



# Comparative Analysis of the Financial Statements According To IFRS and GAAP

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**Abstract** – International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) are two prominent accounting systems used globally. While they provide comparable purposes, variances in their principles may influence financial statement reporting, especially for multinational businesses (MNCs) operating across borders. The major purpose of this research is to undertake a comparative examination of IFRS and GAAP in the context of financial statement reporting, analysing differences in presentation, recognition, measurement, and disclosure. A quantitative research methodology was used, using trustworthy third-party sources and secondary data gathered from the official website of a chosen multinational firm. A comparison of the company's financial statements over a one-year period made using GAAP and IFRS to examine differences in financial metrics and presentation forms between the two accounting standards, statistical tests were performed using SPSS, including the paired sample t-test and the chi-square test. There was no significant correlation between the accounting system and the way financial items were presented. Similarly, despite a small average numerical difference of 17,728.82 units, the paired samples t-test ( $p = 0.172$ ) revealed no statistically significant difference between reported values under IFRS and GAAP. Additional evidence for the uniformity in financial reporting came from a perfect correlation ( $r = 1.000$ ) between the numbers under the two standards. According to the study's findings, there aren't any notable distinctions between GAAP and IFRS with regard to the numerical values or presentation of financial statements. This supports the comparability and dependability of financial reporting by indicating that adopting either standard has no appreciable impact on the structure or data presented.

**Keywords** – IFRS, GAAP, Financial Statement Reporting, Accounting Standards, Multinational Corporations (MNCs), Financial Disclosure.

## I. INTRODUCTION

The primary distinction between IFRS and U.S. GAAP is that IFRS is founded on fundamental principles, while American standards are based on regulations. Although rules are crucial to the standard's implementation, a rule-based standard does not imply that the standards bodies did not employ principles to create it (Elena HLACIUC, et al., 2014). There is a great deal of discussion about this dispute between standards based on principles and those based on rules. The principle-based standards, which are the predominant approach of IASB, are less prescriptive and are based on the goals and the principles that must be adhered to, while the rule-based standards, which are the predominant approach of FASB, attempt to foresee all or most of the issues and provide answers.

### Comparing IFRS and GAAP

Around the world, several kinds of accounting standards are adhered to. Generally Accepted Accounting Principles, or GAAP, and International Financial Reporting Standards, or IFRS, are the two most widely used accounting standards. The term "IFRS" refers to the universally accepted international financial reporting standards, which provide guidelines for how specific transactions need to be presented in financial statements (Byju's, 2025). The International Accounting Standards Board (IASB) publishes IFRS. When preparing financial accounts, a business must adhere to a standardised set of accounting rules and processes known as GAAP.

IFRS	GAAP
Stands for	
International Financial Reporting Standard	Generally Accepted Accounting Principles
Developed by	
International Accounting Standard Board (IASB)	Financial Accounting Standard Board (FASB)
Adopted by	
Globally adopted in around 144 countries	Adopted by different countries but not same in all of them
Based on	
Principles	Rules
Inventory Methods allowed	



IFRS allows only FIFO (First In First Out) inventory method for valuation of inventories	GAAP uses both FIFO (First In First Out) and LIFO (Last In First Out) method of inventory valuation
Inventory Reversal	
IFRS allows inventory write down reversal	GAAP does not allow inventory write down reversal
Income Statements	
In IFRS, extraordinary items are not segregated and are included in the income statement	In GAAP, the extraordinary items are segregated and are shown below net income in the income statement
Valuation of Fixed Assets	
IFRS uses a revaluation model for valuation of fixed assets	GAAP uses a cost model for fixed asset valuation
Cost of Development	
Development costs under IFRS can be capitalised, provided certain conditions are met	Development costs cannot be capitalised in GAAP, it is always treated as an expense

**Problem Statement**

Financial statements summarize a company's performance and position, helping both internal and external users understand its financial health. While many companies follow GAAP, the shift to IFRS due to international accounting convergence has caused variations in financial results. This study aims to explore the gap between GAAP and IFRS financial statements and the reasons behind these differences.

Significance of the study: IFRS sets international accounting standards, while GAAP issues local standards, leading to differences between the two. Previous research has primarily focused on differences in the presentation of financial components. This study aims to investigate whether there are changes in the actual value of financial components, specifically in Iraq, where no research has explored these differences.

**Objectives of the study**

- To identify the differences in the presentation format of the financial statements under IFRS and GAAP.
- To evaluate the procedure of calculating the components of the financial statements according to IFRS and GAAP.
- To determine the variation among the values in the financial statements obtained by applying IFRS and GAAP.

**Hypothesis of the study**

**H1:** There is a difference in the presentation of the financial statements from IFRS to GAAP.

**H2:** There is a difference in the values obtained from IFRS to those obtained from GAAP.

**Scope of the study**

The purpose of this research is to compare and contrast generally accepted accounting principles (GAAP) and

international financial reporting standards (IFRS), with an emphasis on how each is used in financial statement reporting. In order to find parallels, discrepancies, and stakeholder implications, the study explores important areas of financial reporting. It also looks at how financial transparency, comparability, and decision-making for investors and regulatory agencies are impacted by the use of IFRS or GAAP. The research emphasises the difficulties and advantages international firms encounter when attempting to reconcile GAAP and IFRS, which are both widely utilised in more than 140 countries. The study also takes into account the latest revisions and attempts at convergence undertaken by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB).

**Limitations of the study**

- The sample employed in this study is only one trade Iraqi bank.
- The data collected in the present research is for only one year.
- In depth calculations of few components cannot be mentioned since the data is sensitive and confidential.

**II. LITERATURE REVIEW**

(Accepted & Principles, 2017) compared GAAP and IFRS, focusing on their impact on multinational companies. They emphasized the importance of analyzing accounting rules as global cross-border transactions increase. Their findings underline the need for harmonized standards in international financial reporting.

(Khanh et al., 2024) studied IFRS and GAAP's influence on investor behavior and data quality in Vietnam. With globalization, financial data quality became vital for decision-making. Vietnam's Ministry of Finance outlined a



phased IFRS adoption strategy to enhance financial transparency and integration.

(L Rajan, 2025) compared earnings quality of US companies using GAAP and IFRS across US and European stock exchanges. IFRS showed higher transparency, while GAAP showed greater consistency. The study proposed bridging gaps in financial reporting to benefit global stakeholders.

(Huang, 2024) investigated IFRS amendments regarding leases, revenue recognition, and intangible assets. The study showed IFRS changes improved financial reporting clarity and reduced ambiguities. Collaboration between IASB and FASB was key to harmonizing standards. (Marjohan, 2025) analyzed how financial reporting manipulation affects firm value in Indonesian real estate companies. Data from 105 firms was evaluated using statistical models. Findings showed external forces significantly influenced reporting manipulation.

(Nurcahyono & Ifada, 2024) explored how pressure, uncertainty, and technology affected financial reporting in Central Java's local governments during COVID-19. Data from 35 regional organizations was analyzed using SEM-PLS. Results showed internal control and IT significantly impacted report quality. (Adejumo & Ogburie, 2025) examined how financial statement manipulation erodes stakeholder trust and governance. Common methods included revenue inflation and cost understatement. Regulatory frameworks like GAAP, IFRS, and SOX were stressed to deter misconduct.

(Morshed, 2024) investigated Islamic banks' compliance with AAOFI and IFRS. Some banks adopted a hybrid of both standards, while others adhered to one. Conflicts in reporting and asset valuations highlighted the challenges of standard compatibility. (Djoudi & Gasmi, 2021) reviewed the GAAP-IFRS convergence project begun in 2002. Despite progress, lasting harmonization was not achieved. The study called for new strategies to replace the convergence initiative's temporary solutions.

(Laouane & Torra, 2023) compared Moroccan GAAP with IFRS using data from 2013–2022. IFRS improved the significance of accounting indicators but had mixed effects on stock performance metrics. IFRS enhanced financial information's explanatory power. (Chand et al., 2024) conducted an experiment on how ambiguity in IFRS affects Australian auditors' judgments. Auditors with higher tolerance for ambiguity made more accurate decisions. The study highlighted the role of professional judgment under IFRS.

(Alfify & Islam, 2024) discussed global IFRS adoption and its pros and cons. They introduced a model linking IFRS to transparency, comparability, and foreign investment. The study stressed the need for standardized financial reporting worldwide.

(Johri, 2024) examined how IFRS adoption improved financial reporting quality (FRQ) among Indian MNCs. Internal controls moderated the IFRS-FRQ relationship. Government policy and perceived benefits significantly influenced IFRS implementation. (Pokhrel, 2024) evaluated IFRS adoption for investment property accounting in Uzbekistan. The study recommended new accounts and fair value models. IFRS adoption could boost investor trust and real estate sector transparency. (Sharma, 2024) conducted a meta-analysis on IFRS adoption's impact on global accounting quality. IFRS improved transparency and comparability but introduced complexity. The analysis showed a generally positive influence on financial reporting. (Muyang Cheng, 2024) analyzed IFRS's impact on global corporate accounting practices. IFRS adoption promoted financial transparency and standardization. This facilitated reliable financial comparisons for international investors. (ND Prasasti & M Oktaliza, 2025) used a Systematic Literature Review to evaluate IFRS's effect on report quality. IFRS improved transparency, relevance, and comparability. Better information quality influenced global investment decisions.

(Odilov, 2025) studied IFRS's effect on global reporting in the healthcare sector. IFRS improved statement uniformity and investor confidence. The findings showed enhanced access to funds and fewer knowledge gaps across countries. (Wüstemann, 2021) compared US GAAP and IFRS on reporting and institutional aspects. The study emphasized the growing need for international standards. GAAP's structure was explained through the FASB's articulated framework.

(Singh & Gupta, 2023) described GAAP's foundational principles like consistency, matching, and full disclosure. GAAP governs financial statements such as income, balance sheet, and cash flow. Its adherence is legally mandated for reliable reporting.

(Lee, 2022) explored how audit committee leadership impacts non-GAAP earnings quality. More external directorships improved oversight and disclosure accuracy. Reputation concerns motivated stricter financial reporting practices.

(FEROZ, 2024) examined New York's public sector adoption of GAAP. Institutional pressures and credibility restoration drove the shift. The impact on financial management practices was inconclusive despite regulatory efforts.

### III. METHODOLOGY

#### Research Design

This study uses a quantitative method to compare IFRS and GAAP reporting using secondary data. Financial statements from a bank in Iraq were analyzed to assess differences in reporting standards. Secondary data from IFRS and GAAP statements was analyzed using Chi-



square and paired t-tests via SPSS. The goal was to explore the impact and relationships between variables in financial reporting.

#### Data Collection and used

Annual financial reports of a selected firm were gathered to compare IFRS and GAAP practices. The focus was on identifying major differences and similarities in reporting approaches. Data was sourced from the Trade Bank of Iraq's official site and credible third parties. These statements helped compare disclosure, presentation, and recognition practices under both standards.

#### Measurement of Variables

##### Dependent Variables:

Financial reports post-IFRS implementation

Financial reports post-GAAP implementation

**Independent Variables:** IFRS rules

GAAP rules

#### Tools and Techniques:

SPSS software was used for statistical analysis to evaluate data patterns and relationships.

Techniques used are Chi-square Test, Paired Sample T-

**Test, Paired T-Test Formula.**

#### Data Analysis

Identifying the change in the position of the components

Summary of Positional Differences.

Component	IFRS Position	GAAP Position	Change in Placement?
Cash on Balance Sheet	Top of current assets	Top (due to liquidity)	No major change
OCI	Within comprehensive income statement	As separate statement	Yes
Interest/Dividends in Cash Flow	Flexible classification	Strict classification	Yes
Equity Movement	Separate statement required	Often in notes or OCI	Yes

#### Identifying the change in the values of the financial statements before and after the adoption of IFRS

Table 2 Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	198.000 <sup>a</sup>	189	.312
Likelihood Ratio	69.317	189	1.000
Linear-by-Linear Association	.015	1	.901
N of Valid Cases	22		
a. 220 cells (100.0%) have expected count less than 5. The minimum expected count is .05.			

The Pearson Chi-Square value is 198.000 with 189 degrees of freedom and a p-value of 0.312, which is greater than the standard significance level (e.g., 0.05). This indicates that the association between the type of financial metric and the extent of presentation change is not statistically significant. Likewise, the likelihood ratio and linear-by-linear association test results (p-values of 1.000 and 0.901, respectively) support this conclusion. The high number of cells with expected counts less than 5 (100% of 220 cells) further limits the reliability of the chi-square test results. Hence, the null hypothesis cannot be rejected, and it can be inferred that there is no significant

difference in the presentation of financial statements when transitioning from IFRS to GAAP based on this dataset. The cross-tabulation and chi-square test results indicate that there is no significant difference in the presentation of financial statement items when transitioning from IFRS to GAAP. The observed presentation changes across financial metrics were isolated and lacked any consistent pattern, and the chi-square test yielded a p-value greater than 0.05, confirming that the differences are statistically insignificant. Therefore, H1 is not supported, and we conclude that the presentation formats between IFRS and GAAP do not differ significantly based on the given data.



Table 3 Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	GAAP	2369535.500	2	3801427.8485	810467.14049
		0	2	8	
	IFRS	2351806.681	2	3796574.8664	809432.48122
		8	2	2	

This table presents the mean values under both accounting standards. The mean value under GAAP is 2,369,535.50, while under IFRS it is 2,351,806.68, indicating a slight increase in value under GAAP by approximately

17,728.82 units. The standard deviations are almost identical for both (approximately 3.8 million), suggesting similar variability in reported values between the two standards.

Table 4 Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	GAAP & IFRS	22	1.000	.000

A perfect positive correlation ( $r = 1.000$ ,  $p = .000$ ) is observed between the IFRS and GAAP values. This indicates a perfect linear relationship, meaning every

increase or decrease in IFRS is matched exactly in GAAP, and the relative positioning of values remains unchanged.

Table 5 Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	GAAP - IFRS	17728.81818	58867.45946	12550.58453	- 8371.55116	43829.18752	1.413	21	.172

Despite the observed mean difference of 17,728.82, the paired samples t-test result ( $t = 1.413$ ,  $p = .172$ ) indicates that this difference is not statistically significant at the 0.05 level. The 95% confidence interval for the mean difference ranges from -8,371.55 to 43,829.19, which includes zero, further supporting the conclusion that there is no significant difference in values reported under IFRS vs GAAP.

The paired sample t-test results reveal that although there is a slight numerical difference between the values reported under GAAP and IFRS, this difference is not statistically significant. The perfect correlation between IFRS and GAAP values suggests that both standards yield highly consistent results. With a p-value of 0.172, we fail to reject the null hypothesis. Thus, H2 is also not supported, and we conclude that there is no significant difference in the values derived from IFRS compared to those from GAAP.

## Summary

This research aimed to assess whether GAAP and IFRS differ significantly in financial statement presentation and

reported values. Statistical tests (chi-square  $p = 0.312$  and t-test  $p = 0.172$ ) showed no significant differences, and a perfect correlation ( $r = 1.000$ ) confirmed strong alignment between the two standards. Both frameworks emphasize consistency, clarity, and transparency. The results imply minimal impact on stakeholders when switching standards, supporting global comparability. This strengthens the case for harmonizing accounting standards, aiding international investment and enhancing global financial reporting efficiency.

## IV. CONCLUSION

The study shows that while IFRS and GAAP differ theoretically, their practical application results in minimal differences. Small presentation variations exist, but statistical tests (Chi-square and t-test) found no significant differences in financial reporting. Mean values were





slightly higher under GAAP but not meaningfully so. The strong correlation between the two standards supports their consistency. This suggests limited impact on users interpreting financial statements. Overall, financial data remains comparable, reliable, and interpretable across both frameworks.

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