


# Chapter 2


## Harmonizing Financial Reporting Standards: Driving Cross-Border Mergers and Acquisitions in a Globalized Economy

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### ABSTRACT

*This chapter explores the vital role of harmonized financial reporting standards in facilitating cross-border mergers and acquisitions in global economy, emphasizing the need for regulatory alignment to streamline processes, reduce complexities, and enhance transaction efficiency; it addresses challenges between US GAAP and IFRS regarding asset valuation, due diligence, and compliance, while highlighting' how emerging technologies like blockchain, artificial intelligence, and data analytics improve the speed, accuracy, and transparency of financial reporting, minimizing fraud risks and reporting errors; the chapter also underscores the contributions of financial institutions and advisory firms in driving harmonization, ensuring multi-national corporations adopt best practices for financial compliance, and concludes*

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*by forecasting that the future of global M&As will be shaped by integrated reporting standards, new technologies, and investor-driven momentum, promoting greater market efficiency, regulatory coherence, and a more transparent, accountable global financial landscape.*

## 1. THE ROLE OF FINANCIAL REPORTING IN GLOBAL TRADE AND M&A ACTIVITY

### Outline of the Globalized Economy

In today's interconnected global economy, cross-border movements, technological innovations, and trade liberalization are driving the need for standardized financial reporting practices to ensure consistency, comparability, and transparency across jurisdictions, as multinational enterprises and economic boundaries become increasingly fluid (Altman, 2004; Brereton, 2004). Financial reporting acting like as the mentor in dealings of business transactions.

Financial reporting serves as the common language of business, facilitating corporate performance evaluation, due diligence, and strategic alignment, with International Financial Reporting Standards and US Generally Accepted Accounting Principles (GAAP) as the two main frameworks, though their differences create challenges in cross-border mergers and acquisitions by obscuring the financial status of merging entities (Akgün, 2022; Gläserová, 2013).

*Table 1. Global adoption of IFRS by region (2023)*

Region	Countries Adopting IFRS	Percentage of Global GDP (%)	Notable Adopters
Europe	41	56%	EU Member States, UK, Norway, Switzerland
Asia-Pacific	25	24%	Japan, Australia, Hong Kong, Singapore
Latin America	18	10%	Brazil, Mexico, Argentina, Chile
Middle East & Africa	15	5%	South Africa, Egypt, United Arab Emirates
North America	2	5%	Canada, United States (adopts limited IFRS)
<b>Global Total</b>	<b>101</b>	<b>100%</b>	<b>Global Trade Coverage</b>

Source: IFRS Foundation, 2023

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