

# Revealing the hidden impact of International Financial Reporting Standards (IFRS)

*Research by an academic at the University of Oxford's Saïd Business School explores the philosophy underpinning accounting standards – and has a major impact on India and Japan*



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Since the late 1990s, the International Financial Reporting Standards (IFRS) – which were created by the London-based International Accounting Standards Board (IASB) – have been adopted by a number of jurisdictions around the world. Their habitual rhetoric, with terms such as ‘transparency’, ‘high quality’ and ‘fair value accounting’, was seemingly irresistible.

But for Professor Tomo Suzuki, the belief that accounting was an objective, neutral and unproblematic representation of reality needed questioning – not least because of the IASB’s status as a private body, whose financial reporting methodology was set up solely to serve investors. Professor Suzuki believed that accounting had purposes beyond investment, for example protecting employees, enhancing sustainable business strategies, providing the foundation for taxation and macroeconomic planning. These, he felt, had become obscured by uncritical acceptance of the IFRS and their ‘politics of rhetoric’.

Informed both by his practical experience of accounting in private practice and his philosophical studies in social science and epistemology, in 2000 Professor Suzuki began the Unexplored Impacts of International Accounting Standards project (UNIAS). Professor Suzuki’s study took 10 years and saw him interview 1,200 stakeholders in the financial and accounting communities. It became clear that the IFRS fail to accommodate a number of key factors, including environmental impacts and human rights issues, and that the global standardization of financial reporting has a potentially negative impact on stakeholders outside the financial markets.

Today, the fruits of Professor Suzuki’s UNIAS work are especially evident in Japan and India. In India,



upon receipt Professor Suzuki’s report in 2011, the government expressed strong reservations over careless global convergence with IFRS. The same was true in Japan in 2012, when the US also decided to maintain a distance from IASB. Elsewhere, Professor Suzuki’s research also led to a radical reappraisal of the way in which accounting for nuclear power plants is conducted, given the imponderability of accounting for nuclear waste within the IFRS. Professor Suzuki continues to be a leading influence in dialogues about the IFRS in many countries, especially Malaysia and Indonesia, whose main businesses – plantation industries – cannot be sustainable under IFRS.

***‘What he calls the ‘true empiricism’ in a long-term and sustainability-oriented manner has now come to help developing financial policies of many countries... Dr Suzuki’s research has been academically serious and practically valuable with direct impact on developing Japan’s financial reporting standards and regulations in the era of global business and political economy.’***

**Jimi Shozaburo, State Minister of Financial Services, Government of Japan (22 February, 2012)**

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