



## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN ACCOUNTING AND THEIR PRACTICAL APPLICATION IN THE ACCOUNTING OF BIOLOGICAL ASSETS**

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### **Abstract**

This article analyzes international financial reporting standards (IFRS) and their role in modern financial reporting. The main principles of IFRS – fair presentation, accrual basis, consistency, understandability, and comparability – are discussed. Additionally, the key components of financial statements are explained: statement of financial position, statement of profit or loss, cash flow statement, and statement of changes in equity. The article emphasizes the importance of valuing biological assets and other assets according to international standards. The benefits of complying with IFRS for companies, including increased investor confidence, attracting foreign investments, and improving the quality of financial decision-making, are highlighted. The article provides a general understanding of accounting and financial management in accordance with international standards.

**Keywords:** Accounting, International Financial Reporting Standards (IFRS), Financial statements, Statement of financial position, Statement of profit or loss, Cash flow statement, Biological assets, Financial decision-making.

### **Introduction**

Accounting is a key tool in the modern business environment for ensuring a company’s financial stability and making effective management decisions. Due to globalization and the development of international financial markets, companies are required to prepare their financial statements not only according to local regulations



but also in accordance with the International Financial Reporting Standards (IFRS). IFRS standards ensure the transparency, comparability, and reliability of financial information, providing investors, creditors, and other external users with an accurate reflection of a company's financial position. Therefore, compliance with international standards helps enhance not only the company's financial stability but also its competitiveness in the global business arena.

### **IFRS Standard 41 – Biological Assets**

In accordance with IFRS, biological assets (such as trees, livestock, or other biological resources) are recognized at their fair market value. This allows a company's financial statements to reflect the true value of these assets. Periodic valuation and recording of biological assets enable management to:

- Use resources efficiently,
- Accurately calculate costs and revenues,
- Make informed investment and financial decisions.

### **Practical Application**

The International Financial Reporting Standards (IFRS) are not only theoretical principles but are widely applied in **daily financial operations**. For companies dealing with biological assets, these standards are particularly important:

- **Accuracy and transparency of financial statements:** Since biological assets are recorded at fair market value, a company's assets and financial position are reflected accurately, providing precise information for investors and creditors.
- **Strategic decision-making:** For example, an agricultural enterprise can record its orchards or livestock at market value, enabling efficient resource management and informed investment decisions.
- **Compliance with tax and audit requirements:** IFRS-based financial statements comply with both local and international tax laws, allowing companies to operate smoothly during audits and with tax authorities.
- **Confidence in the global financial market:** If a company seeks to attract foreign investments, financial statements prepared according to IFRS increase investor confidence and enhance competitiveness globally.

For instance, if a farm records its orchards at fair market value and analyzes cash flow annually, it can not only assess operational efficiency but also provide reliable data



for investment or loan purposes. Thus, the practical application of IFRS plays a decisive role in a company's strategic and financial planning.

## **Conclusion**

Accounting and financial reporting play a crucial role in ensuring a company's financial stability and supporting effective management decisions. The International Financial Reporting Standards (IFRS) ensure the transparency, reliability, and comparability of financial information, accurately reflecting the company's financial position at an international level. Recording variable resources such as biological assets at fair market value enables not only the reliability of financial statements but also efficient resource utilization and strategic decision-making. Compliance with IFRS enhances a company's competitiveness in the global business arena, increases investor confidence, and improves the quality of financial management. Therefore, IFRS principles and their practical application serve as a fundamental tool in modern accounting, playing a vital role in a company's long-term development and financial stability.

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