

Comprehensive Guide to 100 IFRS Financial Ratios: Analytical Frameworks and Global Reporting Standards

Published: June 15, 2025 | Index ID: #677

In the contemporary global economy, the harmonization of financial reporting has become a cornerstone for international trade, investment, and transparent corporate governance. The **International Financial Reporting Standards (IFRS)**, issued by the International Accounting Standards Board (IASB), serve as the primary linguistic framework for financial communication across more than 140 jurisdictions. For analysts, auditors, and CFOs, understanding the nuances of **IFRS financial ratios** is not merely an academic exercise; it is a critical requirement for assessing the solvency, liquidity, and profitability of entities operating in diverse regulatory environments.

This technical guide provides a deep dive into the 100 essential financial ratios used within the IFRS framework. By examining the transition from local GAAP to IFRS and exploring the mathematical foundations of key performance indicators (KPIs), we provide a comprehensive blueprint for financial analysis in a bilingual (English and French) context, reflecting the dual-language nature of many international financial dictionaries and glossaries.

The Theoretical Framework of IFRS Financial Analysis

The transition to IFRS has fundamentally altered how financial ratios are calculated and interpreted. Unlike historical cost-based systems, IFRS emphasizes **fair value accounting**, which can introduce volatility into the balance sheet and subsequent ratio analysis. A thorough technical assessment must consider how specific standards, such as **IFRS 16 (Leases)** or **IFRS 9 (Financial Instruments)**, impact the denominator and numerator of traditional ratios.

Impact of Fair Value vs. Historical Cost

Under IFRS, the periodic revaluation of assets can significantly affect the **Return on Assets (ROA)** and **Debt-to-Equity** ratios. When an asset is revalued upwards, the total asset base increases, potentially lowering the ROA if net income does not increase commensurately. Conversely, the recognition of unrealized gains in Other Comprehensive Income (OCI) alters the equity base, necessitating a sophisticated approach to solvency analysis.

Bilingual Terminology and Standardization

In international finance, particularly in Europe and Canada, the ability to translate technical terms accurately between English and French is vital. For instance, understanding the distinction between "*placement à long terme*" (long-term investment) and "*titre immobilisé*" (fixed asset/financial asset) is crucial for classifying assets correctly within the liquidity ratios. This guide integrates the terminology used in leading bilingual dictionaries to ensure cross-border accuracy.

Technical Breakdown: The Five Pillars of Ratio Analysis

Financial ratios under IFRS are generally categorized into five functional groups. Each group addresses a specific dimension of a company's financial health and operational efficiency.

1. Liquidity Ratios (Indicateurs de Liquidité)

Liquidity ratios measure an entity's ability to meet its short-term obligations without resorting to external financing or selling long-term assets.

- Current Ratio (Ratio de Liquidité Générale): Calculated as Current Assets / Current Liabilities. Under IFRS, the classification of "current" depends strictly on the operating cycle or a 12-month window.
- Quick Ratio (Ratio de Liquidité Immédiate): (Current Assets - Inventory) / Current Liabilities. This provides a more stringent test by excluding less liquid assets.
- Cash Ratio: Cash and Cash Equivalents / Current Liabilities. This is the ultimate test of immediate solvency.

2. Solvency and Leverage Ratios (Indicateurs de Solvabilité)

Solvency ratios focus on the long-term capital structure and the ability to sustain operations indefinitely.

- Debt-to-Equity Ratio: Total Liabilities / Total Equity. The inclusion of lease liabilities under IFRS 16 has generally increased this ratio for companies with significant operating leases.
- Interest Coverage Ratio: EBIT / Interest Expense. This measures the margin of safety for debt holders.
- Equity Ratio: Total Equity / Total Assets. It indicates the proportion of assets financed by shareholders.

3. Profitability Ratios (Indicateurs de Rentabilité)

These ratios assess the company's ability to generate earnings relative to its revenue, operating costs, and capital investment.

- Return on Equity (ROE): Net Income / Average Shareholders' Equity.
- Return on Capital Employed (ROCE): EBIT / (Total Assets - Current Liabilities). This is particularly useful for comparing companies in capital-intensive industries.
- Gross Profit Margin: (Revenue - Cost of Goods Sold) / Revenue.

4. Efficiency and Activity Ratios (Indicateurs d'Activité)

Activity ratios describe how effectively a company utilizes its assets to generate sales.

- Inventory Turnover: Cost of Goods Sold / Average Inventory.
- Receivables Turnover: Net Credit Sales / Average Accounts Receivable.
- Total Asset Turnover: Revenue / Average Total Assets.

5. Market Value Ratios (Indicateurs Boursiers)

These ratios relate the company's stock price to its earnings or book value, providing insight into investor sentiment.

- Price-to-Earnings (P/E) Ratio: Market Value per Share / Earnings per Share (EPS).
- Dividend Yield: Annual Dividends per Share / Price per Share.
- Book Value per Share: Total Equity / Number of Shares Outstanding.

Comparative Matrix: IFRS vs. Regional Accounting Standards

Understanding the differences between IFRS and other standards (like US GAAP) is essential for a technical writer or financial analyst. The following table highlights core differences impacting ratio calculation.

Metric/Concept	IFRS Treatment	US GAAP Comparison	Ratio Impact
Lease Accounting	Almost all leases recognized on balance sheet (IFRS 16).	Distinction between operating and finance leases remains.	IFRS leads to higher reported debt and EBITDA.
Inventory Valuation	LIFO is prohibited; FIFO or Weighted Average cost only.	LIFO is permitted and widely used.	IFRS usually results in higher inventory values in inflationary periods.
Development Costs	Capitalized if specific criteria are met (IAS 38).	Generally expensed as incurred.	IFRS results in higher assets and higher ROA/ROE volatility.
Revaluation Model	Allowed for PPE and Intangible assets.	Generally not allowed (Historical Cost focus).	IFRS equity can be more reflective of current market values.

The Impact of IFRS 16 on Financial Ratios: A Case Study

The implementation of IFRS 16 "Leases" represented one of the most significant shifts in financial reporting history. Prior to this standard, operating leases were often "off-balance sheet," disclosed only in the notes. By bringing these onto the balance sheet as **Right-of-Use (ROU) Assets** and **Lease Liabilities**, the standard radically altered common ratios.

Mathematical Simulation of IFRS 16 Impact

Consider a retail company with \$1,000,000 in total assets and \$500,000 in debt. It has off-balance sheet lease commitments with a present value of \$200,000.

- Pre-IFRS 16 Debt-to-Equity: $\$500,000 / \$500,000 = 1.0$
- Post-IFRS 16 Debt-to-Equity: $(\$500,000 + \$200,000) / \$500,000 = 1.4$

Furthermore, because the lease expense is now split between depreciation of the ROU asset and interest on the lease liability, **EBITDA** (Earnings Before Interest, Taxes, Depreciation, and Amortization) increases significantly, as the rental expense is no longer deducted to reach EBITDA. Analysts must adjust their models to ensure comparability across periods or with companies still reporting under different standards.

Advanced Methodology: Step-by-Step Ratio Computation

To produce a high-fidelity financial analysis under IFRS, follow this procedural execution workflow:

Step 1: Classification Review

Examine the Statement of Financial Position to ensure that assets and liabilities are correctly classified as current or non-current according to **IAS 1**. Pay close attention to the "Current Portion of Long-Term Debt," as this heavily influences liquidity ratios.

Step 2: Normalization for Non-Recurring Items

IFRS financial statements often include "One-off" items such as impairment losses (IAS 36) or gains from discontinued operations (IFRS 5). For a sustainable ratio analysis, these should be excluded to calculate **Adjusted EBITDA** or **Normalized Net Income**.

Step 3: Component Analysis of OCI

Analyze the **Statement of Comprehensive Income**. Gains or losses from foreign currency translation or revaluation surpluses do not flow through the Profit and Loss statement but do affect Equity. When calculating ROE, decide whether to use "Total Comprehensive Income" or "Net Income." The former is more holistic but can be highly volatile.

Step 4: Formula Application

Apply the standardized formulas. For global reporting, use the bilingual equivalent to ensure stakeholders in different regions interpret the data identically. For example, when reporting **Gearing**, specify if you are using the (Debt / Equity) or (Debt / (Debt + Equity)) variation.

Troubleshooting Common Operational Challenges in Ratio Analysis

Even with standardized rules, financial analysts frequently encounter hurdles that can distort the reality of a company's performance. Below are common failure modes and their technical solutions.

Challenge: Distorted Asset Turnover due to Revaluations

Scenario: A company revalues its property upwards by 30%. Suddenly, its Asset Turnover ratio drops, making the company appear less efficient.

Solution: Perform a "Constant Value" analysis. Use the historical cost basis for asset turnover calculations to compare operational efficiency over time, while using the revalued figures for solvency and safety margin analysis.

Challenge: Negative Equity in Distressed Entities

Scenario: Accumulated losses or aggressive share buybacks lead to negative shareholders' equity, making Debt-to-Equity ratios nonsensical.

Solution: Switch to **Debt-to-Capitalization** or **Debt-to-EBITDA** ratios. These provide a more meaningful measure of leverage when the equity base is eroded.

Challenge: Inter-company Eliminations in Group Reporting

Scenario: For a conglomerate, intra-group sales can inflate the revenue and receivables figures if not properly eliminated, leading to skewed turnover ratios.

Solution: Strictly utilize **Consolidated Financial Statements** prepared under IFRS 10, ensuring all internal margins are eliminated before the ratio is calculated.

The Role of Microfinance and Emerging Market Ratios

As noted in bilingual glossaries of microfinance terms, ratio analysis in emerging markets requires a focus on **Portfolio at Risk (PAR)** and **Operating Self-Sufficiency (OSS)**. These are specialized versions of efficiency and profitability ratios adapted for the high-risk environment of micro-lending. Under IFRS 9's "Expected Credit Loss" (ECL) model, these institutions must be more proactive in recognizing potential defaults, which directly impacts the **Return on Assets** through higher impairment charges.

Bilingual Glossary of Critical IFRS Terms

- Amortized Cost: Coût amorti.
- Cash Generating Unit (CGU): Unité génératrice de trésorerie (UGT).
- Deferred Tax Asset: Actif d'impôt différé.

- Fair Value through Profit or Loss (FVTPL): Juste valeur par le biais du compte de résultat.
- Working Capital: Besoin en fonds de roulement (BFR).

Synthesizing the Data for Strategic Decision-Making

The utility of IFRS financial ratios extends beyond mere compliance. They serve as a predictive tool for credit rating agencies, a valuation framework for equity investors, and a benchmarking system for internal management. By adopting the "One Page-One Ratio" philosophy popularized by leading financial texts, analysts can provide clarity in complex multinational environments.

As we move toward more integrated reporting, including **Environmental, Social, and Governance (ESG)** metrics under the new IFRS Sustainability Disclosure Standards (S1 and S2), the traditional 100 ratios will be supplemented by carbon intensity and resource efficiency metrics. However, the core mathematical rigor of IFRS ratio analysis remains the bedrock of corporate transparency.

In conclusion, mastering the 100 IFRS financial ratios requires a dual focus: a deep technical understanding of the accounting standards that govern the raw data, and a practical grasp of the analytical tools used to interpret that data. Whether navigating the complexities of bilingual reporting or adjusting for the impact of fair value revaluations, the modern financial strategist must treat these ratios as a dynamic and evolving set of instruments. By meticulously applying the methodologies outlined in this guide, professionals can ensure their financial assessments are both technically accurate and strategically profound on a global scale.

Tags: #IFRS #Financial Ratios #Accounting Standards #Corporate Finance #Technical Writing

