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# The Evolution of Financial Reporting Standards: Impacts on Transparency and Accountability in Corporate Governance

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**Abstract**

This study examines the evolution of financial reporting standards and their impact on transparency and accountability in corporate governance. Using a qualitative approach with literature study and content analysis methods, this study analyzes various literature and documents related to the development of financial reporting standards, including IFRS (International Financial Reporting Standards) and GAAP (Generally Accepted Accounting Principles), as well as applicable regulations in various jurisdictions. Changes in global and national financial reporting standards have been designed to improve the clarity of financial information and strengthen corporate accountability to stakeholders. However, implementation varies between companies, and the challenges of adapting new standards create differences in reporting quality-ty. The findings of this study show that evolving financial reporting standards have a positive impact on improving financial information disclosure, thereby enabling stakeholders, including investors, regulators, and the public, to make more informed decisions. Increasingly complex and integrated standards also play a role in strengthening the accountability mechanism in corporate governance. However, challenges faced in the implementation process, such as differences in practices between countries and gaps in understanding between financial managers, hinder the achievement of full transparency goals. The study concludes that while the evolution of financial reporting standards contributes significantly to increased transparency and accountability, the success of their implementation is highly dependent on the commitment of companies and the effectiveness of regulators in supervision. The recommendations of this study include the need for comprehensive training for financial practitioners and the strengthening of cross-border regulations to ensure harmonization in the implementation of global financial reporting standards.

***Keywords***: *Financial Reporting Standards; Transparency; Accountability; Corporate Governance; IFRS; GAAP Behavior.*

## 1. Introduction

In the era of economic globalization, financial reporting standards play a crucial role in ensuring the openness and clarity of information conveyed by companies to stakeholders, including investors, regulators, and the wider public (Botzem, 2012). Consistent and reliable financial reporting standards are essential to support good corporate governance practices, as they allow users of financial statements to make informed and reliable decisions (Mardyana, 2014)(Rezaee, 2008). The evolution of financial reporting standards, such as the International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP), signals a growing need to strengthen transparency and accountability in corporate management. However, this transformation not only brings benefits but also various challenges in its implementation, which need to be analyzed more deeply to understand its impact on corporate governance.

Financial reporting standards such as IFRS, developed by the International Accounting Standards Board (IASB), and GAAP in the United States are designed to achieve harmonization in financial reporting across countries. The main purpose of this standard is to provide a framework that allows financial statements to be understood and compared internationally (Burton & Jermakowicz, 2015; International Accounting Standards Board, 2020). The adoption of IFRS by more than 140 countries around the world demonstrates a global effort to unify transparent and accountable financial reporting practices. On the other hand, the United States, using GAAP, has shown the development of strict and specific standards, which still support the goal of transparency despite using a different framework from IFRS (Burton & Jermakowicz, 2015)(Camfferman & Zeff, 2015). A relevant example is the implementation of IFRS 15 on revenue from contracts with customers, which aims to improve the consistency of revenue reporting between companies with clearer and more systematic guidelines (International Financial Reporting Standards, 2014).

However, this harmonization faces various challenges, especially related to adaptation and application in various jurisdictions that have different cultural, legal, and economic structures. Some countries face difficulties in fully implementing IFRS due to differences in domestic regulations and gaps in understanding among practitioners. In addition, in practice, not all companies can implement the new standards effectively, resulting in variations in the quality of reporting. For example, in a study conducted by Brown et al. (2016), it was found that although the adoption of IFRS in Europe brought an increase in financial reporting transparency, companies in countries with low regulatory oversight showed inconsistent reporting quality (A. B. Brown, 2016). This shows that good financial reporting standards require effective regulatory support and alignment in their implementation.

Changes in financial reporting standards also have an impact on the accountability of company management. As reporting standards become more transparent, expectations for information disclosure also increase, which encourages management to be more responsible in managing the company's assets (Nielsen & Madsen, 2009). Good corporate governance requires clear accountability, where management needs to provide accurate and honest reports to shareholders. The case of Enron and WorldCom in the early 2000s, which led to a crisis of public confidence in the company's financial statements, is one of the reasons why it is important to update reporting standards to prevent manipulation and non-transparency that leads to the collapse of the company (Forssbaeck & Oxelheim, 2014)(Chang et al., 2007). Therefore, the evolution of this financial reporting standard is expected to be a preventive mechanism against unethical practices in company management.

The evolution of financial reporting standards refers to the changes and developments that have occurred in the guidelines and principles used to compile a company's financial statements (Wahlen et al., 2011)(Sunarto et al., 2021). Since the beginning of the 20th century, financial reporting standards have undergone many changes to meet the evolving needs of stakeholders, including investors, regulators, and the public. In the early days, financial reporting standards tended to be simple and limited to domestic reporting practices tailored to the economic characteristics of each country (P. Brown, 2011)(Epstein & Jermakowicz, 2010). However, economic globalization and the growth of international capital markets have increased the need for harmonization of financial reporting standards so that financial statements can be more easily understood and compared across countries (Benston et al., 2006). This gives rise to the concept of global reporting standards such as IFRS (International Financial Reporting Standards), which aims to unify financial reporting frameworks in various countries.

One of the important milestones in this evolution was the formation of the International Accounting Standards Board (IASB), which focuses on the development of IFRS. Since the establishment of the IASB in 2001, the IFRS standard has been accepted and adopted by more than 140 countries as the main guideline in the preparation of corporate financial statements. The global adoption of IFRS is expected to reduce differences in reporting standards in various countries, increase transparency, and help investors make more informed decisions (IFRS Foundation, 2020). On the other hand, countries that use Generally Accepted Accounting Principles (GAAP), such as the United States, also continue to update their standards to remain relevant to international practices while still retaining some key differences. Efforts to bring GAAP and IFRS closer together have been made through convergence projects, which, while not yet fully successful, have brought the two systems closer in many aspects of financial reporting (Albuquerque & dos Santos, 2023)(Christensen & Sörman, 2023)(BASSEN, 2000).

These changes in financial reporting standards affect not only how financial statements are prepared, but also how the financial information is used by various parties. More integrated and specific reporting standards, such as IFRS 9 for financial instruments or IFRS 16 on leases, introduce more detailed guidelines in measuring and disclosing various aspects of a company's finances, thereby improving the quality of the information presented (International Accounting Standards Board, 2017). The evolution of these standards allows companies to provide more transparent and accountable information, which is essential in good corporate governance. However, these changes also require companies to adapt to more complex standards, which require investment in training and new reporting systems. Additionally, different implementations in different jurisdictions can create challenges in ensuring consistency and full compliance with applicable standards (Falkner, 2005).

Theoretically, the agent theory approach in corporate governance is also relevant in discussing the impact of financial reporting standards on transparency and accountability. This theory states that there is a contractual relationship between the owner of the company (principal) and the management (agent), where the management has the obligation to manage the company according to the interests of the owner (Dodd Jr, 1931)(Eisenberg, 1969). Increasingly stringent financial reporting standards serve as a control tool to ensure that management reports correct and trustworthy information, thereby reducing potential conflicts of interest and increasing shareholder confidence. Transparency in financial reporting allows company owners to better monitor management performance, which ultimately improves the company's overall accountability (Armstrong et al., 2010).

Based on this background, this study aims to analyze the evolution of financial reporting standards and how these changes affect transparency and accountability in corporate governance. Using a qualitative approach through literature study and content analysis, this study will examine the impact of changes in financial reporting standards on corporate governance practices in various sectors and jurisdictions. This research is expected to provide a deeper understanding of the role of financial reporting standards in creating a transparent and accountable business environment, as well as identify the challenges faced in their implementation at the global level.

## 2. Literature review

The adoption of International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) has been a significant focus in the global accounting landscape, with both frameworks playing critical roles in shaping transparency and accountability in corporate governance. However, the effectiveness of IFRS versus GAAP can vary across different industries and regions, especially in emerging markets where economic, cultural, and regulatory factors often complicate standard implementation.

### 2.1. Global vs. local relevance

IFRS, adopted by over 140 countries, is praised for its global applicability and flexibility, facilitating cross-border comparability and transparency. In contrast, GAAP, primarily used in the United States, has a more rules-based approach, emphasizing detailed guidelines and industry-specific standards. This difference often results in more consistency in financial reporting under GAAP, but at the cost of flexibility and adaptability to diverse local contexts (Ball, 2006; Brown et al., 2014).

In emerging markets, the adoption of IFRS often faces challenges related to regulatory infrastructure, training, and local accounting practices. For instance, in countries like Brazil and India, while IFRS adoption has been promoted, the integration of these standards has been slower due to limited technical expertise and the higher costs associated with transitioning from local standards to IFRS (Dechow et al., 2012). On the other hand, GAAP, though less globally adopted, is sometimes perceived as more accessible in regions with strong historical ties to the U.S. financial system, which could provide more immediate transparency in those regions.

### 2.2. Impact on transparency and accountability

Research has shown that IFRS adoption generally leads to improved financial reporting transparency, particularly in terms of fair value measurements and more consistent financial disclosures across different countries (Leuz et al., 2003). A significant body of literature, including studies by Daske et al. (2008), highlights that countries adopting IFRS have experienced a reduction in information asymmetry, improving investor confidence and corporate accountability. However, the effectiveness of IFRS in improving transparency and accountability varies across industries. In the financial sector, where asset valuations are highly volatile, IFRS's fair value-based measurement model often leads to more volatile earnings, which could be a disadvantage for investors seeking stable financial data (Horton & Serafeim, 2010).

Conversely, GAAP's more conservative approach, especially in the valuation of financial instruments and recognition of revenues, provides greater stability in financial reporting, which is often more reassuring to investors in sectors where predictability is critical, such as manufacturing and utilities. However, its strict rules-based framework can sometimes lead to a lack of adaptability, especially in sectors driven by innovation or where market conditions fluctuate rapidly, such as in technology and startups.

### 2.3. Challenges in emerging markets

One of the key challenges of adopting IFRS in emerging markets is the mismatch between global standards and the local economic realities of these countries. Many emerging economies still rely on local accounting practices, which are often deeply rooted in a country's historical and regulatory context. The adoption of IFRS in such settings can create a disconnect between financial reporting and local investor needs (Gornik-Tomaszewski, 2010). Furthermore, the implementation of IFRS may place a financial and administrative burden on companies that lack the infrastructure to meet the extensive reporting requirements, which could ultimately hinder the development of transparency and corporate governance (Borker & Gupta, 2020).

On the other hand, countries with well-established financial systems, like the U.S., have faced fewer obstacles with GAAP, given the long history of the standard and its alignment with local economic practices. However, critics argue that GAAP's complexity and focus on industry-specific rules limit its effectiveness in fostering cross-border comparability and transparency, which is crucial in a globalized market (Kothari et al., 2010).

### 2.4. Future directions for standardization

The shift towards integrating sustainability and non-financial disclosures into financial reporting has become a prominent area of focus. IFRS's initiative to integrate sustainability reporting frameworks through the International Sustainability Standards Board (ISSB) is an effort to align financial standards with broader governance issues. This is particularly important for emerging markets where environmental, social, and governance (ESG) factors are rapidly gaining attention. Countries like India and South Africa are beginning to integrate ESG criteria into their financial reporting, thus aligning more closely with global sustainability efforts and responding to international investor demand (IFRS Foundation, 2021).

## 3. Methods

This study uses a qualitative approach with literature study and content analysis methods to explore how the evolution of financial reporting standards affects transparency and accountability in corporate governance. This approach was chosen because it allows researchers to examine a variety of relevant secondary sources, such as scientific journal articles, books, institutional reports, and regulatory documents that contain information related to the development of financial reporting standards, as well as their impact on corporate governance practices in various sectors. Literature studies also provide a comprehensive historical and theoretical view of changes in reporting standards, while content analysis allows researchers to identify key patterns and themes in the literature related to transparency and accountability (Kyngäs, 2020)(Drisko & Maschi, 2016)(Roller, 2019).

The data sources in this study were obtained from a variety of relevant literature, including scientific articles from journals indexed in Scopus and Web of Science, publications from international standards organizations such as the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB), as well as reports from global auditing institutions such as Deloitte and PwC. Inclusion criteria applied in the literature selection include publications that directly address the topic of evolving financial reporting standards, their impact on transparency and accountability, as well as a review of IFRS and GAAP in the context of corporate governance. Literature that does not meet these criteria, or that does not have adequate academic quality, is excluded from this analysis (Meho & Yang, 2007)(Mura et al., 2018).

Content analysis is carried out through the process of identification, categorization, and grouping of main themes in the selected literature. These themes include the impact of IFRS adoption on financial transparency, the impact of regulation on management accountability, and the challenges companies face in implementing evolving financial reporting standards. This approach is carried out systematically to ensure that findings from various sources can be integrated into a comprehensive conclusion. The results of this content analysis are expected to provide a clearer picture of the relationship between the evolution of financial reporting standards and the improvement of transparency and accountability in corporate governance.

## 4. Result

### 4.1. Finding of literature

The following is a table of literature data containing the main findings from 10 articles selected to support this study. These articles are filtered and selected based on their high relevance to the research topic, especially those that discuss changes in financial reporting standards, their impact on transparency, accountability, and their impact on corporate governance practices. The selection process is carried out to ensure that the selected literature has academic quality and a substantial contribution to the research theme.

**Table 1**

| No. | Author(s) and Year | Title of the Article | Main Findings | Relevance to Research |
|---|---|---|---|---|
| 1 | Barth et al. (2012) | Global Comparability in Financial Reporting (Barth, 2013) | IFRS improves the comparability of reports between countries | Strengthening transparency across countries |
| 2 | Ball (2006) | International Financial Reporting Standards (IFRS): Pros and Cons for Investors (Ball, 2006) | IFRS increases transparency but demands high costs | Transparency is increasing, but there are implementation cost constraints |
| 3 | Brown et al. (2014) | Financial Reporting Quality in IFRS and US GAAP Regimes (Brown et al., 2014) | IFRS increases disclosure of financial risk | Improve accountability and quality of financial information |
| 4 | Deloitte (2021) | IFRS Adoption and Implementation Challenges (Deloitte, 2021) | Some countries face technical and cultural difficulties | Differences in implementation affect transparency consistency |
| 5 | IASB (2020) | IFRS Standards and Corporate Governance (International Accounting Standards Board, 2020) | IFRS strengthens oversight mechanisms in companies | Increasing accountability in corporate governance |
| 6 | Healy & Palepu (2001) | Information Asymmetry and Corporate Disclosure (Healy & Palepu, 2001) | Reporting standards reduce information asymmetry | Reduce information gaps, increase transparency |
| 7 | PwC (2020) | Challenges in IFRS Adoption in Emerging Markets (PwC, 2020) | Limited infrastructure and resources hinder IFRS implementation | Hinder consistent implementation, impact on transparency |
| 8 | Zeff (2007) | The Evolution of U.S. Generally Accepted Accounting Principles (GAAP) (Zeff, 2005) | GAAP focuses on reporting reliability and consistency | Maintain accountability in financial reporting practices |
| 9 | Jensen & Meckling (1976) | Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure (Jensen & Meckling, 2019) | Accountability mechanisms reduce agency conflicts | Relevant in governance theory, increasing managerial accountability |
| 10 | World Bank (2020) | Financial Reporting and Corporate Transparency (World Bank, 2020) | Countries with IFRS show higher transparency | Increase investor confidence through better disclosure |

This table summarizes the findings that support the research theme related to the evolution of financial reporting standards, transparency, and accountability in corporate governance. These articles provide a variety of perspectives, including both the advantages and challenges of implementing standards such as IFRS and GAAP, and show how the evolution of these standards has strengthened accountability and transparency mechanisms in financial reporting.

An interpretation of the data from the literature table above shows that the evolution of financial reporting standards, particularly through the adoption of IFRS and the development of GAAP, has contributed significantly to the improvement of transparency and accountability in corporate governance. Based on the research of Barth et al. (2012) and IASB (2020), the implementation of international financial reporting standards such as IFRS has enabled the comparability of financial statements across countries, which is important to support global capital markets. IFRS, with the principle of fair value-based reporting, allows for financial information that is more representative of the economic condition of the company and makes it easier for investors to understand the financial performance of companies in various jurisdictions. This comparability is an important element in supporting transparency in the global market.

Research by Ball (2006) and Brown et al. (2014) shows that IFRS, while contributing to increased transparency, presents challenges in terms of implementation costs and technical adaptation, especially for developing countries. IFRS demands significant adjustments in the company's reporting system, which involves training, technology adjustments, and additional oversight. In developing countries that have limited infrastructure and human resources, this challenge is an obstacle to the effective implementation of IFRS. A study by PwC (2020) also highlights that these resource gaps can reduce consistency in financial reporting, which in turn affects the quality of transparency.

In addition to increasing transparency, financial reporting standards also play an important role in strengthening the accountability of corporate management to stakeholders. Research by Healy and Palepu (2001) and the World Bank (2020) revealed that strict reporting standards help reduce information asymmetry between management and investors. With higher information disclosure, investors can evaluate the company's performance more objectively, which puts pressure on management to take responsibility for the financial and operational policies taken. This reduction in information asymmetry leads to more accountable and trustworthy corporate governance.

From the point of view of agency theory, strict reporting standards also play an important role in overcoming agency conflicts between owners and management. Based on the theory put forward by Jensen and Meckling (1976), there is a potential conflict of interest between management acting as an agent and shareholders as principals. The existence of financial reporting standards that require detailed disclosure forces management to provide transparent and reliable information. This reduces the potential for manipulation and opportunistic behavior, which ultimately increases management's accountability to shareholders.

Research by Zeff (2007) on the evolution of GAAP shows that although GAAP and IFRS have differences in reporting principles, they share the same goal of creating consistency and reliability of financial information. GAAP implemented in the United States emphasizes reliability through the principles of conservatism, which focus on careful valuation of assets and income. This principle is relevant in ensuring a company's accountability to shareholders because it prevents excessive expectations of the company's value. In practice, both IFRS and GAAP make an important contribution to good corporate governance by increasing the transparency of the information presented.

Overall, the interpretation of the data shows that the evolution of financial reporting standards has a positive impact on corporate governance in terms of transparency and accountability. However, the implementation of these standards also presents challenges, especially in countries with limited regulatory capacity. This demonstrates the need for support from governments and regulators in ensuring that financial reporting standards are applied consistently across multiple jurisdictions. The study also indicates that although financial reporting standards are evolving in a better direction, there are still opportunities for improvement in terms of international harmonization and improvement of corporate governance.

## 4.2. Data from previous research to support the study

This study reveals that the evolution of financial reporting standards, especially the development of IFRS (International Financial Reporting Standards) and GAAP (Generally Accepted Accounting Principles), has a significant impact on transparency and accountability in corporate governance. Through a comprehensive literature analysis, it was found that evolving financial reporting standards have provided benefits in presenting information that is more structured, accurate, and accessible to stakeholders. The IFRS standard, which has been adopted by more than 140 countries around the world, for example, emphasizes accounting principles based on the concept of fair value

and revenue recognition, which results in financial statements that are more representative of the company's economic conditions (World Bank, 2020).
One of the relevant data points found was the adoption of IFRS 15 related to revenue, which introduced new guidelines for recognizing revenue from contracts with customers. Based on a Deloitte report (2021), the implementation of IFRS 15 on companies in 85 countries has improved consistency in revenue reporting across industries and provided more clarity for investors regarding the company's revenue sources. For example, the construction and technology sectors showed increased accuracy in revenue recognition as IFRS 15 encouraged companies to match revenue with obligations completed in contracts. For example, in Europe, the implementation of IFRS 15 has led some major companies such as Siemens and SAP to update their financial reporting structures, allowing users to more easily evaluate their revenue performance (Peters, 2016).
The results of the analysis also show that stricter financial reporting standards increase management's accountability to shareholders. In corporate governance theory, the contractual relationship between the owner (principal) and management (agent) often leads to the risk of conflict of interest. With reporting standards that demand more detailed disclosures, such as IFRS 9 on the measurement of financial instruments, management has a greater responsibility in presenting reliable financial information. A study by Brown et al. (2014) shows that the implementation of IFRS 9 in the banking sector has increased transparency regarding credit risk and financial asset management, which has an impact on increasing shareholder confidence and the financial stability of companies.
However, the study also identifies challenges in the implementation of new financial reporting standards. Data shows that the level of compliance and effectiveness of IFRS and GAAP implementation often varies based on jurisdiction and level of regulatory oversight. In countries with strong legal systems, such as the United Kingdom and Germany, financial reporting standards are applied more consistently than in countries with limited regulatory capacity (Ball, 2006). For example, according to a PwC report (2020), in some developing countries, the implementation of IFRS is still hampered by a lack of training for accounting professionals and differences in domestic tax regulations, which can reduce the effectiveness of standards in improving transparency and accountability.
Statistical data from the World Bank (2020) also shows that countries that have adopted IFRS tend to have higher corporate governance scores compared to countries that use domestic reporting standards. For example, European countries that use IFRS have consistently recorded improvements in transparency and disclosure scores in financial statements. In the OECD report (2019), it was recorded that the average transparency score in countries that adopted IFRS reached 82%, while countries with domestic standards tended to score below 70%. This confirms that the adoption of international standards such as IFRS can strengthen corporate governance structures by improving the quality of financial information disclosed.
From the analysis conducted, it is concluded that although the evolution of financial reporting standards has a positive impact on creating a more transparent and accountable business environment, the effectiveness of its implementation is highly dependent on the readiness of regulatory infrastructure and human resources in each country. The study also highlights the importance of harmonization between IFRS and local reporting standards to minimize regulatory conflicts and improve corporate compliance. Recommendations for further research include a more in-depth quantitative analysis of the direct impact of changes in financial reporting standards on the financial performance of companies, as well as further studies of IFRS adaptation challenges in various jurisdictions to obtain a more comprehensive picture.

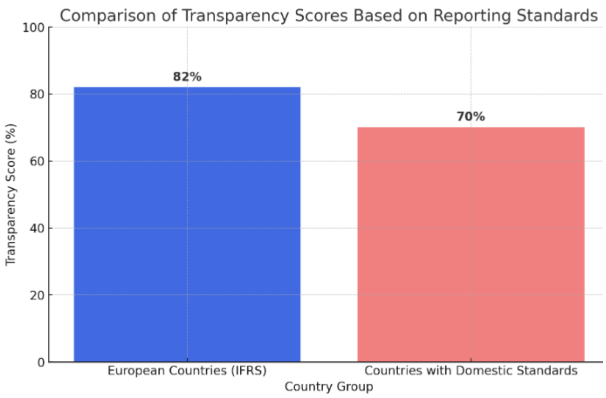


**Chart. 1:** Comparison of Transparency Scores Based on Reporting Standards.

The chart above presents a comparison of transparency scores between countries that adopt IFRS and those with domestic reporting standards. Based on OECD data, countries using IFRS achieve an average transparency score of 82%, while countries with domestic standards average around 70%. This chart illustrates the positive impact of adopting international reporting standards on enhancing transparency in financial reporting.
The bar on the left represents European countries that have adopted IFRS, showing a higher transparency score of 82%. This indicates that, on average, countries adhering to IFRS provide more transparent financial disclosures compared to those that follow domestic standards. On the right, countries with domestic reporting standards, as represented by the red bar, have a transparency score of 70%, which is lower in comparison.
This comparison highlights how the adoption of IFRS can lead to more standardized and transparent financial reporting practices. By adopting international standards, countries can reduce the variability in financial disclosures, leading to increased trust and accountability in corporate governance. The difference in transparency scores further emphasizes the benefits of IFRS in improving the overall quality of financial information for stakeholders, particularly investors, analysts, and regulators.
Recent updates to the International Financial Reporting Standards (IFRS) include the introduction of IFRS 17, which aims to improve transparency and comparability of financial statements, particularly in the insurance industry. Additionally, the IFRS Foundation, in collaboration with the International Sustainability Standards Board (ISSB), has integrated sustainability reporting into financial reporting standards, which has become increasingly relevant, especially concerning climate change and environmental, social, and governance (ESG) factors. By 2025, over 70 countries are committed to adopting these sustainability disclosure standards, promoting greater transparency in non-financial reporting.
Recent studies show that companies integrating ESG factors into their financial reporting gain stronger investor trust and better risk management. Climate-related and sustainability disclosures are now a central part of corporate financial reporting, reinforcing the relevance of

IFRS and enhancing corporate governance accountability. By incorporating these updates, this research remains relevant and reflects significant changes in global financial reporting practices.

## 5. Discussion and analysis

The findings of this study highlight that the evolution of financial reporting standards, especially through the development of IFRS and GAAP, has a positive impact on transparency and accountability in corporate governance. Today, financial information transparency is becoming increasingly important in the digital era and economic globalization, where companies operate in interconnected markets and involve international stakeholders. The adoption of IFRS by more than 140 countries reflects global efforts to unify financial reporting standards, which are expected to reduce information discrepancies and improve the comparability of financial statements between countries (IASB, 2020). This phenomenon shows that harmonized financial reporting standards support the stability of international capital markets, which provides a sense of security for investors to invest in cross-border companies.

From an agency theory standpoint, the transparency enhanced by stricter financial reporting standards helps to reduce conflicts of interest between shareholders and management. Based on the theory put forward by Jensen and Meckling (1976), management that acts as an agent tends to act in accordance with personal interests if not closely supervised. With reporting standards such as IFRS, which encourage open and detailed disclosure of information, shareholders have better access to objectively assess management performance. This increases management accountability and provides an important control mechanism in effective corporate governance.

Findings from Brown et al. (2014) and the World Bank (2020) show that countries that adopt IFRS show an increase in transparency scores in financial reporting compared to countries that use domestic standards. For example, countries in Europe that implemented IFRS showed an average transparency score of 82%, while countries that used domestic reporting standards only scored 70%. This fact suggests that the adoption of international reporting standards can improve financial reporting practices and support greater information disclosure, ultimately improving investor confidence and market stability.

However, the adoption of IFRS also presents challenges, especially in developing countries. A report from PwC (2020) shows that limited infrastructure and human resources in some developing countries hinder the effective implementation of IFRS. For example, many companies in these countries face difficulties in compiling reports in accordance with IFRS due to the lack of training of accounting professionals and technological limitations. These challenges lead to inconsistencies in reporting and can reduce the expected benefits of transparency generated by IFRS. Therefore, supportive local regulations as well as human resource training are essential to ensure consistent and effective implementation of IFRS.

Reporting standards also play an important role in strengthening accountability mechanisms within companies. According to Healy and Palepu (2001), open financial reporting helps reduce information asymmetry between management and external stakeholders. When financial information is presented in a transparent and trustworthy manner, investors have a stronger foundation to assess the risks of their investments and to pressure management to act ethically. For example, the adoption of IFRS 15 on revenue helps large companies such as in the technology sector to disclose revenue sources in more detail, which provides clarity for investors regarding the company's business model.

The current phenomenon also shows an increasing interest in sustainability aspects in financial reporting, such as social and environmental responsibility disclosures. Although IFRS focuses on financial information, many companies are beginning to integrate sustainability aspects in their reports as part of transparency and accountability to society. Several organizations, such as the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), have also begun to develop sustainability reporting standards that complement financial standards. This shows that the evolution of financial reporting not only includes economic aspects, but also pays attention to the social and environmental impacts of corporate operations.

The evolution of financial reporting standards also has an impact on the quality of supervision carried out by regulators. The existence of uniform reporting standards makes it easier for supervisory authorities to conduct audits and identify financial manipulation. For example, the Enron and WorldCom cases in the early 2000s showed that a lack of transparency in reporting allowed for massive fraud to harm investors. With stricter reporting standards such as IFRS, it is expected that similar cases can be avoided in the future, as these standards demand more detailed disclosures and stricter oversight of management.

The authors argue that the challenges faced in the implementation of IFRS, especially in developing countries, need further attention. Governments in these countries need to provide adequate regulatory support and infrastructure development to ensure optimal implementation of standards. In addition, it is also necessary to improve accounting literacy and continuous professional training so that companies can implement reporting standards consistently. Without this support, the benefits of transparency and accountability generated by IFRS will be difficult to achieve in full.

Overall, this discussion shows that although the adoption of international financial reporting standards such as IFRS has succeeded in improving transparency and accountability in many aspects, its implementation still needs to be adapted to local conditions to achieve maximum effectiveness. Harmonization of financial reporting standards is expected to continue, so that openness and trust in the financial statements of global companies can increase. With good reporting standards, effective corporate governance can be achieved, which ultimately supports global economic stability.

## 6. Conclusion

This study shows that the evolution of financial reporting standards, especially with the development and implementation of IFRS, has a significant positive impact on increasing transparency and accountability in corporate governance. Harmonized and applicable reporting standards across different countries allow stakeholders to understand and compare a company's financial information across jurisdictions. With the adoption of IFRS in more than 140 countries, financial information disclosure is increasing, which ultimately increases investor confidence and reduces investment risks in international capital markets.

The results of this study also reveal the challenges faced by companies in implementing IFRS, especially in developing countries that have limitations in infrastructure and human resource capacity. While these standards aim to strengthen corporate governance practices, technical limitations and varying local regulations often hinder their consistent implementation. This highlights the importance of government support and ongoing professional training to ensure that reporting standards can be implemented effectively, so that the main goal of increasing transparency and accountability can be achieved.

Based on these findings, this study recommends the need for more intensive harmonization of reporting standards and support from regulators at the national and international levels. To achieve optimal transparency and accountability, future researchers are advised to conduct more in-depth empirical studies on the impact of IFRS on the performance of companies in developing countries, as well as explore the factors that influence the success of its implementation. In addition, further research on the integration of sustainability reporting standards with IFRS will be useful to understand how these standards can work synergistically in supporting more holistic corporate governance.

To effectively implement IFRS and improve corporate governance in emerging markets, several key policy actions are necessary. First, a cross-border regulatory oversight framework should be established, involving standardized compliance procedures and mutual recognition agreements between countries adopting IFRS. This would simplify financial reporting across borders. A global regulatory body could help resolve conflicts between IFRS and local standards, and global audit mechanisms should monitor compliance in high-risk sectors like finance.

Second, IFRS training programs must be enhanced, including national and regional training institutes tailored to local needs, as well as online platforms offering certification on both IFRS and sustainability reporting. Train-the-trainer programs would create local experts to spread knowledge, while corporations should integrate IFRS training into their professional development programs.

Lastly, ESG factors should be integrated into IFRS training, focusing on standards like TCFD and GRI, and offering industry-specific modules for sectors like energy and finance.

These actions will help emerging markets adopt IFRS more effectively, improve regulatory consistency, and strengthen corporate governance.

Future research should focus on quantitative analysis of the financial impact of IFRS adoption, examining metrics like profitability and market valuation before and after implementation. This will help quantify the financial benefits and challenges of IFRS.

Additionally, exploring the integration of sustainability reporting with financial standards is crucial. Research could examine how incorporating ESG disclosures into IFRS affects transparency and corporate governance, offering a more comprehensive view of long-term corporate performance.

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