



Key Financial Reporting Frameworks

Framework	Used in	Key Traits
IFRS	140+ countries (EU, Canada, LATAM)	Transparency, comparability, global standard
US GAAP	United States	Rule-based, conservative
Local GAAP	Varies (e.g., Mexico NIF, Brazil CPC)	Tax-driven, varied structure
IFRS for SME's	Common in private entities globally	Simplified, fewer disclosures

Sources:  
1) <https://www.ifrs.org/using-around-the-world/using-of-ifrs-standards-by-jurisdiction/>  
2) <https://www.ifrs.org/news-and-events/news/2023/02/iasb-issues-major-update-smes-accounting-standard/>  
3) <https://www.consolidate.io/blog/accounting-standards-around-the-world>

---

---

---

---

---

---

---

---

Financial Analysis – Core Metrics Still Matter

- Liquidity: Current & Quick ratios, working capital
- Solvency: Debt-to-equity, interest coverage
- Profitability: Net margin, ROA, ROE
- Cash Flow: Operational vs. investing vs. financing
- Trend Analysis: Minimum 3-year view
- Market environment, usances and practices
- Peer comparison

---

---

---

---

---

---

---

---

Case Study – Revenue Recognition by Country

- Brazil: Recognizes revenue at invoicing – inflates profit
- Canada (IFRS): Recognizes revenue on risk transfer – reliable
- China: Aggressive reporting to meet targets – risk of overstatement

Lesson: Always verify with cash flow and DSO trends

Sources:  
1) <https://www.ifac.org/knowledge-gateways/discussion/implementing-ifrs-series-lessons-brazil>  
2) <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/accounting-standards-for-financial-enterprises>  
3) <https://www.china-briefing.com/doing-business-guide/china/accounting-and-operational-accounting-standards>

---

---

---

---

---

---

---

---

Case Study – Asset Valuation Differences

- IFRS: Allows fair value revaluation – possibly overstated
- Mexico (NIF): Uses historical/tax values – may understate

Credit implication: Collateral needs separate appraisal

Sources:  
1) <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-4/ifrs-13-fair-value-measurement.pdf?by=uscon>  
2) <https://amepsa.com.mx/en/industrial-valuation-by-cf-and-c13/>

---

---

---

---

---

---

---

---

Publicly Accountable Enterprises (PAEs)

- Listed or regulated financial institutions
- Must follow IFRS or GAAP
- Generally audited under International Standards on Auditing (ISA)
- High comparability and disclosure
- Key areas to analyze:
  - Revenue recognition
  - Fair value accounting
  - Related-party disclosures
  - Off-balance-sheet items

Source:  
1) [https://www.iisplus.com/en/meeting-notes/iasb/2005/agenda\\_0502/agenda506](https://www.iisplus.com/en/meeting-notes/iasb/2005/agenda_0502/agenda506)

---

---

---

---

---

---

---

---

Non-PAEs – What to Watch For

- Often follow local or simplified accounting standards
- May lack robust audit or internal controls
- Common issues:
  - Undisclosed liabilities
  - Owner withdrawals
  - Tax vs. accounting profit mismatch
  - Limited cash flow statements
- Require qualitative due diligence (management interviews, local intelligence)

Source:  
1) <https://www.iisplus.com/en/calculation/part-4/what-to-watch-for>

---

---

---

---

---

---

---

---

Red Flags to Watch For by Region

- LATAM: FX risk, tax-driven accounting
- Asia: Inventory inflation, related-party risk
- Europe: Deferred taxes, pensions
- Middle East: Limited transparency in family-owned businesses

Sources:  
1) [https://www.garrigan.com/en\\_GB/news/currency-fluctuations-and-their-impact-corporate-taxation-latam-america-key-issue-investment](https://www.garrigan.com/en_GB/news/currency-fluctuations-and-their-impact-corporate-taxation-latam-america-key-issue-investment)  
2) <https://www.oecd.org/en/about/press-releases/2024/12/2024-12-06-america-and-the-eu-should-reveal-better-fiscal-policies-to-foster-their-development.html>  
3) [https://www.oecd.org/en/publications/guide-on-fighting-abusive-related-party-transactions-in-asia\\_ch7386d-en.html](https://www.oecd.org/en/publications/guide-on-fighting-abusive-related-party-transactions-in-asia_ch7386d-en.html)  
4)

Practical Steps for Credit Managers

- Know the framework – IFRS? Local GAAP?
- Assess audit quality – Big 4 firm? Local auditor?
- Compare apples to apples – Normalize ratios where needed
- Look beyond the numbers – Cultural, legal, macro factors
- Verify sources – Use trade references, site visits, bank checks
- Work with local partners – Accountants, consultants, chambers of commerce

---

---

---

---

---

---

---

Additional supporting Sources

- IASB Jurisdictional Profiles (2024).
- SEC US GAAP Compliance Manual World Bank
- SME Finance Report OECD Corporate
- Governance Principles
- CFA Institute Financial Analysis Handbook

---

---

---

---

---

---

---

THANK YOU!

---

---

---

---

---

---

---