



Vaasan yliopisto
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**The impact of the choice of internationalization
mode on the financial reporting of the company**

US GAAP vs. IFRS vs. FAS

School of Management
Master's thesis in
International business

Vaasa 2025

UNIVERSITY OF VAASA**School of Management**

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Title of the Thesis: The impact of the choice of internationalization mode on the financial reporting of the company: US GAAP vs. IFRS vs. FAS
Degree: Master's of International Business
Programme: International Business
Supervisor: William Degbey
Year: 2025 Pages: **112**

ABSTRACT:

The study is a case study conducted for Hycamite TCD Technologies Ltd., a company planning international expansion, particularly into the United States. This expansion requires attracting investors and complying with international financial reporting standards, such as IFRS and US GAAP. Currently, the company reports under FAS standards and does not yet have a corporate group structure. It is considering either establishing a wholly owned subsidiary or forming a joint venture, both of which have financial reporting implications. It also explores what factors influence the choice of entry mode in Born Globals. The study examines key differences between IFRS and US GAAP, particularly regarding consolidation and ownership structures. IFRS 10 regulates the consolidation of subsidiaries into group financial statements, while IFRS 11 addresses the reporting of joint arrangements. These standards differ from FAS and US GAAP requirements. The research is based on a literature review, written data, and interviews, which were used to deepen the understanding of the practical application of these standards. IFRS and US GAAP differ in several ways. IFRS is principles-based, providing more flexibility in interpretation, whereas US GAAP is rules-based, offering strict guidelines. In financial statement presentation, IFRS allows expenses to be classified by either function or nature, while US GAAP does not mandate a specific classification method but follows SEC requirements. Revenue recognition under US GAAP follows detailed, industry-specific guidelines, ensuring revenue is only recognized when the earnings process is complete, whereas IFRS applies broader principles emphasizing the transfer of risks and rewards to the buyer. Regarding the definition of control, IFRS determines control based on the ability to influence decisions and obtain financial benefits, even without majority ownership, while US GAAP typically applies a 50% voting power threshold to establish control. In joint arrangements, IFRS 11 distinguishes between joint operations and joint ventures, each with different reporting methods, whereas US GAAP mainly applies the equity method. In financial statement presentation, IFRS mandates certain minimum line items in the balance sheet but does not specify their order, while US GAAP allows greater flexibility. Furthermore, IFRS requires convertible debt instruments to be separated into debt and equity components, whereas US GAAP classifies them entirely as liabilities. The study's findings confirm the theoretical analysis and provide deeper insights, particularly regarding practical applications. The differences between IFRS and US GAAP significantly impact financial reporting, investor decisions, and corporate strategies in international markets. Hycamite must carefully assess the implications of transitioning to IFRS and ensure compatibility with US GAAP if its U.S. entities report under this standard. The study highlights how IFRS and US GAAP differences affect businesses, investors, and regulators. These variations influence financial statement transparency, comparability, and strategic decision-making for companies operating in international markets.

KEYWORDS: Internalization, Born Globals, Entry mode, IFRS, US GAAP

VAASAN YLIOPISTO**Johtamisen akateeminen yksikkö**

Tekijä:	Savela, Tanja
Tutkielman nimi:	The impact of the choice of internationalization mode on the financial reporting of the company: US GAAP vs. IFRS vs. FAS
Tutkinto:	Kauppätieteiden maisteri
Oppiaine:	International Business
Työnohjaaja:	William Degbey
Valmistumisvuosi:	2025 Pages: 112

TIIVISTELMÄ:

Tutkimus on Hycamite TCD Technologies Ltd. -yritykselle tehty tapaustutkimus. Yritys suunnittelee kansainvälistä laajentumista erityisesti Yhdysvaltoihin, joka edellyttää sijoittajien houkuttelemista ja kansainvälisten tilinpäätösstandardien, kuten IFRS:n ja US GAAP:n, noudattamista. Tällä hetkellä yritys raportoi FAS-standardien mukaisesti eikä sillä ole vielä konsernirakennetta. Se harkitsee joko kokonaan omistamansa tytäryhtiön perustamista tai yhteisyrityksen muodostamista, joilla molemmilla on vaikutuksia tilinpäätösraportointiin. Tutkimuksessa tarkastellaan myös, mitkä tekijät vaikuttavat Born Globals -yritysten markkinoille tulon valintaan. Tutkimuksessa tarkastellaan IFRS- ja US GAAP -standardien keskeisiä eroja, erityisesti konsolidoinnin ja omistusrakenteiden osalta. IFRS 10 säätelee tytäryhtiöiden konsolidointia konsernitalinpäätöksissä, kun taas IFRS 11 koskee yhteisyritysten raportointia. Nämä standardit poikkeavat FAS- ja US GAAP -vaatimuksista. Tutkimus perustuu kirjallisuuskatsaukseen, toissijaisiin lähteisiin ja haastatteluihin, joita käytettiin syventämään ymmärrystä näiden standardien käytännön soveltamisesta. IFRS ja US GAAP eroavat toisistaan useilla tavoilla. IFRS on periaatteisiin perustuva, mikä tarjoaa enemmän joustavuutta tulkinnassa, kun taas US GAAP on sääntöihin perustuva. Tilinpäätöksen esittämisessä IFRS sallii kulujen luokittelun joko toiminnon tai luonteen mukaan, kun taas US GAAP ei määrää tiettyä luokittelumenetelmää, vaan noudattaa SEC:n vaatimuksia. US GAAP:n mukainen tulojen kirjaaminen noudattaa yksityiskohtaisia, toimialakohtaisia ohjeita, jotka varmistavat, että tulot kirjaetaan vasta, kun tulojen syntyminen on päättynyt, kun taas IFRS soveltaa laajempia periaatteita, joissa korostetaan riskien ja hyötyjen siirtymistä ostajalle. Määritelmän osalta IFRS määrittää määräysvallan perustuen kykyyn vaikuttaa päätöksiin ja saada taloudellista hyötyä, vaikka enemmistöomistusta ei olisikaan, kun taas US GAAP soveltaa tyyppillisesti 50 prosentin äänioikeuden kynnystä määräysvallan määrittämiseen. Yhteisjärjestelyissä IFRS 11 erottaa toisistaan yhteistoiminnot ja yhteisyritykset, joille kummallakin on erilaiset raportointimenetelmät, kun taas US GAAP soveltaa pääasiassa pääomaosuusmenetelmää. Tilinpäätöksen esittämisessä IFRS määrää taseeseen tietyt vähimmäiskirjaukset, mutta ei täsmennä niiden järjestystä, kun taas US GAAP sallii suuremman joustavuuden. Lisäksi IFRS edellyttää, että vaihtovelkakirjalainat jaetaan velka- ja omaisuuskomponentteihin, kun taas US GAAP luokittelee ne kokonaan veloiksi. Tutkimuksen tulokset vahvistavat teoriaa ja tarjoavat syvällisempää tietoa erityisesti käytännön sovelluksista. IFRS-standardien ja US GAAP -standardien erot vaikuttavat merkittävästi kansainvälisten markkinoiden taloudelliseen raportointiin, sijoittajien päätöksiin ja yritysten strategioihin. Hycamiten on arvioitava huolellisesti IFRS-standardiin siirtymisen vaikutukset ja varmistettava yhteensopivuus US GAAP -standardin kanssa, jos sen yhdysvaltalaiset yksiköt raportoivat tämän standardin mukaisesti. Tutkimus korostaa, miten IFRS- ja US GAAP -standardien erot vaikuttavat yrityksiin, sijoittajiin ja sääntelyviranomaisiin. Nämä erot vaikuttavat kansainvälisillä markkinoilla toimivien yritysten tilinpäätösten läpinäkyvyyteen, vertailukelpoisuuteen ja strategiseen päätöksentekoon.

AVAINSANAT: Internalization, Born Globals, Entry mode, IFRS, US GAAP

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1 Introduction

The main aim of this case study is to increase understanding of the impact of a company's described Born Global choice of internationalization mode on its financial reporting. The study aims to identify the differences between the various reporting standards in relation to the structure of the company and also to clarify the practical differences in the information that is reported in the financial statements. The study also discusses the factors influencing the internationalization mode of Born Globals through a literature review. In this chapter, I review the background of the research and introduce the company that commissioned the research. I will also present the purpose of the study, followed by the limitations of the study. Next, I discuss the framework of the study and explain the main concepts. Finally, I summarize the content of this paper.

1.1 Background and Company

Increasingly strict climate targets and sustainability criteria are shifting attention to clean and sustainable energy technologies and materials. Energy crises and the global geopolitical situation underline the need for sustainable and available energy sources. According to the IEA report, the net zero energy system cannot rely only on solar, wind, and electric vehicles but also needs an extensive infrastructure network and climate-neutral fuels (International Energy Agency, p. 47, 2023). Clean hydrogen is a fuel whose production will also help to meet decarbonization targets.

Hycamite TCD Technologies Ltd., founded in 2020, is a pioneer in hydrogen production and carbon capture. The company is a privately owned limited company with premises including a laboratory, pilot plant, and headquarters in Kokkola, Finland. An industrial-scale demonstration plant will be commissioned on the same site in 2025. They specialize in producing low-carbon or carbon-negative hydrogen through thermo-catalytic decomposition (TCD) of methane, developed in collaboration with the University of Oulu. This innovative, scalable technology not only produces hydrogen but also generates high-quality solid carbon as a byproduct, suitable for various demanding applications

such as lithium-ion batteries and concrete manufacturing (Hycamite TCD Technologies Oy).

The company has combined its mission and vision into a single phrase: We decarbonize industry. It also makes a customer promise: “Your partner in rapid decarbonization with proven and scalable solutions.”

According to Hycamite, hydrogen can be produced in different ways, with various environmental and climate impacts. Growing the market for clean hydrogen requires industrial-scale solutions that can rapidly replace CO₂-heavy production technologies. The TCD process developed by Hycamite is noteworthy for its energy efficiency, utilizing only about 13% of the energy required by traditional electrolysis methods. This positions Hycamite's technology as a cost-effective and environmentally friendly alternative to standard hydrogen production methods like steam methane reforming (SMR), which are more carbon-intensive.

Hycamite has published a release stating that its technology has attracted significant investment and interest. For instance, the company has received tens of millions in funding to scale its technology for global industrial applications. These investments will support the construction of a demonstration plant capable of producing 2,000 tons of hydrogen annually.

Additionally, Hycamite's approach to hydrogen production offers a sustainable alternative during the current energy crisis by replacing grey hydrogen with its zero-emission hydrogen in industrial applications. Their partnerships, such as with Wärtsilä for producing hydrogen from LNG on marine vessels, demonstrate the practical applications of their technology in reducing greenhouse gas emissions in various sectors (Hycamite, 2024).

According to Hycamite, global hydrogen projects are growing rapidly, and regulatory frameworks are being developed worldwide. The EU focuses more on electrolytic

hydrogen and hydrogen production from renewable electricity. The US and Canada, on the other hand, are promoting clean hydrogen production because of its low life-cycle greenhouse gas emissions. In the US, the Inflation Reduction Act (IRA) of 2022 was introduced, which includes a comprehensive support program for clean hydrogen production. Similarly, Canada's hydrogen subsidy program is also more technology-neutral than in Europe and better enables the deployment of new technologies. These laws have influenced Hycamite's decision to internationalize mainly to the US and potentially the Canadian market. The starting point for this paper is internationalization, especially in the United States, and the effects of internationalization on the financial reporting of a company when it has a wholly owned subsidiary or joint ventures.

1.2 Purpose of Study

This paper aims to conduct a practical case study for Hycamite, the company that is commissioning the research. The company aims to start its internationalization from the United States and is ambitious to be a strong global player. It also wants to be attractive to financiers and investors. In addition, the company intends to meet the requirements imposed by International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles of the United States (US GAAP) from a group perspective.

The company is a start-up, described by the founders as Born Global. They have decided to choose a wholly owned subsidiary or a joint venture as an internationalization strategy. It is likely that the company will have more than one internationalization mode in place, and they are interested in what issues they should take into account when the head office is in Finland and the subsidiaries or joint ventures are in the US. The company's business model is still under development, and it wants more information when considering the relevance of different options.

The company is also interested in the differences between financial reporting standards, IFRS, US GAAP, and Finnish Accounting Standards (FAS). However, the main focus will be on IFRS and US GAAP. In short, a company wants to know what issues to consider,

particularly if its subsidiary or associate reports under a different standard. They say the company's primary customers are industrial companies and the maritime industry. In the case of internationalization in the United States, the main customers are the industrial companies near which the plants are to be built. They currently report under FAS and do not yet have a group structure.

1.2.1 Research gap and justification

Theoretical models related to internationalization, such as the Uppsala model, the network model, and the Born Global approach, have been extensively studied in the literature on international business. Similarly, regulation and harmonization related to corporate accounting and financial reporting practices, such as the impact of IFRSs, have been addressed in a number of studies. The link between the two phenomena, on the other hand, has not been studied systematically. Previous studies have focused either on companies' internationalization strategies or their financial reporting, but rarely on their mutual impact.

This gap is significant as corporate accounting practices directly impact transparency, investment opportunities, and access to finance in international markets. In addition, the regulatory and reporting requirements of different countries may affect companies' internationalization strategies.

This research is settled between studies of the differences between the standards and also the Born Globals' choices of entry mode. It covers two options for the company's internationalization: wholly owned subsidiaries and joint ventures. It ties them to how this choice affects the company's financial reporting, and I cover the research gap. Responding to this gap could provide valuable insights both for companies considering internationalization and for stakeholders such as investors, regulators and auditors who need a closer understanding of how internationalization modes and financial reporting are linked.

1.2.2 Research Questions

I am investigating the link between the internationalization mode of an internationalizing company and its financial reporting because I want to know what impact the choice of the company has on its practical reporting. Despite international reporting standards, there are still crucial differences in reporting between continents that affect decision-making and the way a company's finances are presented to investors, among others. An understanding of the differences between the various internationalization modes will give companies an understanding of how to build their ERP systems and prepare themselves to meet the demands of internationalization.

The first aspect is to assess the impact of corporate form on the company's financial reporting when moving from FAS to IFRS reporting when the company has a group structure or joint ventures. This will examine the interpretation of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements and the differences between them and consolidated reporting under FAS and their difference when compared to the US GAAP. In the case of a Joint Venture, the question arises about the impact of ownership and control on reporting requirements under different reporting standards and how they differ.

The main research question is, *“How does the choice of Born Globals' internationalization mode, a wholly owned subsidiary or joint venture, affect their financial reporting when Born Globals report according to different standards, and what affects the choice of mode most?”*

The main research question is supported by three sub-questions:

Which areas of financial reporting are the most divergent in different standards and should be considered when going international?

When must the effect of the choice between a wholly owned subsidiary and a Joint Venture on basic financial accounting practices be examined?

What are the factors that most influence Born Global's choice of internationalization mode?

In addition to the financial reporting requirements, this paper includes a literature review to identify the issues that influence the internationalization of Born Globals and are most likely to lead to global success. These findings are used as a guide when considering the impact of the firm's corporate form on financial reporting.

1.2.3 Delimitations

It is important that my study brings benefits to the company and that it has a broader impact. As said, this study is a case study of one company, but it could be a starting point for a more in-depth and generalized study. The standards and legislation are extensive, and their interpretation varies from standard to standard, so there is plenty of research scope. I am interested in issues related to the internationalization of companies, as financial reporting and the related requirements are an integral part of the internationalization of a company. If a company has not taken into account the legislation and its implications, for example, if the parent company is located in a different country from its subsidiaries, then I believe that, in the worst case, this can lead to a failure of internationalization. For this reason, I wanted to explore this topic, even though I knew that the subject area was broad and that I would not be able to tackle it in a single paper in a fully comprehensive way. Therefore, I decided to limit the topic to reporting mainly related to the company, group, or joint ventures, i.e., issues usually dealt with in the balance sheet and profit and loss account. The primary sources I have used are the Finnish, international, and United States reporting standards and research on them, mainly those dealing with group and joint venture reporting and their differences.

I excluded taxation issues from the scope of the study because they are so broad and specialized that they could be the subject of a study in their own right. I also excluded sustainability reporting, which is currently important for the company. I decided to do this for the same reason as excluding tax issues, i.e., the subject area is so broad and specialized that I excluded it from this study. The company is also interested in going public at some point and in the financial reporting implications of an Initial Public Offering (IPO). These IPO requirements for financial reporting were also excluded from the scope of this study. This was done because there is so much specialized legislation on IPOs in the US, for example, that it would have been challenging to find experts who were familiar with the subject. In addition, the inclusion of IPOs had overextended the scope of the study, justifying its limitation. The focus of the study is IFRS, against which other standards and principles are compared. IFRS 10 and 11 have been selected, and the other IFRS standards are discussed only in terms of their impact on the consolidated financial statements.

For Born Globals' internationalization mode, I limited the study to wholly owned subsidiaries or joint ventures, as the other options are not relevant to this study.

1.3 Key concepts of the study

Financial reporting requirements are constantly changing, and I know that even at the time of publishing this study, things may have already changed in some respects. Therefore, I see it as important that there should be ongoing research on this issue, especially in terms of how things change and how standards live about each other. I also think it is important to find an answer to the question of what impact the choice of business model has on the internationalization of Finnish Born Global or New Venture companies for their financial reporting. I aim to examine the phenomenon under study by comparing theories of internationalization of Born Global companies and differences in financial standards. Next, I will briefly describe internationalization models and entry modes.

Wadeson (2020) defines internationalization in his study as the process by which a company expands its operations beyond domestic markets to operate in foreign markets. From the traditional perspective, such as the Uppsala model, internationalization is a gradual process where a company incrementally commits to foreign markets to manage risks and build market knowledge. This approach emphasizes the importance of experiential learning. Born Global companies are fast in their internationalization and do not have time for the slow, experiential learning technology of the Uppsala model. Knight, Cavusgil, and Rennie (Hennart et al., 2021) defined Born Globals as companies that sell 25% of their output abroad three years after starting their business. Born Globals can also enter multiple international markets early, often beyond just neighboring countries (Braunerhjelm & Halldin, 2017).

Cuervo-Cazurra (2010), examines the internationalization process of firms, focusing on how they choose their first foreign market. Traditionally, internationalization has been seen as a gradual process, where companies expand first to culturally and institutionally similar countries like Uppsala model presents (Johanson & Vahlne, 1977). However, Cuervo-Cazurra (2010), presents an alternative perspective, suggesting that some firms deliberately select a significantly different country as their first international destination, a strategy known as non-sequential internationalization. Companies can develop knowledge in their home country that helps them overcome challenges in foreign markets. This knowledge can relate to managing complexity, understanding differences in competitive conditions, or navigating institutional variations.

According to Wan et al. (2023), entry modes and their impacts can be understood through two main categories: ownership mode and establishment mode. In ownership mode, a company can choose between a wholly owned subsidiary (WOS) or a joint venture (JV). WOS allows the company full control over its operations in the foreign market but comes with higher risks and resource demands. JV, on the other hand, shares the risk with a local partner but may complicate decision-making. These two options described above for internationalization are the subject of research in this case study.

Wadeson (2020) presents internationalization as a dynamic process in which companies make strategic choices regarding market breadth, depth of commitments, and timing. The process is influenced by learning, networking, and resource management, all of which shape a company's path to internationalization.

In the case of Born Global firms such as the company in this paper, internationalization occurs rapidly, often during the early stages of the company's lifecycle (Paul & Rosado-Serrado, 2019; Hennart et al., 2021; Braunerhjelm & Halldin, 2017). These firms' internationalization is typically driven by unique competitive advantages, such as technological innovations or niche markets, and it tends to be fast-paced and often regional (Wadeson, 2020; Paul & Rosado-Serrado, 2019; Hennart et al., 2021; Braunerhjelm & Halldin, 2017). Strategic and resource-based perspectives also guide internationalization decisions, focusing on expected returns and the availability of resources (Wadeson, 2020). For example, firms with high R&D costs and small domestic markets may internationalize quickly to achieve economies of scale and profitability. In this case study, the company falls into the category of having a technological innovation for a niche market, in which case it should carefully consider what kind of entry mode in internationalization it chooses, and this is considered in the short literature review.

Paul and Rosado-Serrano (2019) discuss that Born Global firms tend to operate in technology-intensive industries, such as software development, biotechnology, and high-value manufacturing, and their rapid internationalization is facilitated by advancements in digitalization, global logistics, and the reduced costs of communication. These firms often target niche markets that allow them to bypass traditional barriers to internationalization. Their expansion strategy does not necessarily follow the traditional Uppsala model, which assumes companies enter culturally and geographically proximate markets first before expanding further. Instead, Born Global firms approach internationalization with flexibility, often selecting target markets based on industry needs and global demand rather than physical distance.

According to Paul and Rosado-Serrano (2019), one of the key drivers of Born Globals' early internationalization is the background and expertise of their founders. Entrepreneurs leading these firms often have prior international experience, strong global networks, and a clear vision for global expansion. They adopt an opportunistic and proactive approach, building relationships and forming partnerships that enable them to scale rapidly. The ability to establish strong ties with international suppliers, distributors, and customers plays a crucial role in their growth. Unlike traditionally internationalizing firms, which accumulate experience gradually, born-global companies develop their international strategy from the outset, integrating it into their core business model.

Born Global literature emphasizes that firms that internationalize very early and quickly, achieving a significant share of sales abroad within the first years of their existence, can gain competitive advantages and superior performance. Romanello et al. (2024) confirm that initial speed, a rapid increase in export intensity soon after the first international sale, is indeed a decisive factor for better performance. This finding aligns with the Born Global theory, highlighting the benefits of an aggressive and fast approach to international markets, accelerating organizational learning, network building, and opportunity exploitation. However, the study also nuances the Born Global perspective. It shows that early entry alone is insufficient to ensure superior performance unless combined with high initial speed. Moreover, it reveals that a very fast expansion across multiple continents may actually harm performance, because it increases complexity, costs, and the difficulty of transferring market-specific knowledge across diverse institutional and cultural contexts. This contrasts with the traditional Born Global narrative, where a high degree of globalness is usually considered a positive trait.

The definitions of the standards are briefly discussed next. IFRS is a globally recognized framework of accounting standards designed to enhance the comparability, transparency, and consistency of financial reports across countries. These standards are developed and maintained by the International Accounting Standards Board (IASB), which

provides guidance on their implementation and regular updates to ensure their relevance in a changing economic environment. The primary purpose of IFRS is to offer clear principles and guidelines for preparing and presenting financial information. These standards aim to meet the needs of investors and other stakeholders by ensuring that financial statements are accurate, reliable, and easy to interpret, regardless of the company's location or industry. By fostering consistency in financial reporting, IFRS supports international investment markets and facilitates informed decision-making by providing a unified basis for evaluating companies' financial performance.

According to the Financial Accounting Standards Board (FASB), US GAAP is the official and comprehensive framework of accounting standards and principles used in the United States. It defines the methods and guidelines companies must follow when preparing and presenting their financial statements. This system includes detailed rules and principles covering nearly all accounting aspects, such as income reporting, balance sheet presentation, cash flow statements, disclosures, and valuation of assets and liabilities. US GAAP is developed and maintained by the FASB, which works closely with other regulatory bodies, such as the Securities and Exchange Commission (SEC). The SEC mandates using US GAAP for all publicly traded companies in the United States. Additionally, many private companies and nonprofit organizations also adhere to these standards, either voluntarily or due to legal requirements. US GAAP is founded on several core accounting principles, such as the historical cost principle, conservatism principle, consistency and relevance principles, and accrual basis accounting. These principles ensure that financial reports are comparable across companies, reliable, and provide accurate information to stakeholders, including investors, creditors, and other decision-makers. In addition to providing detailed rules for basic financial reporting, US GAAP also addresses complex financial transactions, such as mergers and acquisitions, goodwill accounting, derivatives, and intricate financial arrangements. The primary goal of US GAAP is to promote accuracy, transparency, and comparability in financial reporting, particularly within the U.S. market and its global interactions.

Lastly, the definition of the FAS. According to the Finnish Ministry of Justice, the FAS refers to Finland's national accounting principles and regulations that companies follow when preparing financial statements and other financial reports. FAS is based on the Accounting Act and the Accounting Ordinance, along with additional guidance and regulations issued by authorities such as the Finnish Tax Administration and the Financial Supervisory Authority. FAS focuses primarily on the needs of small and medium-sized enterprises (SMEs) and allows for greater flexibility in reporting. FAS emphasizes the tax-related perspective of accounting, as financial statements often serve as the basis for taxation. This differs from IFRS standards, which prioritize providing information to investors as I understand it. FAS-based accounting adheres to core principles such as accrual basis accounting, prudence, continuity, and comparability. The presentation of balance sheet items and income statements is strictly regulated by the Accounting Act and the Accounting Ordinance, although small businesses benefit from certain simplifications in reporting requirements.

1.4 Content of the Study

After this introduction, the structure of the study is as follows. The second section focuses on the literature review, in which existing literature and previous studies provide a framework for the phenomenon under consideration. The third section analyses key concepts relevant to understanding and structuring the research questions. These second and third parts lay the groundwork for the other phases of the study.

Next, the research methodology is presented, including the process of selecting the methods used. This includes the rationale for why specific methods are appropriate to the objectives of the study and the criteria used to collect and analyze the data. At the same time, the suitability of the analytical methods to the research questions is considered to ensure the reliability and relevance of the results.

The fifth chapter moves on to the results, focusing on the data collected and how it responds to the research questions. This section examines the core content of the data

and highlights the key findings identified through the analysis. The results are considered in a systematic and coherent way in relation to the objectives of the study.

The analysis is followed by a reflection in which the results of the study are critically assessed. This will consider how well the findings support the theoretical framework and to what extent the results provide new perspectives. At the same time, the potential limitations of the study and their impact on the conclusions are examined. This reflection helps to put the research into a broader context and provides a basis for planning further research.

The final section presents the conclusions of the study. This section summarises the key findings of the study and assesses their broader significance. It also presents new research ideas and recommendations that can serve as a basis for further research. The conclusions highlight the importance of the study and the contribution it makes to the field.

2 Internationalization of Born Globals

This chapter presents a theory and a literature review of Born Globals' internationalization solutions and seeks to identify the factors that most influence the choice of market entry. The chapter begins with a general examination of the choice of entry mode in internationalization through studies, followed by a literature review, which is divided into headings according to the thematic areas. This and the next chapter contain the studies on which I approach my third sub-question and base the analysis of the topic.

2.1 Entry Mode Choices

Schellenberg et al. (2018) studied the selection between wholly owned subsidiaries (WOS) and joint ventures (JV) primarily through the lenses of transaction cost theory, institutional theory, and the eclectic paradigm (OLI paradigm). According to them, companies seeking full control and protection of their technology and intangible assets tend to prefer the WOS mode. This choice involves a high resource commitment and greater risk exposure but allows for higher returns and independent decision-making. In contrast, the JV mode is more commonly selected when firms wish to leverage local partners, share risks, and better navigate institutional and regulatory environments.

Institutional factors significantly influence the decision. For instance, national regulatory frameworks may limit foreign companies' ability to establish wholly owned subsidiaries, making JVs a more viable alternative (Schellenberg et al., 2018).

The experience of companies can also be a factor in the decision. Firms with greater international experience are more likely to opt for WOS, while less experienced companies often choose JVs to gain local expertise and market knowledge (Schellenberg et al., 2018). The eclectic paradigm supports this finding by demonstrating that firms assess ownership, location, and internalization advantages when selecting an entry mode (Schellenberg et al., 2018). If a company believes it has distinct competitive advantages that can be best utilized through full ownership, it opts for WOS, or if location advantages

and access to local resources are more critical, a JV becomes the preferred option (Schellenberg et al., 2018).

According to Schellenberg et al. (2018), firms entering large and lucrative markets are more likely to establish a WOS to maximize long-term profits and maintain greater control. Conversely, in uncertain or institutionally challenging markets, a JV can provide better adaptability and risk reduction. Typically, entry modes fall into export, contractual, and equity categories, ranging from low to high commitment. While past research suggested BGs prefer low-commitment entry modes to minimize risk, Efrat and Shoham (2023) state that host market conditions significantly impact commitment levels. According to them, BGs adopt a prospector strategic orientation, emphasizing opportunity-seeking behavior, which leads to higher-commitment entry modes in favorable conditions. The modes of the highest commitment can be considered WOSs.

Liu (2017) states that transnational entrepreneurs play a crucial role in the development of Born Globals (BGs). They accelerate internationalization and reduce market entry barriers by providing access to networks and institutional knowledge. A collaborative entry mode is a key strategy for BGs as it enables rapid growth and efficient internationalization. The collaborative entry mode and partnerships could give the company benefits such as reducing market entry costs, speeding up the process, and enables to scale quickly. As BGs mature, they can adopt more independent business models.

Schellenberg et al. (2018) examined the choice of firms between two international market entry modes - wholly owned subsidiaries (WOS) and joint ventures (JV) - using transaction cost theory, institutional theory and the OLI paradigm. Firms seeking full control and wanting to protect their technology and intangible assets often prefer the WOS mode, which requires a large investment of resources but allows for autonomous decision-making and higher returns. JVs, on the other hand, offer the possibility to share risks and leverage local partners, especially in regulated markets.

Institutional factors, such as national regulatory frameworks, can influence the choice, and firms with less international experience often prefer JV because of local knowledge. The OLI paradigm helps to assess the ownership, location, and internalization advantages that drive the choice.

In large and lucrative markets, firms are more likely to choose WOS, while in uncertain markets JV offers flexibility and risk management. While it was previously thought that Born Global (BG) firms prefer low-commitment models, Efrat and Shoham (2023) argue that market conditions may encourage higher commitment, especially under favorable conditions.

Liu (2017) highlights the importance of transnational entrepreneurs in the internationalization of BGs, as they open up networks and provide institutional knowledge. In the early stages, collaborative modes such as JVs can accelerate growth and market entry, but later BG firms may move to more autonomous modes.

Nave et al. (2025) examine how International Entrepreneurial Culture (IEC) influences the early and rapid internationalisation of BGs compared to other SMEs. The findings show that BGs differ from their peers only in three specific dimensions of the IEC: autonomy, international motivation, and international market orientation. These elements appear to be decisive for their ability to internationalise quickly and distinguish themselves in foreign markets.

2.2 Factors influencing the choice of entry mode for Born Globals

This section covers a literature review of data collected through the results of eleven studies. The section is titled according to the factors found.

The studies reviewed addressed the topic through more than thirty different theories. The Uppsala model, Resource-Based view, Institutional theory and Network Theory were the most frequently cited. With the exception of one, the studies dealt with their topic

explicitly from a Born Global perspective. Despite the different frameworks, the following factors emerged as significant: international experience, technological intensity, need for control, resources and networks.

2.2.1 International experience

International experience is one of the most important factors influencing the ability of a company or entrepreneur to internationalize successfully. Several studies have shown that previous experience in foreign markets brings with it an understanding of market dynamics, cultural differences, regulations, and networking in different contexts. Liu (2017) highlights the ability of transnational entrepreneurs to identify effective channels and partners based specifically on prior international experience. Such entrepreneurs are able to tap into global resources and move smoothly between different cultures. Similarly, Knight et al. (2004) present that managers' personal experience of international business increases an organization's readiness to choose more sophisticated and autonomous go-to-market strategies such as WOS. Such experience is not only informative but also builds confidence and decision-making capacity, which are crucial elements, especially when a firm faces uncertain or challenging environments.

Rumyantseva and Welch (2023) discuss serial entrepreneurship, where previous international experiences accumulate cumulatively and influence decision-making in the current business. International experience supports the choice of more active and independent forms of entry, such as JV or WOS (Harveston, 2000; Knight et al., 2004; Hashai, 2011). International experience is particularly important when rapid growth is desired (Kaur). The amount of experience and knowledge base is linked to the choice of entry mode, with little international experience favoring JV (Goncalves & Smith, 2019; Sharma & Blomstermo, 2003). In addition, the challenges of market selection and cultural distance are mitigated by experience (Efrat & Shoham, 2023).

2.2.2 Technological intensity

High-tech companies form their own special category in the field of internationalization. They often operate in rapidly changing markets and base their competitive advantage on innovation, research and development, and unique skills. As a result, they often face particular challenges and opportunities in international markets. Technological intensity is often intertwined with many other factors, such as the need for control and the use of resources. High-tech firms often seek to maintain their technological superiority and protect their intangible capital, leading them to choose forms of entry that maintain a tight grip on control. Thus, WOS is often the natural choice. In addition, technology-driven firms may face more complex regulations and technical standards in foreign markets, underlining the need for expertise, adaptability, and strong strategic guidance.

High-tech firms differ from other firms in particular in their need to protect knowledge and manage innovation in an international context. Liu (2017) highlights the activities of transnational entrepreneurs, which are often technology-intensive. Knight et al. (2004), study highlights how high-tech skills increase the ability to employ more complex strategies. Goncalves and Smith (2019) and Sharma and Blomstermo (2003), on the other hand, suggest that technology firms often operate in fast-paced and competitive markets, placing a premium on control and resource management. Efrat and Shoham (2023) link the challenges of managing technological complexity and cultural distance. Kaur and Sandhu (2014) also discuss the rapid internationalization of high-tech firms and the agility it requires. Although technology is not always the explicit main theme, it is a common thread in many studies where the rationale for decision-making is related to the need for control, the use of knowledge, and the management of risk.

2.2.3 Need to Control

The need for control is an essential part of a company's decision-making in international expansion strategies. Control refers to the degree of decision-making power and control a firm wants or needs to maintain over a foreign operation. This is influenced by many

factors, such as the nature of the business, the sensitivity of the product or service, the need for brand protection, and the institutional stability of the foreign market. It is clear from the studies analyzed that firms with a strategic need for tight control prefer more direct and autonomous forms of market entry, such as WOS solutions. Especially in situations where the firm operates in an uncertain or complex environment, strong control allows for better responsiveness and risk management. Control is also linked to the importance the firm attaches to information retention, operational consistency, and brand or innovation protection. For example, Liu (2017) shows that transnational entrepreneurs use their own mobility and networks to maintain control over critical decisions and operations.

Control is one of the key decision factors in market entry strategy. Liu (2017) highlights how transnational entrepreneurs prefer solutions that keep operational and strategic decision-making in their own hands. The desire to gain control may be linked to previous entrepreneurial experiences and the self-confidence they generate (Rumyantseva & Welch, 2023).

According to Harveston, high technology is associated with control; for example, if there is a desire to protect IP rights, it leads to a more frequent desire to choose WOS. Control is particularly important when the business is knowledge-intensive and when strategic coherence is critical (Harveston, 2000; Hashai, 2011). Knight et al. (2004) stress that management with international experience is better able to manage the challenges of decentralized operations. Control also comes to the fore in sources on the impact of institutions: in institutionally uncertain markets, firms tend to retain greater control (Goncalves & Smith, 2019; Sharma & Blomstermo, 2003; Efrat & Shoham, 2023).

2.2.4 Resources

Resources are a key factor in determining which internationalization strategies a company can afford. Resources can include economic resources as well as human and social resources. The financial capacity of the company will determine whether to opt for more

cost-effective and risk-sharing strategies such as JVs, or to invest entirely in its own foreign entity. Rummyantseva and Welch (2023) highlight the resource advantages of serial entrepreneurship: previous business experience, learned practices and existing contacts act as assets that lower the threshold to enter new markets. Similarly, managerial experience acts as a resource that enables the selection of more strategically complex options (Harveston, 2000; Knight et al., 2004). Often, organizational capability - the ability to plan, manage, and control operations in several countries simultaneously - is also a critical resource that determines the form and scope of internationalization (Hashai, 2011).

These resources form the concrete basis of a company's internationalization strategy. Liu (2017) presents that transnational entrepreneurs use their global resource network to plan their market entry. In Kaur and Sandhu's (2014) and Efrat and Shoham's (2023) studies, resources are particularly visible in rapid internationalization, where limited resources are used to maximize efficiency. Resources can also be addressed through their decentralization, where the ratio between internal or external resources influences which option, WOS or JV, a firm chooses. The influence of institutional systems on the use and protection of resources (Goncalves & Smith, 2019; Sharma & Blomstermo, 2003). JV is an option when a company wants to share the risks and resources with the local operator's people and this is especially important for Born Globals as it may have limited resources (Sharma & Blomstermo, 2003).

Melen and Nordman (2009) discuss the accumulation of resources through learning and its impact on subsequent decisions. Resources are, therefore, not just capital but, more broadly, knowledge, contacts, learning, and the internal capacity of the organization - all factors that influence how and when a firm ventures abroad. Melen and Nordman (2009) further divided the companies into groups based on how much resources they tied to foreign markets. These were low, incremental, and high committers. Based on the degree of binding of these resources, companies chose a lighter or heavier entry mode.

2.2.5 Networks

Networks are one of the invisible forces of internationalization, which can significantly facilitate market access and increase operational efficiency. They consist of partners, customer relationships, industry contacts, and sometimes also personal relationships that the entrepreneur or company has at their disposal. BGs use their network relationships more in internationalization than traditional step-by-step models (Sharma & Blomsterno, 2003). The networks provide information, contacts, and referral opportunities that enable rapid internationalization without extensive market experience (Sharma & Blomsterno, 2003).

According to Liu (2017), the ability of transnational entrepreneurs to leverage diaspora networks that serve as a bridge between the source and target markets. Such networks not only provide information but can also mitigate cultural and institutional barriers, provide confidence, and reduce the risk of market entry. While the existence of networks can allow for the creation of joint ventures, on the other hand, they can also encourage independent action if they have sufficient support and resources. Especially for start-ups or smaller companies, networks can compensate for the lack of resources and enable faster internationalization than would otherwise be possible.

Networks are perhaps an undervalued but crucial factor in internationalization. Rumyantseva and Welch (2023) emphasize that past business relationships and contacts form a ready-made network that can also be utilized in new businesses. Networks make it easier to understand the market and establish contacts, especially in new areas (Knight et al., 2004; Hashai, 2011). Born globals do not have established practices in internationalization, so they combine their own and external resources in a flexible way that can compensate for their own resource shortfall and reduce risk (Sharma & Blomsterno, 2003). Network relationships in the target market can either be influenced by strong network connections favoring JV selection or if the knowledge and support gained through the network are strong enough, WOS can be established (Sharma & Blomsterno, 2003).

According to Goncalves and Smith (2019), companies often choose entry-mode strategies such as JVs because they enable the exploitation of networks and resources, which is especially important for small or young businesses. They presented that, WOS requires more resources and commitment; usually, only larger or more experienced companies are able to do so. JVs enable the sharing of resources and reduce risk.

The importance of trust-based relationships in building cooperation and sharing resources cannot be ignored in the internationalization of companies. Melen and Nordman (2009) discuss the relationships that develop through learning and support decision-making in later stages. In other words, networks not only enable access to new markets but also support the company's growth, create credibility, and enable the sharing of resources and know-how, especially when the resources are limited or the market is foreign and challenging.

2.2.6 Other influencing factors

According to Bhat et al. (2023), WOS are more likely to be chosen in countries with a strong rule of law, larger government, and open markets, while JV is more likely to be chosen in countries with high regulatory efficiency and overall economic freedom. Although Bhat et al. (2023) do not directly address Born Globals (BGs), their findings can be viewed from the perspective of Born Global theory. As said, BGs are characterized by internationalization very quickly after their creation, often to several markets simultaneously. BGs are typically small, agile and technology-driven companies that do not usually have significant resources at the start-up stage. As a result, they often use more flexible and less capital-intensive forms of market entry, such as joint ventures. Bhat et al. found that one important finding was that regulatory efficiency has a negative impact on the choice of wholly owned subsidiary (WOS). In other words, the more efficient and predictable the regulatory environment in the target country, the more likely foreign investors are to choose a JV over a WOS. This finding fits well with Born Global theory, as it is

precisely such clear and predictable regulatory environments, where cooperation with a local partner is natural and risks are manageable, that Born Global firms can benefit from.

Another finding of Bhat et al. (2023) was that market openness increases the choice of WOS format. This means that the more open the economy and the fewer trade barriers in the target country, the more attractive the option of setting up a wholly owned subsidiary. This is where there is a slight tension between the Born Global strategy and the findings of Bhat et al., because while openness in itself lowers the threshold to invest, Born Global companies may still prefer a lighter approach, such as JV, precisely because of their resource constraints. WOS requires a higher level of capital investment and operational commitment, which is not always realistic for Born Global companies at an early stage.

The literature review examined the factors that influence the market entry patterns of Born Globals. Eleven studies were used as data, addressing the topic through more than thirty different theoretical frameworks, including the Uppsala model, the resource-based view, institutional theory, and network theory. Almost all the studies reviewed approached the topic specifically from a Born Global perspective.

The review identified several factors that influence whether a firm chooses WOS or JV as its form of international market entry. International experience emerged as a key factor. Firms or entrepreneurs with previous experience abroad are more able to operate independently and more likely to choose the WOS form. Inexperience, on the other hand, often leads to a JV solution, as sharing resources and risks is perceived as safer.

Another important factor is technological intensity. High-technology-intensive companies often want to protect their know-how and intellectual property rights, which is why they prefer ownership-controlled strategies such as WOS. These companies often operate in fast-changing and competitive markets where agility and decision-making are vital.

The need for control is particularly acute in situations where a company needs to maintain decision-making power over a product, brand, or information management. In such cases, WOS is seen as an attractive option. Where a company is satisfied with partial control or seeks to share risk and responsibility, a JV may be a more appropriate option.

Resources, both financial and human, strongly influence the choice. Extensive resources make it possible to set up your own subsidiary and invest fully abroad. In contrast, small or start-up companies, such as many Born Global companies, mostly rely on the JV mode to share resources and risks.

Networks support rapid internationalization by providing access to markets, knowledge, and partners. If there is sufficient support, they can enable independent progress or serve as a basis for joint ventures with local players. For small businesses, in particular, networks compensate for scarce resources.

Institutional and external factors, such as the regulatory environment in the host country, the rule of law, and market transparency, also play an important role. An open and predictable market favors WOS solutions, while environments requiring strict regulation and local knowledge make JVs more attractive.

In conclusion, the choice between JV and WOS for Born Global companies is not straightforward. It is the result of a combination of several simultaneous factors. JV is often seen as an attractive option for small companies seeking rapid internationalization, while WOS is more realistic for more experienced and resource-strong players.

The following Table 1 describes the factors and their impact on the entry mode selection.

Table 1. Factors influencing the selection of entry mode

Factor	Influence	Favor
International Experience	The increase in experience increases the readiness for independent and riskier strategies.	WOS
	Little experience favors collaborative and resource-sharing solutions.	JV
Technological Intensity	The need to protect knowledge, innovation and IP rights → the need for control.	WOS
	A fast and competitive market where self-monitoring is emphasized.	WOS
Need to Control	The strategic need to maintain decision-making power, especially in uncertain circumstances.	WOS
	If risk and responsibility sharing is possible and the need for control is not high.	JV
Resources	Extensive resources allow for full ownership and greater investment.	WOS
	Limited resources → sharing resources and risks with a local partner.	JV
Networks	Strong networks enable fast and independent entry into the market.	WOS
	Networks can also serve as the basis for the JV through a local partner.	JV
Institutional factors	A strong rule of law and an open market → favoured WOS.	WOS
	High regulatory efficiency and economic freedom → collaborative modes are attractive.	JV

3 Differences between IFRS and US GAAP

In this chapter, I will discuss the differences between IFRS and US GAAP. The subsections are structured according to the themes found. For each theme, I try to find out what has emerged from the topic through different studies and what kind of interpretation can be made of it in relation to my research question.

3.1 Fundamental differences between IFRS and US GAAP

According to Jawarneh (2021), significant differences between IFRS and US GAAP affect the presentation of financial statements. One of the most notable differences is that US GAAP is rules-based, while IFRS is principles-based (Jawarneh, 2021; Herbei, 2015; Guillaume & Pierre, 2016). Agoglia et al. (2011) found that the rules-based approach of US GAAP can lead to opportunistic behavior, as the strict rules allow for "loophole-seeking," where companies exploit the boundaries of the rules. On the other hand, IFRS's principles-based framework discourages aggressive financial reporting by emphasizing economic substance over the formal structure of the rules. Interestingly, while critics often argue that IFRS may reduce comparability across firms due to its reliance on judgment, the study observed no such effect. Actually, less precise standards under IFRS led to less variability in reporting decisions, suggesting that comparability need not be sacrificed. Nevertheless, this also means that US GAAP provides more detailed and specific guidelines, whereas IFRS allows for greater flexibility and discretion for preparers.

The flexibility mentioned above can be advantageous, especially when reporting in different business environments. On the other hand, a rules-based approach, such as US GAAP, provides precise guidance and reduces the scope for interpretation, which can increase consistency and reduce the risk of conflicting interpretations. These difference between IFRS and US GAAP is evident in revenue recognition, where U.S. GAAP offers specific, industry-focused guidance, while IFRS applies broader criteria, emphasizing the transfer of risks and rewards to the buyer (Sanko & Koldovskyi, 2017; Guillaume & Pierre, 2016). IFRS favors event-based recognition, where revenue is recorded upon the

occurrence of a sale and in contrast, US GAAP requires revenue to be recognized only after the earnings process is complete and associated expenses have been matched, often delaying revenue reporting (Fosbre et al., 2009). Despite these differences, both frameworks aim to provide users with reliable and relevant information to facilitate informed decision-making (Herbei, 2015).

Willmore (2014) argues that the convergence of GAAP and IFRS faces significant challenges due to philosophical and practical differences, as well as substantial financial and political barriers. According to De Luca and Prather-Kinsey (2018), political and business interests play a significant role in shaping both standards. In the U.S., Congress and the SEC have direct influence over the content of US GAAP. In contrast, IFRS is subject to national endorsement processes, making it vulnerable to alterations aligned with the political and economic priorities of individual countries. In my view, this is a significant point because financial reporting is not just a neutral technical process but involves important interests that affect relations between companies, investors, and governments. Toudas (2018) defines IFRS as emphasizing flexibility and case-by-case assessment. It allows asset values to be updated to reflect current market values, making it a more dynamic system. On the other hand, US GAAP relies on detailed and specific rules. This increases consistency but reduces flexibility and can lead to complexity.

Bansal (2022) found significant differences between IFRS and U.S. GAAP, particularly in financial reporting outcomes. Companies using IFRS tend to report higher revenues and net income compared to those following GAAP, leading to variations in key financial ratios such as the current ratio and debt-to-asset ratio. IFRS is more principles-based, offering flexibility but increasing the potential for earnings management, whereas GAAP is more rule-based, ensuring consistency but making compliance more complex.

3.1.1 Concept of control

The definition of control differs between IFRS and GAAP in terms of approach. Prather-Kinsey et al. (2018) state that IFRS defines control using a principles-based approach,

focusing on an investor's ability to influence the financial and operational decisions of an investee and thereby affect its returns. Control exists when an investor has the power to direct the activities of the investee and the potential to derive variable returns from its involvement. This definition is flexible and aims to reflect the economic reality of diverse situations without specific quantitative thresholds, such as ownership percentages. US GAAP takes a rules-based approach to defining control, primarily establishing it as a numerical threshold. Control is presumed to exist when an investor owns more than 50% of the voting rights of the investee. However, exceptions allow control to be recognized even with a lower ownership percentage if other conditions demonstrate significant influence. This precise threshold minimizes subjectivity and ensures consistency and predictability in decision-making. I believe that the contrast between these approaches creates the potential for differences in financial reporting and decision-making, which impacts the comparability of financial statements on a global scale.

Bedford et al. (2022) state that IFRS 10 defines control using a principle-based approach. It establishes that an investor controls an entity when they have rights to variable returns from their involvement and the power to influence those returns. IFRS 10 emphasizes that control can exist even without a majority ownership interest, provided the investor has the practical ability to direct the relevant activities of the investee. The standard also clarifies that control does not depend on whether the investee generates positive returns, ensuring that loss-making subsidiaries are not excluded from consolidation. Additionally, IFRS 10 provides detailed guidance on assessing control, focusing on substantive decision-making authority rather than just formal ownership structures. These changes aim to enhance consistency in financial reporting by ensuring that all entities under an investor's effective control are consolidated in financial statements.

Behn et al. (2020) present significant differences between IFRS and US GAAP in consolidation decisions despite both frameworks adopting a principles-based approach. IFRS focuses more on the economic substance of control rather than legal structures. Under IFRS, consolidation determines whether the parent company can control key operations

and is exposed to significant risks and rewards, even if it does not hold a majority voting interest. This allows for greater flexibility in assessing financial relationships and may lead to different consolidation practices in similar situations. In contrast, US GAAP applies a more asset-based approach, mainly through the Variable Interest Entity (VIE) model, which evaluates control based on risk exposure and benefits rather than direct ownership. While US GAAP has moved toward principles-based accounting, it still includes more rules-based elements than IFRS, such as specific thresholds and criteria for determining consolidation. These additional guidelines make US GAAP more prescriptive, reducing ambiguity and potentially encouraging structured transactions designed to achieve a desired accounting outcome.

3.1.2 Joint Ventures and Joint Operations

Gavana et al. (2020) discuss the provisions of IFRS 11 as a set of guidelines for the financial reporting of joint ventures or joint operations aimed at ensuring that the information presented in financial statements accurately reflects the economic substance of such arrangements. The equity method treats the joint venture as an investment, recorded as a single line in the balance sheet, with its income effect included in the income statement. IFRS 11 also classifies joint arrangements into two types: joint operations and joint ventures. Joint operations involve situations where the parties directly manage the assets and obligations of the arrangement. On the other hand, joint ventures grant rights to the net assets of the arrangement. IFRS 12 complements IFRS 11 by requiring detailed disclosures about joint ventures, including financial information such as assets, liabilities, and financial performance. This was intended to compensate for the equity method's limitation, where detailed information about joint ventures is not presented directly in the primary financial statements.

3.1.3 Financial Statements

Differences in the presentation of the balance sheet and income statement are also apparent. For the balance sheet, IFRS requires minimum line items but does not prescribe

a specific order, whereas US GAAP does not have strict requirements for its structure (Jawarneh, 2021; Fosbre et al., 2009). Jawarneh (2021) stated that the classification of liabilities into current and non-current categories is another key difference.

IFRS requires that liabilities with breached covenants be classified as current unless an agreement is reached before the balance sheet date (Jawarneh, 2021; Beuren et al., 2008). In contrast, US GAAP allows such liabilities to be classified as non-current if the lender's agreement is secured before the financial statements are issued (Jawarneh, 2021; Fosbre et al., 2009). Also, IFRS requires convertible debt instruments to be split into debt and equity components, providing a more detailed view of debt-to-equity ratios, and US GAAP treats these instruments solely as liabilities, which can affect a company's balance sheet and debt ratios (Beuren et al., 2008).

According to Jawarneh (2021), for the income statement, IFRS permits expenses to be classified by either function (e.g., sales or administrative expenses) or nature (e.g., salaries or depreciation) but requires additional disclosures when classified by function. US GAAP does not have a general requirement for the classification of income statement items, though regulators like the SEC may mandate specific breakdowns. Additionally, in income statement reporting, IFRS does not allow separate reporting of extraordinary items, while US GAAP permits such reporting, resulting in a more detailed income statement (Fosbre et al., 2009).

In my view, this highlights an interesting and important difference between IFRS and US GAAP, particularly in the preparation of financial statements. These two systems are used globally, and the differences between them can significantly impact the transparency and understandability of corporate reporting and investors' decision-making. First, in terms of the minimum number and order of balance sheet lines, the IFRS approach emphasizes consistency and clarity. Requiring a minimum ensures all companies have a specific basic structure supporting comparability. On the other hand, flexibility in the order of the lines allows for adaptation to the specific characteristics of the company's

activities. At the same time, the flexibility in the balance sheet structure allowed by US GAAP may reflect more market orientation and company-specific tailoring. However, this freedom may make it more difficult to compare the balance sheets of different companies.

The second key difference, the classification of liabilities into current and non-current, is significant as it affects the assessment of the risk profile and financial position of the company. The stricter approach of IFRS, whereby liabilities are classified as current after a breach of covenants, increases prudence and can give a more realistic picture of a company's liquidity. This may reflect the conservative reporting approach specific to the European market. On the other hand, the long-term classification allowed by US GAAP in situations where lender consent is obtained before the financial statements are published may give the company more flexibility. However, such an approach may create the risk that the financial situation may appear more stable to outsiders than it actually is. This difference may also reflect cultural sensitivities - in the US, the market may emphasize growth and opportunity, while IFRS emphasizes risk management and transparency.

These differences raise questions about how global markets can best balance the need for consistency and flexibility. Should global standards aim for harmonization, or should there be more room for regional specificities? Although IFRS and US GAAP differ in many respects, they share the common objective of providing an accurate and fair view of the financial position of a company. Nevertheless, these differences in emphasis highlight the importance of understanding the context in which financial statements are prepared and interpreted.

3.1.4 Acquisition cost

IFRS permits revaluation, while US GAAP primarily uses historical costs (Toudas, 2018; Hughes & Sander, 2007; Fosbre et al., 2009; Beuren et al., 2008; Bao et al., 2010). In income statement presentation, IFRS provides more freedom in how expenses are categorized, whereas US GAAP has stricter formatting requirements (Toudas, 2018). IFRS

emphasizes the use of fair value in asset and liability valuation, while US GAAP adopts a more conservative approach, favoring historical costs (Toudas, 2018; Hughes & Sander, 2007; Fosbre et al., 2009; Beuren et al., 2008). According to Beuren et al. (2008), this difference can lead to significant differences in the value of the balance sheet and profit and loss account, especially for companies with a significant number of revalued assets. I believe these differences reflect broader philosophical differences that affect corporate financial reporting and stakeholder decision-making. First, the revaluation allowed by IFRS standards allows companies to update the value of assets to reflect their current market value. This approach can give investors and stakeholders a more up-to-date picture of a company's assets. Nevertheless, it can increase volatility in financial statements, as fluctuations in market values can be directly reflected in a company's income statement or balance sheet.

US GAAP's emphasis on historical cost represents a more conservative and stable approach that reduces the uncertainty of changes in value but, at the same time, may ignore the potential appreciation of assets. Regarding the classification of expenses in the income statement, the freedom provided by IFRS standards can make it easier for companies to present their financial information in a way that considers the specific characteristics of their activities. For example, this can make the financial statements more informative for investors in specific sectors. Similarly, the more rigorous approach of US GAAP aims to standardize the reporting format and improve comparability between companies. However, this can lead to a less clear presentation of the specific characteristics of companies.

The use of fair value in IFRS is a modern, market-oriented approach that seeks to reflect the actual value of assets and liabilities at any given moment. It provides a more realistic picture of a company's financial situation, especially in rapidly changing markets. The more conservative approach of US GAAP, which favors historical cost, is based on an emphasis on stability and predictability. This can be particularly important for conservative investors or markets where excessive volatility is considered a risk.

3.1.5 Cash Flow Statement

Both frameworks are quite similar regarding cash flow statements. However, IFRS offers less detailed guidance, such as for the presentation of restricted cash and US GAAP, on the other hand, requires detailed reconciliation between cash flows and the cash line items on the balance sheet (Jawarneh, 2021; Fosbre et al., 2009).

As I understand it, this highlights that while the IFRS and US GAAP frameworks are broadly similar in cash flow statements, there are significant differences in their approaches at the level of detail and guidance. This affects how companies report their cash flows and how stakeholders can use this information to assess their financial position.

The flexibility provided by IFRS, such as the absence of detailed guidance on the presentation of restricted cash, allows companies to apply reporting practices appropriate to their operations. This can help diverse international companies present their cash flow information in an appropriate way, but at the same time, it can lead to a loss of comparability of reports between companies. On the other hand, US GAAP requires more detailed guidance and reconciliation between, for example, cash flows and cash and cash equivalents on the balance sheet. This helps to ensure that users of financial statements have a clear understanding of where cash flows come from and how they relate to the company's balance sheet. While this increases the transparency of reporting, it can also make the process more complex for companies, especially those with complex cash flows or operating structures.

3.1.6 Research and Development Cost

In the treatment of research and development costs, U.S. GAAP requires all such costs to be expensed immediately, whereas IFRS permits capitalization of development costs under certain conditions, such as demonstrating the technical and financial feasibility of

a project (Beuren et al., 2008; Sanko & Koldovskyi, 2017; Turlington et al., 2019). This difference significantly impacts financial reports, particularly operating income, return on equity (ROE), and EBITDA figures. (Sanko & Koldovskyi, 2017; Turlington et. al. 2019)

According to Cipriano et al. (2022), development costs are generally expensed immediately under US GAAP, whereas IFRS allows them to be capitalized under certain conditions, increasing the book value of other assets and making IFRS firms' financial statements appear more favorable in this regard.

I think this illustrates a significant difference between IFRS and US GAAP in the treatment of research and development expenditure, reflecting their different approach to risk management and the description of the financial situation of companies. US GAAP's requirement to expense all research and development expenditures highlights the need for prudence and conservatism. This approach provides investors and other stakeholders with a clear picture of a company's current expenses without speculation as to whether these investments will generate future economic benefits. However, it may also underestimate the economic potential of companies that invest significantly in innovation, especially if the results of these investments are only realized in the long term.

IFRS, on the other hand, allows the capitalization of development costs under certain conditions, such as the demonstration of the technical and economic feasibility of the project. This allows companies to rebalance research and development costs into long-term assets that reflect their future value. As mentioned, this approach can lead to more positive metrics such as higher operating profit, return on equity (ROE), and EBITDA, but at the same time, it imposes requirements to ensure that the criteria for capitalization are met, which can be subjective and increase uncertainty in the interpretation of reports. The implications of these approaches for financial reports are significant.

IFRS can help companies that invest heavily in future innovation better demonstrate their financial potential. US GAAP, on the other hand, provides a more transparent and

uncomplicated picture of a company's cost structure and minimizes the risks associated with capitalization.

3.1.7 Discontinued operations

Jawarneh (2021) states that there are also differences in the reporting of discontinued operations and the treatment of performance measures. Under IFRS, discontinued operations focus on separate business lines or geographical areas, while US GAAP emphasizes strategic shifts with a significant effect on financial results. Regarding performance measures, US GAAP strictly adheres to SEC requirements, while IFRS provides greater flexibility in presenting additional line items or headings, as long as they enhance understanding of financial performance.

3.1.8 Inventory Valuation

Inventory valuation is another significant difference. IFRS prohibits the last in, first out (LIFO) method, which is commonly used in the United States because it reduces taxable income (Willmore, 2014; Sanko & Koldovskyi, 2017; Guillaume & Pierre, 2016; Beuren et al., 2008; Bao et al., 2010). This divergence can substantially affect reported earnings and taxation, especially in inflationary environments (Willmore, 2014). Additionally, the treatment of impairments differs significantly.

Willmore (2014) states that IFRS allows impairment losses to be reversed if the value of an asset later increases, whereas GAAP prohibits such reversals. This discrepancy affects the transparency and consistency of financial reporting.

Cipriano et al. (2022) stated that the LIFO method can lead to lower book values for inventory, especially during periods of rising costs.

According to Lucchese and Carlo (2020), the use of LIFO reduces taxable income during inflationary periods, which has made it an attractive option in the US. IFRS prohibits LIFO

because it can distort the value of inventories on the balance sheet and undermine the comparability of financial statements. In addition, IFRS uses the lower cost or net realizable value (LCNRV) principle, while US GAAP uses two different models. The lower cost or market (LCM) principle is used for LIFO and the retail method (RIM), but LCNRV is used in other cases. This two-tier model in US GAAP adds complexity and makes it difficult to compare standards. The LCNRV principle in IFRS provides a more precise and more consistent approach to the valuation of inventories. This method is based on the principle of prudence and ensures that inventories are not overvalued in the balance sheet. On the other hand, the US GAAP LCM method can lead to inconsistencies and even manipulation, especially for tax reasons.

Another key difference between IFRS and US GAAP is that IFRS emphasizes a balance sheet approach, whereas US GAAP emphasizes an income statement approach. Gray (2013) argues that using the LIFO method has significantly declined as many companies have voluntarily moved away from it. Eliminating LIFO could generate substantial tax revenues for the United States, such as \$56 billion over 10 years, but it would also increase company tax obligations.

3.1.9 Lease Accounting

According to Willmore (2014), GAAP and IFRS differ in their approaches to lease accounting. IFRS uses general principles to determine whether a lease should be capitalized, whereas GAAP provides strict criteria, such as requiring the lease term to cover at least 75% of the asset's economic life or the present value of lease payments to equal at least 90% of the asset's fair value. These differences can lead to varying financial reporting outcomes. Regarding financial statement presentation, IFRS allows for more flexibility, whereas GAAP mandates strict formatting requirements.

Winiarska (2020) compared the IFRS and US GAAP and found that they differ primarily in the classification, valuation, and cash flow treatment of leases. IFRS uses a single-model approach, requiring all leases to be recognized on the balance sheet as finance

leases, while US GAAP applies a dual-model approach, separating leases into operating and finance types. IFRS allows exemptions for low-value assets and short-term leases, unlike US GAAP. Additionally, IFRS shifts operating lease expenses to depreciation and interest, leading to higher EBITDA and leverage ratios compared to US GAAP. While both standards aim to improve transparency, IFRS has a more significant impact on financial metrics and balance sheet visibility.

3.1.10 Goodwill and Badwill

While IFRS and US GAAP have converged to some extent, significant differences remain for goodwill (Jerman & Manzin, 2008; Fosbre et al., 2009). IFRS employs cash-generating units (CGUs), which can be defined at a very granular level, whereas US GAAP reporting units cannot be lower than an operating segment (Jerman & Manzin, 2008).

Additionally, their impairment testing processes differ. Under IFRS, testing ends when the carrying amount exceeds the fair value of a CGU, with the impairment immediately recorded. In contrast, US GAAP involves a two-step process, where the second step determines the precise amount of impairment (Jerman & Manzin, 2008). They also highlight the lack of a universally accepted definition of goodwill, complicating its treatment. Internally generated goodwill cannot be recorded in the balance sheet because it cannot be objectively measured. Furthermore, despite their increasing importance in the economy, there is no established method for appropriately measuring intangible assets like goodwill. The treatment of goodwill, including impairments and figures reported in IFRS, was often higher than in the U.S. GAAP (Henry et al., 2009).

Henry et al. (2009) discuss that economically, the changes lead to more volatile earnings, as impairment losses can be significant and irregular. This affects financial ratios, with the removal of amortization temporarily boosting net income and earnings-based metrics, such as earnings per share. However, impairment losses may substantially reduce asset and equity values, impacting key leverage ratios. The study underscores that changes in goodwill accounting, such as replacing amortization with impairment testing, mark progress toward transparency and international consistency, reflecting the rising

significance of intangible assets. Still, the subjectivity inherent in impairment testing and the lack of robust methods for measuring intangible assets present challenges, potentially undermining financial statement reliability. While the new standards improve information quality, they fall short of fully addressing the complexities of goodwill accounting. That is why continued development of standards and methodologies is essential to ensure accurate, transparent reporting in an economy increasingly driven by intangible value.

According to Cipriano et al. (2022), regarding goodwill, US GAAP applies a two-step impairment test, which typically results in less frequent and smaller impairment losses. IFRS, on the other hand, uses a single-step impairment test, making goodwill values more volatile. Consequently, the market assigns higher valuations to goodwill under US GAAP than IFRS.

3.1.11 Taxation Treatment

Taxation treatment also differs. U.S. GAAP provides detailed guidelines for addressing uncertain tax positions, while IFRS uses a general prudence principle, leading to differences in taxable amounts and disclosure requirements. For multinational corporations, transfer pricing strategies are possible under both frameworks to optimize taxation, but such practices carry risks, including scrutiny from tax authorities. (Sanko & Koldovskyi, 2017) Additionally, significant differences exist in the treatment of share-based payments, particularly in how expenses and volatility are calculated (Hughes & Sander, 2007).

3.1.12 Summary of differences between IFRS and US GAAP

IFRS and US GAAP differ primarily in their approach. IFRS is principles-based, while US GAAP follows a rules-based logic. This fundamental difference is reflected in almost all aspects of accounting practice. IFRS allows more room for interpretation and contextual judgment, while US GAAP tends to reduce subjectivity through detailed rules. This makes IFRS more flexible but potentially less consistent, while GAAP offers greater comparability but less adaptability to different business environments.

Practical implications are seen in areas such as revenue recognition, definition of control, treatment of research and development costs, and inventory valuation. IFRS favors a valuation approach that reflects economic substance and present value, as evidenced by its allowing revaluation of assets and capitalization of development costs. US GAAP, on the other hand, relies on stability and prudence, as evidenced, *inter alia*, by its preference for historical costs and the immediate expensing of R&D expenditure.

These differences directly impact the income statements, balance sheets, and cash flows presented by companies and, thus, key financial metrics. Companies reporting under IFRS often show higher earnings and better ratios, while US GAAP reporting gives a more conservative view of a company's financial position. From an investor's perspective, this can mean either greater transparency on future prospects (IFRS) or more stable and easily comparable data (US GAAP).

Combining the two systems is difficult because of deeper philosophical, political, and cultural differences. IFRS's more European approach, with its emphasis on risk management and market realism, differs from the American reporting culture of stability and detail. Neither system is unequivocally superior, but its usefulness depends on the context, the needs of stakeholders, and the purpose of reporting.

Both aim to provide a fair and reliable picture of the company's financial situation. However, the differences are not only technical but have a profound impact on how companies are assessed and how they make strategic financial decisions. Thus, with globalization, it is increasingly important to understand the origins and implications of both systems, not only in terms of harmonization but also in terms of quality economic interpretation.

In the next chapter, I explain the choice of research method and how the studies' results are analyzed.

4 Research Design

Previous research on the topic revealed that although the internationalization of companies has been extensively studied and the differences in standards have been studied, the actual research does not provide an answer to the question of how the internationalization mode affects the company's financial reporting and here I found a clear research gap. This research has been carried out for a company and the research method has been chosen to ensure that the results are as useful as possible for the company. The purpose of the study is to develop a theory based on the collected data. The limitation of the theory is that it works for this company and in Finland, but may not be fully generalized globally. In this chapter, I review the principles that informed my choice of research method. First, I will review the factors that influenced the choice of method. Secondly, I will describe the principles of my interview process. Thirdly, I will present how the research material was analyzed, and finally, I will discuss the reliability of the study.

4.1 Choice of Research Method

Qualitative research was selected as the method for this case study after consideration because the goal is to increase understanding of how the internationalization mode can affect a company's financial reporting. The research material includes both primary and secondary material. The primary material consists of material collected through semi-structured interviews with five experts who are familiar with Finnish legislation and international standards. The secondary data were compiled from three sources: Finnish legislation, IFRS publications, and KPMG's publication on differences in reporting practices. The data from both sources are analyzed in-depth through thematic analysis.

The company that commissioned the study defined its needs, leading to choosing a case study designed to meet those needs. Even though this cross-sectional study was carried out for one company, in principle, the legislation is the same for all, so the issues found can even partly be generalized to other companies in a similar situation in Finland.

Although Alasuutari (2011) says that the general standard view is that quantitative methods provide more generalizable information than qualitative methods and that the best results are obtained by combining these methods. Because to fill the research gap I wanted more information on both the standards and the internationalization mode, i.e., how the subsidiary and the joint venture will affect it, I decided to choose a qualitative method and expert interviews to support the written material. I think that expert interviews aimed at clarifying and increasing understanding of the interpretation of legislation are quite generalizable in principle.

Eskola and Suoranta (1998) mention that a non-hypothesis is when the researcher has no preconceived assumptions about the results or the research topic. In qualitative research, according to them, learning should take place during the research. Due to the research questions and the aim of the study, no hypotheses were predetermined for this study either. Hypothesizing would not have been feasible in this study, as the study's main objective was to identify issues relevant to a company's financial reporting when several different standards are used within a group company or its joint ventures.

The choice of research method was influenced by a case study for a Finnish company, but the phenomenon under consideration is related to internationalization and its resulting impacts.

The research method used in this study has been critically chosen to ensure the reliability and accuracy of the data. As this is a practical case study, I have chosen a qualitative research method based on semi-structured interviews, secondary data, and a short literature review. A qualitative research approach helps obtain reliable and accurate information on the subject. As Tuomi and Sarajärvi (2018) mention, the advantage of the interview is its flexibility, which allows the interviewer to repeat the question or ask for clarifications, thus reducing the possibility of misunderstandings. Flexibility is also seen as an opportunity to change the questions' order if necessary as the interview progresses. Tuomi and Sarajärvi (2018) recommend sending questions to interviewees in advance,

which helps them prepare for the interview. Despite the benefits of a personal interview, this choice is not perfect because the number of interviewees is limited, which means that the number of responses and the resulting data are also limited.

To find out which factors in the choice of market entry are most likely to lead to successful internationalization for Born Global companies, I chose a literature review as my third source of data. As Director Finkin defines it (Salminen, 2011), a literature review is a method that can be replicated and is conducted systematically and rigorously using ready-published research data. In the analysis of the literature review, I focused on two different options, wholly owned subsidiary or Joint operations, as they are the relevant options for this study.

4.2 Data Collection

4.2.1 Semi-structured interview process

When choosing the research method, it was necessary to consider how best to research to serve the client's needs. Initially, I considered a literature review but abandoned the idea when I realized that finding good, reliable, and usable data was challenging. In addition, the requirements for companies and standards of financial reporting, especially IFRS, are constantly changing. To ensure up-to-date and reliable information, I finally settled on the interview and written material supporting the interviews I mentioned above.

As the standards are extensive and partly open to interpretation, I used interviews with experts as my primary method. Going through the extensive standards and relying only on my interpretation could have led to erroneous results. Therefore, I thought it would be better to interview the experts so that they could open up to me about the meaning of the standards in more detail. For each of the three standards, IFRS, US GAAP, and FAS, I chose the experts to interview separately, depending on which standard they specialized in. I also tried to select experts who also understood the other standards. I also aimed to find interviewees who knew the company in question and were familiar with

its current situation. Thus, the experts I interviewed were mainly from companies familiar with my client company's accounting and financial statements, as well as people who had consulted the company on financial reporting standards and hence also knew the company's starting position. They also each have long experience and expertise in auditing large international companies, which gives the results of the study credibility. However, as it was difficult to find more than one specialist in the third area, US GAAP, within the timeframe of this study, one interviewee suggested that I use the *IFRS compared to US GAAP handbook* published by KPMG as a source of data in addition to the written material to answer the research questions for that area. Therefore, the data for this study includes not only the interviews and standards but also the publication explaining the IFRS and US GAAP.

The time of the interviews was agreed upon with all interviewees in advance, as recommended by Tuomi and Sarajärvi (2018), as this is one of the prerequisites for the success of the interviews. Two interviews were conducted remotely as a Teams meeting, and all other interviewees were met in person. All interviews were recorded from start to finish. Each interview was allocated between two and three hours, and almost without exception, the time allocated was used, so it can be said that the interviews took quite a long time compared to the time it would have taken to ask people to answer, for example, an e-mail questionnaire. However, as Tuomi and Sarajärvi (2028) point out, the response rate to e-mail surveys can be low, and the answers to the questions are sparse, which can lead to the problem that the final data does not provide much information about the phenomenon under study.

In addition to the interviews, the research methodology included the materials, i.e., Finnish, international, and US reporting standards, and mainly those sections dealing with group reporting and joint venture reporting, based on which the interview questions were formulated and which I explored further on the basis of the information and interpretative guidance provided by the experts during the interviews. Additionally to the primary and secondary sources, I included a short literature review in this study in

order to find out how Born Global companies internationalize in the light of research and what factors influence their market entry.

For the interview, I decided on a semi-structured interview, with a different question for each standard, but in a way that they correspond as closely as possible and to get the broadest possible picture of the topic so that answers to the research questions could be formed. Tuomi and Sarajärvi (2018) also call semi-structured interviews thematic interviews, and this describes well my way of formulating the questions on which the interviews were based and how I conducted the interviews.

In principle, everyone had the same questionnaire, but the interviews were slightly different for each interviewee, depending on their answers. The questions concerned consolidated accounts and a company's accounts with joint ventures. The battery of questions started with questions on the definition of a group and the definitions of joint ventures. Secondly, the questions clarified the concept of control in different standards. Thirdly, the interview questions continued with questions on the practical preparation of consolidated financial statements. Fourthly, the interview covered the different group structures and their relevance for financial reporting. The questions were further elaborated, focusing on the differences where the parent company and subsidiaries report under different standards and how these differences are managed in practice. I also sought to identify the problems these differences typically cause and how they could be avoided if they were known beforehand. Fifthly, I focused on individual items in the financial statements, such as depreciation, tax provisions, and internal items and their treatment in the consolidated accounts. I also looked at the practical application of these various elimination entries and their impact on the financial statements. My sixth set of questions also included questions relating to cost, goodwill, and minority interests, as well as the recognition of dividends and group contributions. Towards the end of the interview, we went through further questions relating to the notes to the financial statements and the annual report. Finally, we discussed with each interviewee the importance of the stage at which a subsidiary is set up. Moreover, how equipment acquired

or expertise provided by the parent company is transferred to the new subsidiary to be set up.

The role of the interviewer is important in a semi-structured interview because the interviewer must be able to use follow-up questions correctly and at the right moment without leading the interviewee. Alasuutari (2011) mentions a case where it was discovered during the transcription phase that a follow-up question had not been asked, thus missing valuable information. This is a significant risk in this type of interview, where things can unfold without the interviewer being able to anticipate the issue.

4.2.2 Data Collection of Secondary Data to support the interviews

In addition to the interview data, the study used secondary data. This was justified by the nature of the case study. In this way, the interviews complemented and added interpretation to the secondary data. Secondary data means that it is, as it were, naturally occurring, not created by the researcher (Silverman, 2004). Secondary data includes the Finnish Accounting Act and Regulation, sections of IFRS, and a KPMG publication discussing the differences between IFRS and US GAAP. These data can be considered reliable because they are from official sources and are published by a reliable audit firm. All secondary data is derived from the Internet.

4.2.3 Data Collection of Literature Review for Born Globals Entry Mode Factors

The criteria for research articles for the literature review were: the research article is in English and is available free of charge as an e-resource from the University of Vaasa Library or electronic databases. The content of the research article is limited to the selected context and deals with the effects of Born Global's approach to internationalization. Wholly owned subsidiaries or joint ventures were chosen as the entry modes, as other modes are not relevant for the case study company. In addition, the research article had to be an official source and published as a peer-reviewed article.

179 articles were found using the search criteria, of which 11 appeared to be suitable for this literature review based on their content. These 11 articles were taken for further analysis and read-through. Findings from the articles were highlighted and used to build a synthesis.

4.3 Method of Data Analysis

According to Eskola and Suoranta (1998), the most challenging part of qualitative research is data analysis. They argue that qualitative research lacks clear and well-established working methods. In qualitative research, how data is analyzed is greatly influenced by the type of data being used. In this study, interviews were used to clarify the interpretation of the written data. However, at a fundamental level, the findings from the interview material are treated and analyzed in the same way as any other research material, where findings can be used to formulate rules that apply to the research material (Alasuutari, 2011).

In this study, the starting point for the data analysis was a theory-based analysis, where the data is guided by an earlier theory that needs to be confirmed or tested in a new context (Tuomi & Sarajärvi, 2018). This study's theory is based on standards and what they say, but also the theory of internationalization. The answer to the research question requires an interpretation and summary of the research data and the theory. The data obtained through the interviews are analyzed in relation to the information and its interpretation in relation to what is already known. Alternatively, as Alasuutari (2011) argues, to reduce the findings and solve the riddle, these two things are always linked.

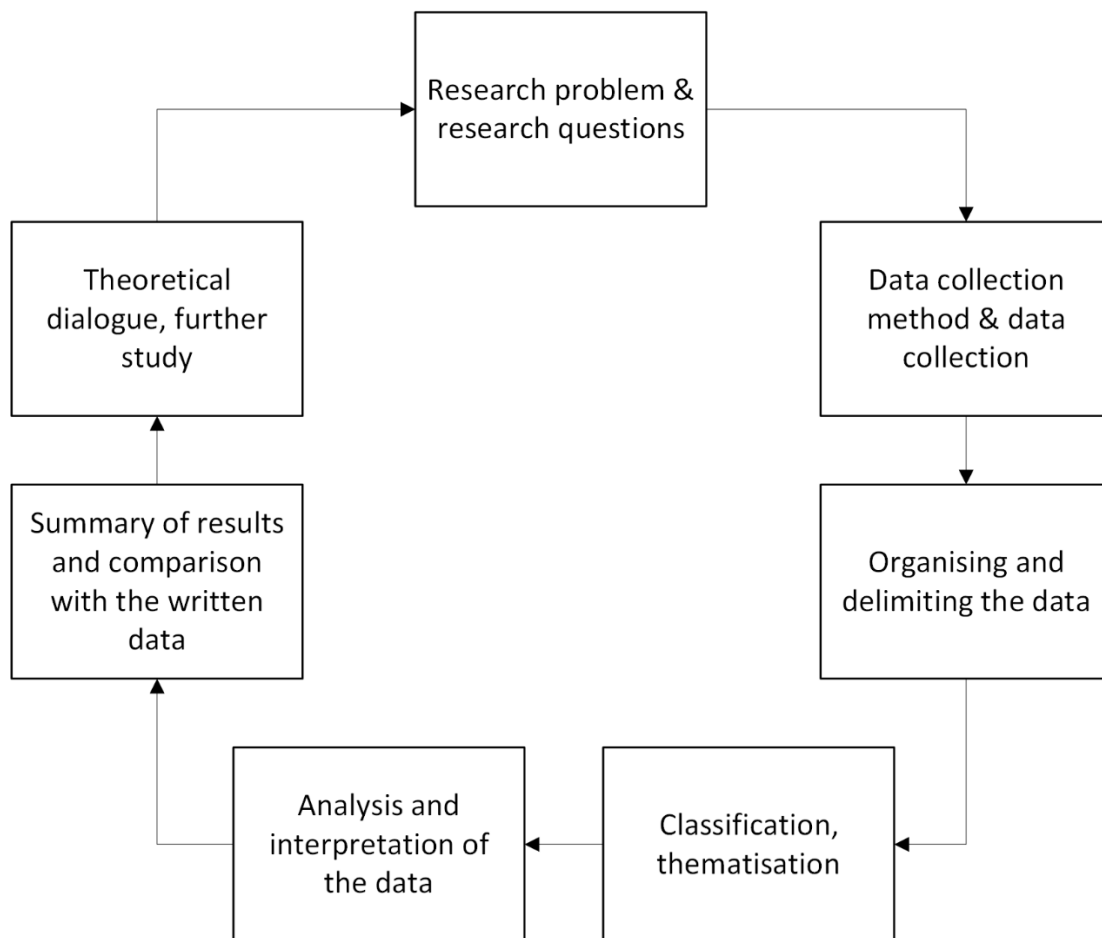


Figure 1. A research process, adapted from Nikander 2010

This study has been conducted roughly according to picture 1, starting with the setting of the research question, continuing with selecting the research method and data collection, data classification and analysis, and finally, the compilation of the results, theoretical dialogue, and identification of further study.

4.3.1 Data analysis

In this study, all interviews were recorded and rawly transcribed using the Word transcription tool; after that, they went through and were written down. Since the interviews were conducted in Finnish, their classification and analysis were also done in Finnish, and the translation was not done until the final writing stage. I try to translate them authentically, but in a way that is understandable.

According to Alasuutari (2011), the data analysis takes into account only those things that are relevant to the framework, even if the subject is examined from several different perspectives. Data analysis was carried out using a thematic methodology. At first, I read through the interviews several times. I used the keywords and concepts in the research questions to classify the data. Next, I classified the material under these headings. Last I went through the data I had classified, grouping the things several interviewees had mentioned but not excluding things only one had mentioned if they seemed relevant to the research. I also used color coding and labeling to help me keep track of who the interviewee was and which standard, FAS, IFRS, and US GAAP, was involved.

I treated each theme separately and examined the responses regarding how similar they were and whether there were any inconsistencies. Based on the responses, I tried to find congruent interpretations to compare the data and find the fundamental differences needed to answer the research question. This is what Alasuutari (2011) calls solving a riddle, i.e., interpreting what is being studied.

In total, I used three different documents to classify and analyze the data. Initially, I had a large document in which I collected all the data under different headings. The second document was more condensed and only collected the essentials that were relevant to the study. The third document was a transcribed version, in which I had written openly the data from the interviews and marked the quotations that were used in the results. Similar answers were combined, but the sentences that were to be quoted were retained. I also examine how the written material answers the questions and whether it supports the information obtained in the interviews.

4.3.2 Analysis of Secondary Data

Qualitative content analysis was used in the analysis of secondary data, in which the data is examined to find answers to the question of why something is happening. In the end, the material was subjected to the same type of thematic analysis as the interviews, giving answers to the same issues and combining it with the same Word file. According to

Mayring (2004), content analysis consists of four methods: summarizing content, forming inductive categories, explicating, and structuring.

4.3.3 Analysis of Literature Review

According to Kallio (2006), a literature review is an independent research method, not just a background survey. Kallio emphasizes that qualitative review research differs from quantitative meta-analysis in that it focuses on the critical examination and synthesis of non-numerical data, such as theories, concepts, findings, and interpretations. The aim is to provide an overview of a particular research topic, identify key lines and theories, reveal potential contradictions and gaps, and assess the current state of research and future challenges.

As said before, a literature review is based on the systematic collection, analysis, and synthesis of data from other studies but cannot be described as a stepwise method with the precision of, for example, a statistical meta-analysis. The literature review data in this study have been processed according to Kallio's principles. It outlines the process of a review study through five main steps: defining the research problem, collecting the data, analyzing the data, synthesizing the data, and finally, constructing the argument (Kallio, 2006). This process is not linear but cyclical, which means that the researcher can return to previous steps as the research progresses, for example, to complete the data or to refine the research problem (Kallio, 2006).

The content of the articles was analyzed using an Excel spreadsheet. Influencing factors were collected from each article in Excel and color-coded. The factors were then grouped by category, and it was examined which factors recurred in the studies and in what ways. Individual factors that appeared only once or twice were completely ignored. For each category, a more detailed analysis of the articles has been carried out and is presented in this paper.

Information was also collected on which theories had been used for each article. These theories were grouped and treated in the same way as the influencing factors to identify the most commonly used theories.

4.4 Reliability of the Study

Regarding the reliability of the study, I believe that the professionalism of the interviewees was high-quality when it comes to IFRS and FAS. Nevertheless, because the interviewer's experience was not strong, it may have affected the outcome of the interviews. I may not have been able to formulate good enough questions, and I may not have been able to ask the right follow-up questions during the interview, which may have had a negative impact on the final quality of the research data. As a research method, I think that written data and interviews that open up the interpretation of the data work well in this type of case study, where the researcher's own expertise in standards and their interpretation is not at an expert level. Even if the data were limited, a purely data-driven study would probably have remained qualitatively weak without expert interviews. In addition, as the issue required a broader examination, which was not answered by interviews or secondary material, a literature review was chosen to complement the research. Therefore, including interviews with the written data and a short literature review was, in my opinion, a justified solution.

In the next chapter, I present the findings and compare them with theoretical knowledge.

5 Findings

In this chapter, I will present the results of the research data analysis. Each heading is basically one of the keywords or concepts I used in my classification. Under these headings, I summarise the findings that emerged from my data and whether the findings are supported by the theory. Since the interviews were conducted in Finnish and this paper is in English, the quotations are not completely direct, and the sentence structures have had to be altered somewhat to get English quotations from spoken Finnish. However, I have tried translating the text as accurately as possible so that what is said remains the same. I also analyzed my chosen research method, how it was suitable for this study, and whether it met my expectations.

5.1 Factors influencing the choice of entry mode for Born Globals

The studies presented in the literature review show that the strategic choice of market entry for Born Global firms, especially between WOS and JVs, is a complex process influenced by several interrelated factors. Key among these are international experience, technological intensity, need for control, resources, networks, and the institutional environment. Although each factor influences decision-making in its own way, the choice is ultimately the result of the dynamics between these factors.

International experience is one of the strongest differentiating factors in the choice of the form of entry. Firms or entrepreneurs with previous experience in international markets are better equipped to choose independent and riskier strategies, such as a wholly owned subsidiary. This experience not only provides knowledge of markets and cultures but also increases decision-making capacity and self-confidence. Conversely, inexperience often steers companies towards collaborative solutions, where the local partner's skills and resources compensate for their own shortcomings.

Technological intensity is another key factor, which is particularly important from the point of view of skills protection. High-tech firms tend to retain control over their

innovation and intangible capital, often leading to a preference for the WOS mode. At the same time, however, technological intensity brings with it rapid environmental change and regulatory complexity, which also emphasises agility of decision-making and strategic autonomy.

The need for control is linked to both experience and the nature of the business. Companies that rely on brand, knowledge, or operational integrity management prefer modes that keep decision-making power in their hands. This often leads to the creation of wholly owned entities, especially in situations where the institutional environment is unstable or challenging. On the other hand, where the nature of the business allows for the sharing of decision-making power and cooperation is seen as strategically beneficial, a JV mode may be a justified choice.

The availability of resources, especially financial and human resources, is a practical but crucial factor. Born Global companies often operate under resource constraints, leading them to use JVs to share risks and costs. On the other hand, experienced serial entrepreneurs or companies with stronger resources can use their accumulated resources to invest directly in their own units abroad.

Networks constitute a kind of invisible resource that can either support a company's independent entry into the market or provide a springboard for cooperation. Close international contacts, such as diaspora networks or former business partners, provide access to markets, reliable information, and cultural support. Such networks can also allow for riskier solutions if they compensate for a company's own lack of resources or experience.

The institutional environment influences choices, in particular through regulatory efficiency and market transparency. Research shows that stable and open markets attract investment and allow for ownership-based autonomous solutions. Conversely, where regulation is complex or local expertise is required to operate in the market, JVs often become a more attractive option.

In summary, Born Global firms' entry strategies are not mechanical choices based on single factors but are contextually constructed as the sum of several intertwining factors. Together, the internal resources, external conditions and strategic objectives of the firm form the basis on which the choice between JV and WOS is built. The selection process is, therefore, both situational and dynamic, and no universal rules can be applied in all situations. However, the literature review does allow us to identify the circumstances in which either mode is most likely to be a justified and successful choice.

5.2 Definition of a group and concept of control

Based on the interviews and written data, a group comprises a parent company and its controlled subsidiaries. The interviewees stated that IFRS defines control through three criteria. First, the parent company must be able to control the significant activities of the subsidiaries. Second, the company must be exposed to the economic benefits and risks of the subsidiary. Third, it can use its control to influence the subsidiary's earnings.

“The parent company is at the top of the group and controls the subsidiaries below it.”

Interviewee 1

Interviewee 3 mentioned that under IFRS standards, a parent company may be exempt from the obligation to prepare consolidated financial statements if it is a subsidiary of another group that already prepares IFRS-compliant consolidated financial statements. The exemption applies if the parent company is not publicly listed, has no plans for a public listing, and the higher-level consolidated financial statements are accessible to all stakeholders. This exemption is particularly relevant in cases where overlapping reporting requirements are to be avoided, as the financial position and performance of the group are already fully presented in the higher-level parent company's financial statements. The purpose of the exemption is to reduce administrative burdens while ensuring that the group's financial information is transparently and comprehensively reported.

However, local regulations may impose additional restrictions on the use of this exemption.

Interviewee 5 said that there are cases where you may be exempted from preparing consolidated accounts. For example, if you are part of a larger group and separate financial statements for a sub-group are not necessary. In that case, the parent company must not be listed.

Interviewee 2 said that control in a company generally refers to who or what is in a position to control or direct the company's activities or decision-making. Control can be based on law, ownership, contracts, or other practical means of influence. The interviews revealed that IFRS 10 emphasizes that ownership alone cannot determine control. Other factors, such as contractual rights, including rights to appoint directors, and potential control, such as options or convertible instruments, must also be considered. Additionally, the assessment must evaluate whether an entity has de facto control, where ownership is less than 50%, but a dispersed ownership structure effectively grants one entity dominant influence.

“Well, the starting point is that if you have more than 50% ownership, then you have control, but it can also come indirectly in other ways.” Interviewee 2

“According to IFRS 10, control of a company means that one entity has the power to control the significant activities of another entity that have a material effect on the financial performance of that entity.” Interviewee 4

As said, the assessment of control is based on three factors in IFRS 10. First, control is assessed by reference to whether an entity has the power to direct the activities of another entity. This power may be based, for example, on ownership, contracts, or other arrangements. It is not just a question of formal ownership but of practical influence over the decision-making process of an undertaking. Secondly, the concept of control is examined from the perspective of economic risks and benefits. The company must be

exposed to the financial risks of the target entity or have the right to benefit from the returns of the target entity, for example, through share value, dividends, or other financial participation. Thirdly, control requires the entity to use its power to obtain an economic benefit. This means that power must be exercised in ways that directly affect the financial performance of the target entity.

“Well, for example, if you have company A, which owns 40% of company B, but the owner of company A owns the remaining 60%, then you have direct control. Alternatively, if we have 10% of the shares, but they are the only voting shares, and the rest are non-voting, then that also creates control. Furthermore, a third example could be that if there is a contractual right to appoint, say, four out of five board members, then there is contractual control.” Interviewee 2

“Then you can have a situation where you own 10%, but in practice, the parent company buys all the products of the other company. The argument is that if the parent company stops buying their products, the other company would no longer have any business opportunities. So then this situation could give rise to control.” Interviewee 3

As a company becomes more international and expands its activities, it may also become a subgroup. Three interviewees explained how IFRS interprets a subgroup this way: IFRS standards do not define a sub-group as a separate concept but address its reporting as part of the consolidated financial statements. Interviewee 2 states that a sub-group arises when a subsidiary owned by a parent company acts as a parent entity to its own subsidiaries.

According to interviewee 3, under IFRS 10, all subsidiaries, including those within a subgroup, are consolidated into the financial statements of the ultimate parent company. This means the sub-group is treated as an integral part of the larger group, with its assets, liabilities, income, and expenses fully incorporated alongside those of other subsidiaries.

“A sub-group is a structure where a subsidiary owned by a parent company acts as a parent company to its own subsidiaries.” Interviewee 1

“Control is a key factor in the inclusion of a subgroup in the consolidated financial statements. The parent company of the group must have control over the ultimate parent company of the sub-group, which means the right to direct its significant activities and the right to benefit financially from its activities.” Interviewee 5

“In the consolidation process, the sub-group is treated as part of the wider group, with all intra-group transactions, such as sales and receivables, eliminated so that the consolidated financial statements reflect only external transactions. A special feature of subgroup reporting is that its data are not presented as a separate part of the consolidated financial statements but are merged into the figures for the group as a whole. This requires care to avoid double counting and correctly integrate the sub-group data.” Interviewee 2

Several interviewees found that the parent company of a subgroup may be required to prepare its consolidated financial statements in accordance with local law or regulation, but this does not affect the financial statements prepared by the parent company of the group as a whole. From a group perspective, the subgroup parent and its subsidiaries are part of the same economic entity. Interviewees mentioned that where the subgroup has minority shareholders, their interests are taken into account at the level of the group as a whole and are presented as separate items in the consolidated financial statements within group equity.

“The entire subgroup must be integrated into the consolidated financial statements. Internal transactions within the subgroup must be eliminated before consolidation. The subgroup may have its legislation to which it adheres, but the parent company of the subgroup must prepare its financial statements following IFRS 10 if the ultimate parent company does so.” Interviewee 3

Three interviewees pointed out that when control is established, IFRS 10 requires that the entity be included in the consolidated financial statements. This involves combining the assets, liabilities, income, and expenses of the controlled entity into the group's financial statements. If control is not present, the investment in the entity is accounted for either as an associate under IAS 28 or as a financial asset under IFRS 9. The assessment of control under IFRS 10 ensures that consolidated financial statements provide a fair and comprehensive representation of the group's financial position and performance.

"It is important to give an adequate and accurate picture of the group. If, for example, the definition of a group under IFRS 10 has been deliberately misinterpreted to include a subsidiary that embellishes the picture but in which the group does not have control, or if a rotten apple has been deliberately omitted, then there has been misleading conduct. The elements of a criminal offense may be present." Interviewee 2

"So the percentages are sort of indicative. Under IFRS, you always have to assess your control before you prepare consolidated financial statements." Interviewee 4

All interviewees did not think that a reassessment of control should be carried out regularly, but only in cases where something changes.

According to two interviewees, the definition of a group under US GAAP and IFRS exhibits significant differences, stemming from their distinct approaches to the concept of control. Both frameworks base group formation on the parent company's control over another entity, but the detailed definitions and applications of control diverge. Under US GAAP, group formation primarily centers on majority ownership, where the parent company controls more than 50% of the voting rights in a subsidiary. However, this concept extends to specific cases such as Variable Interest Entities (VIEs), where control is assessed not solely on ownership but also on economic influence. The VIE framework is a unique feature of US GAAP, focusing on the parent company's ability to benefit from the

entity's activities or its obligation to absorb losses. This makes US GAAP particularly precise and rule-based in defining group boundaries, but it may exclude certain entities from the group if they do not meet the VIE criteria.

“Right, VIE can be quite a complicated arrangement. Its basic purpose is to identify control, but it works in a slightly different way to IFRS, focusing more specifically on financial influence and liabilities.” Interviewee 5

According to the written material, if such a VIE is merged into a group, it is merged into the entity that receives most of its economic benefit.

According to two interviewees, IFRS 11 Joint Arrangements, defines joint arrangements as financial arrangements where two or more parties have joint control. Joint control means that the parties share collective power to direct the significant activities of the arrangement, and decisions require unanimous consent. IFRS 11 requires companies to assess the structure and content of joint arrangements to determine whether they are Joint Ventures (JV) or Joint Operations (JO). This determination directly affects how the arrangement is recorded in the parties' financial statements. JO's are accounted for by reference to the assets and liabilities of the parties. JV's are accounted for using the equity method. The standard ensures that joint arrangements are reported in accordance with their economic reality. This approach ensures that the financial statements accurately reflect the financial impact of the arrangement.

“Under IFRS 11, a joint operation is an arrangement where the parties have rights to the assets and obligations for the liabilities of the arrangement. The parties recognize their share of the assets, liabilities, revenues, and expenses of the joint operation in their financial statements. On the other hand, a joint venture is an arrangement where the parties have rights only to the net assets of the arrangement, not to the individual assets or liabilities.” Interviewee 3

“In IFRS, the key distinction between joint operations and joint ventures lies in whether the parties have rights and obligations to the individual assets and liabilities of the arrangement, or whether their rights are limited to the net assets of the arrangement.”

Interviewee 4

Based on two interviewees, IFRS 11 requires JVs to be accounted for using the equity method defined in IAS 28. This approach replaces the previously used proportionate consolidation method. Under the equity method, an investment in a JV is initially recognized at cost. The carrying amount of the investment is then adjusted to reflect the venturer's proportionate share of the profit or loss, comprehensive income, and other changes in JV equity.

Interviewee 4 was told that dividends or other distributions from the JV reduce the carrying amount of the investment. If the venturer's share of the JV's losses exceeds the carrying amount of its investment, no further losses are recognized unless the venturer has incurred additional obligations.

“IFRS 11 and IAS 28 also require extensive notes about joint ventures. For example, the parties shall describe the nature and extent of the arrangement, provide financial information about the joint venture, such as the amount of assets, liabilities, and profit or loss, and disclose information about the risks and uncertainties associated with the arrangement.” Interviewee 4

According to interviewee 2, Finnish legislation, in principle, defines more ways of joint ventures or joint operations than IFRS, but in principle, they are easy to categorize under IFRS, and the treatment does not differ significantly between FAS and IFRS.

“In practice, joint ventures are strategic forms of cooperation used by companies to share resources, risks, and benefits, for example, in new markets or large projects.” Interviewee 2

Based on the written data, US GAAP and IFRS handle joint ventures differently, particularly in methodology and terminology. As said, IFRS distinguishes between two types of joint arrangements: joint operations and joint ventures. US GAAP does not make this distinction; instead, all joint arrangements where parties share net assets are treated as joint ventures and accounted for using the equity method.

The proportional consolidation method is prohibited under US GAAP and is no longer permitted for joint ventures under IFRS. If an investor has control over the joint venture, IFRS requires complete consolidation under IFRS 10, whereas US GAAP determines control based on the Voting Interest Model or the Variable Interest Entity (VIE) analysis.

In short, IFRS offers more flexibility through the joint operations model, while US GAAP applies a uniform equity method approach to joint ventures.

The definitions of group and control in IFRS standards are based on how effective influence is exercised between companies. A group consists of a parent and its controlled subsidiaries. Control is not based solely on ownership but on whether an entity has the power to direct the financially significant activities of another entity, whether it is exposed to the risks and rewards of those entities, and whether it uses that power to obtain economic benefits. Control may be manifested not only through ownership but also through contracts, voting arrangements, or the actual exercise of power, for example, in situations where dispersed ownership gives one party a de facto dominant position.

Under IFRS, a parent company may, in certain cases, be exempted from the obligation to prepare consolidated financial statements if it is itself part of another group that already prepares consolidated financial statements in accordance with IFRS. This exemption may apply in particular in situations where the company is not listed and has no intention to seek public trading, provided that a higher level of financial information is available to stakeholders. Although IFRS does not define a sub-group as a separate concept, such a structure arises when a subsidiary has its own subsidiaries. In these situations, all sub-

group entities are consolidated in the company's financial statements in the same way as other group entities, and their information is integrated into the results and financial position of the group as a whole.

IFRS 10 emphasizes that the assessment of control is not a continuous process but should only be repeated in situations where a material change occurs. US GAAP differs significantly in its approach. It relies mainly on majority ownership and applies, in particular, the variable interest entity model in situations where formal ownership alone is not sufficient to demonstrate control. The IFRS approach is more flexible and based more on economic reality.

For joint arrangements, IFRS 11 divides arrangements into joint operations and joint ventures depending on whether the parties have rights to individual assets and liabilities or only to the net assets of the arrangement. This distinction has a direct impact on how the arrangement is accounted for in the financial statements. Joint operations are accounted for using the proportionate share of assets and liabilities method, whereas joint ventures are accounted for using the equity method in accordance with IAS 28. US GAAP does not make this distinction but treats all joint arrangements as joint ventures and applies the equity method consistently. The IFRS approach allows for a more accurate presentation of the economic effects despite the different structures of the arrangements.

This leads to the conclusion that the definition of group and control under IFRS is based on who effectively controls and benefits from the activities of the company. Control is not limited to ownership but may also be based on contracts, management rights, or practical influence. The preparation of consolidated accounts is compulsory where control exists, but in certain situations, such as as part of another group, this obligation may be waived. Sub-groups are not treated as separate entities in IFRS but are combined with the parent group financial statements as a whole. This requires that transactions within the sub-group are eliminated and that the information is presented consistently as part

of the consolidated figures. The IFRS approach to control emphasizes situational judgment and practical influence, whereas US GAAP emphasizes a rules-based approach and a majority ownership or economic risk model. For joint arrangements, IFRS distinguishes between joint operations and joint ventures according to whether the rights and obligations relate to individual assets or only to net assets. This has a significant impact on how the arrangements are presented in the financial statements. IFRS allows for a more accurate presentation of economic reality than US GAAP, which applies a single equity method to all joint arrangements.

5.3 Preparation of consolidated financial statements

The preparation of consolidated financial statements is the process by which a parent company combines its financial information and that of its subsidiaries into a single set of financial information that reflects the financial position and performance of the group as a single financial entity. This involves combining subsidiaries' assets, liabilities, income, and expenses with those of the parent company and eliminating intra-group transactions such as intercompany transactions, receivables, payables, and dividends. In addition, minority interests in subsidiaries not wholly owned by the group are considered in the consolidated accounts. The objective of this process is to ensure that the financial statements give a transparent and fair view of the financial position and performance of the group as a whole. In the following section, I will go through the various elements of the financial statements that arose during the interviews.

5.3.1 Intragroup items

Several interviewees believe that all relevant internal items should be eliminated under IFRS and that the principle of materiality should be applied in preparing financial statements.

"For example, do not make amortization below 100,000 euros but take them directly to the profit and loss account. Alternatively, you do not include fixed assets, such as

machinery worth less than 10,000 euros. These can sometimes cause problems for tax purposes, but the most important thing is that the accounts give a true and fair view of the company. That it has been prepared based on materiality." Interviewee 5

"Many times, the stock-related things are those internal items. Unit A sells something to unit B for a profit and stays in its inventory. Then it is in the group, but it should be there at the cost price. So the margin component has to be eliminated from the inventory, which is then removed when sold." Interviewee 1

The interview showed that there is little or no difference between the standards in the treatment of intragroup items. The differences found are summarized in Table 2.

Table 2. Differences in the elimination of intercompany transactions under IFRS and US GAAP

Intragroup Item	US GAAP	IFRS
Sales and purchases	Eliminated	Eliminated
Receivables and payables	Eliminated	Eliminated
Dividends	Eliminated	Eliminated
Unrealized profit in inventory	Eliminated, particularly for group ownership in associates	Same principle, but IFRS explicitly emphasizes ownership-based elimination
Transfer of fixed assets	Unrealized gain is eliminated, and depreciation adjustments can be more flexible	The same principle, but IFRS strictly requires depreciation adjustments
Goodwill and impairment	Not strictly allocated to CGUs	Allocated to CGUs, tested accordingly

5.3.1.1 Depreciations

Several interviewees stated that there are differences between IFRS and US GAAP in the treatment of depreciation, affecting how the reduction in the value of assets is recorded

in financial statements. Under IFRS, depreciation is based on the expected consumption of the asset's economic benefits, with the useful life and residual value reviewed regularly, at least annually. The depreciation method must reflect the asset's usage pattern and changes in estimates must be applied prospectively to affect future periods. US GAAP, on the other hand, allows more flexibility in choosing a depreciation method and does not require as frequent reviews of the useful life or residual value. Under US GAAP, revaluation is not allowed and all assets are valued at historical cost.

"In IFRS, if the residual value of the asset exceeds the balance sheet value, depreciation is no longer recorded. US GAAP is less strict on this question." Interviewee 5

The interviewees agreed that depreciation should be applied similarly and consistently in every group unit.

"Depreciation should be harmonized within the group. If there are different depreciation periods within the group, then one should be chosen for the group. Otherwise, if they cannot be harmonized, then they should be adjusted. But the best option is for the group to have only one method used in each entity." Interviewee 1

Interviewee 2 mentioned that under FAS, an accrued difference between actual and scheduled depreciation and amortization can be recognized. However, IFRS does not recognize it and must be adjusted in the consolidated financial statements when operating under IFRS.

"The depreciation difference means more depreciation has been charged in tax than accounting. This is not allowed to be presented in the consolidated accounts under IFRS. It must be eliminated in equity and at the tax rate in the deferred tax liability." Interviewee

"The depreciation charge is eliminated to deferred tax and equity so that there is no longer any accounting or tax effect." Interviewee 4

The interviewees echoed the view that internal sales are eliminated and removed from the balance sheet, and fixed assets should be depreciated at the same time as they are transferred. A problem with depreciation can arise if fixed assets are sold at a value other than their book value.

"Depreciation on internal sales is like a transfer from one pocket to another. They are eliminated so that it moves off the balance sheet and is immediately depreciated." Interviewee 2

"Well, that must be a big problem if you buy fixed assets at a different value than the balance sheet value, then you have to record depreciation on a larger amount, then you have to have many notional modules with different values and depreciation periods, so you keep a trail of what the original cost and depreciation was and how it has changed. I don't know why you want to sell above the book value. Sometimes, there may be an old machine that has a higher fair value and then needs to be sold at fair value for tax purposes. But if you use the book value for the sale, it's easier all around." Interviewee 5

"Well, I guess the general idea in the group is that, in a way, the wholesale has not taken place, so it is just eliminated as an internal item, and depreciation continues as planned." Interviewee 1

Overall, IFRS emphasizes a realistic and flexible assessment of economic benefits, while US GAAP is more conservative and favors simplicity and straightforwardness. This difference is why companies reporting under both standards often must make separate adjustments and modifications. Based on the interviewees' responses, IFRS is the strictest regarding depreciation treatment. In principle, operating under IFRS rules seems to be

very close to what is allowed under US GAAP, except for the revaluation model, which is not allowed under US GAAP. US GAAP is also stricter about the provisions that are not allowed.

The following Table 3 summarizes the comparison between IFRS, US GAAP and FAS.

Table 3. Handling of depreciation - IFRS, US GAAP, FAS

Criteria	IFRS	US GAAP	FAS
Depreciation method	Depreciation is based on the expected consumption of economic benefits and is reviewed annually.	More flexibility in choosing a depreciation method; regular review is not required.	The depreciation method is usually straight-line, but a different justified method can be chosen.
Residual Value Assessment	Assessed regularly; if it exceeds the carrying amount, depreciation is stopped.	Considered but does not require regular reassessment.	Residual value is generally not assessed annually but is determined at acquisition.
Component Approach	Requires a component approach where significant parts are depreciated separately.	Does not require a component approach but allows its use.	Does not require a component approach but can be implemented.
Revaluation Model	Allows revaluation and the use of fair value as the basis for depreciation.	Does not allow revaluation; assets are recorded at historical cost.	Does not allow revaluation; assets are recorded at acquisition cost.
Impairment Treatment	Requires annual testing if there are indications of impairment.	It uses a two-step process: first, recoverability is assessed, and then impairment is recorded if necessary.	Impairment is recognized if the carrying amount exceeds the probable future income.
Provisions for Maintenance and Repairs	Allows provisions if they are justified.	Does not allow provisions; expenses are recognized only when incurred.	Provisions can be made under certain conditions, such as major maintenance costs.

5.3.1.2 Intragroup dividends

According to all interviewees, intragroup dividends from subsidiaries are eliminated one-to-one. They are not reflected in the final consolidated accounts in any way as they are part of the internal eliminable items. No differences were found in the treatment of internal dividends between the different standards.

"They are sort of returned to equity. They are also like assets transferred from one pocket to another." Interviewee 2

5.3.1.3 Group contribution

Almost all interviewees mentioned that the group contribution is also not included in the consolidated accounts, it is fully eliminated. Interviewee 3 states that under IFRS, group contributions are fully eliminated in consolidated financial statements because they are treated as internal transactions with no impact on the external financial position or performance of the group. They are viewed as intra-group transfers that do not affect the overall economic reality of the group. According to interviewee 1, it can only be granted between Finnish companies and is defined by the law on group support.

"In practice, it is between wholly owned subsidiaries and always goes one-to-one. And eliminated in the financial statements." Interviewee 2

"IFRS does not recognize the concept of group contribution as defined in FAS. IFRS typically interprets this as equity transactions if the group contribution is considered a financial arrangement between owners rather than a business-driven transfer of income. Or it may be a tax arrangement treated as income tax." Interviewee 4

According to two interviewees, US GAAP does not recognize the concept of a group contribution either.

“In FAS, a group contribution is specifically a tax-driven arrangement, but there is no equivalent concept in US GAAP. US GAAP emphasizes the preparation of financial statements that reflect the economic reality of the business without specific tax arrangements. This difference may require interpretation and adjustments of accounting practices if a Finnish group switches to US GAAP reporting.” Interviewee 5

According to several interviewees, it is advisable to exclude group support as it exists in FAS and make other types of arrangements that are acceptable under both IFRS and US GAAP.

5.3.2 Non-controlling Interest

The interviews revealed that under US GAAP and IFRS, there are notable differences in the treatment of non-controlling interests (NCI), particularly regarding their measurement, presentation, and handling of ownership changes. Under US GAAP, NCI is always measured at fair value at the acquisition date in a business combination. This means the entire goodwill, including the portion attributable to the NCI, is recognized in the parent company's financial statements. In contrast, IFRS provides flexibility by allowing NCI to be measured at fair value or based on the proportionate share of the subsidiary's net assets. This choice under IFRS can result in significant differences in the balance sheet and the structure of consolidated financial statements compared to US GAAP.

According to interviewee 5, regarding financial statement presentation, both frameworks classify NCI as a separate equity component. However, IFRS permits NCI to be presented as part of the same subgroup as the parent company's equity, as long as it is clearly distinguished. In contrast, US GAAP requires it to be shown as a separate line item. On the income statement, US GAAP and IFRS present the NCI's share of the subsidiary's net income on a distinct line. Regarding comprehensive income, both standards require the clear presentation of items attributable to NCI, though IFRS emphasizes detailed disclosure of these items in the notes to the financial statements.

"If there is a subsidiary that is not 100% owned, but for example 60%. It is stated that there is control and the subsidiary is consolidated, but the noncontrolling interest of 40% is recorded against equity." Interviewee 3

"The noncontrolling interest is entered on one line between equity and liabilities in the balance sheet and on one line also in the profit and loss account." Interviewee 4

"And specifically in proportion to the shares. You also have to remember to do eliminations for noncontrolling interest, so it can be quite complicated. 100% ownership is easy." Interviewee 5

Several interviewees stated that the nature of associates and joint ventures is different from an accounting point of view because it's kind of like an investment. In relation to them, a company should be able to ensure that its reporting is one-to-one with the standard used by the group. This can sometimes be a challenge. And if the reporting is not aligned, you should be able to show those differences. According to interviewee 3, IFRS 11 requires detailed notes on joint ventures, where all material items are specified and combined into a single line in the financial statements.

"Typically, information on associates is presented on a single line in the income statement and balance sheet. They are then presented in their notes on the accounts. The disclosure requirement is quite specific in IFRS 11." Interviewee 3

Associates and joint ventures can also be treated as investments if there is no significant influence or the ownership interest is small.

"IAS 28 then defines investments in associates as if the entity has less than 20% of the voting control of the investee, then the entity does not have significant influence and can be disregarded in the notes. Then it is effectively treated as an investment." Interviewee 4

5.3.3 Language

Without exception, interviewees say that in Finland, financial statements must be prepared in Finnish or Swedish. Then, they can be translated, for example, into English. Some interviewees saw translation as a challenge.

"If you are a Finnish company with foreign owners, sometimes you see that they do it in Finnish and then do an informal translation into English. Sometimes they can be in both Finnish and cursive English in the same document." Interviewee 2

"The big companies all do it in English as well." Interviewee 3

"You have to choose a master language to avoid misunderstandings. Some big companies do English first and only then translate it into Finnish. It's quite technical and precise to use the right terms. If you do local first, it can be challenging to translate." Interviewee 3

"If there are foreign financiers who want to see the financial statements, but few of them understand Finnish." "So I was thinking about the terminology, that it's probably not worth translating it with Google when it can be a challenge for some professional translators that terminology." Interviewee 1

5.3.4 Currency difference

The currency difference is treated in the consolidated financial statements by valuing the balance sheet at the closing rate and the profit and loss account at the average rate. According to the interviewees, there is no difference in whether the company is a subsidiary or a joint venture, as exchange rate differences are treated in the same way in both cases. There are almost all differences in treatment between the different standards.

"That is, of course, the profit and loss account at the average rate and the balance sheet at the closing rate. But then those equity items should remain the same throughout, so then the exchange rate at the time of the transaction is important." Interviewee 4

"In the best case, the consolidation system handles the conversion differences automatically. If the group is made in the group currency and the subsidiary is converted into the group currency, there is no effect on the profit and loss account, but it goes to the translation differences in equity." Interviewee 3

"The exchange difference is treated as at the date of acquisition. It is converted at the time of acquisition, and this value is carried forward throughout the period." Interviewee 1

"In large groups, this is often done through the reporting system because otherwise it can easily become quite complicated." Interviewee 4

"Subsidiaries may also have other items that go to the profit and loss statement, such as assets and liabilities, so there may be a currency effect, which then goes to the income side as translation differences. However, these translation differences do not have their account in the IFRS profit and loss account, but go to the account to which they are allocated." Interviewee 4

5.3.5 Goodwill and Badwill

Goodwill only arises when a company is acquired and integrated into a group. According to the interviewees, no goodwill is ever created by a new company being created. Goodwill arises when more has been paid for the company than its balance sheet value. Badwill is the reverse of this phenomenon.

According to the interviewees, the principles for their creation are the same, but the treatment differs between standards. The Finnish standard allows goodwill to be

depreciated, but IFRS and US GAAP do not; instead, impairment testing is used. There is a difference in the testing method between IFRS and US GAAP.

"In IFRS, goodwill is not amortized but tested and then badwill can also arise if less than fair value has been paid. In principle it shouldn't build up and if it does, it should be tested and if it does, it should be recognized as a gain at the time the acquisition takes place." Interviewee 3

5.3.6 Acquisition cost

According to interviewees, IFRS standards address the concept of purchase consideration primarily in IFRS 3 Business Combinations, which sets out how business combinations should be accounted for. Purchase consideration refers to the assets, liabilities, and equity instruments transferred by the acquirer to gain control of the business being acquired. Under IFRS, the determination and recognition of the purchase consideration follow specific principles. Certain costs are excluded from the purchase consideration. IFRS standards also require that contingent consideration be remeasured in subsequent financial periods if its value changes after the acquisition. Under US GAAP, write-downs are made when there is evidence of permanent impairment. US GAAP uses the historical cost concept, which is when the cost is recognized at the time of acquisition and fixed assets are depreciated according to plan.

Interviewee 4 said that the purchase consideration includes all forms of compensation provided in a business combination, such as cash payments, transferred assets, equity instruments issued by the acquirer, and contingent consideration, such as performance-based payments to be made in the future.

"Well, there may also be such contingent consideration if you have acquired the company's management for a year to work, so it can be added to the purchase price under IFRS." Interviewee 4

“In IFRS, all consideration is valued at fair value at the time of acquisition. This means that the purchase consideration reflects the market value of the resources transferred at the time of the transaction, not merely the contract price of the business combination.”

Interviewee 3

“If the value changes, then they are recognized either in profit or loss or in other comprehensive income, depending on the nature of the changes.” Interviewee 5

In summary, under IFRS, the purchase consideration is the total compensation, measured at fair value, provided by the acquirer to obtain control of the business being acquired. In principle, US GAAP and IFRS are very close to each other in terms of the acquisition cost. US GAAP is slightly more conservative and emphasizes permanent impairments, but like IFRS, it does not require constant revaluation. These differences are not so great as to have a major impact on a company's financial statements regardless of which standard the company follows.

5.3.7 Accelerated Depreciation

Accelerated depreciation is a term used in Finnish accounting legislation to refer to a type of temporary accounting difference that arises when the depreciation used in a company's accounts differs from the depreciation allowed for tax purposes. In practice, this means that a company may apply different levels of depreciation to balance the result in different accounting periods. Accelerated depreciation is, therefore, used for tax and profit management purposes.

Under US GAAP and IFRS, depreciation for accounting and tax purposes is treated separately. Any differences between these are reflected in the financial statements as deferred tax liabilities or deferred tax assets. Under FAS, the accelerated depreciation can serve as a temporary difference between accounting and taxation and can be reversed later, whereas under US GAAP or IFRS, no such interim accounting arrangements are used. US GAAP uses deferred taxes to describe the difference between accounting and

tax depreciation, which allows the differences to be accounted for in the financial statements, but they are not recorded directly as in FAS.

Interviewee 5 said accelerated depreciation, which gives rise to a deferred tax liability, is only in the FAS. IFRS and US GAAP do not recognize this concept.

“International accounting standards, such as IFRS, do not use the concept of accelerated depreciation, as these standards require that depreciation in the accounts should reflect estimates of useful economic life without special tax provisions.” Interviewee 3

“In Finland, the accelerated depreciation is used to balance the company's results, but as I understand, this is not allowed under US GAAP or IFRS.” Interviewee 2

“IFRS simply does not allow the use of accelerated depreciation like FAS. International companies should forget about that concept and go for the big standards.” Interviewee 4

The interviewees believed that IFRS and US GAAP work roughly the same way when it comes to accelerated depreciation. They do not accept the use of it because they do not allow tax specificities to affect the content of financial statements.

5.3.8 Cash flow statement

Based on the interviews, the cash flow statements and their requirements differed somewhat between different standards. Under FAS, a group must prepare a cash flow statement as part of its financial statements if it meets at least two of the following criteria: turnover exceeds €40 million, balance sheet total exceeds €20 million, or the average number of employees exceeds 250. Small groups that do not exceed at least two of these thresholds are not required to prepare a cash flow statement, and micro-entities and micro-groups are fully exempt. However, many companies choose to prepare a cash flow statement voluntarily to provide valuable financial insights for investors and

creditors. Under IFRS, a cash flow statement is a mandatory part of financial statements for all entities reporting under these standards. The statement categorizes cash flows into operating, investing, and financing activities, providing a comprehensive view of a company's liquidity and financial performance. While SMEs may apply IFRS for SMEs with simplified reporting requirements, the cash flow statement remains a required component. Unlike FAS, IFRS does not provide exemptions from this requirement.

Based on written material under US GAAP, a cash flow statement is a mandatory part of financial statements for all entities reporting under these standards. The statement categorizes cash flows like others into operating, investing, and financing activities, providing insight into a company's liquidity and financial position. A key difference from IFRS is the classification of interest and dividends: US GAAP requires interest paid and received to be included in operating activities, dividends received in operating activities, and dividends paid in financing activities. Direct and indirect methods are permitted, though indirect methods are more commonly used for operating cash flows. Like IFRS, US GAAP does not exempt small or private companies from preparing a cash flow statement.

"In FAS, a cash flow statement is mandatory for large companies when two of the three conditions are met." "It has its difficulties because it is not accrual-based. You have to do eliminations, and there have to be a lot of auxiliary calculations. There can be differences in treatment between the parent and the subsidiary and you just have to decide how to treat them." Interviewee 2

"FAS has its own criteria, but if you think about IFRS, you must always include a cash flow statement in the consolidated financial statements. It is kind of a separate annex." "It is done for the financial year and the reference year, but sometimes there may be some legal requirements. Like in the US, three years is required." Interviewee 3

"IFRS gives just this seven and IFRS 1 is also very clear about what elements of cash flow should be included." Interviewee 4

5.3.9 Summary of preparation of consolidated financial statements

Based on the data and the interviews, preparing consolidated accounts under different accounting standards turns out to be a complex process that highlights both the technical details and the philosophies behind the standards.

Preparing consolidated financial statements means combining the financial information of the parent company and its subsidiaries into a single set that reflects the financial position and performance of the Group as a whole. A key part of this process is eliminating internal items such as sales, liabilities, dividends, and minority interests. Based on the interviews, the IFRS standard emphasizes materiality and a realistic picture, while US GAAP relies on simplicity and historical cost.

Internal transactions are depreciated under both standards, but differences are evident in areas such as the valuation of inventories and fixed assets and the treatment of depreciation. IFRS requires a more accurate estimate of economic benefits and regular reviews, while US GAAP allows for more flexible methods and does not require an annual review. IFRS does not allow for tax differences, such as differences between budgeted and actual depreciation, to be disclosed, unlike Finnish FAS. Also, intra-group dividends and group contributions are fully eliminated from the financial statements, and no significant differences between the standards were found in their treatment, although FAS allows group contributions, which are not recognized by IFRS and US GAAP.

Interviews showed that, regardless of the standard applied, internal sales, receivables, payables, and dividends are eliminated from the financial statements. However, the differences between standards relate to the level of detail in which these write-offs are made and the weight given to the valuation of, for example, inventory or fixed assets. The more stringent approach of IFRS is reflected, for example, in the revaluation of fixed assets and the need to link depreciation methods to the actual use of the asset. US GAAP

allows more flexibility and FAS allows for accelerated depreciation, which is not allowed by international standards.

The differences in the treatment of minority interests relate to measurement and presentation: US GAAP requires measurement at fair value, while IFRS allows for the alternative of a proportionate share of net equity. IFRS allows more flexibility in presentation, but both standards require clear reporting. Joint ventures and associates are mainly treated as investments unless there is a significant influence.

A dividing line is created between the standards in the processing of group contributions and internal dividends. International standards do not recognize the group contribution at all but consider it to be an arrangement between the owners or possibly a tax-related event. FAS, on the other hand, allows this practice on the basis of legislation. This shows how strongly national legislation can influence accounting practices and create exceptions that cannot be directly transferred to international frameworks.

On the language issue, Finnish financial statements are formally prepared in Finnish or Swedish, but are often translated into English for foreign stakeholders. The language issue emerged as a practical challenge in interviews, especially in internationally operating companies. In large companies, English often serves as the primary language, which can facilitate international communication but at the same time impose requirements on the accuracy of translations.

Currency translation is done at the average rate in the profit and loss account and at the closing rate in the balance sheet. Translation differences are recorded in equity and do not appear in the profit and loss account.

Goodwill arises on acquisition when the purchase price exceeds the acquired company's net assets. IFRS and US GAAP do not allow its amortization but require regular impairment testing. FAS allows the amortization of goodwill. Under IFRS, the acquisition cost is

measured at fair value, including contingent consideration. US GAAP emphasizes permanent impairment and does not require continuous reassessment.

Accelerated depreciation is only allowed under FAS and is intended to balance the result. IFRS and US GAAP do not recognize this concept but require depreciation to reflect the actual useful life of the asset.

As regards the cash flow statement, IFRS and US GAAP require all companies to prepare it. FAS allows exceptions for small companies. Differences also arise, for example, in the classification of interest and dividends as cash flows.

Ultimately, although many practices are similar between different standards, especially between IFRS and US GAAP, the differences in the thinking behind them affect how things are implemented in practice. FAS brings in local special features that must be taken into account when a Finnish company moves to international reporting. Thus, preparing consolidated financial statements in an international context requires both technical expertise and an understanding of the basic philosophy of different norms.

5.4 Impact of the Internationalization Mode

I discussed with several interviewees the ways in which internationalization to the US could take place and the challenges it raises. Many felt that it was worth setting up a subsidiary. The parent company may prefer to support the new subsidiary's entry into operation with financing or guarantees rather than acquiring goods that will later be transferred to the subsidiary's balance sheet. This transfer was seen as causing several problems and risking additional costs.

The parent company can also provide the subsidiary with expert assistance, for example, when purchasing equipment. It may be possible for such activities to be capitalized in the parent company, but interviewees said that this should be done with care.

“In many cases, it is driven by non-accounting issues. Local laws and traditions, for example.” Interviewee 3

“There may also always be a risk and some companies encapsulate that risk, so to speak, in that subsidiary, which can be closed down if there's a big problem. And then the parent company remains safe.” Interviewee 2

“Then, of course, there is the option of having the parent company provide expert advice to the subsidiary, which is considered a development, so it can always be capitalized.” Interviewee 4

According to interviewee 3, if a JV is chosen instead of a subsidiary, it may lead to more challenges from an accounting point of view because it involves working with another party or parties, and it may be difficult to enforce one's own requirements. As a rule, the interviewees felt that the subsidiary was clearer than the JV, although it required a consolidated statement because there was always more than one party with the JV, which invariably made managing things more challenging when reporting according to different standards.

At the end of the interviews, consideration was given to the implementation of internationalization in the United States and the related challenges from a business perspective. The interviewees stressed that setting up a subsidiary is often perceived as a more sensible option than setting up a JV. The subsidiary enables clearer management and risk differentiation from the parent company it can be closed if necessary without the parent company being held more responsible. Financing, guarantees, and the provision of expert assistance were seen as useful forms of support for the subsidiary, but these also involved accounting and local legal provisions. The JV was perceived to pose more accounting challenges due to the multiple parties involved and the difficulty of reconciling different reporting standards. The common view was that the subsidiary mode is often

clearer and more manageable, although it requires the preparation of consolidated financial statements.

5.5 Reflection

My literature review provides a structured and comprehensive overview of the factors influencing the market entry patterns of Born Global firms. During the writing process, however, I also identified several areas where the structure and content of the review could be further developed. Through these reflections, I sought to reflect on the limitations of the work and the possibilities for deepening the analysis.

One of my key findings concerns the methodological transparency of the review. Although the source material is diverse and theoretically grounded, I was not initially explicit enough about how I selected the studies, the criteria I used to evaluate them, and how the analysis proceeded. In hindsight, it would have been justified to describe in more detail whether the review was systematic or narrative, and what selection criteria I used to narrow down the sources. This would have improved the reliability and reproducibility of the review.

In terms of sources, I found myself relying heavily on certain key studies, such as Liu (2017) and Knight et al. (2004), which were repeated in several contexts. While these are relevant in terms of content, it would have been useful to balance the use of sources and include more perspectives on issues such as technological intensity and the impact of networks. This would have made the analysis richer and more representative of the source base.

At a theoretical level, my review draws on a number of well-known frameworks, but as the review progressed, I found that their role was partially overshadowed. I failed to build a clear theoretical framework that would have run throughout the work and tied the analysis into a coherent whole. For example, combining a resource-based

perspective with institutional theory could provide a strong basis for examining Born Global strategies.

In reflecting on the use of the Born Global concept, I also recognize the need to clarify its definition and boundaries although it had been addressed in the initial introduction section. In my work, I assumed the reader was familiar with the term, but I could have clarified exactly what types of companies fall under the Born Global concept and how the concept differs from other modes of internationalization. Furthermore, I did not address the changing nature of the concept, for example, in the era of digitalization, although this would have added relevance and depth to the work.

In terms of content, the work is strongly focused on theoretical analysis, which is typical of a literature review. In hindsight, the review could have included concrete examples or case studies that would have helped to illustrate how the factors presented influence companies' choices between JV and WOS in practice. This would also have increased the applicability of the work and made the theoretical findings more concrete.

Overall, I consider the review successful and well-founded, but it could have been further strengthened by methodological rigor, theoretical elaboration, and a more critical approach to using concepts and sources. These insights have provided me with valuable lessons in the development of academic writing and research thinking.

As stated, my main research questions seek to answer how the internationalization mode affects Born Global's financial reporting when the group's subsidiaries or joint ventures report according to a different standard than the company. I find out the impact of different company forms, i.e., how differently joint ventures are treated under different standards and what impact the company form has on financial reporting. I also aimed to find out what issues affect consolidation and what differences exist between different standards that can cause problems in reporting.

Working on this study has made me reflect more deeply on how complex and open to interpretation the preparation of consolidated financial statements can be, especially when viewed from the perspective of international standards, IFRS, and US GAAP. Although the subject is technical and strongly regulatory, I found during the research that it is also full of practical solutions, interpretative situations and nuances that require reflection and that are not necessarily apparent from a simple reading of the standard texts.

I was particularly interested to note the different ways in which experts perceive the concept of control and how interpretations vary according to situation and context. While IFRS provides fairly clear criteria for control, the importance of understanding practical influence and economic reality also emerged from the interviews. This led me to reflect on my own understanding of the role that interpretation and experience also play in technical accounting. Control is not just about ownership percentages and contracts, but often involves subtle mechanisms of influence that are not always visible on paper.

Another thing that struck me was the differences in emphasis between the different standards, in particular how IFRS tends to reflect economic substance, whereas US GAAP seems more rule-based in places. This made me wonder to what extent financial reporting is an objective description and to what extent it is always also a choice of how to present things. For example, the treatment of goodwill or the classification of joint arrangements can lead to very different outcomes depending on the standard, even if the business reality is the same.

In reflecting on the analysis of the data, I also found that the interview data not only complemented the theoretical basis, but helped to understand how standards are interpreted in everyday practice. There was much tacit practical information in these comments that is not found in books or guidelines.

Overall, the study and analysis of the data were also personally instructive. They forced me to reflect not only on the topic but also on my own approach and way of looking at regulation. I have learned to view standards less as static guidelines and more as frameworks within which constant reflection takes place.

This study probably did not add much to the field of research, but it did bring together a decent amount of information on the subject and highlighted the issues that need attention, and therefore, I think I succeeded in my objective. Although the topic areas are general and my study mainly provides general information, I can see that it is helpful for the company that requested it and provides the information they were looking for.

5.6 Limitations and discussion for future research

I chose qualitative analysis and semi-structured interviews with specialists as my research method, as well as the secondary data supporting the interviews, i.e., the standards, and, in the case of US GAAP, the material published by KPMG to partially replace the interviews with specialists. To complete the research on the international business side and to get a holistic view of the research questions, I also added a literature review section. My choice of research method was, at the time of selection, the only one I thought would allow me to achieve the desired result. Using only written material would have been too challenging, as I do not have a great depth of expertise in the subject. My approach of first familiarising myself to some extent with the written material, then drafting interview questions and conducting the interviews over a period of a couple of months, then synthesizing the interview data with the written material worked reasonably well.

The problem with my method was the selection of interviewees. Initially, I thought I would look for interviewees from other companies with a similar internationalization track record, but it was virtually impossible to find reference companies with an expert on this particular topic. I, therefore, turned to significant auditing firms and managed to find interviewees for both IFRS and FAS quite easily, but US GAAP presented difficulties.

Therefore, in order to move forward, I chose a publication as my written material. In the end, despite these choices made at the time of the decision, the number of interviewees proved to be a weakness, and if I were to start from the beginning, I might lean towards a literature review, through which I would probably have obtained an even broader picture and result of the whole topic.

As for the interviews, I think I did reasonably well, but my inexperience as an interviewer and the framing of the questions could have been better in retrospect. My lack of expertise was reflected in the fact that I could not ask all the necessary follow-up questions at the interview stage and had to return to some points afterward to clarify the issue. If I were to do the interviews again, I would familiarize myself even more with the written material beforehand so that I could draft my questions more precisely.

I had some problems with the framework of my research and finding material for the theoretical part because I could not find utterly similar studies for reporting standards. Therefore, I started by looking at the different aspects of my own research in the same way as I drafted my interview questions on the different aspects and then started to look again for other studies on the topic. The technique I mentioned above helped me to find sufficient source material, but it was, in my opinion, quantitatively sparse and this can be considered a limitation when evaluating the reliability and generalizability of the study.

Then, I considered the generalisability of the study. In principle, this study is not so company-specific that its results could not be applied to any other company that is wondering what matters when a parent company reports according to a standard different from that of its subsidiary or its joint venture. Of course, the number of people interviewed is small, and the survey is not conducted in great depth, but for the information that the data provided, the results can be considered reliable and generalizable because they are based on the content of the standards and the legislation, and do not go into much interpretation, but purely on what the different standards say.

This thesis has raised many additional questions, and there are numerous potential areas for further research. Future research could explore how IFRS and US GAAP influence investor behavior and company valuation across different markets. It would be valuable to investigate whether IFRS's flexibility leads to higher stock prices compared to US GAAP and how these standards shape investment decisions. Another relevant area of study is the role of IFRS and US GAAP in multinational corporations. Research could examine how large international companies manage differences between these standards in their internal reporting and whether they strategically select a reporting framework based on factors such as taxation, financial positioning, or investor relations.

This has already been studied to some extent, but the feasibility of IFRS and US GAAP convergence remains an important research topic. Studies could analyze the most significant barriers preventing their harmonization and explore how political and economic interests influence the development of financial reporting regulations. Another avenue for research is the reporting of joint arrangements and their impact on financial decision-making. A comparative analysis could assess whether IFRS 11's approach to joint operations provides better financial transparency than the uniform equity method applied under US GAAP.

Further studies could also examine the implications of accounting standards on corporate financial strategies. IFRS's flexible reporting framework might influence corporate debt structures and financial arrangements differently than US GAAP's stricter approach, and it would be insightful to determine which system better supports financial stability in the long term. Additionally, research could focus on the perspectives of auditors and regulators regarding the differences between IFRS and US GAAP. Understanding how auditors handle these discrepancies in practice and identifying measures that regulators could implement to enhance the comparability and harmonization of financial reporting standards would contribute to ongoing discussions on global accounting practices.

In the next chapter, I will briefly summarize the objectives and topics, as well as the conclusions that can be drawn from the study. I will also present new ideas for further research.

6 Conclusions

In this chapter, I will review the steps and objectives of my research and discuss my conclusions based on the theory and data analysis.

This paper aims to conduct a practical case study for Hycamite TCD Technologies Ltd., the company that is commissioning the research. Hycamite is a startup company aiming to expand internationally, starting in the United States. To support its growth, the company seeks to attract investors and comply with international financial reporting standards, including IFRS and US GAAP. Currently, Hycamite reports under FAS and does not yet have a corporate group structure. As part of its internationalization strategy, the company is considering either establishing a wholly owned subsidiary or forming a joint venture, both of which have implications for financial reporting.

Expanding into the United States requires an understanding of key differences between IFRS and US GAAP, particularly in terms of consolidation and ownership structure. IFRS 10 governs the consolidation of subsidiaries into group financial statements, while IFRS 11 outlines the reporting of joint arrangements. These differ from both FAS and US GAAP requirements. The research questions to which answers were sought dealt with the differences between the above standards that impact a company's financial statements.

The results of the study were based on a combination of written data, interviews and literature review. The interviews were used to seek further understanding and interpretation of the secondary data. Nevertheless, it can be noted that the data collected from the interviews can be criticized for not being fully representative of the views of the sector, so in this respect, the generalisability can be considered somewhat limited, but an attempt has been made to compensate for this limiting factor through the written data. Another limiting factor is the opinions of the interviewees themselves, but those parts of the data that are about opinion rather than about the content of the standard are clearly stated in the analysis and should not mislead anyone.

One relevant criticism regarding the generalisability of the study relates to local regulatory practices. The results of this study may work in Finland, and Finnish companies may follow IFRS in a certain way, but the same standard may work differently in different countries with different regulatory environments and business cultures. This may mean that the findings of the study are not directly applicable internationally.

As this study already includes both interview and secondary source literature through which the research problem is addressed, the literature review section is kept to a more limited one. Its results can be considered more as guidelines for the issue under study than as a broad and generalizable description. A much more comprehensive systematic literature review or meta-analysis would be required to achieve a better result. If quantitative analysis and a large international dataset had been used, the study would have been more comprehensive and generalizable.

This paper examined the factors influencing the market entry patterns of Born Global firms through a literature review. The analysis suggests that the choice of entry mode, especially between WOS and JV, is constructed through the interaction of several key factors. International experience, technological intensity, the need for control, the amount of resources, networks and the institutional environment all influence the choice decision, both individually and through each other. The combined effect of these factors forms a situation-dependent whole in which there is no single right solution, but the choice depends on the internal capabilities of the firm and external conditions.

The study shows that BGs' rapid internationalization, limited resources, and high agility often lead to flexible and risk-sharing solutions such as JVs. However, in certain circumstances, for example, when a company has strong international experience, technological know-how, and good resources, a wholly owned subsidiary may also be a justified and desirable option.

In the study, I also identified some areas for improvement relating to methodological transparency, coherence of the theoretical framework, and a more precise definition of concepts. These findings served not only as a critical evaluation of my own work but also as a learning process that strengthened my understanding of academic research. In conclusion, the internationalization mode suggests that the internationalization strategies of Born Global firms need to be examined at multiple levels, taking into account both strategic capabilities and environmental constraints, and the literature review provides a strong basis for this analysis.

The theoretical part of the study compares IFRS and US GAAP in terms of their fundamental differences, revenue recognition, consolidation principles, joint arrangements, and financial statement presentation. A key distinction between IFRS and US GAAP lies in their conceptual approach: IFRS is principles-based, allowing greater flexibility in interpretation, while US GAAP is rules-based, providing strict guidelines that reduce ambiguity but may encourage loophole-seeking behavior. While some argue that IFRS's reliance on professional judgment reduces comparability across firms, research suggests that its less rigid framework can, in some cases, lead to more consistent reporting outcomes.

Revenue recognition is another significant point of divergence. US GAAP follows detailed, industry-specific guidance, ensuring that revenue is recognized only when the earnings process is complete. IFRS, in contrast, applies broader principles that emphasize the transfer of risks and rewards to the buyer, often allowing for earlier revenue recognition. Efforts to converge the two frameworks face considerable challenges, mainly due to political and economic influences. In the US, regulatory bodies such as Congress and the SEC have direct control over US GAAP, whereas IFRS is subject to endorsement processes that vary by country, making it more susceptible to political and economic interests.

The definition of control also differs significantly. IFRS defines control based on an investor's ability to influence decisions and derive financial returns, even in the absence of

majority ownership. This principles-based approach allows for more flexibility in assessing financial relationships. US GAAP, on the other hand, generally relies on numerical thresholds, presuming control when an entity owns more than 50% of voting rights, though some exceptions exist. This rigid threshold ensures consistency but may not always reflect the economic substance of transactions.

IFRS and US GAAP also diverge in their treatment of joint arrangements. IFRS 11 classifies these arrangements into joint operations—where parties have direct rights to assets and obligations for liabilities—and joint ventures, which grant rights to net assets. The equity method is used to report joint ventures, and IFRS 12 requires extensive disclosures to compensate for the lack of direct balance sheet representation. US GAAP takes a different approach, allowing proportional consolidation in some cases.

The financial statement presentation further highlights the contrast between the two frameworks. IFRS mandates a minimum set of line items in the balance sheet but does not dictate a specific order, whereas US GAAP offers greater flexibility in structure. When classifying liabilities, IFRS requires that breached loan covenants result in current liability classification unless renegotiated before the balance sheet date, while US GAAP allows for a non-current classification if lender approval is obtained before financial statements are issued. Additionally, IFRS requires convertible debt instruments to be split into debt and equity components, whereas US GAAP treats them solely as liabilities.

For the income statement, IFRS allows expenses to be classified by either function (such as administrative or sales expenses) or nature (such as salaries or depreciation), requiring additional disclosures if classified by function. US GAAP does not impose a specific classification method but is subject to SEC requirements. Furthermore, IFRS does not permit the separate reporting of extraordinary items, while US GAAP does, leading to more detailed financial statements under the latter.

These differences raise important questions about the balance between standardization and flexibility in financial reporting. While IFRS and US GAAP both aim to present an accurate and fair view of a company's financial position, their contrasting approaches reflect deeper economic and cultural priorities. US GAAP's structure prioritizes precision and compliance, making financial statements more comparable but potentially rigid. IFRS, by emphasizing substance over form, allows for greater adaptability but also introduces an element of subjectivity. Understanding these differences is crucial for companies, investors, and policymakers navigating global financial markets.

The theoretical part and the data analysis both examine the differences between IFRS and US GAAP, particularly in the context of consolidated financial statements, joint arrangements, and financial reporting. While their discussion points have numerous overlaps, their approaches and areas of emphasis differ.

Both parts analyzed the concept of control, but the theoretical part presents a more analytical perspective, systematically comparing IFRS and US GAAP. In contrast, the research data adopts a more practical approach based on insights gathered from interviews. Both parts highlight the three key principles of control under IFRS 10: the entity's power to direct key activities, its exposure to financial risks and rewards, and its ability to influence financial returns. The US GAAP approach, as discussed in the analysis of data, relies more heavily on numerical thresholds, typically requiring a parent entity to own more than 50% of voting rights, except in specific cases like VIEs.

Regarding the preparation of consolidated financial statements, there was no difference between results and theory describing the consolidation process. However, interviews delve deeper into how IFRS 10 is practically applied, particularly in the context of subgroup reporting and its integration within a larger corporate structure. It also discusses exemptions to consolidated financial statement requirements for subsidiaries within a broader group structure. In contrast, the theoretical part provides a more general comparative analysis, emphasizing that IFRS allows for a more flexible consolidation

approach, whereas US GAAP has stricter, more detailed regulations. Both parts acknowledge IFRS's allowance for control without majority ownership, while US GAAP adheres to a more rigid voting-based definition.

In joint arrangements, both theory and results explore IFRS 11, which distinguishes between joint operations and joint ventures. The research data focuses on real-world applications, using interview responses to illustrate how companies interpret and apply these classifications. It also highlights that IFRS requires joint operations to be recognized at the individual asset and liability level, while joint ventures must be accounted for using the equity method. Meanwhile, the theoretical background provides a more in-depth comparison between IFRS and US GAAP, emphasizing that US GAAP does not differentiate between joint operations and joint ventures in the same manner, treating all joint arrangements that involve shared net assets as joint ventures and accounting for them under the equity method. The proportional consolidation method, once permissible under IFRS, is now disallowed in both frameworks.

When it comes to financial statement presentation, the theoretical part with sources offers a more detailed comparison between IFRS and US GAAP. It highlights IFRS's flexibility in expense classification and presentation and its requirement to separate convertible debt into liability and equity components—something US GAAP does not mandate. While data based on interviews discusses some aspects of financial statement preparation, particularly regarding group reporting, it does not focus as much on the finer details of financial statement structure and disclosure differences.

Both parts discuss the impact of IFRS and US GAAP differences on transparency and comparability in financial reporting. The data based on interviews provides a more hands-on perspective, incorporating feedback from professionals working with these standards in practice, whereas theory presents a more theoretical and structured analysis. Together, these two parts provide a comprehensive overview of the distinctions between IFRS and

US GAAP, illustrating how these differences influence consolidated financial reporting, joint arrangements, and the broader landscape of financial statement preparation.

Hycamite must carefully assess the impact of transitioning to IFRS and ensure compatibility if its U.S. entities report under US GAAP. The decision between establishing a subsidiary or forming a joint venture should be based on both business objectives and financial reporting obligations. To facilitate a smooth transition and maintain investor confidence, the company should seek expert guidance on IFRS and US GAAP and develop reporting processes aligned with international standards.

Understanding the differences between IFRS and US GAAP is critical for many stakeholders, including companies, investors, auditors, and regulators. While both standards aim to present an accurate and fair view of a company's financial position, their differences significantly impact financial reporting, comparability, and decision-making.

IFRS's principles-based approach provides flexibility but introduces greater subjectivity, whereas US GAAP's rules-based system ensures clarity but can lead to excessive technical complexity. This distinction is crucial for multinational companies operating in different jurisdictions, as they may need to apply different standards depending on the country. The variation in reporting practices can also create challenges for investors who seek to compare companies globally.

Moreover, these differences can influence corporate financial strategies and the ability to attract investors. For instance, IFRS's more flexible revenue and liability recognition methods may result in IFRS-reporting companies appearing more profitable than those following US GAAP, potentially distorting investor perceptions. This discrepancy can also affect a company's decision to list on a stock exchange in the US or another country.

Another crucial finding relates to consolidated financial statements and the definition of control. IFRS allows a company to be part of a group even without majority ownership,

while US GAAP primarily defines control based on voting power. This difference may lead to varying consolidation decisions, impacting financial ratios such as leverage. Additionally, the US GAAP Variable Interest Entity (VIE) model introduces specific assessment criteria that do not exist in IFRS, adding another layer of complexity to financial reporting.

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Appendices

Appendix 1. Interview Questions

Basically, the same questions were asked in all interviews, but the questions were modified to IFRS or FAS.

Questions – US GAAP

Which US GAAP sections should be considered explicitly when preparing consolidated financial statements?

Which companies draw up their consolidated financial statements according to US GAAP?

How is a group defined in the standard?

What is the significance of ownership?

How is control defined? Can it be the case that there is a significant shareholding but no control or vice versa?

What can happen if control is misinterpreted and consolidated financial statements are not prepared?

How is a partly owned company defined, and how does it differ from a subsidiary?

Does US GAAP define partly owned companies or joint ventures? If so, how are they considered? When are these entities taken into account, and when are they not?

Can a company unintentionally belong to two different groups? Who decides to which group a company belongs if one company is majority-owned by the other but controlled by the minority shareholder? Can there be a disagreement?

Does US GAAP require an annual assessment of control over subsidiaries before preparing consolidated financial statements? In other words, can a company not consolidate a subsidiary if it believes another party controls it?

Can an individual company be unknowingly part of a group if control is not acknowledged?

How are consolidated financial statements prepared in practice, and to what extent should they be prepared in principle?

What supporting documentation is required for consolidated financial statements under US GAAP? What kind of notes, memos, or appendices are necessary? And what kind of calculations are needed?

Does the parent company prepare its financial statements separately from the consolidated financial statements?

What documentation is mandatory for consolidated financial statements?

How is the consolidation statement prepared in practice?

Is there any threshold below which a smaller holding in another company does not need to be treated in the consolidated financial statements under US GAAP?

Does US GAAP recognize a parallel or subordinated group? How do the financial statements of a parallel group and a subordinated group differ, or do they differ at all?

If there is a subgroup structure, how is it dealt with in practice?

How should the financial statements be prepared if a company has a foreign parent company that reports under a different standard? How are the differences in accounting policies dealt with in practice, i.e., if different companies report under other standards, which standard should be applied in the consolidated financial statements? What problems typically arise from these differences in accounting policies?

Is there a language requirement for US GAAP consolidated financial statements in which they should be prepared?

If the financial statements of a foreign parent company are in a different currency, what should be done?

When referring to listed companies, does this mean a company listed on any stock exchange, or is there a definition of where the listing must have taken place?

Is it possible to choose how the consolidated financial statements are prepared? What are the options for its preparation?

How should tax provisions be recognized if subsidiaries have different tax rates?

Are there differences in tax treatment between IFRS and US GAAP?

How should consolidated financial statements be prepared if the parent company and the subsidiaries have different bases for depreciation?

How is depreciation presented in the consolidated financial statements under US GAAP? What about the accrued difference between actual and scheduled depreciation and amortization?

Under US GAAP, how is elimination done if internal sales include depreciable amounts? What are the internal items whose effect must be eliminated in the consolidated financial statements? How is elimination done in practice? How is it recorded that it has now been eliminated? If other owners are in the subsidiary, are the elimination entries made as a share of ownership?

How can it be verified that both companies' transactions have been recorded and matched?

On what basis can internal items not be deducted?

In what way can an internal margin arise? In what ways can an internal loss on sales occur?

Does US GAAP recognize a consolidation asset/goodwill and a consolidated liability/badwill? How are they accounted for?

How is group business value/goodwill treated under US GAAP? Is it different from IFRS? Does US GAAP recognize group reserves, and how are they treated in consolidated financial statements?

How does the treatment of new subsidiaries (acquired or created) differ from the treatment of previously consolidated subsidiaries? How is acquisition cost determined for newly created subsidiaries? What items can be included in the acquisition cost under US GAAP?

What does a minority share in a subsidiary, and how is it treated under US GAAP?

Does US GAAP set out a framework for preparing the annual report? Is the information on the group presented in the parent company's annual report?

At what point should the group present a cash flow statement under US GAAP? Can a problem arise when preparing the statement due to subsidiaries' different accounting standards?

What is meant by consolidation statements in consolidated financial statements? How should they be prepared in practice (format, etc.)?

How is group support accounted for in US GAAP consolidated financial statements?

How are dividends treated in US GAAP consolidated financial statements?

Does the fact that a company is a group affect its chart of accounts? Should there be a different chart of accounts somehow if there is a group structure?

Extra/Reflection:

What is the significance of establishing a subsidiary? If a company is established under which a new branch is started, does it matter when the company is actually established?

In other words, if the parent company has acquired equipment, etc., and arranged the financing, can the parent company effectively transfer the equipment and the liabilities arising from its acquisition to the subsidiary?

Or does the subsidiary have to be set up first? The parent company will provide the so-called group services, i.e., expert services related to the construction work.

Appendix 2. List of Literature Review Articles

Bhat, M. N., Ikram, F., Rahman, M. N., & Naeem, M. H. (2023).

Efrat, K., & Shoham, A. (2013).

Goncalves, M., & Smith, E. C. (2019).

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