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Redefining the Income Statement: A Critical Literature Review of IFRS 18 and Global Financial Statement Comparability

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ABSTRACT

The global financial reporting landscape is currently undergoing a transformative shift with the issuance of IFRS 18: Presentation and Disclosure in Financial Statements, which replaces the long-standing IAS 1. This new standard addresses critical deficiencies in income statement consistency and the proliferation of non-GAAP measures that have historically hindered investor transparency. The purpose of this critical literature review is to synthesize the emerging discourse on IFRS 18 and evaluate its capacity to enhance global financial statement comparability. Utilizing a qualitative narrative synthesis of 17 impactful sources, the review benchmarks the prospective mandates of IFRS 18 against longitudinal evidence from previous major transitions, such as IFRS 15, 16, and 17. The findings are organized into four primary themes: the structural standardization of subtotals, the formal regulation of management-defined performance measures, the institutional determinants of reporting quality, and the practical barriers to regional implementation. The synthesis reveals that while IFRS 18 provides a superior technical framework for "apples-to-apples" performance benchmarking, its ultimate efficacy is moderated by the strength of local legal enforcement and the mitigation of country-specific modifications. This review contributes to the field by providing a conceptual roadmap for regulators and practitioners, highlighting that structural uniformity is a prerequisite for, but not a guarantee of, true global comparability.

Keyword: IFRS 18, Financial Statement Comparability, Income Statement Presentation, Management defined Performance Measures, Global Harmonization, Accounting Quality

INTRODUCTION

The global accounting landscape is currently undergoing a transformative shift with the introduction of IFRS 18: Presentation and Disclosure in Financial Statements. This standard represents a pivotal evolution in financial reporting, aiming to fundamentally enhance the transparency and comparability of corporate performance data across international borders (Dancau, 2025). The significance of this transition cannot be overstated, as the income statement serves as the primary lens through which investors assess institutional value. By replacing the long-standing IAS 1, IFRS 18 seeks to mitigate the fragmentation caused by diverse reporting practices, thereby fostering more robust global capital markets and more informed investor decision-making (Zainy & Al-Rubaye, 2025; Sultan et al., 2024).

At its core, IFRS 18 redefines the structural logic of the income statement by introducing standardized categories and subtotals, most notably the mandatory "Operating Profit" figure. This conceptual shift aims to eliminate the ambiguity inherent in previous standards where management maintained significant discretion over how profit was presented. By tightening the rules on "Management-defined Performance Measures" (MPMs), the standard enforces a disciplined framework for non-GAAP disclosures, ensuring they are subject to the same rigorous audit requirements as statutory figures (Zainy & Al-Rubaye, 2025). This move toward "standardized subtotals" is designed to create a uniform language for financial performance, theoretically allowing for a direct "apples-to-apples" comparison between firms regardless of their home jurisdiction or industry sector (Mita et al., 2018; Lee, 2019).

Despite the promised benefits, the existing literature reveals significant research gaps and practical tensions regarding the actualization of these goals. While historical adoptions of standards like IFRS 15 and IFRS 16 have generally improved comparability in specific sectors like revenue recognition and leasing, IFRS 18 introduces unique complexities in transfer pricing and data asymmetry that could lead to cross-border controversies (Dancau, 2025; Lee & Choi, 2024). Furthermore, there is a noted "implementation gap" where the costs of system adjustments and training may vary significantly across regions, potentially creating temporary "information noise" rather than clarity (Nurunnabi et al., 2020). Previous research also warns that local modifications where individual countries adapt IFRS to suit domestic agendas can critically impair the very comparability the standard seeks to achieve (Felski, 2017).

Consequently, the primary purpose of this critical literature review is to synthesize the emerging scholarly and practitioner discourse surrounding the implementation of IFRS 18. By evaluating the standard’s capacity to harmonize disparate financial narratives, this review seeks to determine whether the new mandates on subtotals and disclosures truly resolve long-standing issues of financial statement comparability. Specifically, this paper evaluates the expected impact on investor transparency and the potential hurdles, such as tax implications and regional implementation variances, that may obstruct the standard's global efficacy (Hamza et al., 2023; Dahiyat & Owais, 2021). Through this analysis, the review aims to provide a comprehensive roadmap for researchers and regulators to monitor the standard’s real-world outcomes.

The scope of this paper is organized to guide the reader from the macro-level regulatory changes to the micro level impacts on specific financial indicators. Following this introduction, the review provides an in-depth analysis of the structural changes introduced by IFRS 18 compared to its predecessor, IAS 1. The subsequent sections explore the empirical evidence regarding the impact of prior IFRS transitions (IFRS 15, 16, and 17) to draw parallels for the current shift (Bohusova et al., 2022; Górowski et al., 2022). The paper then addresses the specific challenges of implementation, including transfer pricing complexities and the risk of country-specific modifications. Finally, the review concludes by highlighting future research directions, emphasizing the need for longitudinal studies to assess if IFRS 18 successfully redefines the income statement as a truly global benchmark for comparability.

METHODOLOGY

The research design for this study is a critical literature review, which is justified by the nascent stage of IFRS 18 implementation. Unlike a traditional systematic review that focuses on quantitative meta-analysis, a critical review allows for the synthesis of emerging theoretical frameworks and early-stage empirical evidence to provide a conceptual "re-evaluation" of the financial reporting landscape (Sultan et al., 2024). This methodology is particularly appropriate for assessing IFRS 18, as it enables the integration of historical lessons from previous standards such as IFRS 15 and IFRS 16 with the prospective analysis of the new income statement structure to determine its likely impact on global comparability (Bohusova et al., 2022; Lee & Choi, 2024).

The formulation of the review objectives was driven by the significant regulatory shift from the flexible framework of IAS 1 to the more prescriptive mandates of IFRS 18. Specifically, the research questions were designed to address the "comparability gap" identified in existing literature, where management discretion in presenting non-GAAP measures often obscures underlying economic performance (De Franco et al., 2011). By focusing on how standardized subtotals and mandatory disclosures influence investor perception, the objectives were calibrated to explore the tension between uniform accounting mandates and the unique reporting incentives inherent in different legal and economic environments (Daske et al., 2008; Li, 2010).

This review is anchored by a conceptual framework designed to provide a structured heuristic to evaluate the systemic transition toward IFRS 18. The framework is architected as a logical progression that bridges foundational organizational determinants such as corporate governance structures and reporting incentives with the specific process practices necessitated by the new standard, including the categorization of operating, investing, and financing activities. By mapping these technical integration requirements against the overarching goal of global comparability, the model elucidates how standardized subtotals and management-defined performance measures (MPMs) function as catalysts for broader transformation outcomes. This multi-tiered approach ensures a rigorous examination of the standard's efficacy, positioning financial statement comparability not merely as a technical output, but as a result of the dynamic interplay between regulatory mandates, institutional adaptability, and the qualitative enhancement of investor transparency (De Franco et al., 2011; Zainy & Al-Rubaye, 2025).

To ensure a comprehensive and high-quality evidence base, this review utilized major academic databases, primarily Scopus and the Web of Science, as these platforms provide the most extensive coverage of top-tier accounting and finance journals (Hamza et al., 2023). These sources were supplemented with "grey literature" from the International Accounting Standards Board (IASB) and major global audit firms to capture the most recent practitioner-led insights regarding the 2024 and 2025 implementation phases of IFRS 18. This multi-source approach ensures that the review captures both peer-reviewed scholarly critiques and the immediate practical challenges of standard adoption (Dancau, 2025; Zainy & Al-Rubaye, 2025).

The search strategy was executed using a combination of Boolean operators and specific keywords including "IFRS 18," "IAS 1," "financial statement comparability," "income statement presentation," and "management-defined performance measures." The timeframe was restricted to articles published between 2008 and 2025, allowing the study to benchmark the anticipated effects of IFRS 18 against the well-documented outcomes of earlier mandatory IFRS adoptions (Barth et al., 2008; Yip & Young, 2012). Search limits were applied to exclude non-English language publications and trade magazine articles that lacked rigorous methodological frameworks or empirical depth.

The screening process followed a multi-stage funneling approach in accordance with PRISMA guidelines. The initial search yielded 195 records from academic databases, supplemented by 15 records from other sources. Following the removal of 45 duplicate records, the remaining 165 titles and abstracts were screened for relevance to the core themes of "comparability" and "income statement structural changes," resulting in the exclusion of 110 records. This was followed by a full-text eligibility assessment of the remaining 55 articles, where each was scrutinized for its contribution to the theoretical or empirical understanding of how standard changes affect the quality of financial information (Lee, 2019; Mita et al., 2018).

Clear inclusion and exclusion criteria were established to maintain the review's focus and scholarly rigor. Included studies were required to either: (a) specifically analyze the provisions of IFRS 18 or the transition from IAS 1, or (b) provide empirical evidence on financial statement comparability resulting from other major IFRS changes that serve as proxies for the current transition (Górowski et al., 2022). Conversely, studies were excluded if they focused solely on domestic GAAP without reference to international harmonization or if they provided purely technical summaries of the standard without critical or analytical commentary (Felski, 2017).

Applying these exclusion criteria resulted in the removal of 38 articles. Consequently, a final sample of 17 key studies was selected for inclusion in the critical synthesis as shown in Figure 1.

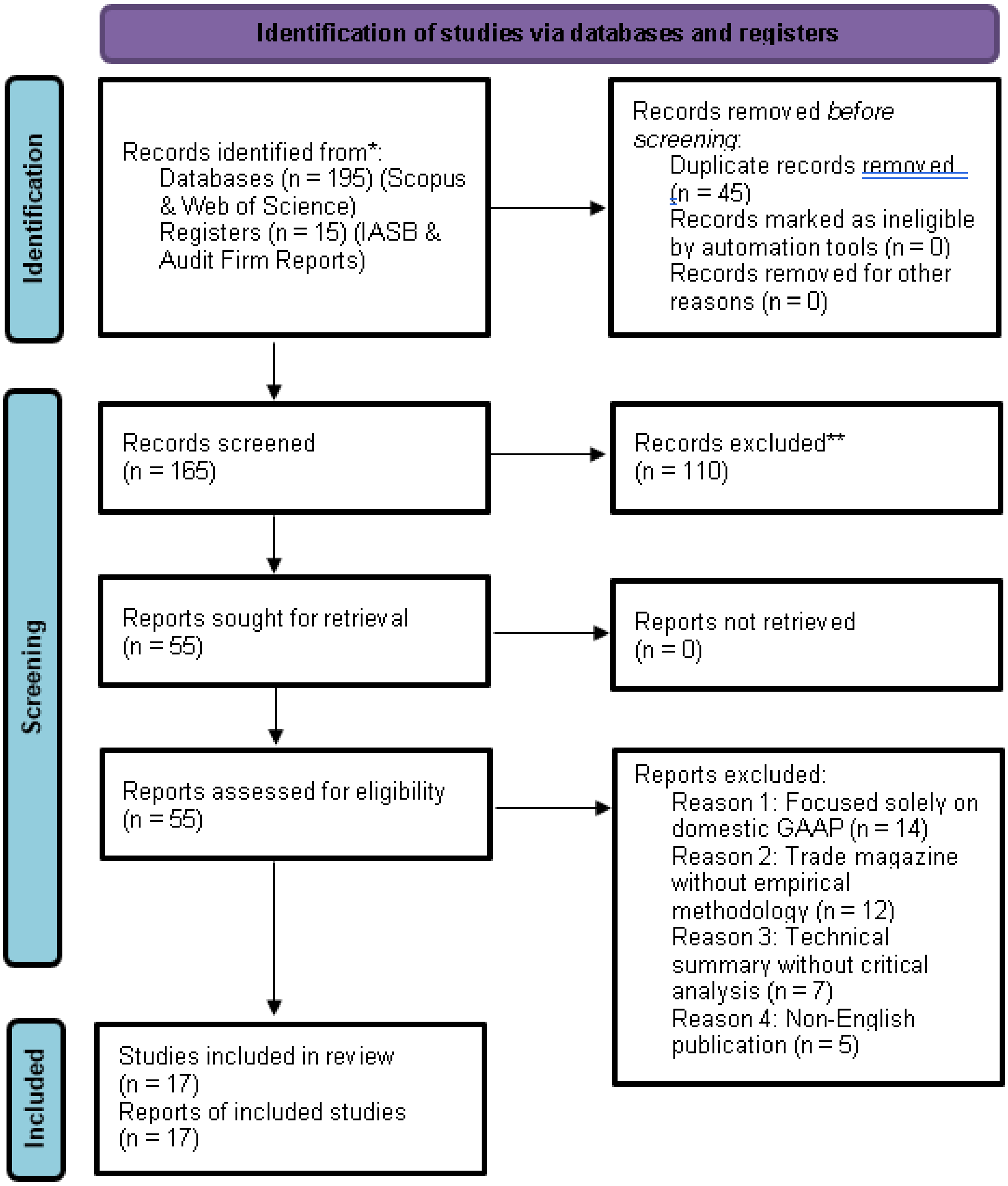

Figure 1: PRISMA flow diagram detailing the study selection process.

This sample represents a diverse range of perspectives, from large-sample empirical studies across the European Union to sector-specific analyses in banking, energy, and insurance (Li, 2010; Dahiyat & Owais, 2021). The selection reflects the current state of knowledge, capturing the evolution of "accounting quality" and "comparability" metrics from the early 2000s to the prospective implementation of IFRS 18 in 2025 and beyond (Barth et al., 2008; Dancau, 2025).

Data extraction was performed using a standardized template to ensure consistency across the diverse literature. Extracted information included the primary research objectives, the theoretical framework utilized (e.g., agency theory or signaling theory), the specific IFRS standard analyzed (IFRS 15, 16, 17, or 18), and the key findings related to financial statement comparability and investor transparency. Special attention was paid to "moderating variables," such as country-specific legal enforcement and industry-specialist auditing, which prior research suggests are critical to the success of any new reporting standard (Lee & Choi, 2024; Nurunnabi et al., 2020).

A rigorous quality assessment was conducted using an appraisal framework adapted from the Mixed Methods Appraisal Tool (MMAT) to evaluate the methodological robustness of the included studies. For empirical papers, the assessment applied explicit criteria: (1) clarity of the research objectives, (2) representativeness of the sample

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size, (3) validity of the comparability proxies, and (4) the statistical rigor of the econometric models (e.g., difference-in-differences or matched-sample designs). For theoretical and conceptual papers, the appraisal utilized criteria adapted from the JBI Critical Appraisal Checklist for Text and Opinion, focusing specifically on: (1) the logical coherence of the theoretical framework, (2) analytical depth, and (3) engagement with the broader socio-economic implications of financial reporting standards (Sultan et al., 2024). This ensured that the review's conclusions are based on the most reliable and impactful evidence available in the field.

The synthesis method employed was a thematic narrative synthesis, which organized the findings into cohesive "storylines" revolving around the structural redefinition of the income statement. This method allowed for the integration of disparate data points such as the impact of leasing standards on debt ratios and the role of revenue recognition in auditor specialization into a unified discussion on global comparability (Bohusova et al., 2022; Lee & Choi, 2024). By mapping these themes against the specific requirements of IFRS 18, the synthesis identifies whether the new standard is likely to fulfill its promise of enhancing global transparency (Zainy & Al-Rubaye, 2025).

Finally, reliability and transparency were maintained throughout the review process by documenting every step of the search and selection strategy in accordance with PRISMA guidelines. To ensure consistency, the data extraction and quality appraisal phases were subject to internal "editor-level" reviews to minimize bias and ensure that the critical interpretations remained grounded in the evidence. This transparent methodology ensures that the review provides a reproducible and authoritative account of how IFRS 18 is redefining the income statement for the modern global investor (Sultan et al., 2024; Hamza et al., 2023).

RESULTS

The final sample for this critical literature review consists of 17 impactful sources specifically selected for their direct relevance to IFRS 18 or their capacity to provide longitudinal evidence on financial statement comparability during major standard transitions. These sources include high-impact empirical studies (e.g., Barth et al., 2008; Lee & Choi, 2024), theoretical critiques of the International Accounting Standards Board (IASB) framework (e.g., Sultan et al., 2024), and early-stage practitioner analyses regarding the 2025 implementation of the new income statement structure (Dancau, 2025; Zainy & Al-Rubaye, 2025). This curated selection ensures a robust evidence base that explicitly distinguishes between the retrospective empirical evidence derived from historical standards (e.g., IFRS 15, 16, and 17) and the forward-looking theoretical propositions regarding the prospective outcomes of IFRS 18.

The literature is characterized by a significant transition from broad assessments of IFRS adoption to highly specialized, sector-specific analyses of reporting quality. Early studies in the sample primarily utilize large-scale econometric models to evaluate the capital market benefits of mandatory IFRS reporting in the European Union (Daske et al., 2008; Li, 2010). In contrast, more recent literature shifts toward examining the technical nuances of specific standards, such as revenue recognition under IFRS 15 and lease accounting under IFRS 16, highlighting the increasing complexity of maintaining comparability across diverse industries (Lee & Choi, 2024; Bohusova et al., 2022). Furthermore, the emergence of research specifically targeting IFRS 18 signals a new academic focus on the "disaggregated narrative" and the regulation of non-GAAP performance measures (Zainy & Al-Rubaye, 2025).

To facilitate a rigorous synthesis, the findings of these 17 studies are organized into four primary analytical categories: (1) Structural Redefinition and the Standardization of Subtotals, (2) The Regulation of Management-Defined Performance Measures (MPMs), (3) Determinants of Global Comparability and Information Quality, and (4) Implementation Barriers and Regional Variations. This thematic organization allows the review to move from the technical mechanics of the standard to the broader socio-economic outcomes, effectively mapping the journey of a financial statement from its internal preparation to its external consumption by global investors.

Table 1 provides a curated summary of high-impact studies that constitute the evidentiary bedrock of this review, detailing the chronological and thematic progression of research regarding IFRS and global comparability. This synthesis is critical to the review as it benchmarks the prospective implementation of IFRS 18 against established empirical findings from prior regulatory shifts, such as the adoption of IFRS 15, 16, and 17. By mapping these

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foundational studies, the table identifies the mechanisms specifically transparency, reduced management discretion, and auditing specialization that historically drive improvements in financial statement quality (Lee & Choi, 2024; Zainy & Al-Rubaye, 2025).

Analysis of the broad trends within Table 1 reveals a clear methodological and conceptual evolution in the field. Chronologically, the literature has transitioned from broad, large-sample archival studies focused on general capital market benefits (Daske et al., 2008; Li, 2010) to more granular, sector-specific analyses—such as banking and insurance—that examine the technical "re-design" of financial statements (Hamza et al., 2023; Zainy & Al-Rubaye, 2025). Conceptually, the focus has shifted from mere "compliance" to a deeper investigation of "comparability" as a qualitative characteristic, highlighting how standardized subtotals now serve as a primary tool for mitigating information asymmetry (Barth et al., 2008; Dancau, 2025). These trends underscore a growing academic consensus that structural standardization is a prerequisite for meaningful global performance benchmarking.

This foundational overview of the literature's trajectory sets the stage for a more detailed examination of the specific technical mandates introduced by the new standard. Consequently, the following subsection explores the first major theme identified in the framework: the structural redefinition of the income statement and the impact of mandatory subtotals on reporting uniformity.

Table 1: Summary of selected LR

Authors /year	Title	Source	Sector/ context	Study focus	Dimension	Method/ approach	Main contribution	Relevance to the review
Zainy and Al-Rubaye, 2025	THE IMPACT OF IMPLEMENTING IFRS 18 ON ANALYZING FINANCIAL PERFORMANCE AND ENHANCING INVESTMENT DECISIONS	Business Performance Review	Iraq Banking Sector	Anticipated effect of IFRS 18 on performance analysis and investment decisions.	Clarity / Transparency / Comparability	Analytical / Redesigning Income Statements	Theoretically demonstrated that IFRS 18 income statements are projected to provide clearer insights and better comparability than IAS 1.	Forward looking analytical assessment comparing the expected outcomes of IFRS 18 to its predecessor (IAS 1)
Dancau, 2025	Transfer Pricing Certainty New Hurdle – IFRS 18	International Transfer Pricing Journal	Global / Tax & Transfer Pricing	Intersection of IFRS 18 financial reporting and transfer pricing benchmarking.	Transparency and Comparability	Conceptual / Technical Analysis	Analyzes how IFRS 18's new income categories (Operating Profit) impact functional analyses and benchmarking.	Directly addresses IFRS 18 and its implications for financial statement comparability in tax contexts.
De Franco et al., 2011	The benefits of financial statement comparability	Journal of Accounting Research	Global / Analysts	Measurement of financial statement comparability and its benefits for information users.	Comparability	Empirical / Archival	Developed a formal measure of comparability and linked it to increased analyst forecast	Provides the foundational empirical construct for measuring comparability in financial

							accuracy and reduced dispersion.	reporting research.
Lee and Choi, 2024	The effect of the new revenue recognition principle (IFRS 15) on financial statement comparability: Evidence from Korea	Journal of International Accounting Research	Korea	Initial impact of a specific IFRS (15) on financial statement comparability.	Comparability / Revenue Recognition	Difference-in-differences (Public vs Private)	Found that IFRS 15 enhanced comparability through discretion reduction and harmonization of standards.	Serves as a recent precedent for how a new IFRS (like IFRS 18) can reduce reporting discretion.
Sultan et al., 2024	The Effects of International Financial Reporting Standards on Global Capital Markets	Journal of Ecohumanism	30 countries (Global)	Global effects of IFRS on market efficiency and liquidity.	Comparability / Market Liquidity	Difference-in-differences	IFRS adoption led to a 25% improvement in comparability and a 15% increase in market liquidity.	Provides specific quantitative benchmarks for the expected benefits of standardizing global reporting.
Hamza et al., 2023	The Expected Impact of Applying IFRS17 on the Quality of Financial Reports for Insurance Companies...	Lecture Notes in Networks and Systems	Jordan Insurance Sector	Impact of IFRS 17 on the relevance and credibility of financial reports.	Relevance / Credibility / Comparability	Survey / Analytical	Application of IFRS 17 allows for cross-sector and intra-sector comparability for insurance firms.	Similar to IFRS 18, IFRS 17 targets specialized sectors to bring them into a comparable reporting framework.
Bohusova et al., 2022	Impact of New Lease Reporting on Retailing and Wholesale Companies	Montenegrin Journal of Economics	EU Retail and Wholesale	Impact of IFRS 16 on financial indicators and comparability in lease-intensive sectors.	Financial Indicators (EBIT/EBITDA)	Analytical / Financial Statements Transformation	Quantified significant increases in assets and liabilities and their impact on performance ratios like EBIT.	Relevant to IFRS 18's goal of standardizing subtotals like operating profit which include lease-related costs.
Górowski et al., 2022	The Impact of a New Accounting Standard on Assets, Liabilities and Leverage of Companies: Evidence from Energy Industry	Energies	Energy Industry (Poland)	How IFRS 16 Leases changed the financial profile of energy companies.	Comparability and Leverage	Case study / Auditing methodology	Confirmed material changes in assets and liabilities resulting from the shift to a single lessee accounting model.	Examines how single-standard adoption (relevant to IFRS 18) removes off-balance sheet distortions to comparability.
Yip and Young, 2012	Does mandatory IFRS adoption improve	Accounting Review	17 European countries	Impact of mandatory IFRS on cross-	Comparability / Accounting Functions	Empirical (Accounting similarity proxies)	Mandatory IFRS adoption improves	Directly addresses whether standardizat

	information comparability?			country information comparability.			comparability by making similar economic events look more alike across borders.	ion (a goal of IFRS 18) actually results in enhanced comparability.
Dahiyat and Owais, 2021	The expected impact of applying IFRS (17) insurance contracts on the quality of financial reports	Accounting	Jordan Insurance Companies	Exploring the effect of IFRS 17 on report quality.	Comparability and Faithful Representation	Exploratory / Descriptive / Survey	Application of new standards significantly improves comparability and verifiability of financial information.	Reinforces the theme that updating reporting standards (like IFRS 18) is expected to improve reporting quality.
Nurunnabi et al., 2020	Implementing IFRS in Saudi Arabia: evidence from publicly traded companies	International Journal of Accounting and Information Management	Saudi Arabia	Benefits and challenges of IFRS implementation in the Middle East.	Transparency and Comparability	Survey	Identified transparency and improved comparability as the primary benefits of IFRS, despite high transition costs.	Provides preparer perspectives on the benefits of global comparability vs. localized standards.
Lee, 2019	Toward sustainable accounting information: Evidence from IFRS adoption in Korea	Sustainability (Switzerland)	Korea / Emerging Markets	IFRS adoption's effect on earnings quality and comparability.	Sustainability of Accounting Information	Empirical / Comparative	IFRS adoption reduces earnings management and improves comparability, particularly in competitive industries.	Contextualizes comparability within the broader framework of high-quality, sustainable financial reporting.
Mita et al., 2018	The adoption of IFRS, comparability of financial statements and foreign investors' ownership	Asian Review of Accounting	18 countries (Global)	Indirect effect of IFRS adoption level on foreign investor ownership via comparability.	Comparability	Empirical / Continuous Adoption Variable	Higher levels of IFRS adoption indirectly attract cross-border investment by improving statement comparability.	Links the technical aspect of comparability to real-world capital flows and investment decisions.
Felski, 2017	How does local adoption of IFRS... impair comparability...?	Journal of International Accounting Research	Modified IFRS Countries	How local modifications to IFRS impact global	Comparability / Local Adoption	Typology Development / Qualitative Analysis	Developed a typology showing how modificatio	Cautions that the effectiveness of IFRS 18 depends on

				comparability.			ns (default vs design countries) impair global comparability.	the uniformity of its global adoption without local modifications.
Li, 2010	Does mandatory adoption of international financial reporting standards in the European Union Reduce the cost of equity capital?	Accounting Review	European Union (EU)	Impact of IFRS mandate on the cost of equity capital for EU firms.	Comparability and Disclosure	Empirical / Archival	IFRS mandate reduces cost of equity (47 bps) via increased disclosure and enhanced comparability.	Demonstrates the economic utility of improved comparability as a mechanism for capital market benefits.
Barth et al., 2008	International accounting standards and accounting quality	Journal of Accounting Research	21 countries	Association between IAS/IFRS application and accounting quality characteristics.	Accounting Quality / Earnings Management	Empirical / Matched sample	IFRS adoption is associated with less earnings management, more timely loss recognition, and higher value relevance.	Establishes the link between international standards and the qualitative characteristic of faithful representation.
Daske et al., 2008	Mandatory IFRS reporting around the world: Early evidence on the economic consequences	Journal of Accounting Research	26 countries	Economic consequences of mandatory IFRS adoption on market liquidity and cost of capital.	Transparency and Liquidity	Empirical / Large-sample archival	Capital market benefits of IFRS occur primarily in countries with strong legal enforcement and reporting incentives.	Highlights the role of institutional environments in the success of standardized reporting frameworks like IFRS 18.

Theme 1, Structural Redefinition and the Standardization of Subtotals, highlights that the core contribution of IFRS 18 is the replacement of the relatively flexible IAS 1 with a prescriptive three-category income statement (operating, investing, and financing). The literature suggests that mandatory subtotals, such as "operating profit," are expected to significantly reduce the "information noise" generated when firms define their own performance thresholds (Zainy & Al-Rubaye, 2025). Evidence from previous transitions, such as the implementation of IFRS 17 in the insurance sector, suggests that such standardization fundamentally improves the credibility of financial reports by aligning reporting categories with the underlying economic reality of the business (Hamza et al., 2023; Dahiyat & Owais, 2021).

Theme 2 focuses on the Regulation of Management-Defined Performance Measures (MPMs), a pivotal shift where IFRS 18 brings previously "non-GAAP" figures into the audited financial statements. The synthesis indicates that this integration is intended to solve the long-standing problem where management discretion in presenting "alternative" profit figures led to a lack of comparability across firms (De Franco et al., 2011). By requiring firms to explain the calculation and relevance of these measures in a single note, IFRS 18 aims to bridge the gap between statutory requirements and management's internal view, thereby enhancing investor transparency (Zainy & Al-Rubaye, 2025). However, this shift also introduces new complexities, particularly in transfer pricing, where differences in profit definitions may lead to cross-border reporting controversies (Dancau, 2025).

Theme 3, Determinants of Global Comparability and Information Quality, identifies that the success of IFRS 18 is heavily dependent on external institutional factors. The literature consistently demonstrates that while standard harmonization is a prerequisite for comparability, the actual quality of information is moderated by the strength of local legal enforcement and the presence of industry-specialist auditors (Li, 2010; Lee & Choi, 2024). Studies on Korean and Saudi Arabian adoptions reveal that even with a uniform standard, firms in less competitive industries or those lacking specialized audit oversight may still exhibit lower levels of reporting quality, suggesting that IFRS 18 alone cannot guarantee global uniformity (Lee, 2019; Nurunnabi et al., 2020).

Theme 4, Implementation Barriers and Regional Variations, underscores the practical hurdles that could undermine the standard's objectives. A recurring finding in the literature is that "local modifications" where countries adapt IFRS to suit domestic political or economic agendas critically impair financial statement comparability (Felski, 2017). Furthermore, the transition to IFRS 18 involves significant implementation costs related to system reconfigurations and staff training, which may be disproportionately burdensome for smaller firms or those in emerging markets (Nurunnabi et al., 2020). These barriers suggest that the "global" promise of IFRS 18 may be realized unevenly across different jurisdictions during the initial implementation phase.

The synthesis of these themes reveals a complex relationship where the technical precision of IFRS 18 (Themes 1 and 2) interacts dynamically with institutional and regional constraints (Themes 3 and 4). While the standardization of subtotals and the regulation of MPMs provide the necessary technical framework for enhanced comparability, the ultimate outcome is filtered through the lens of local enforcement and implementation capacity. Collectively, these findings address the review's primary questions by confirming that while IFRS 18 is poised to redefine the income statement as a more transparent and comparable instrument, its success as a global benchmark remains contingent on the harmonization of auditing practices and the mitigation of country-specific modifications.

DISCUSSION

The primary contribution of this critical literature review lies in its timely synthesis of the paradigm shift from the flexible presentation requirements of IAS 1 to the prescriptive, category-based framework of IFRS 18. By integrating early-stage insights on the 2025 implementation with empirical evidence from previous major standard transitions, this review provides a robust conceptual map of how structural standardization serves as a prerequisite for global financial statement comparability. The overarching finding suggests that IFRS 18 does not merely represent a technical adjustment in accounting; rather, it is a fundamental redefinition of the income statement intended to mitigate the "information noise" generated by disparate reporting practices (De Franco et al., 2011; Zainy & Al-Rubaye, 2025). Crucially, this synthesis ensures that the proven empirical outcomes of past standards are conceptually separated from the forward-looking, theoretical expectations placed upon IFRS 18.

In addressing the first review objective regarding the impact of standardized subtotals, the findings indicate that mandatory figures like "Operating Profit" are expected to significantly enhance investor transparency. The existing literature demonstrates that when firms are granted excessive discretion in subtotal definition, comparability suffers as similar economic events are labeled differently across jurisdictions (Barth et al., 2008; Yip & Young, 2012). By enforcing a uniform structure, IFRS 18 is anticipated to effectively reduce the cognitive burden on investors and analysts, allowing for more precise cross-border performance benchmarking without the need for complex manual adjustments (Sultan et al., 2024).

The second objective, concerning the regulation of management-defined performance measures (MPMs), is answered by the review's identification of a "disciplined disclosure" effect. The synthesis suggests that bringing non-GAAP measures into the audited financial statements addresses a critical tension where management's internal view often diverged from statutory narratives. This integration is expected to foster greater accountability, as these measures must now be reconciled to the nearest IFRS subtotal in a single note, thereby reducing the risk of opportunistic reporting and enhancing the overall credibility of the corporate narrative (Zainy & Al-Rubaye, 2025; Lee, 2019).

Theoretical implications arise from the standard's alignment with signaling theory and agency theory. From a theoretical perspective, IFRS 18 functions as a mechanism to reduce information asymmetry between insiders and external stakeholders. By standardizing the "signals" sent via the income statement, the standard aims to limit the ability of agents (management) to use discretionary subtotals to mask underlying performance volatility (De Franco et al., 2011). This reinforces the theoretical premise that accounting quality is a function of both the standards themselves and the institutional incentives that drive their application (Daske et al., 2008; Li, 2010).

From a practical and policy perspective, the implications are profound for regulators, auditors, and corporate preparers. For policymakers, the findings underscore that the transition to IFRS 18 must be accompanied by robust enforcement mechanisms to prevent "standard-specific" loopholes (Felski, 2017). For managers and educators, there is a clear need for significant upskilling in "functional analysis" to ensure that income and expenses are correctly categorized into the new operating, investing, and financing compartments. Furthermore, the standard's impact on transfer pricing benchmarking suggests that tax authorities will need to recalibrate their models to account for the new profit definitions (Dancau, 2025).

Despite the potential for enhanced comparability, this review identifies several critical tensions and research gaps. A significant inconsistency exists between the standard's global intent and the persistent "local modification" trap, where regional adaptations threaten to fragment the uniform language IFRS 18 seeks to create (Felski, 2017). Additionally, there is a notable gap in the literature regarding the longitudinal effects of the new "disaggregated" reporting requirements on cost of capital and market liquidity. While early evidence is optimistic, it remains unclear whether the benefits of increased transparency will outweigh the significant implementation costs faced by smaller firms in emerging markets (Nurunnabi et al., 2020; Lee & Choi, 2024).

Future research should prioritize longitudinal, empirical studies that track the impact of IFRS 18 post-2025, specifically using difference-in-differences models to compare adopters with firms in non-IFRS jurisdictions. Investigations into how the mandatory disclosure of MPMs influences analyst forecast accuracy and stock price synchronicity would provide valuable evidence of the standard's real-world utility. Moreover, future inquiries should explore the intersection of IFRS 18 with ESG reporting, examining whether the new income statement categories provide better clarity for "green" investments and sustainable finance disclosures (Sultan et al., 2024; Hamza et al., 2023).

This review is subject to certain limitations, primarily the reliance on early-stage practitioner literature and "proxy" evidence from previous IFRS transitions (such as IFRS 15 and 16). Because IFRS 18 is in its initial implementation phase, the full empirical consequences on global market behavior cannot yet be measured with long-term archival data. Furthermore, the search was limited to English-language academic databases, which may have excluded relevant regional insights from non-English speaking jurisdictions that are early adopters of the new standard (Nurunnabi et al., 2020).

In conclusion, this review establishes that IFRS 18 is a cornerstone development in the quest for global financial statement comparability. By institutionalizing standardized subtotals and regulating management-defined measures, the standard seeks to address the long-standing problem of reporting fragmentation. The overall significance of this review lies in its demonstration that while IFRS 18 provides the necessary technical tools for transparency, its success as a global benchmark will ultimately depend on a harmonized approach to implementation and enforcement across the international accounting community (Zainy & Al-Rubaye, 2025; Sultan et al., 2024).

CONCLUSION

This critical literature review was conducted to evaluate the transformative impact of IFRS 18 on global financial statement comparability, specifically examining the transition from the discretionary framework of IAS 1 to a more prescriptive, standardized reporting structure. The scope of the investigation encompassed the structural redefinition of the income statement, the integration of management-defined performance measures into audited disclosures, and the institutional factors that moderate the success of international accounting harmonization. By benchmarking the anticipated outcomes of IFRS 18 against empirical evidence from prior standards, the review provides a comprehensive assessment of how these regulatory changes aim to reduce information asymmetry for global investors. The synthesis of existing literature reveals that IFRS 18 **is** designed to act as a dual mechanism for enhancing transparency: first, by institutionalizing mandatory subtotals like operating profit to create a uniform performance baseline, and second, by bringing non-GAAP measures under the umbrella of formal financial reporting.

The collective evidence suggests that while the technical precision of the standard provides a superior foundation for "apples-to-apples" comparisons, the ultimate quality of financial information remains inextricably linked to the strength of local legal enforcement and the presence of specialized audit oversight. Thus, the literature indicates that structural standardization is a necessary, though not sufficient, condition for achieving true global comparability.

The main contribution of this review is the development of a conceptual bridge between the theoretical promises of IFRS 18 and the practical realities of its global implementation. By moving beyond a simple summary of the standard's requirements, this work elucidates how the interplay between regulatory mandates and firm-level reporting incentives determines the efficacy of the corporate narrative. It offers a scholarly perspective on the evolution of the income statement, positioning it as a dynamic instrument that must balance management's need for relevant performance signaling with the investor's demand for rigorous, comparable data across diverse jurisdictions.

A significant unresolved issue remains the long-term impact of these disaggregated reporting requirements on the cost of equity and market liquidity, particularly within emerging economies where implementation costs may be prohibitive. As the global accounting community prepares for the formal adoption of IFRS 18, future research must shift from predictive analysis to empirical validation, ensuring that the quest for comparability does not inadvertently lead to new forms of reporting complexity. Looking forward, the success of this standard will likely serve as the ultimate litmus test for the viability of a truly unified global language for corporate performance.

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AI Declaration

During the preparation of this manuscript, the author utilized AI-driven large language models to assist in the structural drafting and stylistic refinement of the text. After the initial generation of content, the author reviewed, edited, and validated the material to ensure academic accuracy and takes full responsibility for the final content of the publication.

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