FINANCIAL REPORTING UNDER INTERNATIONAL STANDARDS: KEY FEATURES OF PREPARING THE STATEMENT OF FINANCIAL RESULTS

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Annotation: This article examines the core principles, structural requirements, and practical considerations involved in preparing the Statement of Financial Results (also known as the Statement of Profit or Loss and Other Comprehensive Income) under International Financial Reporting Standards (IFRS). While national regulations often shape how companies present their financial outcomes, IFRS provides a globally accepted framework that ensures transparency, comparability, and consistency across jurisdictions. The paper discusses recognition and measurement rules, revenue reporting, treatment of expenses, presentation of comprehensive income, and challenges organizations face when transitioning to or applying IFRS. Real-world examples and analytical explanations highlight how IFRS-based reporting influences managerial decisions, investor confidence, and long-term financial strategy.

Keywords: IFRS, Financial Reporting, Financial Results, Revenue Recognition, Comprehensive Income, Profit or Loss, Transparency, Global Standards

Introduction

In a world where capital moves across borders faster than memes go viral on social media, transparent and comparable financial reporting is no longer a luxury — it's survival. Businesses that operate globally (or even plan to) need a financial language that investors, banks, regulators, and partners will trust without squinting. This is exactly why International Financial Reporting Standards (IFRS) matter.

The Statement of Financial Results — or the Statement of Profit or Loss and Other Comprehensive Income — is one of the central reports in IFRS-based financial statements. It doesn't simply tell whether a company made money. It reveals *how* it made it, what economic events shaped the outcome, and how these results reflect management's decisions. IFRS turns this document into something more meaningful than a basic "income minus expenses" calculation — it becomes a structured narrative of financial performance.

Preparing this statement under IFRS is both an art and a discipline. It requires judgment, professional skepticism, and a deep understanding of standards such as IFRS 15 (Revenue), IFRS

16 (Leases), IAS 1 (Presentation of Financial Statements), IAS 2 (Inventories), IAS 38 (Intangible Assets) and others. Companies that learn how to use these standards effectively end up with cleaner reporting, better risk management, and stronger investor trust.

This article explores the key features of compiling financial results under IFRS, illustrating the reasoning behind major reporting requirements and the practical realities companies face.

Main Body

Preparing the Statement of Financial Results under IFRS starts with understanding its dual structure: the *profit or loss section* and the *other comprehensive income (OCI) section*. Unlike some national standards that merge everything into a single block, IFRS separates recurring business performance from income and expenses tied to revaluation, foreign currency adjustments, or actuarial outcomes. This separation matters because stakeholders want to see what part of performance is stable and repeatable, and what part is driven by one-off macroeconomic or valuation factors.

At the heart of IFRS reporting is the principle of faithful representation. This means the numbers should reflect economic reality, not just accounting formality. For example, revenue recognition under IFRS 15 no longer depends on simple invoice issuance or payment receipt. Instead, it focuses on when control over goods or services transfers to customers. In practice, this often changes the timing of revenue. A construction company, for instance, cannot simply record revenue the day it signs a contract. It must measure progress and recognize income over time if certain conditions are met. This approach produces a more accurate picture of ongoing performance and prevents companies from boosting short-term profit through early recognition.

Expenses also take on new meaning under IFRS. Instead of being recorded only when cash goes out, costs are recognized when they contribute to generating revenue — a concept tied to the matching principle. Depreciation and amortization under IAS 16 and IAS 38 are classic examples: instead of writing off an entire asset at purchase, a company spreads the expense across the useful life of the asset. This not only aligns with economic logic but also stabilizes profit reporting, giving external users a clearer sense of long-term performance.

Another important feature of IFRS reporting is the treatment of leases. Under IFRS 16, almost all leases must be recognized on the balance sheet, creating depreciation and interest expenses in the Statement of Financial Results. At first glance, this might make profits look smaller, but it paints a more realistic picture of the company's financial obligations. Many organizations initially resisted this change, but over time, it has helped reduce the practice of hiding long-term liabilities "off the books."

The statement also includes the category of Other Comprehensive Income, a concept that often confuses beginners but is crucial for global transparency. OCI captures items such as revaluation of property, foreign currency translation differences, and gains or losses on certain financial instruments. These items don't represent operational performance, but they significantly affect a company's economic position. By separating OCI from profit or loss, IFRS enables stakeholders to analyze stable business operations without being misled by temporary market fluctuations.

A unique challenge companies face is judgment. IFRS is principle-based, which means it gives guidelines but requires professionals to use analytical reasoning. Two companies may follow the same IFRS standard but arrive at different estimates for provisions, impairment, or contract revenue. This isn't a flaw — it reflects the flexibility needed for accurate financial reporting. The downside, of course, is that poor judgment or aggressive accounting policies can distort results. This is why external audit, corporate governance, and internal controls remain inseparable from IFRS application.

The preparation of financial results also depends on consistent disclosures. Under IAS 1, companies must explain their accounting policies, critical estimates, key assumptions, and any changes from previous periods. Without these disclosures, financial statements lose much of their analytical value. Investors want to understand not only what the numbers are but also how they came to be. IFRS disclosures transform a static report into a transparent system where users can trace the logic behind the figures.

Another significant aspect is comparability. IFRS requires companies to present comparative figures for previous periods, which helps stakeholders identify trends rather than judging performance based on a single year. The consistency of formats, terminology, and classification rules enables international investors to compare a company in Uzbekistan with another in Spain or Singapore without decoding an entirely new accounting philosophy.

The process of preparing financial results under IFRS also shapes internal decision-making. When managers see the real cost of leases, the timing of revenue, the impact of impairment, and the volatility in OCI, they gain a more realistic understanding of financial health. This often leads to improved budgeting, smarter investment choices, and more responsible risk management. In this sense, IFRS is not only a reporting framework but also a strategic tool.

Finally, the transition to IFRS demands skilled specialists. Countries shifting from national standards often underestimate how dramatically IFRS changes financial storytelling. Accountants must learn to analyze contracts, interpret economic substance, and make independent judgments.

Companies that invest in training end up with smoother reporting cycles and far fewer compliance issues — a major advantage in competitive markets.

Conclusion

Preparing the Statement of Financial Results under IFRS is far more than a technical accounting task — it's a strategic process that shapes the quality, credibility, and future of a business. IFRS transforms financial reporting into a transparent narrative grounded in economic reality rather than mechanical bookkeeping. By emphasizing accurate revenue recognition, fair measurement of assets, consistent treatment of expenses, and clear presentation of comprehensive income, IFRS provides organizations with a reporting structure that is trusted worldwide.

Companies that adopt IFRS often experience stronger investor confidence, easier access to international capital, and improved internal decision-making. Yet the process also requires commitment: professional judgment, rigorous documentation, high-quality internal controls, and a willingness to rethink old habits. Ultimately, IFRS serves as a bridge connecting local businesses to the global economy, enabling them to speak the same financial language as international partners and stakeholders.

A well-prepared Statement of Financial Results does more than show profits — it shows integrity, competence, and readiness for growth. And in today's global business environment, that combination is worth more than ever.

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