

The Extent of Global Corporate Compliance with International Financial Reporting Standards (IFRS): An Analytical Study

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Abstract:

This study examines global corporate compliance with International Financial Reporting Standards (IFRS) among publicly listed companies. Through analytical methodology, the research evaluates adoption patterns, compliance levels, and implementation challenges across 140+ jurisdictions. Findings reveal that while 84% of jurisdictions require IFRS, compliance quality varies substantially, with enforcement actions affecting 38% of examined European companies. The study identifies institutional capacity as the primary determinant of compliance success. Recent developments through 2024, particularly IFRS 17 implementation and emerging sustainability standards, continue to challenge organizational capacity. The research documents significant regional variations from mandatory European adoption to US non-adoption. This analysis provides evidence-based insights for policymakers and corporations navigating international financial reporting harmonization.

Keywords: International Financial Reporting Standards; IFRS compliance; Accounting harmonization; Financial reporting quality; Multinational corporations.

JEL Classification: M41; M48; G38.

Introduction

The International Financial Reporting Standards (IFRS) represent one of the most significant developments in global financial reporting harmonization since their inception by the International Accounting Standards Board (IASB) in 2001. The remarkable achievement of adoption across 140+ jurisdictions affect tens of thousands of publicly listed companies worldwide, representing an unprecedented transformation in how global capital markets operate and communicate financial information (Foundation, 2024, p. 08). This standardization effort emerged from growing recognition that disparate national accounting systems created barriers to international investment, reduced comparability across markets, and increased the cost of capital for multinational enterprises.

The significance of IFRS extends beyond mere technical accounting considerations. These standards now govern the financial reporting of companies representing approximately 60% of global gross domestic product and 40% of global market capitalization (Foundation, Annual report 2023, 2023, p. 12), making compliance assessment a critical factor in international financial stability and investor protection. The European Union's mandated adoption in 2005, affecting over 7,000 companies simultaneously, marked a watershed moment that demonstrated both the potential benefits and substantial challenges of large-scale accounting harmonization.(European Commission, 2002, p. 3)

This study addresses critical questions about the actual extent of IFRS compliance among publicly listed companies globally, how compliance patterns vary across regions and stock exchanges, what factors drive successful implementation versus persistent challenges, and how recent developments affect compliance quality and organizational capacity. Through systematic analysis of adoption patterns, enforcement data, and implementation experiences across major jurisdictions, this research provides comprehensive assessment of IFRS compliance status and trajectory.

1. Literature Review and Theoretical Framework

1.1 Theoretical Foundations and Economic Consequences

The extensive academic literature on IFRS adoption has evolved through distinct phases, reflecting the standard's global implementation journey. Over 300 academic studies were published within the first decade, demonstrating intense scholarly interest (De George, Li, & Shivakumar, 2016, p. 899). Early theoretical work emphasized network externalities and institutional theory as primary drivers of IFRS adoption. Voluntary IFRS adoption enhanced firms' attractiveness to foreign institutional investors,

reducing home bias and improving international capital allocation efficiency (Covrig, Defond, & Hung, 2007, p. 45).

The economic consequences literature presents mixed but generally positive findings. Significant heterogeneity exists in economic consequences, with countries having strong enforcement mechanisms experiencing reduced cost of capital, increased market liquidity, and higher equity valuations (Daske, Hail, Leuz, & Verdi, 2013, pp. 498-501). Average cost of equity capital reductions of 47 basis points was documented following mandatory IFRS adoption in Europe, though effects varied significantly across countries (Li, 2010, p. 625).

1.2 Compliance Measurement and Regional Studies

The literature on IFRS compliance measurement has evolved from simple binary adoption indicators to sophisticated multi-dimensional assessment frameworks. Weighted disclosure indices measuring compliance with IFRS 3 and IAS 36 requirements across 17 European countries found significant variation in compliance quality even within the mandatory European Union framework (Glaum, Schmidt, Street, & Vogel, 2013, pp. 170-175).

Comparative international research reveals substantial variation in implementation approaches. Analysis of Saudi Arabian implementation found that while legal adoption occurred rapidly, practical implementation faced significant challenges due to institutional capacity constraints (Nurunnabi, Jermakowicz, & Donker, 2020, pp. 248-252). The Chinese experience represents a unique convergence model, with differences between Chinese Accounting Standards and IFRS decreased to less than 0.5% for key financial metrics by 2017 (Zhang, 2020, pp. 115-120).

2. Methodology

2.1 Research Design and Data Collection

This study employs a comprehensive analytical and comparative methodology designed to assess IFRS compliance patterns across global publicly listed companies. The research design integrates quantitative analysis of adoption data, regulatory enforcement statistics, and qualitative assessment of implementation challenges to provide multi-dimensional understanding of global IFRS compliance extent.

The study encompasses 140+ jurisdictions that have adopted IFRS requirements for publicly listed companies. Temporal scope covers the period from 2005 (initial EU adoption) through 2024, capturing both historical development trajectory and contemporary implementation challenges. Primary data sources include official IFRS Foundation reports,

regulatory body enforcement statistics, stock exchange requirements documentation, and academic studies with empirical compliance measurements.

2.2 Compliance Measurement Framework

The study employs a multi-dimensional compliance assessment framework that moves beyond binary adoption indicators to measure actual implementation quality. Recognition and measurement compliance assessment examines adherence to fundamental IFRS principles including asset and liability recognition criteria, income and expense recognition timing, and measurement basis application consistency. Disclosure compliance evaluation focuses on mandatory specific disclosures and principles-based disclosure adequacy.

The comparative methodology employs institutional analysis to understand why compliance patterns vary across jurisdictions. Key institutional variables include regulatory enforcement mechanisms, professional accounting body strength, legal system characteristics, and capital market development levels. Economic development indicators provide context for compliance capacity assessment including GDP per capita, financial system sophistication, and international trade integration.

3. Analysis and Findings

3.1 Global IFRS Adoption Landscape

The analysis reveals that 140+ jurisdictions currently require International Financial Reporting Standards for publicly listed companies, representing the most extensive adoption of any international standard in history (IFRS Foundation, 2024, p. 8). This remarkable penetration affects companies controlling approximately 60% of global gross domestic product and 40% of global market capitalization.

Table 1: Global IFRS Adoption Status by Region (2024)

| Region | Total Jurisdictions | IFRS Required | IFRS Permitted | Non-Adopters | Adoption Rate |
|--------------|---------------------|---------------|----------------|--------------|---------------|
| Europe | 44 | 44 | 0 | 0 | 100% |
| Middle East | 18 | 18 | 0 | 0 | 100% |
| Africa | 34 | 32 | 2 | 0 | 94% |
| Asia-Pacific | 28 | 18 | 6 | 4 | 86% |
| Americas | 24 | 8 | 4 | 12 | 50% |
| Total | 148 | 120 | 12 | 16 | 81% |

Source: IFRS Foundation (2024, p. 12), author calculations.

Commentary on Table 1: The data reveals striking regional disparities in IFRS adoption patterns that reflect underlying economic, political, and institutional dynamics. Europe's 100% adoption rate demonstrates the power of supranational regulation, as the European Union mandated IFRS for all listed companies since 2005, creating a unified financial reporting framework across 44 jurisdictions. This comprehensive adoption has facilitated cross-border investment and reduced compliance costs for European multinationals operating across member states.

The Middle East's complete adoption similarly reflects strategic positioning to attract foreign investment and integrate with global capital markets. Countries in this region recognized IFRS adoption as essential for economic diversification beyond oil revenues, with jurisdictions like Saudi Arabia, UAE, and Qatar leading implementation efforts to enhance market credibility.

Africa's remarkable 94% adoption rate challenges stereotypes about emerging market capacity. This high adoption reflects successful World Bank technical assistance programs and recognition that IFRS adoption signals commitment to transparency and good governance. However, the analysis reveals that formal adoption often exceeds actual implementation capacity, with many African jurisdictions struggling with enforcement and professional training infrastructure (World Bank, 2024, p. 15).

The Asia-Pacific region's 86% adoption rate masks significant diversity in approaches. Major economies like Australia and New Zealand fully adopted IFRS, while China and India developed convergence strategies that maintain regulatory sovereignty while achieving substantial harmonization. Japan's voluntary approach allows market forces rather than regulation to drive adoption, resulting in selective implementation by internationally-oriented companies.

The Americas present the most problematic scenario with only 50% adoption, primarily due to United States resistance. This creates a fundamental schism in global financial reporting, as the world's largest capital market maintains separate standards. Latin American countries show higher adoption rates, recognizing IFRS as crucial for attracting international investment, while Canada's successful transition demonstrates that developed North American economies can effectively implement IFRS.

3.2 Stock Exchange Requirements and Market Coverage

Analysis of major global stock exchanges reveals widespread IFRS acceptance, though specific requirements vary significantly across markets. The research identifies three primary patterns: mandatory IFRS for all listed

companies, optional IFRS alongside domestic standards, and IFRS acceptance only for foreign issuers.

Table 2: Major Stock Exchange IFRS Requirements (2024)

| Stock Exchange | Market Cap (USD Trillion) | IFRS Status | Listed Companies | IFRS Users (Est.) |
|--------------------------------|----------------------------------|----------------------|-------------------------|--------------------------|
| NYSE | 28.1 | Foreign issuers only | 2,400 | 420 |
| NASDAQ | 25.6 | Foreign issuers only | 3,700 | 380 |
| Euronext | 7.2 | Mandatory (EU) | 2,000 | 2,000 |
| London Stock Exchange | 3.6 | Mandatory | 1,200 | 1,200 |
| Tokyo Stock Exchange | 6.8 | Optional | 3,800 | 280 |
| Hong Kong Exchange | 4.5 | Accepted | 2,600 | 1,800 |
| Shanghai Stock Exchange | 7.4 | CAS (converged) | 2,100 | 2,100* |

Source: Various stock exchange reports, IFRS Foundation data

***Chinese companies use CAS (substantially converged with IFRS).**

Commentary on Table 2: This analysis of major stock exchanges reveals the complex reality of IFRS implementation in global capital markets. The most striking finding is the dichotomy between US and European markets. NYSE and NASDAQ, despite representing \$53.7 trillion in combined market capitalization (64% of the total shown), limit IFRS to foreign issuers only. This creates a dual reporting system where approximately 800 foreign companies use IFRS while over 5,300 domestic US companies continue with US GAAP, generating substantial compliance costs for international firms and limiting comparability for global investors.

European exchanges demonstrate complete IFRS implementation, with Euronext and London Stock Exchange requiring IFRS for all listed companies. This unified approach has created the world's most integrated capital market from a financial reporting perspective, facilitating cross-border investment and reducing information asymmetry. The London Stock Exchange's continued IFRS requirement post-Brexit signals UK

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commitment to international standards despite political separation from the EU.

Asian markets show varied approaches reflecting different regulatory philosophies. Hong Kong Exchange's high IFRS adoption (69% of listed companies) reflects its role as an international financial center bridging East and West. Tokyo Stock Exchange's optional approach results in only 7% adoption, primarily by companies seeking international investment. This low adoption rate despite Japan's sophisticated capital markets suggests that domestic investor preferences and established local standards create substantial switching costs.

The Shanghai Stock Exchange presents a unique case where all companies use Chinese Accounting Standards that have substantially converged with IFRS. This convergence model achieves harmonization benefits while maintaining regulatory control, offering an alternative path that other large economies might consider. The success of this approach, with differences from IFRS reduced to less than 0.5% for key metrics, challenges the necessity of full formal adoption (Zhang, 2020, p. 120).

The overall finding that only 43% of companies on major exchanges use IFRS or converged standards highlights the incomplete nature of global harmonization. This fragmentation particularly affects multinational corporations that must maintain multiple reporting systems and investors who face challenges in cross-market comparisons.

3.3 Regional Compliance Assessment

European compliance analysis based on ESMA examination data reveals significant variation in implementation quality despite mandatory adoption. The 2022-2024 examination cycle covered 640 issuers from 4,090 total, finding material IFRS departures in 38% of examined companies requiring regulatory intervention (ESMA, 2023, p. 14).

Table 3: European IFRS Compliance Issues by Standard (2022-2024)

| IFRS Standard | Frequency of Issues | Primary Concern | Industry Concentration |
|------------------------------|----------------------------|-------------------------|-------------------------------|
| IFRS 3 Business Combinations | 28% | Goodwill valuation | Technology, Healthcare |
| IFRS 15 Revenue Recognition | 22% | Performance obligations | Telecommunications, Software |
| IFRS 16 Leases | 18% | Lease term assessment | Retail, Transportation |
| IFRS 9 Financial Instruments | 15% | Expected credit losses | Banking, Financial Services |
| IAS 38 Intangible | 12% | Recognition criteria | Media, Technology |

| IFRS Standard | Frequency of Issues | Primary Concern | Industry Concentration |
|-------------------|---------------------|-----------------------|------------------------|
| Assets | | | |
| IAS 36 Impairment | 10% | Cash-generating units | Manufacturing, Energy |

Source: ESMA (2023), author analysis.

Commentary on Table 3: This detailed breakdown of European compliance issues provides critical insights into where IFRS implementation challenges persist even in mature adoption environments. The dominance of IFRS 3 Business Combinations issues (28% frequency) reveals fundamental challenges in applying fair value principles to complex transactions. Goodwill valuation problems concentrate in technology and healthcare sectors where intangible assets dominate and traditional valuation models struggle with uncertain future cash flows. This finding suggests that principles-based standards face particular difficulties in industries with non-traditional business models and significant intangible value.

IFRS 15 Revenue Recognition emerges as the second most problematic area (22% frequency), particularly affecting telecommunications and software companies. The standard's five-step model for identifying performance obligations creates interpretation challenges for bundled services, multi-element arrangements, and evolving digital business models. These sectors' struggle with revenue recognition indicates that standard-setters may have underestimated the complexity of modern commercial arrangements when designing the standard.

The 18% frequency of IFRS 16 Lease issues, concentrated in retail and transportation sectors, demonstrates ongoing challenges with the standard despite several years since implementation. Lease term assessment difficulties reflect the judgment required in determining renewal options and termination rights, particularly problematic for industries with complex real estate portfolios or equipment leasing arrangements. This suggests that even seemingly straightforward standards create substantial compliance challenges when applied to diverse business contexts.

IFRS 9 Financial Instruments issues (15% frequency) concentrate predictably in banking and financial services, where expected credit loss modeling requires sophisticated statistical capabilities and extensive data infrastructure. The standard's forward-looking approach represents a paradigm shift from incurred loss models, requiring not just accounting changes but fundamental risk management system overhauls. This technological dimension of compliance creates advantages for larger institutions with superior IT resources.

The presence of IAS 38 Intangible Assets (12%) and IAS 36 Impairment (10%) among top compliance issues reflects persistent challenges with subjective valuations and judgment-intensive assessments. Media and technology companies struggle with intangible asset recognition criteria in environments where value creation mechanisms rapidly evolve. Manufacturing and energy sectors face impairment testing challenges related to cash-generating unit identification and recoverable amount determination, particularly in volatile commodity markets.

Collectively, these findings reveal that compliance challenges concentrate in areas requiring significant judgment, complex valuations, and adaptation to innovative business models. The industry concentration patterns suggest that sector-specific guidance and implementation support might improve compliance quality more effectively than generic standard-setting approaches. The persistence of these issues despite extensive implementation experience indicates that some IFRS requirements may have reached complexity limits that challenge practical application even in well-resourced environments.

4. Discussion

4.1 Institutional Determinants of Compliance Success

The analysis reveals that successful IFRS implementation depends fundamentally on institutional capacity rather than simply legal adoption requirements. European Union success reflects not merely mandatory adoption but robust regulatory infrastructure, strong professional accounting bodies, and effective enforcement mechanisms (ESMA, 2023, pp. 18-22). Conversely, jurisdictions with weak institutional environments demonstrate the limitations of legal adoption without supporting infrastructure.

The Chinese convergence model offers important insights into alternative approaches. By achieving substantial convergence without formal adoption, China demonstrates that benefits can be realized through adaptation rather than wholesale replacement of existing systems (Zhang, 2020, pp. 118-122). This approach may offer a more pragmatic path for emerging economies with established accounting traditions.

4.2 Contemporary Implementation Challenges

The 2023 implementation of IFRS 17 Insurance Contracts provides compelling contemporary evidence of implementation challenges even in developed markets. Research reveals that most insurers experienced significant implementation strain, with longer close cycles, substantial manual workarounds, and persistent system issues (KPMG, 2023, pp. 22-28). Key implementation challenges include resource intensity with team

fatigue and burnout, technology gaps requiring substantial configuration, data granularity shifts, and process deficiencies requiring manual correction.

The introduction of IFRS Sustainability Disclosure Standards represents a new frontier in compliance complexity. Early implementation experiences reveal that less than 3% of companies report in full alignment with integrated climate-related disclosure requirements (Sodali & Co., 2024, p. 8). Integration challenges between financial and sustainability reporting systems, skills gaps, and data quality issues affect reliable disclosure production.

Conclusion

This comprehensive analysis of global IFRS compliance reveals a complex landscape characterized by remarkable adoption success coupled with persistent implementation challenges. The achievement of adoption across 140+ jurisdictions demonstrate unprecedented international cooperation, yet the analysis uncovers substantial gaps between formal adoption and effective compliance implementation.

The research establishes that while 81% of jurisdictions globally require IFRS for publicly listed companies, actual compliance quality varies dramatically. Institutional capacity, rather than legal adoption requirements, serves as the primary determinant of compliance success. Technology integration emerges as a critical factor in compliance achievement, with recent IFRS developments embedding sophisticated requirements that fundamentally alter compliance landscapes.

The persistent US anomaly becomes increasingly problematic as global IFRS momentum accelerates. Political resistance creates ongoing fragmentation that imposes costs on multinational corporations and limits capital allocation efficiency. Contemporary developments through 2024, particularly IFRS 17 implementation and emerging sustainability standards, demonstrate that complex standard deployment remains challenging regardless of institutional capacity.

The findings generate important policy recommendations. For the IASB, the analysis suggests prioritizing implementation support and capacity building over continued standard expansion. National regulators should focus on institutional capacity development and enforcement consistency rather than simply adopting legal requirements. Multinational corporations should anticipate continued compliance complexity and invest accordingly in technology infrastructure and organizational change management capabilities.

The research establishes that IFRS compliance assessment must evolve from simple adoption metrics toward sophisticated multi-dimensional evaluation frameworks. This evolution reflects the maturation

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of international accounting harmonization from initial adoption enthusiasm toward evidence-based understanding of the complex factors driving sustainable compliance achievement in diverse global contexts.

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