


Chapter 6

Aligning Financial Reporting Standards: A Catalyst for Global Mergers and Acquisitions

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ABSTRACT

The harmonization of financial reporting standards has become a pivotal factor in fostering cross-border mergers and acquisitions (M&A) in today's globalized economy. Standardized financial practices enhance transparency, comparability, and reliability of financial information, reducing the asymmetry that often hinders international business collaborations. This study explores how aligning financial reporting standards, such as the International Financial Reporting Standards (IFRS), streamlines due diligence processes, mitigates compliance risks, and promotes investor confidence. By examining case studies and empirical data, the paper highlights the strategic advantages of financial standardization for companies pursuing global M&A. The findings underscore the critical role of unified reporting frameworks in bridging diverse economic systems and driving sustainable economic integration.

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INTRODUCTION

Overview of Cross-Border M&As in the Global Economy

Cross-border mergers and acquisitions (M&As) are at the forefront of global economic integration, representing a strategic route for companies to expand their operations, improve market reach, and achieve competitive edges in an interconnected world (R. Kumar, Lande, Kumar, et al., 2023; R. Kumar, Malholtra, Singh, et al., 2023). These transactions permit firms to diversify risks, access new markets, and cultivate critical resources such as talent, technology, and infrastructure. In 2021, the worth of global cross-border M&A activity achieved an all-time high of \$2.1 trillion, accounting for 40% of the total international M&A volume. This exceptional development was fueled by enterprises such as technology, healthcare, and financial services, which have evolved into critical drivers of cross-border movement (R. Kumar, Kathuria, Malholtra, et al., 2023; Malhotra et al., 2021).

Despite their tremendous potential, cross-border M&As usually need help with the complexity of operating across various regulatory, cultural, and financial environments. Regulatory hurdles, misaligned corporate cultures, and inconsistent financial reporting practices frequently hinder the realization of anticipated synergies (Neha et al., 2023; M. S. Rana et al., 2022). These challenges underscore the need for harmonized frameworks, particularly in financial reporting, to ensure transparency and comparability in such high-stakes transactions. In the contemporary global economy, cross-border mergers and acquisitions (M&As) have emerged as pivotal tools for corporate expansion, market diversification, and strategic realignment. These transactions, which involve consolidating companies operating in different national jurisdictions, have experienced substantial growth over the past few decades. According to data from the Institute for Mergers, Acquisitions and Alliances (IMAA), cross-border M&A deals worldwide grew from around 2,000 in 1985 to over 8,000 in 2023, highlighting their escalating importance in international business methods (C. Gupta et al., 2022; R. Kumar, Khanna Malholtra, & Grover, 2023). The surge in cross-border M&As is attributable to technological advancements, globalization, and commerce and investment policy liberalization. Globalization has dismantled conventional barriers, facilitating firms' access to new markets and resources. Technological inventions have facilitated seamless integration and communication across borders, while liberalized approaches have decreased foreign ownership and investment constraints. Collectively, these characteristics have created an atmosphere conducive to cross-border corporate confederations (R. Kumar, Singh, Mohanty, et al., 2023; Uniyal et al., 2022).

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