoretical papers. It has been discovered that the implementation of IFRS enhances the quality of financial reporting, hence promoting improved decision-making, supplier selection, and risk management. Standardizing finance procedures encourages cooperation and confidence among supply chain participants, which improves operational resilience and efficiencies. The analysis comes to the conclusion that the implementation of IFRS has a significant beneficial effect on supply chain management worldwide, fostering resilience and efficiency through enhanced financial procedures.*

***Keywords** International Financial Reporting Standards (IFRS), Global supply chain dynamics, Transparency and comparability, Information asymmetry, Governance and accountability*

1. INTRODUCTION

In today's globalized economy, global supply chains are essential for effective cross-border manufacturing and distribution networks. Strong international ties between businesses are a major aspect in determining the stability and efficacy of these networks. One important factor influencing a company's participation in global supply chains is financial statement comparability, which is the extent to which financial data can be compared between companies (Peng et al., 2024). Adoption of International Financial Reporting Standards (IFRS) seeks to improve worldwide financial reporting uniformity and transparency by harmonizing reporting standards among various jurisdictions (Beneish et al., 2015; Felski, 2017). The Norwalk Agreement, which aims to integrate financial reporting methods globally, is an endeavor by the International Accounting rules Board (IASB) and the Financial Accounting Standards Board (FASB) to converge accounting rules (IASB, 2010; FASB, 2010). It is anticipated that this convergence will lessen information asymmetry and enhance financial statement comparability, both of which are critical for building confidence and enabling transactions in global marketplaces (Brochet et al., 2013; DeFond et al., 2015). Further demonstrating how improved transparency and consistent reporting procedures can reduce risks like tax evasion

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and foster a more stable corporate climate are studies like those conducted by Amelia, Ruslaini, and Waruwu (2022).

According to empirical data, the implementation of IFRS has improved financial statement comparability, which has increased the possibility that non-US companies will create and sustain supply chain relationships with US companies (Peng et al., 2024). Patricia (2023) also emphasizes the ways in which sound financial procedures and sustainable finance can help businesses navigate volatile market conditions, improving their involvement in international supply chains. Furthermore, in situations where there are additional informational barriers between non-US economies and the US, the influence of financial statement comparability on cross-border supply chain relationships is amplified (Peng et al., 2024). This emphasizes how standardized financial reporting helps close knowledge gaps and promotes trade within various economic environments (Fang et al., 2015; Griffith & Myers, 2005). By combining the findings of several recent research, this literature review advances our knowledge of how international accounting rules affect the dynamics of global supply chains. Through an analysis of the effects of IFRS adoption on cross-border supply chain relationships and financial statement comparability, this paper provides insightful information on how accounting rules influence economic interactions in an increasingly globalized world. This research aims to examine how the adoption of IFRS improves financial statement comparability and how that improves global supply chain dynamics. Through the identification of the methods that standardized financial reporting employs to promote openness, mitigate information asymmetry, and cultivate strong governance, this study endeavors to provide a thorough comprehension of the function of financial practices in international supply chains.

2. LITERATURE REVIEW

The adoption of International Financial Reporting Standards (IFRS) has revolutionized financial reporting across the globe, enhancing the comparability and transparency of financial statements. This section reviews the literature on how IFRS adoption influences global supply chain dynamics, with a focus on financial statement comparability, corporate governance, and stakeholder engagement. IFRS aims to create a common accounting language that improves the comparability of financial statements across borders. This comparability is crucial for multinational corporations and their supply chain partners as it reduces information asymmetry and facilitates better decision-making. Beneish et al. (2015) highlight that IFRS adoption leads to higher quality financial reporting, which in turn supports more informed supplier selection and risk management decisions. Felski (2017) supports this view by demonstrating that IFRS harmonization helps companies align their financial practices, fostering trust among supply chain partners and enhancing operational efficiencies.

Adopting IFRS also promotes robust corporate governance and accountability frameworks. The standardized financial reporting practices mandated by IFRS provide stakeholders with reliable information, enabling better monitoring and governance. Amelia, Ruslaini, and Waruwu (2022) discuss how improved profitability reporting and reduced tax avoidance through transparent financial disclosures contribute to enhanced governance structures. Additionally, Patricia (2023) emphasizes that sustainable financial practices, facilitated by clear and comparable financial reporting, bolster stakeholder confidence and support strategic decision-making in turbulent market conditions.

Theoretical frameworks such as agency theory, institutional theory, and stakeholder theory offer insights into the mechanisms through which IFRS adoption impacts supply chain dynamics. Institutional theory suggests that organizations conform to global standards like IFRS to gain legitimacy and meet stakeholder expectations. This conformity reduces information asymmetry and aligns incentives across the supply chain (DiMaggio & Powell, 1983).

Stakeholder theory posits that transparent financial reporting meets the demands of various stakeholders, including investors, suppliers, and regulatory bodies. Enhanced transparency through IFRS reporting fosters stakeholder trust and collaboration, which are vital for maintaining resilient and efficient supply chains (Freeman, 1984). Empirical studies by DeFond et al. (2015) and Brochet et al. (2013) provide evidence that IFRS adoption improves financial reporting quality, aligning with stakeholder expectations and promoting better governance practices.

Empirical research underscores the positive impact of IFRS adoption on global supply chain relations. Peng et al. (2024) reveal that financial statement comparability, enhanced by IFRS, increases the likelihood of non-U.S. firms establishing and maintaining supply chain relations with U.S. firms. This comparability is particularly crucial in contexts where informational barriers are significant, as it bridges information gaps and facilitates cross-border trade (Griffith & Myers, 2005).

3. METHODS

In order to compile the most recent studies on the effects of International Financial Reporting Standards (IFRS) on the dynamics of global supply chains, this qualitative study uses a literature review methodology. A thorough evaluation of scholarly articles, case studies, regulatory reports, and theoretical papers is part of the technique. Peer-reviewed journals, books, and reputable institutional publications on supply chain management, corporate governance, financial reporting, and the adoption of IFRS are among the selection criteria for literature. Data was extracted and analyzed from the identified literature to understand the various dimensions through which IFRS influences global supply chains.

4. RESULTS

The quality of financial reporting has greatly improved across jurisdictions with the implementation of IFRS. The quality of financial reporting has improved, which has improved supply chain management decision-making. Beneish et al. (2015), for example, discovered that the adoption of IFRS results in improved financial reporting quality, which facilitates better judgments about risk management and supplier selection. Financial statements are more consistent as a result of the standardization of financial procedures under IFRS, which makes it simpler for businesses to compare financial data internationally. According to Felski (2017), this similarity lessens knowledge asymmetry and increases confidence among supply chain parties.

Adoption of IFRS has been demonstrated to support strong frameworks for accountability and corporate governance. Better monitoring and governance are made possible by the standardized financial reporting methods required by IFRS, which give stakeholders trustworthy information. Amelia et al. (2022) examine how improved profitability reporting and less potential for tax evasion are two ways that transparent financial disclosures support stronger governance frameworks. Patricia (2023) underlines again the need of sustainable financial practices in supporting strategic decision-making during volatile market situations. These practices are made possible by transparent and comparable financial reporting, which increases stakeholder confidence. The beneficial effects of IFRS adoption on the creation and upkeep of cross-border supply chain links are supported by empirical data. According to Peng et al. (2024), the likelihood of non-U.S. enterprises establishing and maintaining supply chain ties with U.S. firms is increased by financial statement comparability, which is improved by IFRS. Comparability closes information gaps and promotes cross-border trade, which makes it especially important in situations when informational barriers are considerable. Studies by

Fang et al. (2015) and Griffith & Myers (2005) highlight how crucial standardized financial reporting is to lowering risks and promoting a stable business environment.

5. DISCUSSION

The results demonstrate the complex effects of IFRS implementation on the dynamics of global supply chains. Improved quality of financial reporting under IFRS facilitates better decision-making, which is essential for effective management of the supply chain. Standardizing financial procedures promotes cooperation and confidence among supply chain participants in addition to enhancing the comparability of financial accounts. This essential for building resilient and efficient supply chains in a globalized marketplace.

Adoption of IFRS enhances accountability and corporate governance structures as well. IFRS helps companies manage and successfully govern their operations by giving stakeholders access to clear and trustworthy financial information. In order to reduce information asymmetries and align the interests of different stakeholders, such as suppliers, investors, and regulatory agencies, transparency is essential. Adoption of IFRS also makes it easier to create and preserve cross-border supply chain connections. Businesses can more successfully manage informational obstacles and participate in international trade because to the enhanced comparability of financial accounts under IFRS.

Theoretical frameworks such as agency theory, institutional theory, and stakeholder theory provide valuable insights into the mechanisms through which IFRS adoption impacts supply chain dynamics. These theories suggest that organizations conform to global standards like IFRS to gain legitimacy, meet stakeholder expectations, and reduce information asymmetry. This alignment of incentives and improvement in governance structures ultimately enhances the resilience and efficiency of global supply chains.

6. CONCLUSION

Adoption of IFRS improves corporate governance, fosters cross-border supply chain interactions, and improves financial reporting quality, all of which have a major positive impact on the dynamics of the global supply chain. Standardized finance procedures improve operational efficiencies and resilience by promoting openness, confidence, and cooperation among supply chain participants. This thorough analysis offers insightful information on the dynamics of pay equity and how it affects corporate governance. It also lays the groundwork for future studies that will investigate these connections in greater detail and determine how they affect stakeholder relations and organizational performance.

7. LIMITATION

Although the literature offers insightful information, several limitations should be acknowledged. Limited generalizability may result from findings that differ between industries and economic conditions. The implementation of IFRS may present different opportunities and problems for different industries, which may have an impact on supply chain linkages and the impact of financial statement comparability. This review may not fully capture the nuances and variations in how different countries and regions implement IFRS. Changes in regional laws, business climates, and market circumstances may have an impact on how well IFRS improves supply chain dynamics and the quality of financial reporting.

In order to overcome these constraints, future studies should examine new developments in financial reporting standards and how they affect international supply chains. Conducting cross-industry data comparisons can yield more profound understanding of the sector-specific effects of IFRS implementation. Furthermore, analyzing the ways in which local IFRS adaptations and legislative changes impact transparency and earnings management techniques will fortify governance frameworks and improve the efficiency of standardized financial reporting.

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