

A large graphic of wooden puzzle pieces forming a Y-shape, with a vertical stem at the top and two diagonal legs extending downwards. The wood grain is visible, and the pieces are interlocked with visible joints.

Deloitte.

IFRSs and US GAAP
A pocket comparison

An IAS Plus guide
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IFRSs and US GAAP

Working towards a single set of global standards

The story so far

For the past several years, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have been working together to achieve convergence of International Financial Reporting Standards (IFRSs) and generally accepted accounting principles in the United States (US GAAP). In 2002, as part of the Norwalk agreement, the Boards issued a Memorandum of Understanding (MOU) formalising their commitment to:

- making their existing financial reporting standards fully compatible as soon as practicable; and
- co-ordinating their future work programmes to ensure that, once achieved, compatibility is maintained.

Memorandum of Understanding (2008)

On 11 September 2008, an updated MOU was published, which sets out priorities and milestones to be achieved on major joint projects by 2011. The Boards have acknowledged that, although considerable progress has been achieved on a number of designated projects, achievements on other projects have been limited for various reasons, including differences in views over issues of agenda size and project scope, differences in views over the most appropriate approach, and differences in views about whether and how similar issues in active projects should be resolved consistently. As a result, the scopes and objectives of many of the projects have been or are expected to be revised.

In updating the MOU, the Boards noted that the major joint projects will take account of the ongoing work to improve and converge their respective Conceptual Frameworks. Also, the Boards will consider staggering effective dates of standards to ensure an orderly transition to new standards. Consistent with its current practice, the IASB will consider permitting early adoption of its Standards.

The following major joint projects are part of the MOU.

Consolidation	Leases
Derecognition	Liabilities and equity
Fair value measurement guidance	Post-employment benefits (including pensions)
Financial statement presentation	Revenue recognition
Financial instruments	

Working towards a single set of global standards

SEC recognition of IFRSs for foreign private issuers

Of the approximately 15,000 companies whose securities are registered with the Securities and Exchange Commission (SEC), over 1,100 are foreign companies. Prior to November 2007, if these foreign companies submitted IFRS or local GAAP financial statements, rather than US GAAP, a reconciliation of net income and net assets to US GAAP was required.

Following some progress in converging IFRSs and US GAAP, for fiscal years ending after 15 November 2007, the SEC has permitted foreign private issuers to use IFRSs in preparing their financial statements without reconciling them to US GAAP. In order to qualify for such exemption, a foreign private issuer's financial statements must fully comply with the IASB's version of IFRSs, with one exception. The exception relates to foreign private issuers that use the version of IFRSs that includes the European Commission's 'carve-out' for IAS 39. The SEC has permitted such issuers to use that version in preparing their financial statements for a two-year period as long as a reconciliation to the IASB's version of IFRSs is provided. After the two-year period, these issuers will either have to use the IASB's version of IFRSs or provide a reconciliation to US GAAP.

Recent regulatory developments – United States

With the resolution of the debate regarding foreign private issuers, the focus of attention has now switched to the potential for US domestic issuers to submit IFRS financial statements for the purpose of complying with the rules and regulations of the SEC. In a significant step toward that objective, in August 2008 the SEC issued proposals that, if accepted, could allow some U.S. issuers, based on specific criteria, an option to use IFRSs for fiscal years ending on or after 15 December 2009 and could lead to mandatory transition to IFRSs for domestic issuers starting for fiscal years ending on or after 15 December 2014. A 'roadmap' has been proposed which acknowledges that IFRSs have the potential to become the global set of high-quality accounting standards and which sets out seven milestones (set out on the next page) that, if achieved, could lead to mandatory adoption from 2014.

Milestones 1 – 4 (issues that need to be addressed before mandatory adoption of IFRSs)

1. Improvements in accounting standards (i.e. IFRSs).
2. Funding and accountability of the International Accounting Standards Committee Foundation.
3. Improvement in the ability to use interactive data (e.g. XBRL) for IFRS reporting.
4. Education and training on IFRSs in the United States.

Milestones 5 – 7 (the transition plan for the mandatory use of IFRSs)

5. Limited early use by eligible entities – this milestone would give a limited number of US issuers the option of using IFRSs for fiscal years ending on or after 15 December 2009.
6. Anticipated timing of future rule-making by the SEC – on the basis of the progress of milestones 1 – 4 and the experience gained from milestone 5, the SEC will determine in 2011 whether to require mandatory adoption of IFRSs for all US issuers. If so, the SEC will determine the date and approach for a mandatory transition to IFRSs. Potentially, the option to use IFRSs when filing could also be expanded to other issuers before 2014.
7. Potential implementation of mandatory use.

The differences remaining

In the light of these proposals for change, and the now very real prospect of all US companies transitioning to IFRSs within the next 7 years, there is a heightened awareness of differences between IFRSs and US GAAP. Our objective in providing the brief comparison set out in the remainder of this guide is to provide a snapshot for practitioners of the extent of the gap that needs to be bridged.

Abbreviations

AFS	Available-for-sale (financial assets)
ARO	Asset retirement obligation
CGU	Cash generating unit
CTA	Cumulative translation adjustment
ESOP	Employee share ownership plan
FAS	Financial Accounting Standard (US)
FASB	Financial Accounting Standards Board (US)
FIN	FASB Interpretation (US)
FVO	Fair Value Option (IAS 39)
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
HTM	Held-to-maturity (financial assets)
IASB	International Accounting Standards Board
IAS(s)	International Accounting Standard(s)
IFRS(s)	International Financial Reporting Standard(s)
LIFO	Last-in-first-out (inventory valuation)
OCI	Other comprehensive income
R&D	Research and development
SEC	Securities and Exchange Commission (US)
SPE(s)	Special purpose entity(ies)

End-note references indicated in superscript in the comparison table are located on page 69.

Comparison of IFRSs and US GAAP

The table on the following pages sets out some of the key differences between IFRSs and US GAAP, based on standards, interpretations and other accounting literature in issue at 30 June 2008.

Since the previous edition of this guide (March 2007), the IASB has issued substantially revised versions of IFRS 3 *Business Combinations*, IAS 1 *Presentation of Financial Statements* and IAS 27 *Consolidated and Separate Financial Statements*. In addition, IFRS 8 *Operating Segments* (which replaces IAS 14 *Segment Reporting*) was issued in November 2006. These new and revised Standards will not be effective until 2009. However, in order to provide the best guide to differences between IFRSs and US GAAP on an ongoing basis, the comparison table has been updated to reflect the changes to these Standards and, in the case of IFRS 3 and IAS 27, the equivalent changes in US GAAP (i.e. FAS 141(R) *Business Combinations* and FAS 160. *Non-controlling Interests in Consolidated Financial Statements*). For a comparison of the previous versions of the relevant Standards, please refer to the previous edition of this guide.

Throughout this guide, we have also adopted the general terminology changes arising from IAS 1(2007).

This summary does not attempt to capture all of the differences that exist or that may be material to a particular entity's financial statements. Our focus is on differences that are commonly found in practice.

The significance of these differences – and others not included in this list – will vary with respect to individual entities depending on such factors as the nature of the entity's operations, the industry in which it operates, and the accounting policy choices it has made. Reference to the underlying accounting standards and any relevant national regulations is essential in understanding the specific differences.

The rate of progress being achieved by both the IASB and the FASB in their convergence agendas means that a comparison between standards can only reflect the position at a particular point in time. You can keep up to date on later developments via our IAS Plus website www.iasplus.com, which sets out the IASB agendas and timetables, as well as project summaries and updates.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
–	General approach	More ‘principles-based’ standards with limited application guidance.	More ‘rules-based’ standards with specific application guidance.
IFRS 1	First-time adoption	General principle is full retrospective application of IFRSs in force at the time of adoption, unless the specific exceptions and exemptions in IFRS 1 permit or require otherwise.	No specific standard. Practice is generally full retrospective application unless the transitional provisions in a specific standard require otherwise.
IFRS 1	General	Specific exceptions and exemptions availed of at transition in accordance with IFRS 1 can give rise to differences between IFRSs and US GAAP in areas that would not normally give rise to such differences.	
IFRS 2	Scope: exclusion of employee share ownership plans (ESOPs)	Equity instruments issued by an employer and held by an ESOP follow the same accounting model as share-based payment awards.	Equity instruments issued by an employer and held by an ESOP follow a different accounting model from other share-based payment awards.
IFRS 2	Group transactions: share-based payment awards granted by a subsidiary to its employees that are to be settled by equity instruments of the parent	Classified as liabilities in the individual financial statements of the subsidiary.	Classified as equity in the individual financial statements of the subsidiary.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 2	Recognition of share-based payments with graded vesting features	Charge is recognised on an accelerated basis to reflect the vesting as it occurs.	An accounting policy choice is permitted for awards with a service condition only, to either: (a) amortise the entire grant on a straight-line basis over the longest vesting period; or (b) recognise a charge similar to IFRSs.
IFRS 2	Measurement of share-based payments with graded vesting features	Only allows for measurement of graded vesting awards as, in substance, multiple awards, which requires an entity to determine a separate grant-date fair value for each separately vesting portion of the award.	Allows for a choice of measurement for graded vesting share-based payment awards as either a single award (i.e. single grant-date fair value for the entire award) or, in substance, multiple awards.
IFRS 2	Capitalisation of compensation cost	Allow for the capitalisation of compensation cost subject to the requirements of other IFRSs.	Allows for the capitalisation of compensation cost subject to the other requirements of US GAAP, which may differ from IFRSs.
IFRS 2	Classification of share-based payment arrangements in the statement of financial position	Focus on whether the award can be cash settled.	More detailed requirements that may result in more share-based arrangements being classified as liabilities. However, also provides specific exceptions from liability classification for those arrangements that include a cash settlement feature.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 2	Measurement at grant date: employee share purchase plan	Requires the recognition of compensation cost based on the grant-date fair value of all share-based payment awards. No exception for employee share purchase plans.	Provides an exception to the recognition of compensation cost for employee share purchase plans that meet specified criteria.
IFRS 2	Modification of awards originally not expected to vest that results in the awards now being expected to vest.	For share-based payment awards originally not expected to vest (improbable) that are now expected to vest as a result of a modification, compensation cost is, at a minimum, the grant-date fair value of the original award.	For share-based payment awards originally not expected to vest (improbable) that are now expected to vest as a result of a modification, compensation cost is based on the modified award's fair value.
IFRS 2	Measurement date for share-based payments to non-employees	The date the entity obtains the goods or the counterparty renders service.	Earlier of counterparty's commitment to perform (where a sufficiently large disincentive for non-performance exists) or actual performance.
IFRS 2	Recognition of performance-based awards for non-employees	Recognition based on the probable outcome of the performance condition.	Recognise the lowest aggregate amount within the range of potential values.
IFRS 2	Measurement of awards to non-employees	There is a rebuttable presumption that the fair value of goods or services received is more reliably measureable than the fair value of the equity instruments issued.	Requires the use of the more reliably measureable component.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 2	Recognition of payroll taxes	No specific guidance, but generally recognised as the compensation cost is recognised, or at grant date (depending on the terms of the obligation).	Requires recognition when the obligating event (generally the exercise of an award) occurs.
IFRS 3 (2008)	Contingent liabilities and assets	<p>Contingent liabilities are recognised at fair value provided that their fair values can be measured reliably. The contingent liability is subsequently measured at the higher of the amount originally recognised and the amount that would be recognised in accordance with IAS 37.</p> <p>Contingent assets are not recognised.</p>	<p>Contractual contingencies are recognised at fair value (without the 'reliably measurable' filter). Non-contractual contingencies are recognised only if it is more likely than not that they meet the definition of an asset or a liability at the acquisition date. After recognition, entities retain the initial measurement until new information is received and then measure liabilities at the higher of the acquisition-date fair value and the amount under FAS 5.</p> <p>For assets, measure at the lower of acquisition date fair value and the best estimate of a future settlement amount.</p>
IFRS 3 (2008)	Measurement of non-controlling interests	Permits non-controlling interests to be measured either as a proportionate share of identifiable net assets acquired or at fair value. Choice made on an acquisition-by-acquisition basis.	Requires measurement at fair value.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 3 (2008)	Effective date	<p>Effective for business combinations for which the acquisition date is in annual reporting periods beginning on or after 1 July 2009.</p> <p>Early adoption permitted but only for annual periods beginning on or after 30 June 2007 (IAS 27 (2008) to be adopted at the same time).</p>	<p>Effective for acquisitions that close in years beginning after 15 December 2008.</p> <p>Early adoption is prohibited.</p>
IFRS 4	Rights and obligations under insurance contracts ¹	IFRS 4 addresses recognition and measurement in only a limited way. It is an interim Standard pending completion of a comprehensive project.	Several comprehensive pronouncements and other comprehensive industry accounting guides have been published.
IFRS 4	Derivatives embedded in insurance contracts ¹	An embedded derivative whose characteristics and risks are not closely related to the host contract but whose value is interdependent with the value of the insurance contract need not be separated out and accounted for as a derivative.	An embedded derivative whose characteristics and risks are not closely related to the host contract must be accounted for separately.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 5	Definition of a discontinued operation ²	A reportable business or geographical segment or major component thereof. Continuing involvement not addressed.	A component which may be an operating segment, a reporting unit, a subsidiary, or an asset group (less restrictive than the IFRS 5 definition). Disposing entity should have no continuing cash flows representative of significant continuing involvement.
IFRS 5	Presentation of discontinued operations ²	Post-tax income or loss to be disclosed in the statement of comprehensive income (or separate income statement, where applicable).	Pre-tax and post-tax income or loss are required on the face of the income statement.
IFRS 5	Impairment considerations for foreign entities that will be disposed of	Does not permit the inclusion of the cumulative translation adjustment (CTA) in the carrying amount of an investment in a foreign entity that is being evaluated for impairment.	CTA is included in the carrying amount of an investment in a foreign entity that is being evaluated for impairment.
IFRS 8	Segment's disclosure of non-current assets attributable to segments ³	Include intangible assets.	Exclude intangible assets.
IFRS 8	Disclosure of segment liabilities ³	Required if such a measure is provided to the chief operating decision maker.	Not required.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 8	Matrix form of organisation – identification of segments ³	Operating segments are identified on the basis of the core principle of the Standard.	Segments are based on products and services.
IAS 1 (2007)	Financial statement presentation ⁴	Specific line items required.	Certain standards require specific presentation of certain items. Public entities are subject to SEC rules and regulations, which require specific line items.
IAS 1 (2007)	Comparative prior year financial statements ⁴	One year comparative financial information is required at a minimum ⁵ .	No specific requirement under US GAAP to present comparatives. Generally at least one year of comparative financial information is presented. Public entities are subject to SEC rules and regulations, which generally require two years of comparative financial information for the income statement and the statements of equity and cash flows.
IAS 1 (2007)	Departure from a standard when compliance would be misleading	Permitted in “extremely rare” circumstances to achieve a fair presentation. Specific disclosures are required.	Not directly addressed in US GAAP literature, although an auditor may conclude, under Generally Accepted Auditing Standards (GAAS) rule 203, that by applying a certain GAAP requirement the financial statements are misleading, thereby allowing for an ‘override’.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 1 (2007)	Classification of liabilities on refinancing ⁴	Non-current if refinancing is completed before the end of the reporting period.	Non-current if refinancing is completed before date of issuance of the financial statements.
IAS 1 (2007)	Classification of liabilities due on demand due to violation of debt covenant ⁴	Non-current if the lender has granted a 12-month waiver before the end of the reporting period.	Non-current if the lender has granted a waiver for a period greater than one year (or operating cycle, if longer) before the issuance of the financial statements or when it is probable that the violation will be corrected within the grace period, if any, prescribed in the long-term debt agreement.
IAS 1 (2007)	Extraordinary items ⁴	Prohibited.	Permitted.
IAS 2	Measurement of carrying amount	Lower of cost and net realisable value.	Lower of cost and market (i.e. current replacement cost).
IAS 2	Use of cost formulas	The same formula must be applied to all inventories that have a similar nature and use to the entity.	The same formula does not need to be applied to all inventories that have a similar nature and use to the entity.
IAS 2	Asset retirement obligations (AROs) arising during the production of inventory	An ARO that is incurred as a consequence of having used the relevant asset during a period to produce inventory is accounted for as a cost of the inventory.	ARO is added to the carrying amount of the property, plant, and equipment used to produce the inventory.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 2	Method for determining inventory cost	LIFO is prohibited.	LIFO is permitted.
IAS 2	Reversal of write-downs	Required, if certain criteria are met.	Prohibited.
IAS 2	Measuring inventory at net realisable value even if above cost	Permitted only for producers' inventories of agricultural and forest products and mineral ores and for broker-dealers' inventories of commodities.	Permitted, but based on a specific product (precious metals).
IAS 7	Classification of interest received and paid in the statement of cash flows	Interest received – may be classified as operating or investing. Interest paid – may be classified as operating or financing.	Must be classified as operating.
IAS 7	Inclusion of bank overdrafts in 'cash' for the purpose of presentation of the statement of cash flows	Included if they form an integral part of an entity's cash management.	Excluded.
IAS 7	Reporting cash flows from operating activities	Use of direct or indirect method is allowed. Net income must be reconciled to net cash flows from operating activities only under the indirect method.	Use of direct or indirect method is allowed. Under both methods, net income must be reconciled to net cash flows from operating activities.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 7	Disclosure of cash flows relating to discontinued operations	Requires disclosure of cash flows arising from discontinued operations under each category either in the statement of cash flows or in the notes.	Does not require separate disclosure. If an entity elects to report cash flows from discontinued operations, each category must be reported separately.
IAS 7	Presentation of cash flow per share	Does not explicitly prohibit disclosure of cash flow per share.	Prohibited.
IAS 7	Cash flows from hedging activities	Requires classification in the same category as the cash flows from the item being hedged.	Allows classification of cash flows from hedging activities in the same category as the cash flows from the hedged item provided that certain requirements are met and that the accounting policy is disclosed.
IAS 7	Presentation in the statement of cash flows of the tax deduction in excess of compensation cost recognised under IFRS 2	Does not include specific guidance.	Requires presentation (as a separate line item) in the financing section of the statement of cash flows (with an equal and offsetting amount displayed in the operating section).
IAS 8	Corrections of errors	Retrospective restatement is required, unless impracticable.	Retrospective restatement is required; no impracticability exemption available.
IAS 8	Disclosures: new pronouncements in issue but not yet effective	All entities are required to disclose specified information in relation to new IFRSs in issue but not yet effective.	Only SEC registrants are required to disclose the effect of new pronouncements in issue but not yet effective.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 11	Method of accounting for construction contracts when the percentage of completion cannot be determined	Cost recovery method.	Completed contract method.
IAS 12	Classification of deferred tax assets and liabilities ⁶	Always non-current.	Classification is split between current and non-current components based on the classification of the underlying asset or liability, or on the expected reversal of items not related to an asset or liability.
IAS 12	Recognition of deferred tax assets ⁶	Recognised to the extent that their recovery is considered probable.	Recognised in full and then reduced by a valuation allowance for the non-probable portion.
IAS 12	Tax rate for measuring deferred tax assets and liabilities ⁶	Use enacted or 'substantively enacted' tax rates. ⁷	Use enacted tax rates.
IAS 12	Uncertain tax positions ⁶	Accounting for tax consequences reflects management's expectations.	Prescribes a methodology that is based on the probability of a tax position being sustained.
IAS 12	Tax consequences of intragroup sales ⁶	Tax expense from intragroup sales is recognised and deferred taxes are recognised for the change in tax basis using the buyer's tax rate.	Tax expense from intragroup sales is deferred until the related asset is sold or otherwise disposed of, and no deferred taxes are recognised for the purchaser's change in tax basis.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Deferred taxes on foreign non-monetary assets/liabilities remeasured from local currency to functional currency ⁶	Deferred tax is recognised on the remeasurement from local currency to functional currency.	No deferred tax is recognised on the remeasurement from local currency to functional currency.
IAS 12	'Initial recognition' exemption ⁶	Deferred tax not recognised for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is (a) not a business combination, and (b) does not affect accounting profit or taxable profit. Nor are changes in this unrecognised deferred tax asset or liability subsequently recognised.	No similar exemption.
IAS 12	Other exceptions to the basic principle that deferred tax is recognised for all temporary differences ⁶	Does not have all the exemptions comparable to those in US GAAP.	US GAAP has three additional exemptions from the requirement to recognise deferred tax that differ from IFRSs.
IAS 12	Calculation of tax benefits related to share-based payments ⁶	Deferred tax is computed on the basis of the tax deduction for the share-based payment under the applicable tax law (i.e. intrinsic value).	Deferred tax is computed on the GAAP expense recognised and trued up or down at realisation of the tax benefit/deficit.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Subsequent changes in deferred taxes that were originally recognised outside profit or loss (backward tracing) ⁶	The tax effects of items recognised outside profit or loss during the current year are also recognised outside profit or loss. A deferred tax item originally recognised outside profit or loss may change either as a result of a change in assessment as to the recoverability of deferred tax assets or as a result of changes in tax rates, laws, or other measurement attributes. Consistent with the initial treatment, IAS 12 requires that the resulting change in deferred taxes also be recognised outside profit or loss.	Backward tracing is generally prohibited. Subsequent changes are allocated to continuing operations.
IAS 12	Reconciliation of actual and expected tax rates ⁶	Required for all entities applying IFRSs; expected tax expense is computed by applying the applicable tax rate(s) to accounting profit, disclosing also the basis on which any applicable tax rate is computed.	Required for public entities only; expected tax expense is computed by applying the domestic federal statutory rates to pre-tax income from continuing operations. Non-public entities must disclose the nature of the reconciling items but not the amounts.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Recognition of deferred tax on undistributed earnings from investments ⁶	Deferred tax is recognised on the undistributed earnings of any form of investee unless (1) the investor is able to control the timing of the reversal of the temporary difference and (2) it is probable that the temporary difference will not reverse in the foreseeable future.	Deferred tax is recognised on all undistributed earnings, arising after 1992, of domestic subsidiaries and joint ventures. No deferred tax is recognised on undistributed earnings of foreign subsidiaries and corporate joint ventures if the duration of such investment is considered permanent.
IAS 12	Measurement of deferred tax on undistributed earnings of a subsidiary ⁶	Must use rate applicable to undistributed profits.	Generally, US GAAP requires the use of the higher of the distributed and the undistributed rates.
IAS 16	Basis of measurement for property, plant and equipment	May use either revalued amount or historical cost. Revalued amount is fair value at date of revaluation less subsequent accumulated depreciation and impairment losses.	At historical cost. Revaluations prohibited.
IAS 16	Major inspection or overhaul costs	Generally accounted for as part of the cost of an asset.	Either expensed as incurred, deferred and amortised over the period until the next overhaul, or accounted for as part of the cost of an asset.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 16	Measuring the residual value of property, plant and equipment	Current net selling price assuming the asset were already of the age and in the condition expected at the end of its useful life. Residual value may be adjusted upwards or downwards.	Generally the discounted present value of expected proceeds on future disposal. Residual value may only be adjusted downwards.
IAS 16	Depreciation	Components of an asset with differing patterns of benefits must be depreciated separately.	Component accounting is permitted, but not required.
IAS 17	Scope ⁸	Applies broadly to assets with certain exceptions.	Only applies to leases involving property, plant and equipment.
IAS 17	Lease classification ⁸	The classification of a lease depends on the substance of the transaction. Specific indicators and examples are provided.	The classification of a lease depends on the lease meeting certain specified criteria.
IAS 17	Sales-type lease involving real estate ⁸	No specific criteria are provided.	Provides specific criteria.
IAS 17	Leases of land and buildings ⁸	Land and buildings elements are considered separately unless the land element is not material.	Land and building elements are generally accounted for as a single unit, unless land represents more than 25% of the total fair value of the leased property.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 17	Present value of minimum lease payments ⁸	Generally would use the rate implicit in the lease to discount minimum lease payments.	Lessors must use implicit rate to discount minimum lease payments. Lessees generally would use the incremental borrowing rate to discount minimum lease payments unless the implicit rate is known and is the lower rate.
IAS 17	Leveraged leases ⁸	No special accounting provided for leveraged leases.	Permits special accounting for leveraged leases if specific criteria are met.
IAS 17	Recognition of a gain or loss on a sale and leaseback transaction ⁸	<p>If the leaseback is a finance lease, defer and amortise the gain or loss over the lease term.</p> <p>If the leaseback is an operating lease, recognition of the gain or loss depends on whether the transaction is established at, below, or above fair value.</p>	Depends on the extent of the seller's retained interest in the asset.
IAS 17	Sale and leaseback transaction involving real estate ⁸	There is no difference in accounting between sale and leaseback transactions involving real estate and non-real estate assets.	Specific requirements exist for sale and leaseback transactions involving real estate.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 18	Revenue recognition guidance ⁹	General principles are provided to determine whether revenue should be recognised.	More specific guidance is provided to determine whether revenue should be recognised. In addition, public entities must follow more detailed guidance provided by the SEC.
IAS 18	Customer loyalty programmes ¹⁰	Transactions that result in award credits are accounted for as multiple-element revenue transactions and the fair value of consideration received is allocated between the goods/services supplied and the award credits granted, by reference to fair values.	Several methods may be acceptable.
IAS 19	Multi-employer plan that is a defined benefit plan ¹¹	Accounted for as a defined benefit plan if the required information is available. Otherwise as a defined contribution plan.	Accounted for as a defined contribution plan.
IAS 19	Classification of group administration plans ("multiple-employer plans" in the US)	May be classified and accounted for as either a defined benefit plan or a defined contribution plan, depending on the economic substance of the plan's terms.	Classified and accounted for as a defined benefit plan.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Defined benefit plans that share risks between various entities under common control ¹¹	Classified and accounted for as a defined benefit plan, but amount recorded in individual group entities' financial statements may vary depending on whether there is a contractual agreement or policy that states the charges to each individual group entity.	Accounted for as a defined benefit plan in the consolidated financial statements of the group. Accounted for in the individual group entities' financial statements as either a defined contribution or a defined benefit plan, depending on the circumstances.
IAS 19	Carrying amount of net defined benefit liability (or asset) in the statement of financial position ¹¹	Defined benefit obligation less fair value of plan assets, and reduced or increased by net unrecognised actuarial gains and losses and past service cost.	Defined benefit obligation less fair value of plan assets. All actuarial gains and losses and past service cost are either recognised in profit or loss or deferred in equity (via other comprehensive income) (see below).
IAS 19	Recognition of actuarial gains and losses outside profit or loss ¹¹	Accounting policy choice available to recognise all actuarial gains and losses in other comprehensive income (OCI), provided that they are recognised in full in the period in which they occur. If this treatment is adopted, actuarial gains and losses are not subsequently reclassified to profit or loss.	All actuarial gains and losses are recognised in profit or loss eventually – although 'deferral' in equity of gains and losses that do not exceed prescribed limits is permitted. Such gains and losses are initially reflected in OCI, but are subsequently amortised to profit or loss.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Recognition of actuarial gains and losses in profit or loss ¹¹	Where an entity elects to recognise actuarial gains and losses in profit or loss, a wide choice is available as to the pattern of recognition. The minimum requirement is to only recognise actuarial gains and losses that exceed a pre-determined 'corridor' over a specified period (generally the average remaining working lives of the employees participating in the plan). Alternatively, the Standard permits any systematic method for recognition that results in faster recognition of actuarial gains and losses, provided that the policy is applied to both gains and losses and the basis is applied consistently from period to period.	Similar to IFRSs. However, when applying the minimum requirement (i.e. the 'corridor' approach), actuarial gains and losses are recognised over the average remaining service period. If all, or almost all, of a plan's participants are inactive, such amounts are recognised over the average remaining life expectancy of the inactive participants rather than the average remaining service period. The 'corridor' limits under US GAAP differ from those used under IFRSs.
IAS 19	Recognition of past service cost in net periodic benefit cost ¹¹	Recognised immediately if related to vested benefits; otherwise, recognised over the vesting period.	Amortised over the remaining service period (or life expectancy if all, or almost all, the participants are inactive).

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Limitation on recognition of post-employment benefit assets ¹¹	Asset recognised cannot exceed the net total of unrecognised past service cost and actuarial losses plus the present value of benefits available from refunds or reduction of future contributions to the plan.	No limitation on the amount that can be recognised.
IAS 19	Accounting for insurance policies ¹¹	Insurance policies are accounted for as plan assets if specific conditions are met.	Annuity contracts and insurance policies are generally excluded from plan assets, and the benefits covered by these contracts are excluded from the benefit obligation (with some exceptions).
IAS 19	Measurement frequency ¹¹	No explicit requirement as to how frequently the defined benefit obligation and the plan assets are measured.	Measurement is required to be performed at least once annually or more often when certain events occur.
IAS 19	Measurement of the expected rate of return on plan assets ¹¹	Based on the fair value of plan assets.	Based on the market-related value of the plan assets, which is either the fair value or a calculated value which incorporates asset-related gains and losses over a period of no more than five years.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Minimum funding requirement not available as refunds or reductions in future contributions ¹¹	To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises.	Does not require recognition of a liability for minimum funding requirements.
IAS 19	Termination benefits ¹¹	No distinction between special and other benefits. Recognise termination benefits when the employer is demonstrably committed to pay.	Recognise special (one-time) termination benefits generally when they are communicated to employees unless employees will render service beyond a 'minimum retention period', in which case the liability is recognised ratably over the future service period. Recognise contractual termination benefits when it is probable that employees will be entitled and the amount can be reasonably estimated. Recognise voluntary termination benefits when the employee accepts the offer.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Definition of 'curtailment' ¹¹	A curtailment arises when an entity is either demonstrably committed to making a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.	A curtailment is an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services.
IAS 19	Timing of recognition of gains/losses on a curtailment ¹¹	Both curtailment gains and losses are recognised when the entity is demonstrably committed and a curtailment has been announced.	A curtailment loss is recognised when it is probable that a curtailment will occur and the effects are reasonably estimable. A curtailment gain is recognised when the relevant employees are terminated or the plan suspension or amendment is adopted, which could occur after the entity is demonstrably committed and a curtailment is announced.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Measurement of gains/losses on a curtailment ¹¹	A curtailment gain or loss comprises (a) the change in the present value of the defined benefit obligation, (b) any resulting change in fair value of the plan assets, and (c) a pro-rata share of any related actuarial gains and losses, unrecognised transition amount, and past service cost that had not previously been recognised.	Similar to IFRSs. However, some detailed differences may arise in respect of the amounts of unamortised actuarial gains and losses, unamortised transition amount and past service cost that are included in the curtailment gain or loss.
IAS 21	Determination of the functional currency	Includes primary and secondary factors to consider in determining the functional currency.	Does not have a hierarchy of factors to consider in determining the functional currency. Has detailed guidance on the determination.
IAS 21	Remeasuring foreign currency balances into the functional currency – available-for-sale (AFS) debt securities	Foreign currency gains or losses on AFS debt securities are reported in current earnings.	Foreign currency gains or losses on AFS debt securities are reported in other comprehensive income (OCI).

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 21	Change in functional currency	Prospectively from the date of the change. Bases in non-monetary assets and liabilities are the translated amounts at current exchange rates at the date of the change.	Accounting treatment and bases in non-monetary assets and liabilities depend on whether the functional currency is changing from a foreign currency to the reporting currency (prospective treatment, similar to IFRSs) or vice versa (retrospective).
IAS 23	Borrowing costs related to assets that take a substantial time to complete	Prior to the adoption of IAS 23(2007), capitalisation is an available accounting policy choice. Following the adoption of IAS 23(2007) (accounting periods beginning 1 January 2009 with earlier adoption permitted), capitalisation is mandatory.	Capitalisation is mandatory.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 23	Types of borrowing costs eligible for capitalisation	Includes interest, certain ancillary costs, and exchange differences that are regarded as an adjustment of interest. Changes made as a result of <i>Improvements to IFRSs</i> (issued May 2008 and effective from 1 January 2009) replace the detailed description with a reference to the guidance in IAS 39 on effective interest rate, to remove potential inconsistencies.	Generally only includes interest.
IAS 23	Income on temporary investment of funds borrowed for construction of an asset	Reduces borrowing costs eligible for capitalisation.	Does not reduce borrowing costs eligible for capitalisation except in very limited circumstances.
IAS 27 (2008)	Basis for consolidation ¹²	Control (look to governance and risks and benefits).	Approach depends on the type of entity. For voting interests, entities generally look to majority voting rights. For variable interest entities, look to a risks and rewards model.
IAS 27 (2008)	Consideration of potential voting rights ¹²	An entity must consider potential voting rights that are currently exercisable when determining whether control is present.	An entity would generally not consider potential voting rights when determining whether control is present.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 27 (2008)	Special purpose entities ¹²	Consolidate if 'controlled'. Generally follow the same principles as for commercial entities in determining whether or not control exists.	If SPE is not a 'qualifying SPE' (QSPE), then assessed whether within the scope of risks and rewards model for variable interest entities. Otherwise, apply guidance based on majority voting interests. QSPEs are not consolidated.
IAS 27 (2008)	Exemption from requirement to prepare consolidated financial statements	Permits a parent to elect not to prepare consolidated financial statements if specific conditions are met.	No exemption is available from the requirement to prepare consolidated financial statements.
IAS 27 (2008)	Different reporting dates	Reporting date difference cannot be more than three months. Must adjust for any significant intervening transactions.	Reporting date difference generally should not be more than three months. Must disclose effects of any significant intervening transactions. May adjust for such transactions.
IAS 27 (2008)	Consolidated accounting policies	Must conform policies.	SEC staff does not require policies to be conformed provided that policies are in accordance with US GAAP.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 28	Equity-method investments held for sale	Investor records investment at the lower of its (1) fair value less cost to sell or (2) carrying amount as of the date the investment is classified as held for sale.	Investor applies equity method of accounting until significant influence is lost.
IAS 28	Investor and associate have different accounting policies	Must conform accounting policies.	SEC staff does not require policies to be conformed provided that policies are in accordance with US GAAP.
IAS 28	Investor and associate have different reporting dates	Reporting date difference cannot be more than three months. Must adjust for any significant intervening transactions.	Reporting date difference generally should not be more than three months. Must disclose effects of any significant intervening transactions. May adjust for such transactions.
IAS 28	Impairments of equity-method investments	Investor must assess whether an impairment indicator exists on the basis of the criteria in IAS 39. If an investor determines that an impairment of an equity-method investment is required, it should measure the impairment in accordance with IAS 36 as the excess of the investment's carrying amount over the recoverable amount.	Investor must determine whether a decrease in the value of an equity-method investment is other than temporary. If the decrease in value is other than temporary, the investor must measure the impairment as the excess of the investment's carrying amount over the fair value.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 28	Losses in excess of an investor's interest	Investor should generally discontinue loss recognition, even if the associate's future profitability appears imminent and assured (as long as the investor has not incurred legal or constructive obligations or made payments on behalf of the associate).	Investor should continue to recognise losses when the imminent return to profitable operations of the investee appears to be assured (even if the investor has not (1) guaranteed obligations of the investee or (2) otherwise committed to provide further financial support to the investee).
IAS 29	Translations of foreign entities whose functional currency is the currency of a highly inflationary economy	Adjust using a general price level index before translating.	Adjust the financial statements as if the reporting currency of the parent was the entity's functional currency.
IAS 31	Types of joint ventures ¹³	Three broad types of ventures: (1) jointly controlled operations, (2) jointly controlled assets, and (3) jointly controlled entities.	Refers to jointly controlled entities. Guidance is provided for other types of arrangements (such as collaborative arrangements).
IAS 31	Accounting for jointly controlled entities ¹³	May use either the equity method of accounting or proportionate consolidation.	Generally use the equity method of accounting (except in the construction and extractive industries, in which proportionate consolidation is permitted).

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 31	Gains on non-monetary contributions	<p>The venturer cannot recognise a gain if (1) the risks and rewards of ownership of the contributed assets have not passed to the joint venture, (2) the gain cannot be measured reliably, or (3) the transaction lacks commercial substance, unless monetary or non-monetary assets are received.</p> <p>No guidance if an actual or implied commitment to reinvest exists. Treatment should be based on the substance of the transaction.</p>	<p>The venturer may recognise a gain if cash or near-cash consideration is received.</p> <p>A gain is deferred if an actual or implied commitment to reinvest exists.</p>
IAS 31	Venturer and jointly controlled entity have different accounting policies	Must conform accounting policies.	SEC staff does not require policies to be conformed provided that policies are in accordance with US GAAP.
IAS 32	Offsetting financial assets and financial liabilities in the statement of financial position – elective nature	Entities are required to offset financial assets and financial liabilities in the statement of financial position when the offset criteria are met.	Entities are not required to offset financial assets and financial liabilities in the statement of financial position even if the criteria for offset are met.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 32	Offsetting certain assets and liabilities in the statement of financial position – intent to settle net	To qualify for offsetting, there must be intent to settle on a net basis or to realise the asset and settle the liability simultaneously. There is no exception for assets and liabilities subject to master netting agreements.	An entity may elect to offset fair value amounts for certain assets and liabilities subject to master netting agreements even in the absence of an intention to settle net.
IAS 32	Offsetting amounts due from and owed to two different parties	Required when and only when a legally enforceable right and the intention to settle net exist.	Prohibited.
IAS 32	Classification of convertible debt instruments with conversion option fixed amount of cash for fixed number of shares (a 'conventional' instrument) – issuer accounting	Split the instrument into its liability and equity components and measure the liability at fair value with the equity component representing the residual.	Equity component will arise only for instruments with a beneficial conversion feature that exists at the inception of the instrument. ¹⁴

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 32	Convertible debt – multiple settlement alternatives (shares or cash) upon conversion – issuer accounting	Separation of the conversion option is required in all circumstances. The conversion option generally is precluded from being classified in equity because it violates the fixed-for-fixed principle and instead it is accounted for as a derivative.	Separation of the conversion option as an embedded derivative is required unless the issuer cannot be forced to cash settle. ¹⁴
IAS 32	Puttable or contingently redeemable equity securities – issuer accounting	Such instruments are liabilities. There is no mezzanine equity classification under IFRSs. ¹⁵	Typically, such instruments are classified in equity or, by SEC registrants, in mezzanine equity.
IAS 32	Obligations to issue a variable number of shares – issuer accounting	Accounted for as liabilities.	Accounted for as equity, unless they meet certain conditions.
IAS 32	Derivatives indexed to, and potentially net cash, or net share settled in, the entity's own shares at the choice of the holder (except for written puts and forward purchase contracts that may be gross physically settled) – issuer accounting	Accounted for as assets or liabilities at fair value through profit or loss.	If the issuer has a choice of settlement, then classified in equity unless the issuer could be forced to settle in cash.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 32	Written put options on the entity's own shares – issuer accounting	Accounted for at the present value of the redemption amount (exercise price) unless they can only be net settled.	Accounted for at fair value.
IAS 32	Forward purchase contracts on the entity's own equity – issuer accounting	If gross physical share settlement is a settlement alternative, then subsequent measurement is at the present value of the redemption amount (even if net share or net cash settlement is an alternative).	If net share or net cash settlement is a settlement alternative, then subsequent measurement is fair value (even if gross physical share settlement is an alternative).
IAS 32	Derivatives indexed to, and potentially settled in, the shares of a subsidiary of the issuer – issuer accounting	Except for written put options and forward repurchase contracts, derivatives that can be settled only by physical delivery of a fixed number of shares in a subsidiary in exchange for a fixed amount of cash or another financial asset are accounted for in equity in the consolidated financial statements.	Accounted for as derivatives, if they meet the definition of a derivative in US GAAP. They do not qualify for the scope exception for contracts indexed to, and classified in own equity.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 33	Application of the two-class method to participating securities	Method applies only to participating securities that are equity instruments. Not required for participating debt instruments (e.g. participating convertible debt).	Method applies to participating securities irrespective of whether they are debt or equity instruments.
IAS 33	Calculation of year-to-date (YTD) diluted EPS ¹⁶	Apply the treasury stock method on a YTD basis (i.e. do not average the individual interim period calculations).	Average the individual interim period incremental shares.
IAS 33	Contracts that may be settled in ordinary shares or in cash, at issuer's option ¹⁶	Assume always that the contracts will be settled in shares.	Include based on a rebuttable presumption that the contracts will be settled in shares (if more dilutive). The presumption that the contract will be settled in shares may be overcome if past experience or a stated policy provides a reasonable basis to believe that the contract will be paid partially or wholly in cash.
IAS 33	Disclosures for earnings per share	Basic and diluted income from continuing operations per share and net profit or loss per share.	Basic and diluted income from continuing operations, discontinued operations, extraordinary items, cumulative effect of a change in accounting policy, and net profit or loss per share.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 34	Interim reporting – revenue and expense recognition	Interim period is a discrete reporting period (with certain exceptions).	Interim period is an integral part of the full year (with certain exceptions).
IAS 34	Interim-period disclosures for changes in accounting policy	Disclose the differences between accounting policies in the current interim period compared with the most recent annual financial statements. Require, at a minimum, a description of the nature and effect of the change.	Disclose any changes in accounting policies in the current interim period compared with (1) the comparable interim period of the prior annual period, (2) the preceding interim periods in the current annual period, and (3) the prior annual report.
IAS 36	Level at which impairment analysis is performed	Cash-generating unit (CGU).	Asset group.
IAS 36	Level of impairment testing for goodwill	CGU – the lowest level at which goodwill is monitored for internal management purposes. This level cannot be larger than an operating segment.	Reporting unit – either an operating segment or one level below.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 36	Calculating impairment of goodwill	One-step approach: compare recoverable amount of a CGU (higher of (a) fair value less costs to sell and (b) value-in-use) to carrying amount.	Two-step approach: <ol style="list-style-type: none">1. Compare fair value of the reporting unit with its carrying amount including goodwill. If fair value is greater than carrying amount, no impairment (skip step 2).2. Compare 'implied fair value' of goodwill (which is determined based on a hypothetical purchase price allocation) with its carrying amount, recording an impairment loss for the difference.
IAS 36	Calculating impairment of indefinite-life intangible assets	Calculated by comparing recoverable amount (higher of (a) fair value less costs to sell and (b) value-in-use) to carrying amount.	Calculated by comparing fair value to carrying amount.
IAS 36	Recording the impairment	Impairment charges are accumulated in a contra-account to the asset.	Impairment charges should be recorded directly against the asset, which will create a new cost basis for the asset.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 36	Subsequent reversal of impairment loss	Required for all assets, other than goodwill, if certain criteria are met.	Prohibited.
IAS 37	Recognition of provisions	Threshold for recognition is 'possible' (defined as 'more likely than not')	Also uses a 'probable' threshold – but this is interpreted as a higher threshold than 'more likely than not'.
IAS 37	Measurement of provisions – range of estimates	Best estimate to settle the obligation, which generally involves the expected value method.	Most probable outcome to settle the obligation. If no one item is more likely than another, use the low end of the range of possible amounts.
IAS 37	Measurement of provisions – discounting	Discounting is required.	Unless specifically permitted by an accounting standard, discounting is only allowed where the timing and amount of the future cash flows are fixed and determinable.
IAS 37	Disclosures that may prejudice seriously the position of the entity in a dispute	"In extremely rare cases" amounts and details need not be disclosed, but disclosure is required of the general nature of the dispute and why the details have not been disclosed.	Disclosure is required.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 37	Initial measurement of decommissioning provisions	Asset retirement obligation (ARO) liability measured as the best estimate of the expenditure to settle the obligation or to transfer the obligation to a third party at the end of the reporting period.	ARO liability measured at fair value in the period it is incurred if a reasonable estimate of fair value can be made.
IAS 37	Discounting decommissioning provisions	Use the current, risk-adjusted rate to discount the provision when initially recognised. Adjust the rate at each reporting date.	Use the current, credit adjusted risk-free rate to discount the provision when initially recognised. Do not adjust the rate in future periods.
IAS 37	Recognition of restructuring provisions	Recognise if a detailed formal plan is announced or implementation of such a plan has started.	Recognise when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan.
IAS 38	Development costs	Capitalise if specified criteria are met.	Expense as incurred (except for certain website development costs and certain costs associated with developing internal use software).

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 38	Revaluation of intangible assets	Permitted only if the intangible asset is traded in an active market.	Prohibited.
IAS 39	Definition of derivative: notional amount or payment provision characteristic	No requirement to have a notional amount or payment provision, but in practice one of these characteristics usually exists.	A financial instrument or other contract must have one or more notional amounts, payment provisions, or both to be considered a derivative.
IAS 39	Definition of derivative: net settlement versus 'settlement at a future date' characteristic	No net settlement characteristic or requirement; however, contracts to purchase, sell, or use non-financial items are only accounted for as derivatives if they can be settled net in cash or with another financial instrument. Settling contracts net is broadly defined and is not restricted to the ability to net-settle in cash. IFRSs include a 'settlement at a future date' characteristic in the definition.	A financial instrument or other contract must require or permit net settlement, be readily settled net by a means outside the contract, or provide for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Derivative scope exception: normal purchases and normal sales versus own-use contracts	<p>Required.</p> <p>No documentation is required.</p> <p>Written options are not eligible if the non-financial item is readily convertible to cash.</p> <p>Embedded derivatives do not disqualify an entity from applying the own-use exception.</p>	<p>Elective.</p> <p>Must have documentation.</p> <p>Certain written options are eligible.</p> <p>Embedded derivatives that are not clearly- and closely-related disqualify an entity from applying the normal purchases and normal sales exception.</p>
IAS 39	Derivative scope exception: certain contracts not traded on an exchange – underlying is based on a climatic or geological variable or on some other physical variable	When such contracts do not meet the definition of an insurance contract (i.e. they are not within the scope of IFRS 4 <i>Insurance Contracts</i>), they are within the scope of IAS 39 and are accounted for as derivatives.	Outside scope.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Derivative scope exception: certain contracts not traded on an exchange – underlying is based on specified volumes of sales or service revenues	Contracts with an underlying based on specified volumes of sales or service revenues may meet the definition of a derivative; however, royalty agreements based on the volume of sales or service revenues are accounted for under IAS 18 <i>Revenue</i> and would not be accounted for as derivatives.	Outside scope.
IAS 39	Derivative scope exception: contracts whose underlying is a non-marketable equity security	These are accounted for as derivatives unless the entity cannot reliably measure the instrument's fair value.	These usually do not meet the net settlement characteristic in the definition of a derivative.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Embedded derivative: clearly- and closely-related	Similar to US GAAP, one of the conditions for separating an embedded derivative is that its economic characteristics and risks are not closely-related to those of the host contract. However, there are detailed application differences related to items such as (1) puts, calls and prepayment options, (2) embedded derivatives in purchase, sale and service contracts, (3) insurance contracts, (4) caps and floors on interest rates, and (5) foreign currency features.	A third condition for separating an embedded derivative is that its economic characteristics and risks are not clearly- and closely-related to those of the host contract.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Reassessment of embedded derivative status	Entities are not permitted to reassess whether an embedded derivative is required to be separated unless there is a change in the terms that significantly modifies the cash flows.	Typically, entities reassess whether an embedded feature is required to be separated at least at the end of each reporting period.
IAS 39	Presentation of embedded derivatives (combined with the host or separate)	IAS 39 explicitly states that it does not address whether an embedded derivative should be presented separately in the financial statements.	US GAAP does not explicitly address presentation of embedded derivatives. However, SEC staff guidance indicates “although bifurcated for measurement purposes, embedded derivatives should be presented on a combined basis with the host contract, except in circumstances where the embedded derivative is a liability and the host contract is equity”.
IAS 39	Option to designate any financial asset or financial liability to be measured at fair value through profit or loss	Option is allowed if one of three criteria is met.	Option allowed at initial recognition. Criteria in IFRSs do not apply.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Scope of items eligible for option to designate any financial asset or financial liability to be measured at fair value through profit or loss (the fair value option – FVO)	Prohibits election of the FVO for certain contracts, such as insurance contracts and warranties that are not financial instruments; precludes application to an investment in an equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured; and, with limited exceptions, excludes investments in equity-method investments (referred to as ‘associates’).	Except for the existence of qualifying criteria above and the prohibited items noted, the scope of items to which the FVO can be applied is similar.
IAS 39	Date of election to designate any financial asset or financial liability to be measured at fair value through profit or loss	Election only at initial recognition.	Election at initial recognition as well as certain subsequent dates.
IAS 39	Definition of fair value: the principal (or most advantageous) market	Does not define fair value in terms of the principal market. For financial instruments traded in active markets, the most advantageous active market to which the entity has access is used. No principal market concept.	Explicitly requires reporting entity to measure fair value assuming the transaction occurs in the principal market (or most advantageous market if no principal market) for the asset or liability. Detailed guidance on this concept.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Definition of fair value: application to liabilities	Assumes liability is settled with the counterparty. Fair value of a financial liability with a demand feature is not less than the amount payable on demand (discounted).	Assumes liability is transferred to another market participant. No specific guidance on determining the fair value of a financial liability with a demand feature.
IAS 39	Fair value at initial recognition (inception)	Entry price is presumptively fair value, unless fair value is evidenced by other observable market transactions or a valuation technique that only includes observable inputs.	Exit price, but provides examples when transaction price might not represent fair value.
IAS 39	Valuation techniques	Detailed guidance on inputs to valuation techniques. Permits carryforward of measurement assumptions (information) to subsequent measurements. Does not permit mid-market pricing, unless offsetting positions. Assumes bid price for assets and ask price for liabilities.	Detailed guidance on three acceptable valuation approaches. Does not permit carryforward of measurement assumptions (information) to subsequent measurements. Permits mid-market pricing as a practical expedient.
IAS 39	Fair value hierarchy	Categorises fair value measurements into two broad categories.	Categorises fair value measurements into three broad levels.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Fair value disclosures	<p>No fair value hierarchy disclosures.</p> <p>No separate disclosure of recurring and non-recurring fair value measurements.</p> <p>Required disclosures about sensitivity to unobservable assumptions and inception gains and losses.</p>	<p>Fair value hierarchy disclosures.</p> <p>Separate disclosure of recurring and non-recurring fair value measurements.</p> <p>No required disclosures about sensitivity to unobservable assumptions or inception gains and losses.</p>
IAS 39	Derecognition of financial assets	<p>Combination of risks and rewards and control approach.</p> <p>No 'isolation in bankruptcy' test.</p> <p>Partial derecognition allowed only if specific criteria are complied with.</p>	<p>Derecognise assets when transferor has surrendered control over the assets. One of the conditions is legal isolation. No partial derecognition.</p>
IAS 39	Transfers of financial assets: order of derecognition analysis	<p>IAS 39 requires all subsidiaries to be consolidated under IAS 27 and SIC 12 prior to consideration of whether a transfer of financial assets is considered a sale. In this case, derecognition under IAS 39 is assessed at a consolidated level.</p>	<p>Requires derecognition of a financial asset to be determined prior to an assessment of whether consolidation of the transferee is required.</p>

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Transfers of financial assets: definition of control	Under IAS 39, control of a financial asset is surrendered if the transferee has the unilateral ability to sell that transferred asset. Note, however, that control is not the sole determinative factor in assessing derecognition.	Control of a financial asset is surrendered only if (1) the transferred financial asset is legally isolated from the transferor, (2) the transferee has the ability to freely pledge or exchange the transferred financial asset, and (3) the transferor does not maintain effective control over the transferred asset through other rights.
IAS 39	Transfers of financial assets: rights to contractual cash flows are retained and pass-through arrangements	IAS 39 provides that an entity can derecognise a financial asset regardless of whether it retains the right to the contractual cash flows of that asset if three restrictive conditions for 'pass-through arrangements' are met.	Does not allow for derecognition of a financial asset if the contractual rights to the cash flows of that financial asset are retained.
IAS 39	Accounting for servicing rights: initial recognition of a servicing asset	IAS 39 considers a servicing asset retained as part of a transfer of financial assets as a retained interest in those transferred assets. Therefore, the servicing asset is initially recognised at its allocated previous carrying amount based on relative fair value at the transfer date in accordance with paragraphs 24 and 27 of IAS 39.	Requires a servicing asset to be initially recognised at fair value.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Accounting for servicing rights: subsequent measurement of a servicing asset or liability	IAS 39 does not provide guidance on the subsequent measurement of a servicing right because it is not considered a financial instrument.	Provides an entity the option to subsequently measure a servicing asset or liability either at fair value or amortised cost.
IAS 39	Investments in instruments	Measured at fair value if reliably measurable; otherwise at cost.	Measured at cost less 'other than temporary' impairments, if any.
IAS 39	Initial recognition: transaction costs incurred to acquire a security	Transaction costs that are directly attributable to the acquisition of any financial asset (other than an asset classified as at fair value through profit or loss) are included in the initial measurement of that financial asset.	No specific guidance on the accounting for transaction costs incurred in acquiring a debt or equity security. For investments in debt securities classified as held-to-maturity (HTM) or available-for-sale (AFS), costs paid directly to the seller of the debt security plus any fees paid less fees received should be included in the debt security's initial investment.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Initial recognition: trade-date vs. settlement-date accounting	IAS 39 provides that an entity may elect as an accounting policy to apply trade-date or settlement-date accounting for each category of financial assets that is defined in IAS 39 (i.e. AFS, HTM, loans and receivables, and fair value through profit or loss). However, trade-date or settlement-date accounting must be applied consistently to all financial assets within the same category.	Does not specify whether a debt or equity security should be initially recognised on a trade- or settlement-date basis. Whether an entity recognises the acquisition of a debt or equity security on a trade-date or settlement-date basis is often dependent on the industry in which the entity operates.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Classification categories: definition of held-to-maturity (HTM)	The HTM classification in IAS 39 may apply to any non-derivative debt instrument. The instrument does not need to be structured as a 'security' as is required under US GAAP. However, IAS 39 prohibits classification of an investment as HTM if that investment is not quoted in an active market. Such an investment may instead be classified in the loans and receivables category.	The HTM classification in US GAAP is limited to investments that meet the definition of a debt security. An investment in a debt security that is not traded in an active market could be classified as HTM if it meets the conditions for that classification.
IAS 39	Classification of financial assets as held-to-maturity	Puttable debt instruments cannot be classified as HTM.	No such prohibition exists. May be classified as HTM if the holder has the positive intent and ability to hold that security. However, because the purchase price of the puttable security includes a premium for the put feature, careful consideration of the put feature is necessary to determine whether it calls into question the intent and ability to hold to the security to maturity.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Classification categories: definition of trading	<p>Under IAS 39, a financial asset must be classified at fair value through profit or loss (the IFRS equivalent to the US GAAP trading category) if the investment (1) is acquired principally for the purpose of selling in the near term, (2) is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or (3) is a derivative instrument.</p> <p>Under the IAS 39 definition of trading, an investment may not be classified as trading if an entity does not intend to sell the investment in the near term. However, such an investment may qualify for designation as at fair value through profit or loss if certain conditions are met.</p>	<p>Defines a trading security as a security that is bought and held principally for the purpose of selling in the near term with an objective of generating profits on short-term pricing differences. However, classification of a security as trading is not precluded simply because the enterprise does not intend to sell the security in the near term.</p>
IAS 39	Reclassification of financial instruments into or out of the trading category	Prohibited.	Permitted but expected to be rare.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Subsequent measurement: interest income recognition	Under IAS 39, interest income on investments in debt instruments is recognised using the effective interest method based on the estimated cash flows over the expected life of the instrument.	Interest income is recognised on the basis of contractual cash flows, with certain exceptions dependent on the specific characteristics of a debt instrument such as whether it (a) is part of a group of prepayable debt securities, (b) is a beneficial interest in securitised financial assets, or (c) has been other-than-temporarily impaired, or (d) was purchased with evidence of credit deterioration.
IAS 39	Subsequent measurement: recognition of a change in expected future cash flows	If a change in the expected future cash flows of an investment in a debt instrument occurs, the carrying amount of the investment is recalculated based on the present value of the revised estimated future cash flows of the debt investment discounted at the original effective interest rate. The cumulative catch-up adjustment to the carrying amount of the debt investment is recognised in profit or loss.	Whether and how a change in expected future cash flows of an investment in a debt instrument is recognised is dependent on the characteristics of the debt instrument and what effective interest method is being applied.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Foreign exchange differences on available-for-sale (AFS) debt instruments	Changes in value attributable to changes in foreign exchange rates are reflected in profit or loss as exchange differences.	Changes in value attributable to changes in foreign exchange rates is included in accumulated other comprehensive income (equity) and reclassified to the income statement when the instrument is sold.
IAS 39	Impairment of debt and equity securities	Focus is on 'loss events' that provide objective evidence of impairment.	Impairment is only recognised only when the decline in fair value is considered other-than-temporary. Several different sources of literature provide guidance on when a security is considered other-than-temporarily impaired.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Impairment: determination of impairment loss	Under IAS 39, the impairment loss to be recognised if a 'loss event' occurs is dependent on the classification of the investment. If an investment classified as HTM is impaired, the amount of impairment is calculated by comparing the present value of the estimated future cash flows of the investment discounted at the investment's original effective interest rate to the carrying amount of the investment on the impairment date. If an investment classified as AFS is impaired, the amount of impairment is calculated in the same manner as US GAAP.	If an investment in a debt or equity security is determined to be other-than-temporarily impaired, the impairment loss to be recognised in earnings is calculated as the difference between the security's carrying amount and the current fair value of the security on the date of impairment.
IAS 39	Subsequent reversal of an impairment loss recognised in profit or loss	Required for loans and receivables, HTM and AFS debt instruments, if specified criteria are met.	Prohibited for HTM and AFS securities. Reversals of valuation allowances on loans are recognised in the income statement.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Loans receivable: classification of investments in loans that are in the form of debt securities that are not quoted in an active market	Investments in loans that are in the form of debt securities and for which no quoted prices in an active market exist are accounted for as loans and receivables, AFS financial assets, or financial assets at fair value through profit or loss.	Investments in loans that are in the form of debt securities are classified as trading, AFS or HTM securities.
IAS 39	Loans receivable: held-for-sale or trading classification	An entity classifies loans receivable as held for trading if it intends to sell those loans immediately or in the near term. Additionally, if certain eligibility criteria are met, loans receivable may be designated as at fair value through profit or loss under the fair value option. Loans classified as held for trading or as at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.	Loans receivable held for sale are reported at the lower of cost or fair value unless an entity elects to carry a loan receivable at fair value with changes in fair value recognised in earnings under the fair value option.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Loans receivable: available-for-sale classification	Entities are permitted to classify loans receivable as AFS financial assets and measure them at fair value with changes in fair value recognised outside profit or loss.	Loans receivable that are not in the form of a debt security cannot be classified as AFS.
IAS 39	Loans receivable: recognition of loan impairment	A loan is impaired if there is objective evidence that impairment exists as a result of a loss event.	A loan is impaired if it is probable that a creditor will be unable to collect all amounts due.
IAS 39	Loans receivable: interest recognition on impaired loans	Interest income is recognised using the rate of interest used to discount the future cash flows in the measurement of the impairment loss.	No specific guidance on the recognition, measurement, or presentation of interest income on an impaired loan.
IAS 39	Debt: presentation (debt issue costs)	Debt issue costs are never capitalised as an asset.	For liabilities carried at amortised cost, debt issue costs may be capitalised as an asset.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Modification or exchange of debt instruments	<p>Principle – 10% cash flow test with no specific guidance for determining the present value of cash flows.</p> <p>3rd party costs (e.g. legal fees) – if an extinguishment occurs, then such costs are expensed. If no extinguishment occurs, then such costs are amortised using the effective interest method.</p> <p>Convertibles – no specific guidance for evaluating a modification that impacts the embedded conversion option.</p> <p>Troubled debt restructurings – no specific guidance for troubled debt restructurings. Entities apply the 10% cash flow test.</p>	<p>Principle – 10% cash flow test with specific guidance for determining the present value of cash flows.</p> <p>3rd party costs (e.g. legal fees) – if an extinguishment occurs, then such costs are amortised using the effective interest method. If no extinguishment occurs, then such costs are expensed.</p> <p>Convertibles – specific guidance for evaluating a modification that impacts the embedded conversion option.</p> <p>Troubled debt restructurings – specific guidance for troubled debt restructurings that precludes gains unless the new principle amount is less than the carrying amount.</p>
IAS 39	Frequency for assessing hedge effectiveness	Required every time annual or interim financial statements are prepared.	Required every time financial statements or earnings are reported, and at least every three months.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Assessing effectiveness of hedging relationships that use an option as a hedging instrument	An entity cannot exclude components of time value from an effectiveness assessment. An entity may designate the change in intrinsic value as the hedging instrument.	An entity may exclude components of time value from an effectiveness assessment.
IAS 39	Designation of hedging instrument	Single instruments can hedge more than one type of risk if specific conditions are met.	An entity is prohibited from separating a compound derivative into different risk components that are designated as hedging instruments.
IAS 39	Hedgeable risks for hedges of financial instruments (including, in US GAAP, a recognised loan servicing right or a non-financial firm commitment with financial components)	An entity may hedge risks associated with only a portion of cash flows or fair value if identifiable and measurable.	<p>Must be one or a combination of the following:</p> <ul style="list-style-type: none"> • interest rate risk; • credit risk; and • foreign exchange risk. <p>Overall changes in fair value or cash flows.</p>
IAS 39	Hedgeable risks for hedges of non-financial items (except, in US GAAP, those noted above)	An entity may hedge overall changes in fair value or cash flows, or foreign currency risks.	An entity may hedge overall changes in fair value or cash flows for an entire item. For cash flow hedges, the foreign exchange risk also can be designated as the hedged risk.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Shortcut method	Not permitted under IFRSs.	Allowed for hedging relationships involving an interest rate swap and an interest-bearing financial instrument that meet specific requirements.
IAS 39	Written options as hedged items	Permitted only if the written option is designated as an offset to a purchased option.	Permitted if the combination of the hedged item and the written option provides at least as much potential for gains as exposure to losses.
IAS 39	Foreign currency hedging	Do not require that the unit exposed to the hedged risk be a party to the hedging instrument.	Either the operating unit must have foreign currency exposure or another unit with the same functional currency as the operating unit must be a party to the hedging instrument.
IAS 39	Partial-term hedging (when hedging instrument has longer term)	Not permitted when hedging instrument remains outstanding longer than the designated hedging relationship.	Not prohibited, but effectiveness must still be demonstrated.
IAS 39	Fair value hedges: fair value hedges of servicing rights and non-financial firm commitments with financial commitments	The only permissible hedgeable risks are foreign currency risk and overall changes in fair value or cash flows (same as all other non-financial items).	Permits recognised loan servicing rights and non-financial firm commitments with financial components to be hedged for the same risks as financial assets and financial liabilities.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Fair value hedges: held-to-maturity securities as a hedged item	Prepayment risk or interest rate risk cannot be designated as the hedged risk.	Changes in total fair value of a prepayment option embedded in a HTM security can be designated as a hedged risk. Interest rate risk cannot be designated as the hedged risk.
IAS 39	Fair value hedges: partial-term hedging (when hedged item has longer term)	Permissible to designate a hedging relationship for only a portion of the period for which a hedged item is outstanding. It is more likely that the hedging relationship will be considered highly effective.	Not explicitly prohibited; however, hedging relationships generally will not be highly effective.
IAS 39	Fair value hedges: measurement of fair value changes in hedged item that are attributable to changes in the benchmark interest rate	Hedged item can be defined as a portion of the interest rate cash flows of a financial asset or financial liability (e.g. a benchmark rate component). Hedged item is not limited to all of the contractual cash flows.	For a fair value hedge, all contractual cash flows must be included when changes in fair value attributable to changes in the benchmark interest rate are calculated.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Fair value hedges: firm commitment to acquire a business in a business combination as a hedged item	Permitted as a hedged item for foreign exchange risk.	Cannot be designated as a hedged item.
IAS 39	Fair value hedges: non-derivative financial instruments as hedging instruments	Can be designated for any hedge of foreign exchange risk.	Can only be designated as hedging changes in fair value of an unrecognised firm commitment (or a portion thereof) attributable to foreign exchange risk.
IAS 39	Fair value hedges: portfolio hedge of interest rate risk ('macro hedging')	A special hedge accounting method is provided for a portfolio fair value hedge of interest rate risk (a currency amount, instead of individual assets or liabilities, can be designated as the hedged item) if certain specific conditions are met.	The hedge accounting treatment provided by IFRSs (i.e. currency amount designated as a hedged item) is prohibited. However, similar results may be achieved by designating specific assets or liabilities as hedged items.
IAS 39	Cash flow hedges: non-derivative financial instruments as hedging instruments	Can be designated as hedging instruments in a foreign currency cash flow hedge.	Cannot be designated as hedging instruments in a cash flow hedge.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Basis adjustments when discontinuing a cash flow hedge involving a non-financial asset or non-financial liability	May choose to: (1) reclassify cumulative amounts recognised in equity in the same period(s) in which the acquired asset or liability affects earnings, or (2) include those amounts in the initial cost basis or other carrying amount of the acquired asset or liability (i.e. 'basis adjustments').	Amounts in equity (accumulated other comprehensive income) must be reclassified into earnings in the same period(s) during which the hedged forecasted transaction affects earnings.
IAS 39	Cash flow hedges: foreign currency cash flow hedge with an internal derivative	Not permitted in consolidated financial statements – hedging instrument must involve external party.	Permitted in consolidated financial statements if specific conditions are met.
IAS 39	Cash flow hedges: consideration of option's terminal value when assessing and measuring hedge effectiveness	An entity may include or exclude time value in effectiveness assessments, but cannot focus solely on terminal value in measuring effectiveness.	An entity may use a purchased option's terminal value when assessing effectiveness if certain criteria are met. Also, an entity may assume no ineffectiveness if additional criteria are met.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Cash flow hedges: forecasted transaction whose occurrence is no longer probable	If transaction is no longer expected to occur, amounts previously accumulated in equity should be reclassified to profit or loss.	The cumulative gain or loss on a derivative should remain in accumulated other comprehensive income unless it becomes probable that the forecasted transaction will not occur by the end of the originally specified period or within an additional two-month period.
IAS 39	Cash flow hedges: change in variable cash flows method for measuring ineffectiveness	Not permitted under IFRSs.	Permitted as long as fair value of the hedging swap is 'at or somewhat near zero' at hedge inception.
IAS 40	Measurement basis for investment property	Option of (a) historical cost model (depreciation, impairment) or (b) fair value model with value changes through profit or loss.	Generally required to use historical cost model (depreciation, impairment).
IAS 40	Property interests held under an operating lease	Accounted for as investment property under IAS 40 if held for investment and if measured at fair value with value changes in profit or loss. Otherwise upfront payments treated as prepayments.	Always treated as a prepayment.

Comparison of IFRSs and US GAAP

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 41	Measurement basis of agricultural crops, livestock, orchards, forests	Fair value with value changes recognised in profit or loss.	Historical cost is generally used. However, fair value less costs to sell is used for harvested crops and livestock held for sale.

Endnotes:

- 1 The IASB is developing a comprehensive Standard on accounting for rights and obligations under insurance contracts that is consistent with the IASB Framework definitions of assets and liabilities.
- 2 The IASB and the FASB are working on a joint project on discontinued operations. The Boards intend to converge the definition of 'discontinued operations' and the disclosures for components of an entity that have been disposed of. Exposure drafts from both Boards are expected in the third quarter of 2008.
- 3 IFRS 8 *Operating Segments* was issued in November 2006 and (subject to the differences noted in the main table) has resulted in convergence with US statement FAS 131. IFRS 8 is effective for periods beginning on or after 1 January 2009, with earlier application permitted. In advance of application of IFRS 8, IAS 14 *Segment Reporting* is the relevant Standard (see earlier editions of this guide).
- 4 This issue is being addressed in the joint IASB/FASB project on Financial Statements Presentation.
- 5 IAS 1(2007) (effective 1 January 2009) requires a statement of financial position at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.
- 6 The IASB and the FASB are addressing some IAS 12/FAS 109 differences in their short-term convergence projects. Exposure drafts are expected in the fourth quarter of 2008.
- 7 Based on decisions made to date, in the revised IAS 12, the IASB will retain 'substantively enacted' but clarify that it means 'virtually certain'.
- 8 The IASB and the FASB are working on a joint project on leases.
- 9 The difference is applicable to sales of goods or products, rendering of services, software arrangements, multiple-element arrangements, and real estate sales. A joint IASB/FASB project on revenue recognition concepts is underway.
- 10 This difference relates to guidance provided in IFRIC 13 *Customer Loyalty Programmes*, which was issued in June 2007. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. Earlier application is permitted.

Comparison of IFRSs and US GAAP

- 11 The IASB has a project on post-employment benefits on its active agenda (Discussion Paper issued in March 2008).
- 12 The IASB has on its agenda a convergence project on consolidation to address control, including SPEs.
- 13 The IASB issued an Exposure Draft on joint ventures in September 2007. The project addresses two topics: (1) the form of the arrangement is the primary determinant of the accounting, and (2) that an entity has a choice of accounting treatment for interests in jointly controlled entities. A final Standard is expected in 2009.
- 14 The FASB recently issued FASB Staff Position (FSP) No. APB 14-1 *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP requires the liability and equity components of convertible debt instruments that may be settled by the issuer in cash upon conversion (including partial cash settlement) to be separately accounted for in a manner that reflects the issuer's non-convertible debt borrowing rate. This FSP is effective for fiscal years beginning after 15 December 2008 and interim periods within those fiscal years.
- 15 In February 2008, the IASB amended IAS 32 to require equity classification in limited circumstances for some puttable financial instruments. The amendments are effective for annual periods beginning on or after 1 January 2009. Early application is permitted.
- 16 The IASB and the FASB have a joint convergence project on earnings per share. Exposure drafts proposing amendments to the relevant standards were issued in August 2008.

Deloitte IFRS resources

In addition to this publication, Deloitte Touche Tohmatsu has a range of tools and publications to assist in implementing and reporting under IFRSs. These include:

www.iasplus.com	Updated daily, iasplus.com is your one-stop shop for information related to IFRSs.
Deloitte's IFRS e-Learning Modules	e-Learning IFRS training materials, available without charge at www.iasplus.com
IAS Plus Newsletter	Quarterly newsletter on recent developments in IFRSs with special editions issued for important developments. To subscribe, visit www.iasplus.com
iGAAP 2007: A guide to IFRS reporting	A comprehensive guide to the requirements of IFRSs
IFRSs in your Pocket	Published in several languages, this pocket-sized guide includes summaries of all IASB Standards and Interpretations, updates on agenda projects, and other IASB-related information.
Presentation and disclosure checklist	Checklist incorporating all of the presentation and disclosure requirements of IFRSs.
Model financial statements	Model financial statements illustrating the presentation and disclosure requirements of IFRSs.
iGAAP 2008 Financial instruments: IAS 32, IAS 39 and IFRS 7 explained	4th edition (May 2008). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.
Standard-specific guides: <ul style="list-style-type: none">– IFRS 1– IFRS 2– IFRS 3 & IAS 27– IFRS 5– IAS 34	Detailed guides for specific Standards, with explanations of the requirements, guidance for application and discussion of evolving literature.

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