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IFRS

IFRS compared to US GAAP: An overview

November 2014

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KPMG's Global IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help board and audit committee members gain insight and access thought leadership about the evolving global financial reporting framework.

Whether you are new to IFRS or a current user of IFRS, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative financial statements and checklists.

For a local perspective, IFRS resources are also provided by KPMG member firms from around the world, including the United States.

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DIVERGENCE IS WHAT WE SEE

In May 2014, the IASB and the FASB published a joint standard on revenue from contracts with customers. Having a fully converged standard in an area of accounting that affects virtually every company is in itself a major achievement. For other major joint projects, however, it appears that full convergence will not be achieved – e.g. with respect to loan loss impairment, insurance contracts and, as it currently stands, leases. In addition, differences in existing standards continue. So from where we are now, it seems reasonable to expect that IFRS and US GAAP will continue to be the two predominant – and separate – financial reporting frameworks globally.

At the same time, while the advance of IFRS across the globe continues at pace, the SEC has not yet decided whether to expand the use of IFRS in the US beyond foreign private issuers. However, the SEC's chief accountant has stated publicly that we can expect movement in the coming months on whether the SEC intends to further incorporate IFRS into the US financial reporting system.

All of this means that an understanding of the differences between IFRS and US GAAP will continue to be important and of keen interest to preparers and users of financial statements under these financial reporting frameworks. With this in mind, we are pleased to publish our comparison of IFRS and US GAAP as at 25 November 2014.

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IFRS COMPARED TO US GAAP: AN OVERVIEW

The purpose of our publication *IFRS compared to US GAAP*, from which this overview has been extracted, is to assist you in understanding the significant differences between IFRS and US GAAP.

Although it does not discuss every possible difference, the publication provides a summary of those differences that we have encountered most frequently, resulting from either a difference in emphasis or specific application guidance.

In general, the publication addresses the types of businesses and activities that IFRS addresses. So, for example, biological assets are included in the publication, but accounting by not-for-profit entities is not. In addition, the publication focuses on consolidated financial statements – separate (i.e. unconsolidated) financial statements are not addressed.

The requirements of IFRS are discussed on the basis that the entity has adopted IFRS already. The special transitional requirements that apply in the period in which an entity changes its GAAP to IFRS are discussed in our publication Insights into IFRS, KPMG's practical guide to International Financial Reporting Standards.

Although we have highlighted what we regard as significant differences, we recognise that the significance of any difference will vary by entity. Some differences that appear major may not be relevant to your business; by contrast, a seemingly minor difference may cause you significant additional work.

HOW TO NAVIGATE THIS OVERVIEW

This overview is an extract from our more extensive publication *IFRS compared to US GAAP*, which is available from your usual KPMG contact.

This overview provides a quick summary of significant differences between IFRS and US GAAP. It is organised by topic, following the typical presentation of items in the financial statements.

This edition is based on IFRS and US GAAP that is mandatory for an annual reporting period beginning on 1 January 2014 – i.e. ignoring standards and interpretations that might be adopted before their effective dates.

Additionally, the following forthcoming requirements are the subject of separate chapters: 4.2A 'Revenue from contracts with customers', 5.4A 'Discontinued operations' and 5.12A 'Service concession arrangements'.

The following abbreviations are used in this overview.

EPS	Earnings per share
NCI	Non-controlling interests
OCI	Other comprehensive income
SEC	US Securities and Exchange Commission

1 Background

1.1 Introduction

(IFRS Foundation Constitution, IASB and IFRS Interpretations Committee Due Process Handbooks, Preface to IFRSs, IAS 1)

'IFRS' is the term used to indicate the whole body of IASB authoritative literature.

Individual standards and interpretations are developed and maintained by the IASB and the IFRS Interpretations Committee.

IFRS is designed for use by profit-oriented entities.

Any entity claiming compliance with IFRS complies with all standards and interpretations, including disclosure requirements, and makes an explicit and unreserved statement of compliance with IFRS.

The overriding requirement of IFRS is for the financial statements to give a fair presentation (or a true and fair view).

1.1 Introduction

(ASC Topic 105, ASC Master Glossary, SEC Rules and Regulations)

'US GAAP' is the term used to indicate the body of authoritative literature that comprises accounting and reporting standards in the US. Rules and interpretative releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants.

Authoritative US GAAP is primarily developed and maintained by the FASB and the Emerging Issues Task Force.

Unlike IFRS, US GAAP is designed for use by both profit-oriented and not-for-profit entities, with additional Codification topics that apply specifically to not-for-profit entities.

Like IFRS, any entity claiming compliance with US GAAP complies with all applicable sections of the Codification, including disclosure requirements. However, unlike IFRS, a statement of explicit and unreserved compliance with US GAAP is not required.

Unlike IFRS, the objective of financial statements is fair presentation in accordance with US GAAP.

1.2 The Conceptual Framework

(Conceptual Framework for Financial Reporting)

The Conceptual Framework is used in developing and maintaining standards and interpretations.

The Conceptual Framework is a point of reference for preparers of financial statements in the absence of specific guidance in IFRS.

Transactions with shareholders in their capacity as shareholders are recognised directly in equity.

1.2 The Conceptual Framework

(ASC Topic 105, ASC para 250-10-S99-1, ASC para 250–10-S99-2, CON 5, CON 6, CON 7, CON 8, SAB Topics 1.M, 1.N)

Like IFRS, the Conceptual Framework establishes the objectives and concepts that the FASB uses in developing guidance.

Unlike IFRS, the Conceptual Framework is non-authoritative guidance and is not referred to routinely by preparers of financial statements.

Like IFRS, transactions with shareholders in their capacity as shareholders are recognised directly in equity.

2 General issues

2.1 Basis of preparation of financial statements

(IAS 1)

Financial statements are prepared on a going concern basis, unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading.

If management concludes that the entity is a going concern, but there are nonetheless material uncertainties that cast significant doubt on the entity's ability to continue as a going concern, then the entity discloses those uncertainties.

In carrying out its assessment of going concern, management considers all available information about the future for at least, but not limited to, 12 months from the reporting date. This assessment determines the basis of preparation of the financial statements.

2.1 Basis of preparation of financial statements

(ASC Subtopic 205-30, ASC Subtopic 855-10, AU 341, AU-C 570)

Unlike IFRS, financial statements are generally prepared on a going concern basis (i.e. the usual requirements of US GAAP apply) unless liquidation is imminent.

Unlike IFRS, there is no specific guidance under US GAAP regarding the assessment of going concern or the required disclosures. However, the US auditing literature requires the auditor to consider whether there is substantial doubt about the entity's ability to continue as a going concern, like IFRS.

Unlike IFRS, this assessment is for a period of time not to exceed one year beyond the date of the financial statements being audited, which does not exceed one year from the issuance date of the financial statements. Unlike IFRS, this assessment is for the purpose of determining whether the disclosures in the financial statements are appropriate, and the basis of preparation is not affected unless liquidation is imminent.

If the entity is not a going concern and the financial statements are being prepared in accordance with IFRS, then in our view there is no general dispensation from the measurement, recognition and disclosure requirements of IFRS.

Unlike IFRS, if liquidation is imminent, then there are specific requirements for the measurement, recognition and disclosures under US GAAP.

2.2 Form and components of financial statements

(IAS 1, IFRS 10)

An entity with one or more subsidiaries presents consolidated financial statements unless specific criteria are met.

The following are presented as a complete set of financial statements: a statement of financial position, a statement of profit or loss and OCI, a statement of changes in equity, a statement of cash flows, and notes, including accounting policies.

An entity presents both a statement of profit or loss and OCI, and a statement of changes in equity, as part of a complete set of financial statements.

All owner-related changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity.

2.2 Form and components of financial statements

(ASC Subtopic 210-10, ASC Subtopic 220-10, ASC Subtopic 235-10, ASC Subtopic 310-10, ASC Subtopic 810-10, ASC Subtopic 825-10, Reg S-K, Reg S-X, Reg G)

Unlike IFRS, there are no exemptions, other than for investment companies, from preparing consolidated financial statements if an entity has one or more subsidiaries.

Like IFRS, the following are presented as a complete set of financial statements: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes, including accounting policies. However, unlike IFRS, the statement of investments by and distributions to owners during the period (statement of changes in equity) may be presented in the notes to the financial statements.

Like IFRS, an entity presents a statement of comprehensive income as part of a complete set of financial statements. The statement of investments by and distributions to owners during the period (statement of changes in equity) may be presented as a financial statement, like IFRS, or in the notes to the financial statements, unlike IFRS.

Like IFRS, all owner-related changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity.

IFRS specifies minimum disclosures; however, it does not prescribe specific formats.

Like IFRS, although minimum disclosures are required, which may differ from IFRS, specific formats are not prescribed. Unlike IFRS, there are more specific format and line item presentation and disclosure requirements for SEC registrants.

Comparative information is required for the preceding period only, but additional periods and information may be presented.

Unlike IFRS, US GAAP does not require presentation of comparative information. However, SEC registrants are required to present statements of financial position as at the end of the current and prior reporting periods, like IFRS, and all other statements for the three most recent reporting periods, unlike IFRS.

In addition, a statement of financial position as at the beginning of the earliest comparative period is presented when an entity restates comparative information following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements.

Unlike IFRS, a statement of financial position as at the beginning of the earliest comparative period is not required in any circumstances.

2.3 Statement of cash flows

(IAS 7)

'Cash and cash equivalents' include certain short-term investments and, in some cases, bank overdrafts.

The statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.

The separate components of a single transaction are classified as operating, investing or financing.

Cash flows from operating activities may be presented using either the direct method or the indirect method. If the direct method is used, then an entity presents a reconciliation of profit or loss to net cash flows from operating activities; however, in our experience practice varies regarding the measure of profit or loss used.

An entity chooses its own policy for classifying each of interest and dividends paid as operating or financing activities, and interest and dividends received as operating or investing activities.

Income taxes paid are classified as operating activities unless it is practicable to identify them with, and therefore classify them as, financing or investing activities.

2.3 Statement of cash flows

(ASC Topic 230, AAG-DEP, AICPA TPA 1600)

Like IFRS, 'cash and cash equivalents' include certain short-term investments, although not necessarily the same short-term investments as under IFRS. Unlike IFRS, bank overdrafts are considered a form of short-term financing, with changes therein classified as financing activities.

Like IFRS, the statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.

Unlike IFRS, cash receipts and payments with attributes of more than one class of cash flows are classified based on the predominant source of the cash flows unless the underlying transaction is accounted for as having different components.

Like IFRS, cash flows from operating activities may be presented using either the direct method or the indirect method. Like IFRS, if the direct method is used, then an entity presents a reconciliation of income to net cash flows from operating activities; unlike IFRS, the starting point of the reconciliation is required to be net income.

Unlike IFRS, interest received and paid (net of interest capitalised) and dividends received from previously undistributed earnings are required to be classified as operating activities. Also unlike IFRS, dividends paid are required to be classified as financing activities.

Unlike IFRS, income taxes are generally required to be classified as operating activities.

Foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

Generally, all financing and investing cash flows are reported gross. Cash flows are offset only in limited circumstances.

Like IFRS, foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

Like IFRS, cash flows are generally reported gross. Cash flows are offset only in limited circumstances, which differ from IFRS.

IFRS

2.4 Fair value measurement

(IFRS 13)

The fair value measurement standard applies to most fair value measurements and disclosures (including measurements based on fair value) that are required or permitted by other standards.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

What is being measured – e.g. a stand-alone asset or a group of assets and/or liabilities – generally depends on the unit of account, which is established under the relevant standard.

Fair value is based on assumptions that market participants would use in pricing the asset or liability. 'Market participants' are independent of each other, they are knowledgeable and have a reasonable understanding of the asset or liability, and they are willing and able to transact.

Fair value measurement assumes that a transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

US

2.4 Fair value measurement

(ASC Topic 820)

Like IFRS, the fair value measurement Codification Topic applies to most fair value measurements and disclosures (including measurements based on fair value) that are required or permitted by other Codification topics/subtopics. However, the scope exemptions differ in some respects from IFRS.

Like IFRS, 'fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Like IFRS, what is being measured – e.g. a stand-alone asset or a group of assets and/or liabilities – generally depends on the unit of account, which is established under the relevant Codification topics/subtopics. However, these differ in some respects from IFRS.

Like IFRS, fair value is based on assumptions that market participants would use in pricing the asset or liability. Like IFRS, 'market participants' are independent of each other, they are knowledgeable and have a reasonable understanding of the asset or liability, and they are willing and able to transact.

Like IFRS, fair value measurement assumes that a transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

IFRS	US
In measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximise the use of relevant observable inputs and minimise the use of unobservable inputs.	Like IFRS, in measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximise the use of relevant observable inputs and minimise the use of unobservable inputs, like IFRS.
A fair value hierarchy is used to categorise fair value measurements for disclosure purposes. Fair value measurements are categorised in their entirety based on the lowest level input that is significant to the entire measurement.	Like IFRS, a fair value hierarchy is used to categorise fair value measurements for disclosure purposes. Like IFRS, fair value measurements are categorised in their entirety based on the lowest level input that is significant to the entire measurement.
A day one gain or loss arises when the transaction price for an asset or liability differs from the fair value used to measure it on initial recognition. Such gain or loss is recognised in profit or loss, unless the standard that requires or permits fair value measurement specifies otherwise.	Like IFRS, a day one gain or loss arises when the transaction price for an asset or liability differs from the fair value used to measure it on initial recognition. Like IFRS, such gain or loss is recognised in profit or loss, unless the IFRS that requires or permits fair value measurement specifies otherwise. However, the instances in which recognition is prohibited are less restrictive than IFRS.
A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant who will use the asset in its highest and best use.	Like IFRS, a fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant who will use the asset in its highest and best use.
If certain conditions are met, then an entity is permitted to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on the basis of its net exposure (portfolio measurement exception).	Like IFRS, if certain conditions are met, then an entity is permitted to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on the basis of its net exposure (portfolio measurement exception).

IFRS

There is no practical expedient that allows entities to measure the fair value of certain investments at net asset value.

The fair value measurement standard contains a comprehensive disclosure framework that combines the fair value measurement disclosures previously required by other standards and requires additional disclosures.

US

Unlike IFRS, a practical expedient allows entities to measure the fair value of certain investments at net asset value.

The fair value measurement Codification Topic contains a comprehensive disclosure framework, which differs in certain respects from IFRS.

2.5 Consolidation

(IFRS 10, IFRS 12)

Subsidiaries are generally consolidated. As an exception, investment entities generally account for investments in subsidiaries at fair value.

Consolidation is based on what can be referred to as a 'power-to-direct' model. An investor 'controls' an investee if it is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Although there is a practical distinction between structured and non-structured entities, the same control model applies to both.

For a structured entity, voting rights are not the dominant factor in assessing whether the investor has power over the investee.

Control is assessed on a continuous basis.

IFRS

2.5 Consolidation

(ASC Topic 810, ASC Topic 860, ASC Topic 970, ASC Subtopic 974-323)

Subsidiaries are generally consolidated, like IFRS. As an exception, investment companies generally account for investments in subsidiaries at fair value, like IFRS. However, unlike IFRS, there are additional exceptions for certain other specialised industries.

Unlike IFRS, consolidation is based on a controlling financial interest model, which differs in certain respects from IFRS.

- For non-variable interest entities, 'control' is the continuing power to govern the financial and operating policies of an entity.
- For variable interest entities (VIEs), control is the power to direct the activities that most significantly impact the VIE's economic performance and either the obligation to absorb losses of the VIE, or rights to receive benefits from the VIE, that could potentially be significant to the VIE.

A VIE is an entity for which the amount of equity investment at risk is insufficient for the entity to finance its own operations without additional subordinated financial support, or the equity investment at risk lacks one of a number of specified characteristics of a controlling financial interest. A VIE may or may not be a structured entity under IFRS.

Like IFRS, control of a VIE is assessed on a continuous basis. Unlike IFRS, control of a non-VIE is reassessed only when there is a change in voting interests in the investee.

US

IFRS	US
Power is assessed with reference to the investee's relevant activities, which are the activities that most significantly affect the returns of the investee. As part of its analysis, the investor considers the purpose and design of the investee, how decisions about the activities of the investee are made, and who has the current ability to direct those activities.	Power is assessed with reference to the activities of the VIE that most significantly affect its financial performance, like IFRS. As part of its analysis, the investor considers the purpose and design of the VIE, and the nature of the VIE's activities and operations, broadly like IFRS. However, unlike IFRS, for non-VIEs, power is derived through either voting or contractual control of the financial and operating policies of the investee.
Control is usually assessed over a legal entity, but can also be assessed over only specified assets and liabilities of an entity (a 'silo') if certain conditions are met.	Like IFRS, control is usually assessed over a legal entity and, in the case of VIEs, can also be assessed over only specified assets and liabilities of an entity (a 'silo') if certain conditions are met. Unlike IFRS, control is assessed over only legal entities in the voting interest model.
In assessing control, an investor considers both substantive rights that it holds and substantive rights held by others. To be 'substantive', rights need to be exercisable when decisions about the relevant activities are required to be made, and the holder needs to have a practical ability to exercise those rights.	In assessing control, an investor considers 'substantive' kick-out rights held by others, which is narrower than the guidance under IFRS. For non-VIEs, kick-out rights can be substantive if they are exercisable by a simple majority of the investors, unlike IFRS. For VIEs, unlike IFRS, kick-out rights that are not exercisable by a single investor or related party group (unilateral kick-out rights) are not considered substantive.
The assessment of power over an investee includes considering the following factors: • determining the purpose and design of the investee; • identifying the population of relevant activities; • considering evidence that the investor has the practical ability to direct the relevant activities, special relationships, and the size of the investor's exposure to the variability of returns of the investee.	In assessing control over a VIE investee, the explicit factors to consider are more extensive than those noted under IFRS. Such factors are not relevant for non-VIEs, unlike IFRS.

In assessing whether the investor is exposed to the variability of returns of the investee, 'returns' are broadly defined and include:

- distributions of economic benefits;
- changes in the value of the investment; and
- fees, remunerations, tax benefits, economies of scale, cost savings and other synergies.

An investor that has decision-making power over an investee and exposure to variability in returns determines whether it acts as a principal or as an agent to determine whether there is a link between power and returns. If the decision maker is an agent, then the link between power and returns is absent and the decision maker's delegated power is treated as if it were held by its principal(s).

A parent and its subsidiaries generally use the same reporting date when preparing consolidated financial statements. If this is impracticable, then the difference between the reporting date of a parent and its subsidiary cannot be more than three months. Adjustments are made for the effects of significant transactions and events between the two dates.

Uniform accounting policies are used throughout the group.

Unlike IFRS, US GAAP does not define returns for the purpose of determining whether an investor has control over a VIE. Nevertheless, the decision maker must have the obligation to absorb losses of the VIE, or rights to receive benefits from the VIE, that could potentially be significant to the VIE.

Like IFRS, the decision maker determines whether it is acting as an agent for other investors when the investee is a VIE. However, because the FASB has not completed its deliberations on this issue, the principal/agent evaluation is deferred for certain entities. For non-VIEs, the investor with a controlling financial interest consolidates its investee without a principal/agent evaluation.

Like IFRS, the difference between the reporting date of a parent and its subsidiary cannot be more than about three months. However, unlike IFRS, use of the same reporting date need not be impracticable; adjustments may be made for the effects of significant transactions and events between these dates, or disclosures regarding those effects are provided.

Unlike IFRS, uniform accounting policies within the group are not required.

IFRS

US

IFRS	US
The acquirer in a business combination can elect, on a transaction-by-transaction basis, to measure 'ordinary' NCI at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. 'Ordinary NCI' are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other NCI are generally measured at fair value.	Unlike IFRS, NCI are generally measured initially at fair value.
An entity recognises a liability for the present value of the (estimated) exercise price of put options held by NCI, but there is no detailed guidance on the accounting for such put options.	Unlike IFRS, there is specific guidance on the accounting for put options held by NCI, which results in a liability recognised at fair value or redemption amount, or the presentation of NCI as 'temporary equity', depending on the terms of the arrangement and whether the entity is an SEC registrant.
Losses in a subsidiary may create a deficit balance in NCI.	Like IFRS, losses in a subsidiary may create a deficit balance in NCI.
NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.	Like IFRS, non-redeemable NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.
Profit or loss and comprehensive income for the period are allocated between shareholders of the parent and NCI.	Like IFRS, profit or loss and comprehensive income for the period are allocated between shareholders of the parent and NCI.
Intra-group transactions are eliminated in full.	Intra-group transactions are generally eliminated in full, like IFRS. However, for a consolidated VIE, the effect of eliminations on the consolidated results of operations is attributed entirely to the primary beneficiary, unlike IFRS.

On the loss of control of a subsidiary, the assets and liabilities of the subsidiary and the carrying amount of the NCI are derecognised. The consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in OCI are reclassified as required by other IFRSs. Any resulting gain or loss is recognised in profit or loss.

On the loss of control of a subsidiary that is a business (which is more restrictive than IFRS), the assets and liabilities of the subsidiary and the carrying amount of the NCI are derecognised. Like IFRS, the consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in accumulated OCI are reclassified, like IFRS, with all amounts being reclassified to profit or loss, unlike IFRS. Any resulting gain or loss is recognised in profit or loss, like IFRS.

Pro rata spin-offs (demergers) are generally accounted for on the basis of fair values, and a gain or loss is recognised in profit or loss. Non-pro rata spin-offs are accounted for under the general guidance for the loss of control, and a gain or loss is recognised in profit or loss.

Unlike IFRS, pro rata spin-offs are accounted for on the basis of book values, and no gain or loss is recognised. Non-pro rata spin-offs are accounted for on the basis of fair values, and a gain or loss is recognised in profit or loss, like IFRS.

Changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and no gain or loss is recognised.

Changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and generally no gain or loss is recognised, like IFRS.

2.6 Business combinations

(IFRS 3, IFRS 13)

Business combinations are accounted for under the acquisition method, with limited exceptions.

A 'business combination' is a transaction or other event in which an acquirer obtains control of one or more businesses.

The acquirer in a business combination is the combining entity that obtains control of the other combining business or businesses.

In some cases, the legal acquiree is identified as the acquirer for accounting purposes (reverse acquisition).

The 'date of acquisition' is the date on which the acquirer obtains control of the acquiree.

Consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.

2.6 Business combinations

(ASC Topic 350, ASC Topic 805, ASC Subtopic 810-10, ASC Topic 820)

Like IFRS, business combinations are accounted for under the acquisition method, with limited exceptions.

Like IFRS, a 'business combination' is a transaction or other event in which an acquirer obtains control of one or more businesses. However, the US GAAP guidance on control differs from IFRS.

Like IFRS, the acquirer in a business combination is the combining entity that obtains control of the other combining business or businesses.

Like IFRS, in some cases the legal acquiree is identified as the acquirer for accounting purposes (reverse acquisition).

Like IFRS, the 'date of acquisition' is the date on which the acquirer obtains control of the acquiree.

Like IFRS, consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.

Contingent consideration transferred is initially recognised at fair value. Contingent consideration classified as a liability is generally remeasured to fair value each period until settlement, with changes recognised in profit or loss. Contingent consideration classified as equity is not remeasured.

Any items that are not part of the business combination transaction are accounted for outside the acquisition accounting.

The identifiable assets acquired and liabilities assumed are recognised separately from goodwill at the date of acquisition if they meet the definition of assets and liabilities and are exchanged as part of the business combination.

The identifiable assets acquired and liabilities assumed as part of a business combination are generally measured at the date of acquisition at their fair values.

There are limited exceptions to the recognition and/or measurement principles for contingent liabilities, deferred tax assets and liabilities, indemnification assets, employee benefits, reacquired rights, share-based payment awards and assets held for sale.

Goodwill is measured as a residual and is recognised as an asset. If the residual is a deficit (gain on bargain purchase), then it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

Like IFRS, contingent consideration transferred is initially recognised at fair value. Contingent consideration classified as a liability is generally remeasured to fair value each period until settlement, with changes recognised in profit or loss, like IFRS. Contingent consideration classified as equity is not remeasured, like IFRS. However, the US GAAP guidance on debt vs equity classification differs from IFRS.

Like IFRS, any items that are not part of the business combination transaction are accounted for outside the acquisition accounting.

Like IFRS, the identifiable assets acquired and liabilities assumed are recognised separately from goodwill at the date of acquisition if they meet the definition of assets and liabilities and are exchanged as part of the business combination.

Like IFRS, the identifiable assets acquired and liabilities assumed as part of a business combination are generally measured at the date of acquisition at their fair values.

Like IFRS, there are limited exceptions to the recognition and measurement principles for contingent liabilities, deferred tax assets and liabilities, indemnification assets, employee benefits, reacquired rights, share-based payment awards and assets held for sale, although the accounting for some of these items differs from IFRS. However, unlike IFRS, there is also specific guidance on the recognition and measurement of uncertain tax positions.

Like IFRS, goodwill is measured as a residual and is recognised as an asset. Like IFRS, if the residual is a deficit (gain on bargain purchase), then it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

IFRS	US
Adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition.	Like IFRS, adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition.
'Ordinary' NCI are measured at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. 'Other' NCI are generally measured at fair value.	Unlike IFRS, the acquirer in a business combination generally measures NCI at fair value at the date of acquisition.
If a business combination is achieved in stages (step acquisition), then the acquirer's previously held non-controlling equity interest in the acquiree is remeasured to fair value at the date of acquisition, with any resulting gain or loss recognised in profit or loss.	Like IFRS, if a business combination is achieved in stages (step acquisition), then the acquirer's previously held non-controlling equity interest in the acquiree is remeasured to fair value at the date of acquisition, with any resulting gain or loss recognised in profit or loss.
In general, items recognised in the acquisition accounting are measured and accounted for in accordance with the relevant IFRS subsequent to the business combination. However, as an exception, there is specific guidance for certain items – e.g. contingent liabilities and indemnification assets.	Like IFRS, in general, items recognised in the acquisition accounting are measured and accounted for in accordance with the relevant US GAAP subsequent to the business combination. However, like IFRS, there is specific guidance for certain items, although the guidance differs in some respects from IFRS.
'Push-down' accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is not permitted under IFRS.	Unlike IFRS, 'push-down' accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is permitted for acquisitions on or after 18 November 2014.
The acquisition of a collection of assets that does not constitute a business is not a business combination. In such cases, the entity allocates the cost of acquisition to the assets acquired and liabilities assumed based on their relative fair values at the date of acquisition. No goodwill is recognised.	Like IFRS, the acquisition of a collection of assets that does not constitute a business is not a business combination. Like IFRS, the entity allocates the cost of acquisition to the assets acquired and liabilities assumed based on their relative fair values at the date of acquisition, and no goodwill is recognised.

2.7 Foreign currency translation
(IAS 21, IAS 29)

An entity measures its assets, liabilities, income and expenses in its functional currency, which is the currency of the primary economic environment in which it operates.

Transactions that are not denominated in an entity's functional currency are foreign currency transactions, and exchange differences arising on translation are generally recognised in profit or loss.

The financial statements of foreign operations are translated for consolidation purposes as follows: assets and liabilities are translated at the closing rate; income and expenses are translated at the actual rates or appropriate averages; and in our view equity components (excluding current-year movements, which are translated at the actual rates) are translated at historical rates.

Exchange differences arising on the translation of the financial statements of a foreign operation are recognised in OCI and accumulated in a separate component of equity. The amount attributable to any NCI is allocated to and recognised as part of NCI.

IFRS

2.7 Foreign currency translation
(ASC Topic 830)

Like IFRS, an entity measures its assets, liabilities, income and expenses in its functional currency, which is the currency of the primary economic environment in which it operates. However, the indicators used to determine the functional currency differ in some respects from IFRS.

Like IFRS, transactions that are not denominated in an entity's functional currency are foreign currency transactions, and exchange differences arising on translation are generally recognised in profit or loss.

Like IFRS, the financial statements of foreign operations are translated for consolidation purposes as follows: assets and liabilities are translated at the closing rate; income and expenses are translated at actual rates or appropriate averages; and equity components (excluding current-year movements, which are translated at the actual rates) are translated at historical rates.

Like IFRS, exchange differences arising on the translation of the financial statements of a foreign operation are recognised in OCI and accumulated in a separate component of equity (accumulated OCI). The amount attributable to any NCI is allocated to and recognised as part of NCI, like IFRS.

US

IFRS	US
If the functional currency of a foreign operation is the currency of a hyperinflationary economy, then current purchasing power adjustments are made to its financial statements before translation into a different presentation currency; the adjustments are based on the closing rate at the end of the current period. However, if the presentation currency is not the currency of a hyperinflationary economy, then comparative amounts are not restated.	Unlike IFRS, the financial statements of a foreign operation in a highly inflationary economy are remeasured as if the parent's reporting currency were its functional currency.
An entity may present its financial statements in a currency other than its functional currency (presentation currency). An entity that translates its financial statements into a presentation currency other than its functional currency uses the same method as for translating the financial statements of a foreign operation.	Like IFRS, an entity may present its financial statements in a currency other than its functional currency (reporting currency). Like IFRS, an entity that translates its financial statements into a presentation currency other than its functional currency uses the same method as for translating the financial statements of a foreign operation.
If an entity loses control of a subsidiary that is a foreign operation, then the cumulative exchange differences recognised in OCI are reclassified in their entirety to profit or loss. If control is not lost, then a proportionate amount of the cumulative exchange differences recognised in OCI is reclassified to NCI.	If an entity loses control over a subsidiary that is a 'foreign entity', then the exchange differences recognised in accumulated OCI are reclassified in their entirety to profit or loss, like IFRS. However, unlike IFRS, if a foreign operation is not a foreign entity, then none of the exchange differences recognised in accumulated OCI are reclassified to profit or loss until liquidation of the foreign entity in which the foreign operation resides. Like IFRS, if control is not lost, then a proportionate amount of the exchange differences recognised in accumulated OCI is reclassified to NCI.

If an entity retains neither significant influence nor joint control over a foreign operation that was an associate or joint arrangement, then the cumulative exchange differences recognised in OCI are reclassified in their entirety to profit or loss. If either significant influence or joint control is retained, then a proportionate amount of the cumulative exchange differences recognised in OCI is reclassified to profit or loss.

An entity may present supplementary financial information in a currency other than its presentation currency if certain disclosures are made.

Unlike IFRS, if an entity disposes of a partial interest in an equity-method investee or joint venture that is a foreign entity (regardless of whether significant influence or joint control is retained), then only a proportionate amount of the exchange differences recognised in accumulated OCI is reclassified to profit or loss.

Like IFRS, an SEC registrant may present supplementary financial information in a currency other than its reporting currency; however, the SEC regulations are more prescriptive than IFRS.

IFRS

2.8 Accounting policies, errors and estimates

(IAS 1, IAS 8)

'Accounting policies' are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.

If IFRS does not cover a particular issue, then management uses its judgement based on a hierarchy of accounting literature.

Unless a standard specifically permits otherwise, the accounting policies adopted by an entity are applied consistently to all similar items.

An accounting policy is changed in response to a new or revised standard, or on a voluntary basis if the new policy is more appropriate.

Generally, accounting policy changes and corrections of prior-period errors are made by adjusting opening equity and restating comparatives unless this is impracticable.

Changes in accounting estimates are accounted for prospectively.

US

2.8 Accounting policies, errors and estimates

(ASC Subtopic 250-10, ASC Subtopic 270-10, SAB Topics 1.M, 1.N and 11.M, Reg S-X)

Like IFRS, 'accounting principles' (policies) are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.

If the Codification does not address an issue directly, then an entity considers other parts of the Codification that might apply by analogy and non-authoritative guidance from other sources; these sources are broader than under IFRS.

Like IFRS, unless otherwise permitted, the accounting principles adopted by an entity are applied consistently; however, unlike IFRS, US GAAP does not require uniform accounting policies be applied to similar items within the group.

Like IFRS, an accounting principle is changed in response to an Accounting Standards Update, or on a voluntary basis if the new principle is 'preferable'.

Like IFRS, accounting principle changes are generally made by adjusting opening equity and comparatives unless this is impracticable. Unlike IFRS, errors are corrected by restating opening equity and comparatives, with no impracticability exemption.

Like IFRS, changes in accounting estimates are accounted for prospectively.

If it is difficult to determine whether a change is a change in accounting policy or a change in estimate, then it is treated as a change in estimate.

If the classification or presentation of items in the financial statements is changed, then comparatives are restated unless this is impracticable.

A statement of financial position as at the beginning of the earliest comparative period is presented when an entity restates comparative information following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements.

Like IFRS, if it is difficult to determine whether a change is a change in accounting principle or a change in estimate, then it is treated as a change in estimate.

Like IFRS, if the classification or presentation of items in the financial statements is changed, then comparatives are adjusted unless this is impracticable.

Unlike IFRS, a statement of financial position as at the beginning of the earliest comparative period is not required in any circumstances.

2.9 Events after the reporting date

(IAS 1, IAS 10)

The financial statements are adjusted to reflect events that occur after the reporting date, but before the financial statements are authorised for issue, if those events provide evidence of conditions that existed at the reporting date.

Financial statements are not adjusted for events that are a result of conditions that arose after the reporting date, except when the going concern assumption is no longer appropriate.

The classification of liabilities as current or non-current is based on circumstances at the reporting date.

2.9 Events after the reporting date

(ASC Subtopic 260-10, ASC Subtopic 470-10, ASC para 505-10-S99-4, ASC Subtopic 855-10, SAB Topic 4-C, AU 530, AU 560, AU 700, Securities Act 1933 SEC Forms)

Like IFRS, the financial statements are adjusted to reflect events that occur after the reporting date if those events provide evidence of conditions that existed at the reporting date. However, unlike IFRS, the period to consider goes to the date on which the financial statements are issued for public entities and to the date on which the financial statements are available to be issued for certain non-public entities. However, certain differences from IFRS exist in specific codification topics and subtopics.

Like IFRS, financial statements are generally not adjusted for events that are a result of conditions that arose after the reporting date. However, unlike IFRS, there is no exception for when the going concern assumption is no longer appropriate, although disclosures are required. Also unlike IFRS, SEC registrants adjust the statement of financial position for a share dividend, share split or reverse share split occurring after the reporting date.

Like IFRS, the classification of liabilities as current or non-current generally reflects circumstances at the reporting date. However, unlike IFRS, refinancings after the reporting date are considered in determining the classification of debt at the reporting date. Also unlike IFRS, liabilities that are payable on demand at the reporting date due to covenant violations are classified as non-current in certain circumstances.

2.10 Hyperinflation

(IAS 21, IAS 29, IFRIC 7)

When an entity's functional currency is hyperinflationary, its financial statements are adjusted to state all items in the measuring unit that is current at the reporting date.

When an entity's functional currency becomes hyperinflationary, it makes price-level adjustments retrospectively as if the economy had always been hyperinflationary.

When an economy ceases to be hyperinflationary, an entity stops making price-level adjustments for annual periods *ending* on or after the date on which the economy ceases to be hyperinflationary.

2.10 Hyperinflation

(ASC Subtopic 255-10, ASC Topic 830)

When a non-US entity that prepares US GAAP financial statements operates in an environment that is highly inflationary, it either reports price-level adjusted local currency financial statements, like IFRS, or remeasures its financial statements into a non-highly inflationary currency, unlike IFRS.

Unlike IFRS, when an economy becomes highly inflationary, an entity makes price-level adjustments prospectively.

Unlike IFRS, when an economy ceases to be highly inflationary, an entity stops making price-level adjustments for annual periods *beginning* on or after the date on which the economy ceases to be highly inflationary.

3 Statement of financial position

3.1 General

(IAS 1)

Generally, an entity presents its statement of financial position classified between current and non-current assets and liabilities. An unclassified statement of financial position based on the order of liquidity is acceptable only if it provides reliable and more relevant information.

Although IFRS requires certain items to be presented in the statement of financial position, there is no prescribed format.

A liability that is payable on demand because certain conditions are breached is classified as current even if the lender has agreed, after the reporting date but before the financial statements are authorised for issue, not to demand repayment.

There is no specific guidance when an otherwise long-term debt agreement includes a subjective acceleration clause. Classification is based on whether the entity has an unconditional right to defer settlement of the liability at the reporting date.

3.1 General

(ASC Topic 210, ASC Subtopic 310-10, ASC Subtopic 470-10, ASC para 210-20-45-9, Reg S-X)

Unlike IFRS, US GAAP does not contain a requirement to present a classified statement of financial position. Unlike IFRS, there is no restriction on when an unclassified statement of financial position based on the order of liquidity can be presented.

Unlike IFRS, SEC regulations prescribe the format and certain minimum line item disclosures for SEC registrants. For non-SEC registrants, there is limited guidance on the presentation of the statement of financial position, like IFRS.

Generally, obligations that are payable on demand are classified as current, like IFRS. However, unlike IFRS, a liability is not classified as current when it is refinanced subsequent to the reporting date but before the financial statements are issued (available to be issued for certain non-public entities), or when the lender has waived after the reporting date its right to demand repayment for more than 12 months from the reporting date.

Unlike IFRS, there is specific guidance when an otherwise long-term debt agreement includes a subjective acceleration clause. Classification is based on the likelihood that the creditor will choose to accelerate repayment of the liability, which may result in differences from IFRS.

3.2 Property, plant and equipment

(IFRS 13, IAS 16, IFRIC 1, IFRIC 18)

Property, plant and equipment is recognised initially at cost.

'Cost' includes all expenditure that is directly attributable to bringing the asset to the location and working condition for its intended use.

'Cost' includes the estimated cost of dismantling and removing the asset and restoring the site.

Changes to an existing decommissioning or restoration obligation are generally adjusted against the cost of the related asset.

Property, plant and equipment is depreciated over its expected useful life.

Estimates of useful life and residual value, and the method of depreciation, are reviewed as a minimum at each annual reporting date. Any changes are accounted for prospectively as a change in estimate.

3.2 Property, plant and equipment

(ASC Topic 835, ASC Subtopic 250-10, ASC Subtopic 360-10, ASC Subtopic 410-20, ASC Subtopic 605-40, ASC Subtopic 720-15, ASC Subtopic 720-40, ASC Subtopic 845-10, TPA 2210.28)

Like IFRS, property, plant and equipment is recognised initially at cost.

Like IFRS, 'cost' includes all expenditure that is directly attributable to bringing the asset to the location and working condition for its intended use.

Like IFRS, 'cost' includes the estimated cost of dismantling and removing the asset and certain costs of restoring the site. However, unlike IFRS, to the extent that such costs relate to environmental remediation, they are not capitalised.

Like IFRS, changes to an existing decommissioning or restoration obligation are generally adjusted against the cost of the related asset.

Like IFRS, property, plant and equipment is depreciated over its expected useful life.

Estimates of useful life and residual value, and the method of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate. However, in general we would not expect differences from IFRS in practice. Like IFRS, any changes are accounted for prospectively as a change in estimate.

IFRS	US
If an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, then each component is depreciated separately.	Unlike IFRS, component accounting is permitted but not required. When component accounting is used, its application may differ from IFRS.
Property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date.	Unlike IFRS, the revaluation of property, plant and equipment is not permitted.
The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.	Like IFRS, the gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.
Compensation for the loss or impairment of property, plant and equipment is recognised in profit or loss when it is receivable.	Unlike IFRS, compensation for the loss or impairment of property, plant and equipment, to the extent of losses and expenses recognised, is recognised in profit or loss when receipt is likely to occur. Compensation in excess of that amount is recognised only when it is receivable, like IFRS.

3.3 Intangible assets and goodwill

(IFRS 3, IFRS 13, IAS 38, IFRIC 12, SIC-32)

An 'intangible asset' is an identifiable non-monetary asset without physical substance.

An intangible asset is 'identifiable' if it is separable or arises from contractual or other legal rights.

In general, intangible assets are recognised initially at cost.

The initial measurement of an intangible asset depends on whether it has been acquired separately or as part of a business combination, or was internally generated.

Goodwill is recognised only in a business combination and is measured as a residual.

Acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.

3.3 Intangible assets and goodwill

(ASC Subtopic 205-20, ASC Subtopic 340-20, ASC Topic 350, ASC Subtopic 360-10, ASC Subtopic 720-15, ASC Subtopic 720-35, ASC Topic 730, ASC Topic 805, ASC Subtopic 985-20)

Like IFRS, an 'intangible asset' is an asset, not including a financial asset, without physical substance.

Like IFRS, an intangible asset is 'identifiable' if it is separable or arises from contractual or other legal rights.

Unlike IFRS, because several different Codification topics/subtopics apply to the accounting for intangible assets, there are different measurement bases on initial recognition.

Like IFRS, the initial measurement of an intangible asset depends on whether it has been acquired separately or as part of a business combination, or was internally generated. However, there are differences from IFRS in the detailed requirements.

Like IFRS, goodwill is recognised only in a business combination and is measured as a residual.

Like IFRS, acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually. However, the impairment test differs from IFRS.

IFRS	US
Intangible assets with finite useful lives are amortised over their expected useful lives.	Like IFRS, intangible assets with finite useful lives are amortised over their expected useful lives.
Subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.	Subsequent expenditure on an intangible asset is not capitalised unless it can be demonstrated that the expenditure increases the utility of the asset, which is broadly like IFRS.
Intangible assets may be revalued to fair value only if there is an active market.	Unlike IFRS, the revaluation of intangible assets is not permitted.
Internal research expenditure is expensed as it is incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.	Unlike IFRS, both internal research and development (R&D) expenditure is expensed as it is incurred. Special capitalisation criteria apply to in-process R&D acquired in a business combination, direct-response advertising, software developed for internal use, software developed for sale to third parties and motion picture film costs, which differ from the general criteria under IFRS.
Advertising and promotional expenditure is expensed as it is incurred.	Unlike IFRS, direct-response advertising expenditure is capitalised if certain criteria are met. Other advertising and promotional expenditure is expensed as it is incurred, like IFRS, or deferred until the advertisement is shown, unlike IFRS.
Expenditure related to the following is expensed as it is incurred: internally generated goodwill, customer lists, start-up costs, training costs, and relocation or reorganisation.	Like IFRS, expenditure related to the following is expensed as it is incurred: internally generated goodwill, customer lists, start-up costs, training costs, and relocation or reorganisation.

3.4 Investment property

(IFRS 13, IAS 16, IAS 17, IAS 40)

'Investment property' is property (land or building) held to earn rentals or for capital appreciation, or both.

Property held by a lessee under an operating lease may be classified as investment property if the rest of the definition of investment property is met and the lessee measures all of its investment property at fair value.

A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise, the entire property is classified as property, plant and equipment, unless the portion of the property used for own use is insignificant.

If a lessor provides ancillary services, and such services are a relatively insignificant component of the arrangement as a whole, then the property is classified as investment property.

Investment property is recognised initially at cost.

Subsequent to initial recognition, all investment property is measured under either the fair value model (subject to limited exceptions) or the cost model. If the fair value model is chosen, then changes in fair value are recognised in profit or loss.

3.4 Investment property

(ASC Subtopic 205-20, ASC Subtopic 210-10, ASC Topic 360, ASC Topic 840, ASC Topic 970, ASC Topic 976, CON 6)

Unlike IFRS, there is no specific definition of 'investment property'; such property is accounted for as property, plant and equipment unless it meets the criteria to be classified as held-for-sale.

Unlike IFRS, property held by a lessee under an operating lease cannot be recognised in the statement of financial position.

Unlike IFRS, there is no guidance on how to classify dual-use property. Instead, the entire property is accounted for as property, plant and equipment.

Unlike IFRS, ancillary services provided by a lessor do not affect the treatment of a property as property, plant and equipment.

Like IFRS, investment property is recognised initially at cost as property, plant and equipment.

Unlike IFRS, subsequent to initial recognition all investment property is measured using the cost model as property, plant and equipment.

IFRS	US
Disclosure of the fair value of all investment property is required, regardless of the measurement model used.	Unlike IFRS, there is no requirement to disclose the fair value of investment property.
Subsequent expenditure is capitalised only if it is probable that it will give rise to future economic benefits.	Similar to IFRS, subsequent expenditure is generally capitalised if it is probable that it will give rise to future economic benefits.
Transfers to or from investment property can be made only when there has been a change in the use of the property.	Unlike IFRS, investment property is accounted for as property, plant and equipment, and there are no transfers to or from an 'investment property' category.

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3.5 Associates and the equity method

(IAS 28, IFRS 12)

The definition of an associate is based on 'significant influence', which is the power to participate in the financial and operating policies of an entity, but is not control or joint control of those policies.

There is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another entity in which it does not have a controlling financial interest.

In determining applicability of the equity method, there are no special requirements for partnerships and similar entities.

Potential voting rights that are currently exercisable are considered in assessing significant influence.

Venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and joint ventures at fair value. In addition, investment entities measure their investments in associates and joint ventures at fair value.

3.5 Equity-method investees

(ASC para 225-10-S99-2, ASC para 235-10-S99-1, ASC Subtopic 272-10, ASC para 320-10-S99-1, ASC Topic 323, ASC Subtopic 325 20, ASC Subtopic 808-10, ASC Subtopic 810-20, ASC Subtopic 825-10, ASC Topic 970, Reg S-X 3-09, Reg S-X 4-08(e), Reg S-X 4-08(g), Reg S-X 5-03.13, SAB Topic 5-M)

Like IFRS, 'significant influence' is the ability to significantly influence the operating and financial policies of an investee, but is not control over the investee. The term 'equity-method investee' is used to describe what would be an associate under IFRS.

Like IFRS, there is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another entity in which it does not have a controlling financial interest.

Unlike IFRS, for partnerships and similar entities the equity method is applicable unless the investor has virtually no influence over the investee's operating and financial policies.

Unlike IFRS, the role of currently exercisable voting rights is not explicitly addressed. However, because all factors are required to be considered, in effect any such voting rights would need to be assessed, which may result in the same outcome as IFRS.

Unlike IFRS, an entity may elect to account for equity-method investees at fair value regardless of whether it is a venture capital or similar organisation. Additionally, investment companies account for investments in equity-method investees at fair value, like IFRS.

IFRS	US
Other associates and joint ventures are accounted for using the equity method (equity-accounted investees).	Like IFRS, other equity-method investees are accounted for using the equity method. However, certain aspects of the application of the equity method differ from IFRS.
Equity accounting is not applied to an investee that is acquired with a view to its subsequent disposal if the criteria are met for classification as held-for-sale.	Unlike IFRS, there is no exemption from use of the equity method for an equity-method investee that is acquired with a view to subsequent sale.
In applying the equity method, an investee's accounting policies should be consistent with those of the investor.	Unlike IFRS, in applying the equity method or, in limited cases, proportionate consolidation, an equity-method investee's accounting policies need not be consistent with those of the investor.
The annual reporting date of an equity-accounted investee may not differ from the investor's by more than three months, and should be consistent from period to period. Adjustments are made for the effects of significant events and transactions between the two dates.	Like IFRS, the annual reporting date of an equity-method investee may not differ from the investor's by more than three months. However, unlike IFRS, adjustments are not made for the effects of significant events and transactions between the two dates; instead, disclosure is provided.
When an equity-accounted investee incurs losses, the carrying amount of the investor's interest is reduced but not to below zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses or has made payments on behalf of the investee.	Like IFRS, when an equity-method investee incurs losses, the carrying amount of the investor's interest is reduced but not to below zero. Like IFRS, further losses are generally recognised by the investor only to the extent that the investor has an obligation to fund losses. However, unlike IFRS, further losses are also recognised if the investee is expected to return to profitability imminently, or if a subsequent further investment in the investee is in substance the funding of such losses.
Unrealised profits or losses on transactions with equity-accounted investees are eliminated to the extent of the investor's interest in the investee.	Like IFRS, unrealised profits or losses on transactions with equity-method investees are eliminated to the extent of the investor's interest in the investee.

Home

In our view, if an entity contributes a controlling interest in a subsidiary in exchange for an interest in an equity-accounted investee, then the entity may choose either to recognise the gain or loss in full or to eliminate the gain or loss to the extent of the investor's interest in the investee.

Equity accounting ceases when an associate or joint venture is classified as held-for-sale.

The carrying amount of an equity-accounted investee is written down if it is impaired.

On the loss of significant influence, the fair value of any retained investment is taken into account to calculate the gain or loss on the transaction, as if the investment were fully disposed of; this gain or loss is recognised in profit or loss. Amounts recognised in OCI are reclassified or transferred as required by other standards.

There is no specific guidance on changes in the status of an equity-accounted investee while maintaining significant influence, and there is diversity in practice in respect of remeasurements (for an increase in holding) and the extent to which a gain or loss is recognised (for a decrease in holding).

Unlike IFRS, if an entity contributes a subsidiary or group of assets that constitutes a business in exchange for an interest in an equity-method investee, then the entity is required to recognise any gain or loss in full.

Unlike IFRS, an equity-method investee is not classified as held-for-sale and continues to be equity accounted.

Unlike IFRS, the carrying amount of an equity-method investee is written down only if there is an impairment of the carrying amount that is considered to be 'other than temporary'.

Unlike IFRS, if an equity-method investee becomes an investment, then any retained investment is measured based on the investor's carrying amount of the investment at the date of the change in status of the investment, adjusted for the reclassification of items recognised previously in accumulated OCI.

Unlike IFRS, there is specific guidance on changes in the status of an equity-method investee while maintaining significant influence, which generally results in only new interests being measured at fair value (for an increase in holding) and a partial gain or loss being recognised (for a decrease in holding).

IFRS

US

3.6 Joint arrangements

(IFRS 11, IFRS 12)

A 'joint arrangement' is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: a joint operation and a joint venture.

In a 'joint operation', the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement not structured through a separate vehicle is a joint operation.

In a 'joint venture', the parties to the arrangement have rights to the net assets of the arrangement.

A joint arrangement structured through a separate vehicle may be either a joint operation or a joint venture. Classification depends on the legal form of the vehicle, contractual arrangements and other facts and circumstances.

Generally, a joint venturer accounts for its interest in a joint venture under the equity method.

In relation to its involvement in a joint operation, a joint operator recognises its assets, liabilities and transactions, including its share in those arising jointly. The joint operator accounts for each item in accordance with the relevant IFRS.

3.6 Investments in joint ventures

(ASC Topic 323, ASC Subtopic 325-20, ASC Topic 808, ASC Subtopic 810-20, ASC Topic 970, Reg S-X 3-09, Reg S-X 4-08(e), Reg S-X 4-08(g), Reg S-X 5-03.13, SAB Topic 5-M)

Unlike IFRS, there is no definition of a 'joint arrangement', and the accounting distinction largely depends on whether the arrangement is conducted with the use of a legal entity.

Unlike IFRS, there is no definition of a 'joint operation'. In practice it is understood to be an arrangement conducted without the use of a legal entity.

Unlike IFRS, the definition of a 'joint venture' refers to a jointly controlled activity conducted with the use of a legal entity.

Unlike IFRS, a jointly controlled activity conducted with the use of a legal entity is referred to as a joint venture.

Like IFRS, investors in a corporate joint venture generally account for the investment under the equity method.

For operations conducted without a legal entity, the participant to the arrangement accounts for its asset, liabilities and transactions, which may differ from the application of IFRS in practice.

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3.8 Inventories

(IAS 2)

Inventories are generally measured at the lower of cost and net realisable value.

'Cost' includes all direct expenditure to get inventory ready for sale, including attributable overheads.

Decommissioning and restoration costs incurred through the production of inventory are included in the cost of that inventory.

The cost of inventory is generally determined using the first-in, first-out (FIFO) or weighted-average cost method. The use of the last-in, first-out (LIFO) method is prohibited.

Other cost formulas, such as the standard cost or retail methods, may be used if the results approximate actual cost.

The same cost formula is applied to all inventories having a similar nature and use to the entity.

The cost of inventory is recognised as an expense when the inventory is sold.

Inventory is written down to net realisable value when net realisable value is less than cost.

3.8 Inventories

(ASC Topic 330, ASC Subtopic 605-50, ASC Topic 845, ASC para 420-10-S99-3, SAB Topic 5-BB, TPA 1400.23)

Unlike IFRS, inventories are generally measured at the lower of cost and market.

Like IFRS, 'cost' includes all direct expenditure to get inventory ready for sale, including attributable overheads.

Unlike IFRS, asset retirement obligations (decommissioning costs) incurred through the production of inventory are added to the carrying amount of the related item of property, plant and equipment.

Unlike IFRS, the cost of inventory may be determined using the last-in, first-out (LIFO) method in addition to the first-in, first-out (FIFO) or weighted-average cost method.

Like IFRS, the standard cost method may be used if the results approximate actual cost. The retail method may be used as an approximation of cost, unlike IFRS.

Unlike IFRS, the same cost formula need not be applied to all inventories having a similar nature and use to the entity.

Like IFRS, the cost of inventory is recognised as an expense when the inventory is sold.

Unlike IFRS, inventory is written down to market value when market value is less than cost.

IFRS	US
'Net realisable value' is the estimated selling price less the estimated costs of completion and sale.	Unlike IFRS, 'market value' is current replacement cost limited by net realisable value (ceiling) and net realisable value less a normal profit margin (floor). Like IFRS, 'net realisable value' is the estimated selling price less the estimated costs of completion and sale.
If the net realisable value of an item that has been written down subsequently increases, then the write-down is reversed.	Unlike IFRS, a write-down of inventory to market is not reversed for subsequent recoveries in value unless it relates to changes in exchange rates.

3.9 Biological assets

(IFRS 13, IAS 41)

Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. Gains and losses from changes in fair value less costs to sell are recognised in profit or loss.

Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest. After harvest, the inventories standard generally applies.

3.9 Biological assets

(ASC Topic 905, AICPA Agricultural Producers and Agricultural Cooperatives Guide)

Unlike IFRS, biological assets are stated at the lower of cost and market. The terms 'growing crops' and 'animals being developed for sale' are used to describe what would be biological assets under IFRS.

Unlike IFRS, agricultural produce is measured either at the lower of cost and market or at sales price (fair value) less costs of disposal when certain conditions are met. The terms 'harvested crops' and 'animals held for sale' are used to describe what would be agricultural produce under IFRS.

3.10 Impairment of non-financial assets

(IFRS 13, IAS 36, IFRIC 10)

The impairment standard covers the impairment of a variety of non-financial assets, including: property, plant and equipment, intangible assets and goodwill, investment property and biological assets measured at cost less accumulated depreciation, and investments in subsidiaries and equity-accounted investees.

Impairment testing is required when there is an indication of impairment.

Annual impairment testing is required for goodwill and intangible assets that either are not yet available for use or have an indefinite useful life. This impairment test may be performed at any time during the year provided that it is performed at the same time each year.

Depending on the specific asset and circumstances, assets are tested for impairment as an individual asset, as part of a cash-generating unit (CGU) or as part of a group of CGUs. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

3.10 Impairment of non-financial assets

(ASC Topic 350, ASC Subtopic 205-20, ASC Subtopic 360-10, ASC Subtopic 820-10, CON 7)

Like IFRS, the impairment Codification Topics deal with the impairment of a variety of non-financial long-lived assets, including: property, plant and equipment, intangible assets and goodwill. However, unlike IFRS, different topics/subtopics address the impairment of biological assets and investments in equity-method investees.

Like IFRS, impairment testing is required when there is an indicator of impairment.

Like IFRS, annual impairment testing is required for goodwill and intangible assets that have an indefinite useful life. Unlike IFRS, intangible assets not yet available for use are tested for impairment only if there is an indicator of impairment. Like IFRS, the impairment test may be performed at any time during the year provided that it is performed at the same time each year.

Unlike IFRS, depending on the specific asset and circumstances, assets are tested for impairment as an individual asset, as part of an asset group or at the reporting unit level.

- An ‘asset group’ is the lowest level for which there are identifiable cash flows (i.e. both cash inflows and cash outflows) that are largely independent of the net cash flows of other groups of assets, which may differ from a CGU under IFRS.
- A ‘reporting unit’ (RU) is an operating segment or one level below an operating segment if certain conditions are met, unlike IFRS.

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Whenever possible, an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment in CGUs.

Unlike IFRS, long-lived depreciable and amortisable assets are tested for impairment in asset groups unless an individual asset generates identifiable cash flows largely independent of the cash flows from other asset groups. Unlike IFRS, certain long-lived depreciable or amortisable assets have a separate impairment test (e.g. capitalised software intended for sale). Unlike IFRS, an indefinite-lived intangible asset is generally tested as an individual asset.

Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the level at which goodwill is monitored internally, restricted by the size of the entity's operating segments.

Unlike IFRS, goodwill is allocated to RUs that are expected to benefit from the synergies of the business combination from which it arose.

The carrying amount of goodwill is grossed up for impairment testing if the goodwill arose in a transaction in which NCI were measured initially based on their proportionate share of identifiable net assets.

Unlike IFRS, the carrying amount of goodwill is not grossed up for impairment testing because NCI are measured at fair value in the acquisition accounting.

An impairment loss is recognised if an asset's or CGU's carrying amount exceeds its recoverable amount. 'Recoverable amount' is the higher of fair value less costs of disposal and value in use (which is always based on the net present value of future cash flows). The impairment loss is measured as the difference between the carrying amount of the asset, or CGU, and its recoverable amount.

Unlike IFRS, an impairment loss is triggered for assets other than goodwill and identifiable intangibles with indefinite lives only if the asset's, or asset group's, carrying amount exceeds its recoverable amount (i.e. the carrying amount is less than the undiscounted cash flows of the asset or asset group). If the carrying amount is not recoverable, then the impairment loss is the difference between the carrying amount of the asset (asset group) and the fair value of the asset (asset group), unlike IFRS.

Unlike IFRS, goodwill is impaired if the RU's fair value is less than its carrying amount and the amount of the impairment is measured as the difference between goodwill's 'implied' fair value and its carrying amount.

IFRS	US
	Unlike IFRS, an indefinite-lived identifiable intangible asset is impaired if its fair value is less than its carrying amount.
Estimates of future cash flows used in the value in use calculation are specific to the entity, and need not be the same as those of market participants. Conversely, estimates of future cash flows used to estimate fair value less costs of disposal are consistent with those of a market participant. All cash flows used to estimate the recoverable amount are discounted to a present value.	Unlike IFRS, estimates of future cash flows used to assess the recoverability of depreciable or amortisable assets (asset groups) are always consistent with those of a market participant. Unlike IFRS, the cash flows used to determine recoverability (before calculating an impairment loss) are not discounted.
The discount rate used in the value in use calculation reflects the market's assessment of the risks specific to the asset or CGU.	Like IFRS, discounted cash flows are used to determine the fair value of an RU, asset group or indefinite-lived identifiable intangible asset, although the composition of the cash flows differs in certain respects from IFRS. The discount rate used to measure the fair value of the asset (asset group) is the rate that a market participant would use, reflecting the risk inherent in the cash flow projections and assets (asset groups or RUs), like IFRS.
An impairment loss for a CGU is allocated first to any goodwill and then pro rata to other assets in the CGU that are in the scope of the impairment standard.	Unlike IFRS, an impairment loss for an asset group is allocated pro rata to assets in the asset group, excluding working capital, goodwill, corporate assets and indefinite-lived intangible assets. Goodwill and indefinite-lived intangible assets are tested after the asset group has been tested for impairment and separately as a reporting unit, unlike IFRS.
An impairment loss is generally recognised in profit or loss. An exception relates to assets revalued through OCI.	Unlike IFRS, impairment losses are recognised directly in profit or loss and the revaluation of property, plant and equipment and intangible assets is not permitted.
Reversals of impairment are recognised, other than for impairments of goodwill. A reversal of an impairment loss is generally recognised in profit or loss. An exception relates to assets revalued through OCI.	Unlike IFRS, reversals of impairments are prohibited.

Home

3.12 Provisions, contingent assets and liabilities
(IAS 37, IFRIC 1, IFRIC 5, IFRIC 6, IFRIC 21)

A provision is recognised for a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. 'Probable' in this context means more likely than not.

A 'constructive obligation' arises when an entity's actions create valid expectations of third parties that it will accept and discharge certain responsibilities.

A provision is measured at the 'best estimate' of the expenditure to be incurred.

If there is a large population of items, then the obligation is generally measured at its expected value.

3.12 Recognised contingencies and other 'provisions'
(ASC Topic 450, ASC Topic 715, ASC Subtopic 410-20, ASC Subtopic 410-30, ASC Subtopic 420-10, ASC Subtopic 460-10, ASC Subtopic 605-15, ASC Subtopic 605-40, ASC Subtopic 720-40, ASC Subtopic 825-20, ASC Subtopic 840-20, ASC Subtopic 840-30, ASC para 805-50-S99-2, SAB Topic 5.P, ASC para 420-10-S99-1 and S99-2, SAB Topic 5.Y, ASC para 450-20-S99-1, CON 6, TPA 5100.35)

A contingency (provision) is recognised if it is probable that a liability has been incurred and the amount is reasonably estimable. However, unlike IFRS, 'probable' in this context means likely to occur, which is a higher recognition threshold than IFRS.

Like IFRS, a 'constructive obligation' arises when an entity's actions create valid expectations of third parties that it will accept and discharge certain responsibilities. However, unlike IFRS, constructive obligations are recognised only if they are required by a specific Codification topic/subtopic.

Unlike IFRS, a recognised contingency is measured using a 'reasonable estimate'. However, under some Codification topics obligations that would be deemed a provision under IFRS are measured at fair value, unlike IFRS.

Like IFRS, if there is a large population of items, then the obligation is generally measured at its expected value.

IFRS	US
If there is a continuous range of equally possible outcomes for a single event, then the obligation is measured at the mid-point in the range.	Unlike IFRS, if no amount within a range is a better estimate than any other, then the obligation is measured at the low end of the range.
If the possible outcomes of a single obligation are mostly higher (lower) than the single most likely outcome, then the obligation is measured at an amount higher (lower) than the single most likely outcome.	Unlike IFRS, an obligation is measured at the single most likely outcome even if the possible outcomes are mostly higher or lower than that amount.
Provisions are discounted if the effect of discounting is material.	Unlike IFRS, recognised contingencies are not discounted except in limited cases, in which case specific requirements apply that may differ from IFRS.
A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.	Like IFRS, a reimbursement right is recognised as a separate asset. However, unlike IFRS, such a right is recognised when recovery is probable. Like IFRS, the asset is capped at the amount of the related recognised contingency.
A provision is not recognised for future operating losses.	Like IFRS, a provision is not recognised for future operating losses.
A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.	A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan, unless the benefits will be paid under an ongoing post-employment benefit plan or a contractual arrangement, which differs from IFRS in certain respects.
IFRS does not specifically address provisions for contract termination costs.	Unlike IFRS, a liability for contract termination costs is recognised only when the contract has been terminated pursuant to its terms or the entity has permanently ceased using the rights granted under the contract.
Provisions are not recognised for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.	Like IFRS, provisions are not recognised for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.

IFRS	US
A provision is recognised for a contract that is onerous.	Unlike IFRS, there is no general requirement to recognise a loss for onerous contracts; such a provision is recognised only when required by a specific Codification topic/subtopic.
'Contingent liabilities' are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations whose existence is uncertain.	Unlike IFRS, 'loss contingencies' are uncertain obligations, both recognised and unrecognised.
Contingent liabilities are not recognised except for those that represent present obligations in a business combination.	Unlike IFRS, contingent liabilities may be either recognised or unrecognised. Additionally, contingent liabilities are recognised in a business combination only when the acquisition date fair value is determinable within the measurement period, unlike IFRS, or if the contingency is probable and the amount is reasonably estimable, unlike IFRS.
Details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote.	Like IFRS, information on contingencies is generally disclosed in the notes to the financial statements unless the probability of an outflow is remote; however, IFRS requires more detailed disclosures about contingencies than US GAAP. Unlike IFRS, certain loss contingencies are disclosed even if the likelihood of an outflow is remote.
'Contingent assets' are possible assets whose existence is uncertain.	A 'gain contingency' is an item whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events, like IFRS.
Contingent assets are not recognised in the statement of financial position. If an inflow of economic benefits is probable, then details are disclosed in the notes.	Gain contingencies are not recognised until they are realised. However, if a gain contingency related to an insurance recovery offsets a loss contingency, then it is recognised when it is likely to occur and collectible, unlike IFRS.

IFRS

3.13 Income taxes

(IAS 12, SIC-25)

'Income taxes' are taxes based on taxable profits, and taxes that are payable by a subsidiary, associate or joint arrangement on distribution to investors.

The total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss – i.e. in OCI or directly in equity, or arising from a business combination.

'Current tax' is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.

'Deferred tax' is recognised for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

A deferred tax liability is not recognised if it arises from the initial recognition of goodwill.

A deferred tax asset or liability is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable profit.

US

3.13 Income taxes

(ASC Topic 740, ASC Topic 840, ASC Subtopic 830-740)

'Income taxes' are all domestic federal, state and local (including franchise) taxes based on income, including foreign income taxes from an entity's operations that are consolidated, combined or accounted for under the equity method, both foreign and domestic. Although the wording differs from IFRS, we would not generally expect differences from IFRS in practice.

Like IFRS, the total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss – i.e. in OCI or directly in equity, or arising from a business combination.

Like IFRS, 'current tax' is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.

Like IFRS, 'deferred tax' is recognised for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

Like IFRS, a deferred tax liability is not recognised if it arises from the initial recognition of goodwill.

Unlike IFRS, there is no exemption from recognising a deferred tax asset or liability for the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax liability (asset) is recognised for the step-up in tax bases as a result of an intra-group transfer of assets between jurisdictions. Additionally, the current tax effects for the seller are recognised in the current tax provision.

Unlike IFRS, the tax effects for the seller are deferred and a deferred tax liability (asset) is not recognised for the step-up in tax bases for the buyer as a result of an intra-group transfer of assets between jurisdictions.

A deferred tax liability (asset) is recognised for exchange gains and losses related to foreign non-monetary assets and liabilities that are remeasured into the functional currency using historical exchange rates or indexing for tax purposes.

Unlike IFRS, if the reporting currency is the functional currency, then a deferred tax liability (asset) is not recognised for exchange gains and losses related to foreign non-monetary assets and liabilities that are remeasured into the reporting currency using historical exchange rates or indexing for tax purposes.

Deferred tax is not recognised in respect of investments in subsidiaries, associates and joint arrangements (both foreign and domestic) if certain criteria are met.

Like IFRS, deferred tax is not recognised in respect of investments in foreign or domestic subsidiaries and foreign corporate joint ventures if certain criteria are met; however, these criteria differ from IFRS. US GAAP requires recognition of deferred taxes in respect of investments in equity-method investees and outside basis differences caused by pre-1993 undistributed earnings from domestic corporate joint ventures, which can give rise to differences from IFRS.

A deferred tax asset is recognised to the extent that it is probable that it will be realised – i.e. a net approach.

Unlike IFRS, all deferred tax assets are recognised and a valuation allowance is recognised to the extent that it is more likely than not that the deferred tax assets will not be realised – i.e. a gross approach.

Current and deferred tax are measured based on rates and tax laws that are enacted or substantively enacted at the reporting date.

Unlike IFRS, current and deferred tax are only measured based on rates and tax laws that are enacted at the reporting date.

IFRS	US
Deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset).	Deferred tax is measured based on an assumption that the underlying asset (liability) will be recovered (settled) in a manner consistent with its current use in the business, which is generally like IFRS.
Deferred tax is measured on an undiscounted basis.	Like IFRS, deferred tax is measured on an undiscounted basis.
Deferred tax assets and liabilities are classified as non-current in a classified statement of financial position.	Unlike IFRS, deferred tax assets and liabilities, but not the valuation allowance, are classified as either current or non-current in the statement of financial position according to the classification of the related asset or liability. The valuation allowance is allocated against current and non-current deferred tax assets for the relevant tax jurisdiction on a pro rata basis.
Income tax relating to items recognised outside profit or loss, in the current or a previous period, is itself recognised outside profit or loss.	Like IFRS, income tax relating to items recognised outside profit or loss during the current reporting period is itself recognised outside profit or loss. However, unlike IFRS, subsequent changes are generally recognised in profit or loss.
Deferred tax assets recognised in relation to share-based payment arrangements are adjusted each period to reflect the amount of tax deduction that the entity would receive if the award were tax-deductible in the current period based on the current market price of the shares.	Unlike IFRS, temporary differences related to share-based payment arrangements are based on the amount of compensation cost that is recognised in profit or loss without any adjustment for the entity's current share price until the tax benefit is realised.
Current tax assets and liabilities are offset only if there is a legally enforceable right to set off and the entity intends to offset or to settle simultaneously.	Like IFRS, current tax assets and liabilities are offset only if there is a legally enforceable right to set off. However, unlike IFRS, the entity need not intend to set off or to settle simultaneously.

Deferred tax liabilities and assets are offset if the entity has a legally enforceable right to set off current tax liabilities and assets, and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities that intend to settle current taxes on a net basis or their tax assets and liabilities will be realised simultaneously.

Unlike IFRS, for a particular tax-paying component of an entity and within a particular tax jurisdiction, all current deferred tax liabilities and assets are offset and presented as a single amount and all non-current deferred tax liabilities and assets are offset and presented as a single amount. Deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions may not be offset, which differs from IFRS in certain aspects.

IFRS does not include specific guidance on income tax exposures. The general provisions of the income taxes standard apply.

Unlike IFRS, US GAAP has specific guidance on the recognition of uncertain tax positions (income tax exposures). The benefits of uncertain tax positions are recognised only if it is more likely than not that the positions are sustainable based on their technical merits. For tax positions that are more likely than not of being sustained, the largest amount of tax benefit that is greater than 50 percent likely of being realised on settlement is recognised.

4 Specific items of profit or loss and OCI

4.1 General (IFRS)

(IAS 1)

A statement of profit or loss and OCI is presented either as a single statement, or as a statement of profit or loss followed immediately by a statement of comprehensive income (beginning with profit or loss and displaying components of OCI).

Although IFRS requires certain items to be presented in the statement of profit or loss and OCI, there is no prescribed format.

An analysis of expenses is required, either by nature or by function, in the statement of profit or loss and OCI or in the notes.

The presentation of alternative earnings measures is not prohibited, either in the statement of profit or loss and OCI or in the notes to the financial statements.

4.1 General (US)

(ASC Topic 205, ASC Topic 225, ASC Topic 605, ASC Topic 220, ASC Topic 815, Reg S-X, SAB Topic 5.P, Reg S-K, Reg G)

Like IFRS, an entity may present a statement of comprehensive income either as a single statement, or as an earnings statement followed immediately by a separate statement of comprehensive income (beginning with profit or loss and displaying components of OCI).

Unlike IFRS, SEC regulations prescribe the format and minimum line item presentation for SEC registrants. For non-SEC registrants, there is limited guidance on the presentation of the statement of earnings or statement of comprehensive income, like IFRS.

Unlike IFRS, there is no requirement for expenses to be classified according to their nature or function. SEC regulations prescribe expense classification requirements for certain specialised industries, unlike IFRS.

Unlike IFRS, the presentation of non-GAAP measures in the financial statements by SEC registrants is prohibited. In practice, alternative earnings measures are also not presented in the financial statements by non-SEC registrants, unlike IFRS.

In our view, use of the terms 'unusual' or 'exceptional' should be infrequent and reserved for items that justify greater prominence.

Unlike IFRS, transactions of an 'unusual' nature are defined as possessing a high degree of abnormality and of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity. Unlike IFRS, material events or transactions that are unusual or occur infrequently, but not both, can be presented separately in the statement of earnings.

The presentation or disclosure of items of income and expense characterised as 'extraordinary items' is prohibited.

Unlike IFRS, the presentation of certain items as 'extraordinary items' is required if the criteria are met, but in practice this is rare. An extraordinary item is one that is both unusual in nature and infrequent in occurrence.

Items of income and expense are not offset unless required or permitted by another standard, or if the amounts relate to similar transactions or events that are not material.

Like IFRS, items of income and expense are not generally offset unless required or permitted by another Codification topic/subtopic, or if the amounts relate to similar transactions or events that are not material. However, offsetting is permitted in more circumstances than under IFRS.

IFRS

US

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4.2 Revenue

(IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18)

Revenue is recognised only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue recognition is mainly based on general principles that are applied to different types of transactions.

If an arrangement includes more than one component, then it may be necessary to account separately for the revenue that is attributable to each component.

4.2 Revenue

(CON 5, CON 6, ASC Topic 605, ASC Topic 860, ASC Subtopic 905-605, ASC Subtopic 920-605, ASC Subtopic 922-605, ASC Subtopic 926-605, ASC Subtopic 928-605, ASC Subtopic 932-605, ASC Subtopic 944-605, ASC Subtopic 310-20, ASC Subtopic 360-20, ASC Subtopic 460-10, ASC Subtopic 470-40, ASC Subtopic 840-10, ASC Subtopic 845-10, ASC Subtopic 946-605, ASC Subtopic 952-605, ASC Subtopic 976-605, ASC Subtopic 980-605, ASC Subtopic 985-605, ASC para 470-20-S99-1, SAB Topic 13)

The general guidance in US GAAP is that revenue is recognised when it is earned and realised or realisable. However, US GAAP includes specific revenue recognition criteria for different types of revenue-generating transactions, which in many cases differ from IFRS.

Unlike IFRS, there is extensive guidance on revenue recognition specific to the industry and type of contract.

Like IFRS, if an arrangement includes multiple elements, then it may be necessary to account separately for the revenue that is attributable to each element, depending on whether they constitute one or multiple units of accounting. Unlike IFRS, there is specific guidance on making this assessment.

Home

IFRS	US
Revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or has managerial involvement in the goods.	Like IFRS, revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or managerial involvement in the goods. However, the specific criteria underlying these principles are different from those under IFRS in certain respects.
Construction contracts are accounted for using the percentage-of-completion method. The completed-contract method is not permitted.	Construction contracts are accounted for using the percentage-of-completion method when an entity has the ability to make reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs, like IFRS. Otherwise, unlike IFRS, the completed-contract method is used.
Under the percentage-of-completion method, both contract revenue and costs are recognised with reference to the stage of completion of the work.	Under the percentage-of-completion method, both contract revenue and costs may be recognised with reference to the stage of completion of the work, like IFRS. However, unlike IFRS, entities are also permitted to recognise all costs incurred, with revenue calculated with reference to the gross margin earned on the contract during the period.
Construction contracts are segmented when certain criteria are met.	Unlike IFRS, construction contracts may, but are not required, to be segmented when certain criteria are met; additionally, the criteria differ from IFRS.
Revenue from service contracts is recognised in the period during which the service is rendered, generally under the percentage-of-completion method.	Like IFRS, revenue from service contracts is recognised in the period during which the service is rendered. However, unlike IFRS, revenue from services is generally recognised under the proportional performance or straight-line method rather than the percentage of completion method.
There is no specific guidance on software revenue recognition.	Unlike IFRS, there is specific guidance on software revenue recognition.

IFRS	US
There is specific guidance on accounting for agreements for the construction of real estate. Application of this guidance may result in revenue being recognised on a percentage-of-completion basis, a continuous-delivery basis or at a single point in time.	Like IFRS, there is specific guidance on accounting for sales of real estate. However, application of this guidance results in revenue being recognised under the full accrual method, the instalment method, the cost recovery method, the percentage-of-completion method or the deposit method, which is a broader range of possibilities than IFRS.
Revenue comprises the gross inflows of economic benefits received by an entity for its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent. IFRS includes some guidance on evaluating whether an entity is acting as a principal or an agent.	Like IFRS, revenue comprises the gross inflows of economic benefits received by an entity for its own account. Like IFRS, in an agency relationship amounts collected on behalf of the principal are not recognised as revenue by the agent. However, there is more guidance than IFRS on evaluating whether an entity is acting as a principal or agent.

4.2A Revenue from contracts with customers

(IFRS 15)

The new standard is effective for annual periods beginning on or after 1 January 2017. Early adoption is permitted.

The new standard provides a framework that replaces existing revenue guidance.

A five-step model is used to implement the core principle that is used to determine when to recognise revenue, and at what amount.

Under Step 1 (identify the contract), an entity accounts for a contract under the model when it is legally enforceable and specific criteria are met. These criteria include that collection of consideration is 'probable', which means 'more likely than not'.

Under Step 2 (identify the performance obligations in the contract), an entity breaks down the contract into one or more distinct performance obligations.

4.2A Revenue from contracts with customers

(ASC Topic 606, ASC Topic 340, ASC Topic 610)

Unlike IFRS, the new Codification Topic is effective for annual periods beginning after 15 December 2016 (public business entities) or after 15 December 2017 (other entities). Early adoption is not permitted before annual periods beginning after 15 December 2016.

Like IFRS, the new Codification Topic provides a framework that replaces existing revenue guidance. In particular, it moves away from the industry- and transaction-specific requirements under US GAAP, which are also used by some IFRS preparers in the absence of specific IFRS guidance.

Like IFRS, a five-step model is used to implement the core principle that is used to determine when to recognise revenue, and at what amount.

Like IFRS, under Step 1 (identify the contract), an entity accounts for a contract under the model when it is legally enforceable and specific criteria are met. These criteria include that collection of consideration is 'probable', which, unlike IFRS, means 'likely'.

Like IFRS, under Step 2 (identify the performance obligations in the contract), an entity breaks down the contract into one or more distinct performance obligations.

IFRS	US
Under Step 3 (determine the transaction price), an entity determines the amount of consideration to which it expects to be entitled in exchange for transferring goods or services to a customer.	Like IFRS, under Step 3 (determine the transaction price), an entity determines the amount of consideration to which it expects to be entitled in exchange for transferring goods or services to a customer.
Consideration includes an estimate of variable consideration to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.	Like IFRS, consideration includes an estimate of variable consideration to the extent it is 'probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Although 'probable' rather than 'highly probable' is used under US GAAP, the IASB and the FASB explain that these are intended to be the same threshold so differences of interpretation are not expected.
Under Step 4 (allocate the transaction price to the performance obligations in the contract) an entity generally allocates the transaction price to each performance obligation in proportion to its stand-alone selling price.	Like IFRS, under Step 4 (allocate the transaction price to the performance obligations in the contract) an entity generally allocates the transaction price to each performance obligation in proportion to its stand-alone selling price.
Under Step 5 (recognise revenue) an entity recognises revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either at a point in time or over time. A good or service is transferred when or as the customer obtains control of it.	Like IFRS, under Step 5 (recognise revenue) an entity recognises revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either at a point in time or over time. Like IFRS, a good or service is transferred when or as the customer obtains control of it.
An entity generally capitalises incremental costs to obtain a contract with a customer if it expects to recover those costs. An entity capitalises the costs of fulfilling a contract if certain criteria are met. An impairment loss recognised in respect of capitalised costs is reversed if the carrying amount is no longer impaired.	Like IFRS, an entity generally capitalises incremental costs to obtain a contract with a customer if it expects to recover those costs. Like IFRS, an entity capitalises the costs of fulfilling a contract if certain criteria are met. Unlike IFRS, an impairment loss recognised in respect of capitalised costs is not reversed.

A contract modification is accounted for prospectively or using a cumulative catch-up adjustment depending on whether the modification results in additional goods or services that are 'distinct'.

If the entity is a principal, then revenue is recognised on a gross basis – corresponding to the consideration to which the entity expects to be entitled. If the entity is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the entity expects to be entitled.

An entity presents a contract liability or a contract asset in its statement of financial position when either party to the contract has performed. Any unconditional rights to consideration are presented separately as a receivable.

The new standard contains extensive disclosure requirements designed to enable users of the financial statement to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. There are no exemptions from these disclosure requirements.

Like IFRS, a contract modification is accounted for prospectively or using a cumulative catch-up adjustment depending on whether the modification results in additional goods or services that are 'distinct'.

Like IFRS, if the entity is a principal, then revenue is recognised on a gross basis – corresponding to the consideration to which the entity expects to be entitled. Like IFRS, if the entity is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the entity expects to be entitled.

Like IFRS, an entity presents a contract liability or a contract asset in its statement of financial position when either party to the contract has performed. Like IFRS, any unconditional rights to consideration are presented separately as a receivable.

Like IFRS, the new Codification Topic contains extensive disclosure requirements designed to enable users of the financial statement to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Unlike IFRS, entities that are not public business entities may elect to present more simplified disclosures that are specified in the new Codification Topic.

IFRS

4.3 Government grants

(IAS 20, IAS 41, SIC-10)

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and that the grant will be received.

If a government grant is in the form of a non-monetary asset, then both the asset and the grant are recognised either at the fair value of the non-monetary asset or at a nominal amount.

Government grants that relate to the acquisition of an asset, other than a biological asset measured at fair value less costs to sell, are recognised in profit or loss as the related asset is depreciated or amortised.

Unconditional government grants related to biological assets measured at fair value less costs to sell are recognised in profit or loss when they become receivable; conditional grants for such assets are recognised in profit or loss when the required conditions are met.

US

4.3 Government grants

Unlike IFRS, there is no specific US GAAP guidance on the accounting for grants from governments to profit-oriented entities. However, US practice may look to IFRS as a source of non-authoritative guidance.

Unlike IFRS, a contributed non-monetary asset is recognised at fair value if fair value can be measured reliably.

Unlike IFRS, there is no specific US GAAP guidance on the accounting for grants from governments to profit-oriented entities. However, US practice may look to IFRS as a source of non-authoritative guidance.

Like IFRS, contributions from government of biological assets are recognised initially at fair value when they become unconditionally receivable; however, unlike IFRS, there is a specific requirement for fair value to be reliably measureable. Like IFRS, conditional grants for such assets are recognised when the required conditions are met.

4.4 Employee benefits

(IAS 19, IFRIC 14)

'Short-term employee benefits' are employee benefits that are expected to be settled wholly within 12 months of the end of the period in which the services have been rendered, and are accounted for using normal accrual accounting.

'Post-employment benefits' are employee benefits that are payable after the completion of employment (before or during retirement).

A 'defined contribution plan' is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are 'defined benefit plans'.

Contributions to a defined contribution plan are accounted for on an accrual basis.

4.4 Employee benefits

(ASC Topic 715, ASC Subtopic 420-10, ASC Subtopic 710-10, ASC Subtopic 712-10)

Unlike IFRS, US GAAP does not contain specific guidance on short-term employee benefits other than compensated absences. However, accrual accounting principles are generally applied in accounting for short-term employee benefits.

Unlike IFRS, post-employment benefits are divided into 'post-retirement benefits' (provided during retirement) and 'other post-employment benefits' (provided after the cessation of employment but before retirement). The accounting for post-employment benefits depends on the type of benefit provided, unlike IFRS.

Like IFRS, a 'defined contribution plan' is a post-retirement benefit plan under which the employer pays specified contributions into a separate entity and has no further obligations. All other post-retirement plans are 'defined benefit plans'. However, unlike IFRS, other post-employment benefit plans do not have to be classified as either defined contribution or defined benefit plans.

Like IFRS, contributions to a defined contribution plan are accounted for on an accrual basis.

IFRS	US
Accounting for defined benefit plans involves the following steps: • determining the present value of the defined benefit obligation by applying an actuarial valuation method; • deducting the fair value of any plan assets; • adjusting the amount of the deficit or surplus for any effect of limiting a net defined benefit asset to the asset ceiling; and • determining service costs, net interest and remeasurements of the net defined benefit liability (asset).	Accounting for defined benefit plans involves the following steps: • determining the present value of the defined benefit obligation by applying an actuarial valuation method, like IFRS; • deducting the fair value of any plan assets, like IFRS; • unlike IFRS, there is no adjustment for any effect of limiting a net defined benefit asset to the asset ceiling; and • determining service costs, net interest and remeasurements of the net defined benefit liability (asset), which in a number of cases differ from IFRS in terms of both measurement and recognition.
The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost and, if applicable, any past service cost.	The liability and expense are generally measured actuarially under the projected unit credit method for pay-related plans, like IFRS; and under the traditional unit credit method (projected unit credit method without future increases in salary) for certain cash balance plans, unlike IFRS.
To qualify as plan assets, assets need to meet specific criteria, including a requirement that they be unavailable to the entity's creditors (even in bankruptcy).	Like IFRS, to qualify as plan assets, assets need to meet specific criteria. However, unlike IFRS, in general there is no requirement to affirmatively demonstrate that the assets would be unavailable to the entity's creditors in bankruptcy.
Insurance policies issued to the sponsor meet the definition of plan assets if they are issued by a party unrelated to the entity and meet certain other criteria. Insurance policies issued to the plan meet the definition of plan assets if they are transferable and meet certain other criteria.	Unlike IFRS, insurance policies issued to the sponsor do not meet the definition of plan assets. However, like IFRS, insurance policies issued to the plan, including those issued by a related party, can meet the definition of plan assets.

IFRS	US
Assets that meet the definition of plan assets, including qualifying insurance policies, and the related liabilities are presented on a net basis in the statement of financial position.	Like IFRS, assets that meet the definition of plan assets and the related liabilities are presented on a net basis in the statement of financial position.
If a defined benefit plan is in surplus, then the amount of any net asset recognised is limited to the present value of any available economic benefits from the plan in the form of refunds from the plan or reductions in future contributions to the plan (the 'asset ceiling').	Unlike IFRS, the recognition of an asset in respect of a defined benefit plan is not restricted.
Minimum funding requirements give rise to a liability if payments under the requirement would create a surplus in excess of the asset ceiling.	Unlike IFRS, the funded status is recognised as a liability if the plan is underfunded; the liability is not subject to additional adjustments related to minimum funding requirements.
Curtailments and other plan amendments are recognised at the same time as the related restructuring or related termination benefits if these events occur before the curtailment or other plan amendments occur.	Unlike IFRS, curtailment gains are recognised when they occur. Also unlike IFRS, curtailment losses are recognised when they are probable.
'Multi-employer plans' are post-employment plans that pool the assets contributed by various entities that are not under common control to provide benefits to employees of more than one entity. Such plans are classified as defined contribution or defined benefit plans following the above definitions. However, if insufficient information is available to permit defined benefit accounting, then the plan is treated as a defined contribution plan and additional disclosures are required.	Like IFRS, 'multi-employer plans' are post-retirement plans that pool the assets contributed by various entities to provide benefits to the employees of more than one entity. However, unlike IFRS, all multi-employer plans are accounted for as defined contribution plans.

IFRS	US
If defined contribution plan accounting is applied to a multi-employer defined benefit plan and there is an agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded, then an asset or liability that arises from the contractual agreement is recognised.	Unlike IFRS, even if there is an agreement that determines how the surplus in a multi-employer plan would be distributed or a deficit in the plan funded, an asset or liability is not recognised until the liability is assessed or the refund received.
There is no specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees. In our view, a minimum benefit guarantee causes a plan to be a defined benefit plan.	Unlike IFRS, there is specific guidance on the application of defined benefit accounting to certain plans that would be defined contribution plans except that they contain minimum benefit guarantees. Depending on the form of the minimum guarantee, the plan would be accounted for as a defined benefit plan or as a cash balance plan.
'Termination benefits' are employee benefits provided as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.	Unlike IFRS, termination benefits are categorised into different types of benefits: ongoing benefit arrangements, contractual terminations, special terminations and one-time terminations.
A termination benefit is recognised at the earlier of the date on which the entity recognises costs for a restructuring in the scope of the provisions standard that includes the payment of termination benefits and the date on which the entity can no longer withdraw the offer of the termination benefits.	Unlike IFRS, there is not a single model for the recognition of termination benefits, and the timing of recognition depends on the category of termination benefit.
'Other long-term employee benefits' are all employee benefits other than short-term benefits, post-employment benefits and termination benefits.	Unlike IFRS, US GAAP does not distinguish between long- and short-term employee benefits.
The expense for other long-term employee benefits, calculated on a discounted basis, is usually accrued over the service period.	Like IFRS, the expense for long-term employee benefits is accrued over the service period; however, the computation may differ from IFRS.

4.5 Share-based payments

(IFRS 2)

Goods or services received in a share-based payment transaction are measured using a fair value-based measure.

Goods are recognised when they are obtained and services are recognised over the period in which they are received.

Equity-settled transactions with employees are generally measured based on the grant-date fair value of the equity instruments granted.

'Grant date' is the date on which the entity and the employee have a shared understanding of the terms and conditions of the arrangement.

Equity-settled transactions with non-employees are generally measured based on the fair value of the goods or services obtained. The measurement date is the date on which the goods or services are received, which means that there may be multiple measurement dates.

4.5 Share-based payments

(ASC Topic 718, ASC Subtopic 505-50, ASC para 480-10-S99-3)

Like IFRS, goods or services received in a share-based payment transaction are measured using a fair value-based measure.

Like IFRS, goods are recognised when they are obtained and services are recognised over the period in which they are received.

Like IFRS, equity-classified transactions with employees are generally measured based on the grant-date fair value of the equity instruments granted.

Like IFRS, 'grant date' is the date on which the entity and the employee have a shared understanding of the terms and conditions of the arrangement. However, unlike IFRS, employees should also begin to benefit from or be adversely affected by changes in the entity's share price.

Unlike IFRS, equity-classified share-based payment transactions with non-employees are measured based on the fair value of the goods or services received or the fair value of the equity-based instruments issued, whichever is more reliably measurable. Unlike IFRS, the measurement date is the earlier of the date on which performance is complete and when completion of performance is probable because there is a sufficiently large disincentive for failure to perform.

IFRS	US
An intrinsic value approach is permitted only in the rare circumstance that the fair value of the equity instruments cannot be estimated reliably.	Like IFRS, an intrinsic value approach is permitted in the rare circumstance that the fair value of the equity instruments cannot be estimated reliably. However, unlike IFRS, non-public entities may apply an intrinsic value approach for liability-classified share-based payments as an accounting policy election.
For equity-settled transactions, an entity recognises a cost and a corresponding increase in equity. The cost is recognised as an expense unless it qualifies for recognition as an asset.	Like IFRS, for equity-classified transactions an entity recognises a cost and a corresponding increase in equity. The cost is recognised as an expense unless it qualifies for recognition as an asset, like IFRS.
Market conditions for equity-settled transactions are reflected in the initial measurement of fair value. There is no true-up if the expected and actual outcomes differ because of market conditions.	Like IFRS, market conditions for equity-classified transactions are reflected in the initial measurement of fair value and there is no true-up if the expected and actual outcomes differ because of market conditions.
Like market conditions, non-vesting conditions are reflected in the initial measurement of fair value and there is no subsequent true-up for differences between the expected and the actual outcome.	Like market conditions, post-vesting restrictions are reflected in the initial measurement of fair value and there is no subsequent true-up for differences between the expected and the actual outcome, like IFRS. However, post-vesting restrictions differ from non-vesting conditions under IFRS in certain respects.
Initial estimates of the number of equity-settled instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity-settled instruments that vest unless differences are due to market conditions.	Like IFRS, initial estimates of the number of equity classified instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity-classified instruments that vest unless differences are due to market conditions.

IFRS	US
Choosing not to meet a non-vesting condition that is in the control of the entity or the counterparty is treated as a cancellation.	Like IFRS, choosing not to meet a post-vesting restriction that is in the control of the entity is treated as a cancellation. However, unlike IFRS, choosing not to meet a post-vesting restriction that is in the control of the counterparty is deemed to be early notice of intent not to exercise rather than a cancellation. Also unlike IFRS, a post-vesting restriction that is outside the control of both the entity and the counterparty is generally treated as an 'other' condition, resulting in the award being liability-classified.
For cash-settled transactions, an entity recognises a cost and a corresponding liability. The cost is recognised as an expense unless it qualifies for recognition as an asset.	Like IFRS, for liability-classified transactions, an entity recognises a cost and a corresponding liability. The cost is recognised as an expense unless it qualifies for recognition as an asset, like IFRS.
The liability is remeasured, until settlement date, for subsequent changes in the fair value of the liability. The remeasurements are recognised in profit or loss.	Like IFRS, the liability is remeasured, until settlement date, for subsequent changes in the fair value of the liability. Unlike IFRS, remeasurements are generally recognised as compensation cost, which is eligible for capitalisation.
Modification of an equity-settled share-based payment results in the recognition of any incremental fair value but not in any reduction in fair value. Replacements are accounted for as modifications.	Like IFRS, the modification of an equity-classified share-based payment results in the recognition of any incremental fair value but not in any reduction in fair value unless the modification is an 'improbable-to-probable' modification, unlike IFRS. Like IFRS, replacements are accounted for as modifications.
Cancellation of a share-based payment results in accelerated recognition of any unrecognised cost.	Like IFRS, cancellation of a share-based payment results in accelerated recognition of any unrecognised cost.
Classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.	Like IFRS, the classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.

IFRS	US
Grants in which the employee has the choice of equity or cash settlement are accounted for as compound instruments. Therefore, the entity accounts for a liability component and an equity component separately.	Unlike IFRS, an award for which the employee has the choice of equity or cash settlement is generally liability-classified in its entirety unless the award is a 'combination' award, which might be treated like a compound instrument.
Awards with graded vesting, for which the only vesting condition is service, are accounted for as separate share-based payment arrangements.	Awards with graded vesting, for which the only vesting condition is service, can be accounted for ratably over the longest vesting tranche, unlike IFRS; or as separate share-based payment arrangements, like IFRS.
There is specific guidance on group share-based payment arrangements, which are accounted for in each group entity's financial statements based on their own perspectives.	Unlike IFRS, US GAAP does not contain specific guidance on group share-based payment arrangements, which may give rise to differences in practice.

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4.6 Borrowing costs

(IAS 23)

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset. Other borrowing costs are recognised as an expense.

A 'qualifying asset' is one that necessarily takes a substantial period of time to be made ready for its intended use or sale. In our view, investments in subsidiaries and equity-accounted investees are not qualifying assets. Property, plant and equipment, internally developed intangible assets and investment property can be qualifying assets.

Borrowing costs may include interest calculated using the effective interest method, certain finance charges and certain foreign exchange differences.

4.6 Financial income and expense

(ASC Topic 310, ASC Topic 470, ASC Topic 835, ASC Subtopic 360-10, ASC Subtopic 470-20, ASC Subtopic 470-50, ASC Subtopic 710-10, ASC Subtopic 815-25)

Like IFRS, interest costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset. However, the amount of interest cost capitalised may differ from IFRS. Like IFRS, other interest costs are recognised as an expense.

Like IFRS, property, plant and equipment – including that which would be investment property under IFRS – can be a 'qualifying asset'. Unlike IFRS, an equity-method investee can be a qualifying asset. However, like IFRS, other investments cannot be qualifying assets. Unlike IFRS, internally developed intangible assets generally do not qualify for capitalisation and therefore will not be qualifying assets.

Like IFRS, interest costs may include interest calculated using the effective interest method and certain finance charges; but not foreign exchange differences, unlike IFRS.

5 Special topics

5.1 Leases

(IAS 17, IFRIC 4, SIC-15, SIC-27)

The leasing guidance applies to property, plant and equipment and other assets, with only limited exclusions.

An arrangement that at its inception can be fulfilled only through the use of a specific asset or assets, and that conveys a right to use that asset or assets, is a lease or contains a lease.

A lease is classified as either a finance lease or an operating lease. In respect of lessors, there is a sub-category of finance lease for manufacturer or dealer lessors.

Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee.

5.1 Leases

(ASC Topic 840, ASC Subtopic 310-20, ASC Subtopic 360-10, ASC Subtopic 605-15, ASC Subtopic 958-840, ASC Subtopic 970-360)

Unlike IFRS, the lease accounting guidance applies only to property, plant and equipment.

Like IFRS, an arrangement that at its inception can be fulfilled only through the use of a specific asset or assets, and which conveys a right to use that asset or assets, is a lease or contains a lease. However, certain aspects of identifying a lease differ from IFRS.

Like IFRS, a lease is classified as either a capital (finance) lease or an operating lease. In respect of lessors, capital leases are categorised as direct financing leases or sales-type leases, which differ in certain respects from IFRS, or leveraged leases for which there is no equivalent in IFRS.

Like IFRS, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. However, there are more detailed requirements than IFRS and, unlike IFRS, a lease that does not transfer substantially all of the rewards incidental to ownership of the leased asset can be a capital lease in certain circumstances.

Lease classification is made at inception of the lease and is not revised unless the lease agreement is modified.

Under a finance lease, the lessor derecognises the leased asset and recognises a finance lease receivable, and the lessee recognises the leased asset and a liability for future lease payments.

Under an operating lease, both parties treat the lease as an executory contract. Both the lessor and lessee recognise the lease payments as income or expense over the lease term. The lessor recognises the leased asset in its statement of financial position; the lessee does not.

Lessors and lessees recognise incentives granted to a lessee under an operating lease as a reduction in lease rental income or expense over the lease term.

A lease of land with a building is treated as two separate leases: a lease of the land and a lease of the building; the two leases may be classified differently.

In determining whether the lease of land is a finance lease or an operating lease, an important consideration is that land normally has an indefinite economic life.

Like IFRS, lease classification is made at inception of the lease and is not revised unless the lease agreement is modified.

Under a capital lease, the lessor generally derecognises the leased asset and recognises a lease receivable, and the lessee recognises the leased asset and a liability for future lease payments, like IFRS. However, special accounting requirements, which differ from IFRS, apply to lessors in respect of leveraged leases.

Like IFRS, under an operating lease, both parties treat the lease as an executory contract. Both the lessor and lessee recognise the lease payments as income or expense over the lease term, like IFRS. The lessor recognises the leased asset in its statement of financial position, whereas the lessee does not, like IFRS.

Like IFRS, lessors and lessees recognise incentives granted under an operating lease as a reduction in lease rental income or expense over the lease term.

Unlike IFRS, a lease of land with a building is treated as two separate leases only if the fair value of the land is at least 25 percent of the fair value of the leased property as a whole. Like IFRS, the two leases may be classified differently.

Unlike IFRS, a lease of land is generally classified as an operating lease unless title transfers to the lessee.

IFRS	US
Immediate gain recognition from the sale and leaseback of an asset depends on whether the leaseback is classified as a finance or an operating lease and, if the leaseback is an operating lease, whether the sale takes place at fair value.	Unlike IFRS, US GAAP does not generally permit immediate gain recognition on sale-leaseback transactions unless the leaseback is considered to be 'minor'.
A series of linked transactions in the legal form of a lease is accounted for based on the substance of the arrangement; the substance may be that the series of transactions is not a lease.	Unlike IFRS, there is no explicit requirement that a series of linked transactions in the legal form of a lease be accounted for based on the substance of the arrangement.
Special requirements for revenue recognition apply to manufacturer or dealer lessors granting finance leases.	US GAAP contains specific requirements for revenue recognition that apply to sales-type leases. However, these requirements differ from IFRS in respect of the discount rate used to calculate revenue.

5.2 Operating segments

(IFRS 8)

Segment disclosures are required by entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

Segment disclosures are provided about the components of the entity that management monitors in making decisions about operating matters (the 'management approach').

Such components (operating segments) are identified on the basis of internal reports that the entity's chief operating decision maker (CODM) regularly reviews in allocating resources to segments and in assessing their performance.

The aggregation of operating segments is permitted only when the segments have 'similar' economic characteristics and meet a number of other criteria.

Reportable segments are identified based on quantitative thresholds of revenue, profit or loss or total assets.

5.2 Operating segments

(ASC Topic 280, ASC Subtopic 205-20, ASC Topic 350, ASC Subtopic 360-10)

Like IFRS, segment disclosures are required by entities whose debt or equity securities are traded in a public market, or that are in the process of issuing such securities.

Like IFRS, the Codification Topic is based on a 'management approach', which requires segment disclosures based on the components of the entity that management monitors in making decisions about operating matters.

Like IFRS, such components (operating segments) are identified on the basis of internal reports that the entity's chief operating decision maker (CODM) regularly reviews in allocating resources to segments and in assessing their performance.

Like IFRS, the aggregation of operating segments is permitted only when the segments have 'similar' economic characteristics and meet a number of other criteria.

Like IFRS, reportable segments are identified based on quantitative thresholds of revenue, profit or loss or total assets.

IFRS	US
The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.	Like IFRS, the amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.
As part of the disclosures, an entity reports a measure of profit or loss for each reportable segment and, if reported to the CODM, a measure of total assets and liabilities for each reportable segment.	Like IFRS, as part of the disclosures, an entity reports a measure of profit or loss for each reportable segment. Unlike IFRS, an entity is also required to disclose a measure of total assets for each reportable segment in all cases. In addition, unlike IFRS, there is no requirement to disclose information about liabilities.
Disclosures are required for additions to non-current assets, with certain exceptions.	Like IFRS, disclosures are required for additions to long-lived assets, with certain exceptions. However, the exceptions differ in certain respects from IFRS.
Reconciliations between total amounts for all reportable segments and financial statement amounts are disclosed with a description of reconciling items.	Like IFRS, reconciliations between total amounts for all reportable segments and financial statement amounts are disclosed, with a description of reconciling items.
General and entity-wide disclosures include information about products and services, geographical areas, major customers and factors used to identify an entity's reportable segments. Such disclosures are required even if an entity has only one segment.	Like IFRS, general and entity-wide disclosures are required, including information about products and services, geographical areas, major customers and factors used to identify an entity's reportable segments. Such disclosures are required even if an entity has only one segment, like IFRS.
Comparative information is normally revised for changes in reportable segments.	Like IFRS, comparative information is normally revised for changes in operating segments.

5.3 Earnings per share
(IAS 33)

Basic and diluted EPS are presented by entities whose ordinary shares or potential ordinary shares are traded in a public market or that file, or are in the process of filing, their financial statements for the purpose of issuing any class of ordinary shares in a public market.

Basic and diluted EPS for both continuing operations and profit or loss are presented in the statement of profit or loss and OCI, with equal prominence, for each class of ordinary shares that has a differing right to share in the profit or loss for the period.

Separate EPS information is disclosed for discontinued operations, either in the statement of profit or loss and OCI or in the notes to the financial statements.

IFRS does not have the concept of extraordinary items and therefore disclosure of the related EPS is not relevant.

Basic EPS is calculated by dividing the profit or loss attributable to holders of ordinary equity of the parent by the weighted-average number of ordinary shares outstanding during the period.

To calculate diluted EPS, profit or loss attributable to ordinary equity holders, and the weighted-average number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares.

5.3 Earnings per share
(ASC Subtopic 260-10, ASC para 260-10-S99-2 and S99-3, Reg G)

Like IFRS, basic and diluted EPS are presented by entities whose common shares or potential common shares are traded in a public market or that file, or are in the process of filing, their financial statements for the purpose of issuing any class of common shares in a public market.

Like IFRS, basic and diluted EPS for both continuing operations and net income are presented in the statement that reports profit or loss, with equal prominence, for each class of common shares.

Like IFRS, separate EPS information is disclosed for discontinued operations either in the statement that reports profit or loss or in the notes to the financial statements.

Unlike IFRS, entities with an 'extraordinary item' also present EPS data for that item, either in the statement that reports profit or loss or in the notes to the financial statements.

Like IFRS, basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity of the parent by the weighted-average number of common shares outstanding during the period.

Like IFRS, diluted EPS is calculated based on profit or loss available to common shareholders and the weighted-number of shares outstanding, adjusted for the effects of all dilutive potential common shares.

IFRS	US
Potential ordinary shares are considered dilutive only if they decrease EPS or increase loss per share from continuing operations. In determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately, rather than in aggregate.	Like IFRS, potential ordinary shares are considered dilutive only if they decrease EPS or increase loss per share from continuing operations. Like IFRS, in determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately, rather than in aggregate.
Contingently issuable ordinary shares are included in basic EPS from the date on which all necessary conditions are satisfied. When they are not yet satisfied, such shares are included in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.	Like IFRS, contingently issuable common shares are included in basic EPS from the date on which all necessary conditions are satisfied. Like IFRS, when they are not satisfied, such shares are included in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.
If a contract may be settled in either cash or shares at the entity's option, then the presumption is that it will be settled in ordinary shares and the resulting potential ordinary shares are used to calculate diluted EPS.	If a contract may be settled in either cash or shares at the entity's option, then the general presumption is that it will be settled in ordinary shares and the resulting potential common shares are used to calculate diluted EPS, like IFRS. However, unlike IFRS, this presumption may be overcome if the entity has existing practice or a stated policy of settling in cash.
If a contract may be settled in either cash or shares at the holder's option, then the more dilutive of cash and share settlement is used to calculate diluted EPS.	Like IFRS, if a contract may be settled in either cash or shares at the holder's option, then the more dilutive of cash and share settlement is used to calculate diluted EPS.
For diluted EPS, diluted potential ordinary shares are determined independently for each period presented.	Unlike IFRS, the computation of diluted EPS for year-to-date (including annual) periods is based on the weighted average of incremental shares included in each interim period making up the year-to-date period.

When the number of ordinary shares outstanding changes, without a corresponding change in resources, the weighted-average number of ordinary shares outstanding during all periods presented is adjusted retrospectively for both basic and diluted EPS.

Adjusted basic and diluted EPS based on alternative earnings measures may be disclosed and explained in the notes to the financial statements.

Like IFRS, when the number of common shares outstanding changes, without a corresponding change in resources, the weighted-average number of common shares outstanding during all periods presented is adjusted retrospectively.

Like IFRS, entities may choose to present basic and diluted other per-share amounts that are not required under US GAAP only in the notes to the financial statements. However, cash flow per share may not be presented.

5.4 Non-current assets held for sale and discontinued operations

(IFRS 5, IFRS 13, IFRIC 17)

Non-current assets and some groups of assets and liabilities ('disposal groups') are classified as held-for-sale if their carrying amounts will be recovered principally through sale.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position.

Assets classified as held-for-sale are not amortised or depreciated.

The comparative statement of financial position is not re-presented when a non-current asset or disposal group is classified as held-for-sale.

The classification, presentation and measurement requirements that apply to items that are classified as held-for-sale generally also apply to a non-current asset or disposal group that is classified as held-for-distribution.

A 'discontinued operation' is a component of an entity that either has been disposed of or is classified as held-for-sale.

5.4 Non-current assets held for sale and discontinued operations

(ASC Subtopic 205-20, ASC Subtopic 360-10, SAB Topic 5-Z, ASC Section 205-20-S99, ASC para 505-60-S99-1)

Like IFRS, long-lived assets (or disposal groups) are classified as held-for-sale if specific criteria related to their sale are met. These criteria differ from IFRS in certain respects.

Like IFRS, long-lived assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position.

Like IFRS, assets classified as held-for-sale are not amortised or depreciated.

Unlike IFRS, there is no specific guidance on whether the comparative statement of financial position is re-presented when a long-lived asset (or disposal group) is classified as held-for-sale.

Unlike IFRS, there is no special designation for assets held for distribution.

Like IFRS, a 'discontinued operation' is a component of an entity that either has been disposed of or is classified as held-for-sale. However, for the purposes of discontinued operations, 'component' is defined differently from IFRS.

IFRS	US
Discontinued operations are limited to those operations that are a separate major line of business or geographical area, and subsidiaries acquired exclusively with a view to resale.	Unlike IFRS, discontinued operations comprise operations and cash flows that have been or will be eliminated from the ongoing operations as a result of the disposal transaction, which may be only a portion of a separate line of business. Additionally, unlike IFRS, the entity cannot have significant continuing involvement in the operation after disposal.
Discontinued operations are presented separately in the statement of profit or loss and OCI, and related cash flow information is disclosed.	Like IFRS, discontinued operations are presented separately in the statement that reports profit or loss. However, unlike IFRS, cash flow information is not required to be disclosed. Unlike IFRS, when cash flow information is reported for discontinued operations, for SEC registrants there are three presentation alternatives.
The comparative statement of profit or loss and OCI and cash flow information is re-presented for discontinued operations.	Like IFRS, the comparative statement that reports profit or loss is re-presented for discontinued operations. However, unlike IFRS, cash flow information is re-presented only if cash flow information for discontinued operations is presented separately for the current reporting period.

5.4A Discontinued operations

(IFRS 5, IFRS 13, IFRIC 17)

The IFRS requirements for discontinued operations discussed in this chapter are currently effective.

A 'discontinued operation' is a component of an entity that either has been disposed of or is classified as held-for-sale.

Discontinued operations are limited to those operations that are a separate major line of business or geographical area, and subsidiaries acquired exclusively with a view to resale.

Discontinued operations are presented separately in the statement of profit or loss and OCI, and related cash flow information is disclosed.

The comparative statement of profit or loss and OCI and cash flow information is re-presented for discontinued operations.

5.4A Discontinued operations

(ASC Subtopic 205-20, ASC Subtopic 360-10, ASC Section 205-20-S99)

The US GAAP requirements in this chapter are forthcoming from a new Accounting Standards Update that is effective prospectively for annual periods beginning on or after 15 December 2014; early adoption is permitted in certain circumstances.

Unlike IFRS, a discontinued operation is either (1) a component of an entity that has been disposed of, meets the criteria to be classified as held-for-sale, or has been abandoned/spun-off; and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results; or (2) a business or non-profit activity that, on acquisition, meets the criteria to be classified as held-for-sale.

Unlike IFRS, discontinued operations are not limited to operations that are a separate major line of business or geographical area, or subsidiaries acquired exclusively with a view to resale.

Like IFRS, discontinued operations are presented separately in the statement that reports profit or loss and cash flows.

Like IFRS, the comparative statement that reports profit or loss and cash flows is re-presented for discontinued operations.

5.5 Related party disclosures

(IAS 24)

'Related party relationships' are those involving control (direct or indirect), joint control or significant influence.

Key management personnel and their close family members are parties related to an entity.

There are no special recognition or measurement requirements for related party transactions.

The disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.

No disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.

Comprehensive disclosures of related party transactions are required for each category of related party relationship.

Key management personnel compensation is disclosed in total and is analysed by component.

IFRS

5.5 Related party disclosures

(ASC Topic 850, ASC Topic 954-225, ASC Topic 958-720, Reg S-X)

Like IFRS, 'related party relationships' are those involving control (direct or indirect), joint control or significant influence.

Like IFRS, management and management's immediate family members are parties related to an entity.

Generally, there are no special recognition or measurement requirements for related party transactions; however, unlike IFRS, certain Codification topics/subtopics have specific guidance.

Like IFRS, the disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.

Like IFRS, no disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.

Like IFRS, comprehensive disclosures of related party transactions are required. However, unlike IFRS, there is no requirement for the disclosures to be grouped into categories of related parties.

Unlike IFRS, management compensation is not required to be disclosed in the financial statements; however, SEC registrants are required to provide compensation information outside the financial statements for specified members of management and the board.

US

Home

IFRS	US
In certain cases, government-related entities are allowed to provide less detailed disclosures on related party transactions.	Unlike IFRS, there is no partial disclosure exemption for government-related entities that prepare financial statements in accordance with US GAAP. However, such entities' financial statements will often be prepared in accordance with US governmental accounting standards, rather than in accordance with US GAAP.

5.6 Investment entity consolidation exception

(IFRS 10, IFRS 12)

Only an entity that meets the definition under IFRS can qualify as an 'investment entity'.

The definition of an investment entity requires an entity to meet certain criteria relating to its activities and its measurement and evaluation of investments.

In addition, the entity is expected to have one or more of certain 'typical' characteristics.

In general, an investment entity measures investments in subsidiaries at fair value, with changes in fair value recognised in profit or loss. As an exception, an investment entity consolidates a subsidiary that provides permitted investment-related activities.

An investment entity prepares a complete set of financial statements in the usual way, including comparative information.

5.6 Investment company consolidation exception

(ASC Topic 946)

An entity that meets the definition under US GAAP can qualify as an 'investment company', like IFRS. However, unlike IFRS, an entity also qualifies as an investment company by virtue of being regulated under the Investment Company Act of 1940.

Like IFRS, the definition of an investment company requires an entity to meet certain criteria relating to its activities and its evaluation of investments; however, these criteria differ from IFRS in certain respects. In addition, unlike IFRS, there is no criterion related to the measurement of an entity's investments.

In addition, the entity is expected to have one or more of certain 'typical' characteristics, like IFRS; however, these characteristics differ from IFRS in certain respects.

In general, an investment company measures investments in subsidiaries at fair value, with changes in fair value recognised in profit or loss, like IFRS. As an exception, an investment company consolidates a subsidiary that provides permitted investment-related activities but, unlike IFRS, only when the subsidiary provides investment-related services to the investment company only.

Unlike IFRS, an investment company is required to provide only a statement of changes in net assets, a schedule of investments and financial highlights. In addition, unlike IFRS, there is no requirement to present comparative financial statements and US GAAP only requires a statement of cash flows in certain circumstances.

IFRS	US
The investment entity consolidation exception is mandatory for the parent of an investment entity that itself meets the definition of an investment entity.	Unlike IFRS, consolidation by an investment company of an investment company subsidiary is not precluded.
A parent that is not itself an investment entity consolidates all subsidiaries.	Unlike IFRS, for the purpose of consolidating an investment company, a non-investment company parent retains the investment company accounting applied by the subsidiary investment company.

5.7 Non-monetary transactions

(IAS 16, IAS 18, IAS 38, IAS 40, IFRIC 18, SIC-31)

Exchanges of assets held for use are measured at fair value and result in the recognition of gains or losses, unless the transaction lacks commercial substance.

Exchanged assets held for use are recognised based on historical cost if the exchange lacks commercial substance or if fair value cannot be measured reliably.

Revenue is recognised for barter transactions unless the transaction is incidental to the entity's main revenue-generating activities or the items exchanged are similar in nature and value.

Property, plant and equipment contributed from customers that is used to provide access to a supply of goods or services is recognised as an asset if it meets the definition of an asset and the recognition criteria for property, plant and equipment.

5.7 Non-monetary transactions

(ASC Topic 845, ASC Topic 958, ASC Subtopic 605-20, ASC Subtopic 720-25, SAB Topic 5-T, ASC para 225-10-S99-4)

Like IFRS, exchanges of assets held for use are measured at fair value and result in the recognition of gains or losses, unless the transaction lacks commercial substance.

Like IFRS, exchanged assets held for use are recognised based on historical cost if the exchange lacks commercial substance or if fair value cannot be measured reliably. Additionally, exchange transactions to facilitate sales to customers are recognised based on historical cost, unlike IFRS.

Unlike IFRS, US GAAP does not require an exchange of dissimilar items in a barter transaction to be recognised as revenue. No revenue is recognised for barter transactions that facilitate sales to customers. US GAAP provides explicit guidance to support the fair value measurement of a barter revenue transaction, unlike IFRS.

In accordance with general principles, property, plant and equipment that is used to provide access to a supply of goods or services would be recognised as an asset if it meets the definition of an asset and the recognition criteria for property, plant and equipment, like IFRS.

5.8 Accompanying financial and other information

(IAS 1, IFRS Practice Statement *Management Commentary*)

IFRS does not require supplementary financial and operational information to be presented.

An entity considers its particular legal or regulatory requirements in assessing what information is disclosed in addition to that required by IFRS.

IFRS practice statement *Management Commentary* provides a broad, non-binding framework for the presentation of management commentary.

5.8 Accompanying financial and other information

(Reg S-B, Reg S-K, Reg S-X)

Like IFRS, a financial and operational review is not required. However, unlike IFRS, SEC registrants are required to include management's discussion and analysis (MD&A) in their annual and interim reports. Such information is presented outside the financial statements.

Like IFRS, an entity considers the legal, securities exchange or SEC requirements in assessing the information to be disclosed in addition to US GAAP requirements.

Unlike IFRS, SEC registrants are required to include an MD&A in their annual and interim reports. Although this is not required for non-SEC registrants, sometimes they include an MD&A in their annual reports.

5.9 Interim financial reporting

(IAS 34, IFRIC 10)

Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

At least the following are presented in condensed interim financial statements: condensed statement of financial position, condensed statement of profit or loss and OCI, condensed statement of changes in equity, condensed statement of cash flows, and selected explanatory notes.

Other than income tax, items are recognised and measured as if the interim period were a discrete period.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

The accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

5.9 Interim financial reporting

(ASC Topic 250, ASC Topic 270, ASC Subtopic 740-270, Reg S-X)

Like IFRS, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

Like IFRS, at least the following are presented in condensed interim financial statements: condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, and selected explanatory notes. However, unlike IFRS, a condensed statement of changes in equity is not required.

Unlike IFRS, each interim period is viewed as an integral part of the annual period to which it relates.

Like IFRS, income tax expense for an interim period is based on an estimated average annual effective income tax rate. However, US GAAP has more detailed guidance than IFRS.

Like IFRS, the accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

IFRS

5.11 Extractive activities

(IFRS 6, IFRIC 20)

IFRS provides specialised extractive industry guidance only in respect of expenditure incurred on exploration for and evaluation of (E&E) mineral resources after obtaining a legal right to explore and before achieving technical feasibility and commercial viability.

There is no industry-specific guidance on the recognition or measurement of pre-exploration expenditure or development expenditure. Pre-E&E expenditure is generally expensed as it is incurred.

Entities identify and account for pre-exploration expenditure, E&E expenditure and development expenditure separately.

Each type of E&E cost may be expensed as it is incurred or capitalised, in accordance with the entity's selected accounting policy.

US

5.11 Extractive activities

(ASC Topic 930, ASC Topic 932, Reg S-X, SAB Topic 12, ASC Section 932-360-S99)

Unlike IFRS, US GAAP provides detailed guidance on the accounting and reporting by oil- and gas-producing entities for expenditure incurred before, during and after exploration and evaluation (E&E) activities. US GAAP does not contain extensive authoritative guidance for other extractive industries.

Unlike IFRS, there is industry-specific guidance on the recognition and measurement of pre-exploration expenditure and development expenditure for oil- and gas-producing entities. For other extractive industries, pre-E&E expenditure is generally expensed as it is incurred, like IFRS.

Unlike IFRS, the accounting for oil- and gas-producing activities covers pre-exploration expenditure, E&E expenditure and development expenditure. Other extractive industries account for pre-exploration and E&E separately from development expenditure.

Unlike IFRS, all costs related to oil- and gas-producing activities are accounted for under either the successful efforts method or the full cost method, and the type of E&E costs capitalised under each method differs. For other extractive industries, E&E costs are generally expensed as they are incurred unless an identifiable asset is created by the activity.

Capitalised E&E costs are classified as either tangible or intangible assets, according to their nature.

Like IFRS, in extractive industries (other than oil- and gas-producing industries), capitalised costs are classified as either tangible or intangible assets, according to their nature. Unlike IFRS, oil- and gas-producing entities do not segregate capitalised E&E costs into tangible and intangible components; all capitalised costs are classified as tangible assets.

The test for recoverability of E&E assets can combine several cash-generating units, as long as the combination is not larger than an operating segment.

Unlike IFRS, the test for recoverability is usually conducted at the oil and gas field level under the successful efforts method, or by geographic region under the full cost method. For other extractive industries, the test for recoverability is generally at the mine or group of mines level, unlike IFRS.

Stripping costs incurred during the production phase of surface mining are included in the cost of inventory extracted during the period, if appropriate, or are capitalised as a non-current asset if they improve access to the ore body.

Unlike IFRS, the guidance on production stripping applies to all extractive activities other than oil and gas. Unlike IFRS, stripping costs incurred during the production phase of a mine are included in the cost of inventory extracted during the period.

5.12 Service concession arrangements

(IFRIC 12, SIC-29)

The interpretation on service concession arrangements provides guidance on the accounting by private sector entities (operators) for public-to-private service concession arrangements. The guidance applies only to service concession arrangements in which the public sector (the grantor) controls or regulates the services provided with the infrastructure and their prices, and controls any significant residual interest in the infrastructure.

For service concession arrangements in the scope of the guidance, the operator does not recognise public service infrastructure as its property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or if the infrastructure is built or acquired by the operator as part of the service concession arrangement.

If the grantor provides other items to the operator that the operator may retain or sell at its discretion, then the operator recognises those items as its assets, with a liability for unfulfilled obligations.

The operator recognises and measures revenue for providing construction or upgrade services, and revenue for other services, in accordance with applicable revenue recognition standards.

5.12 Service concession arrangements

Unlike IFRS, US GAAP has no specific guidance on service concession arrangements. The arrangements would be evaluated in accordance with existing US GAAP.

Unlike IFRS, US GAAP does not provide specific guidance on service concession arrangements. As a consequence, practice may be mixed, with some entities applying the guidance applicable to lease arrangements.

Although no specific guidance exists, like IFRS, the operator would generally recognise as a separate asset items provided by the grantor that the operator may retain or sell at its discretion.

Unlike IFRS, the operator evaluates construction and upgrade services as separate deliverables to determine whether they constitute separate units of accounting. The operator would generally apply the leasing and/or revenue Codification Topics to determine the appropriate accounting. This is likely to lead to differences from IFRS, particularly when the intangible asset model is applied under IFRS.

IFRS	US
The operator recognises consideration receivable from the grantor for construction or upgrade services, including upgrades of existing infrastructure, as a financial asset and/or an intangible asset.	Unlike IFRS, the operator would need to evaluate the arrangement to determine whether it comprises a single or multiple units of accounting. US GAAP does not provide specific guidance on the classification of a resulting asset, unlike IFRS.
The operator recognises a financial asset to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure.	The operator recognises a receivable to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure, which may result in practice similar to IFRS.
The operator recognises an intangible asset to the extent that it has a right to charge for use of the infrastructure.	Unlike IFRS, an intangible asset would not generally be recognised. Instead, an 'other' asset might be recognised.
Any financial asset recognised is accounted for in accordance with the relevant financial instruments standards, and any intangible asset in accordance with the intangible assets standard. There are no exemptions from these standards for operators.	Any financial asset recognised is accounted for in accordance with the relevant financial instruments Codification Topics, which differ in certain respects from IFRS. Unlike IFRS, an intangible asset would not generally be recognised.
The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard.	Unlike IFRS, the operator would apply the general guidance applicable to separate deliverables (performance obligations) to determine whether a deliverable (obligation) to maintain or restore infrastructure, including any construction or upgrade element, is a separate unit of accounting and whether the related deliverable (obligation) should be recognised and measured.
The operator generally capitalises attributable borrowing costs incurred during construction or upgrade periods to the extent that it has a right to receive an intangible asset. Otherwise, the operator expenses borrowing costs as they are incurred.	Unlike IFRS, the operator does not capitalise interest costs unless it concludes that the construction service gives rise to a qualifying asset and it has net accumulated expenditure on the qualifying asset.

IFRS

5.12A Service concession arrangements

(IFRIC 12, SIC-29)

The IFRS requirements for service concession arrangements discussed in this chapter are currently effective.

The interpretation on service concession arrangements provides guidance on the accounting by private sector entities (operators) for public-to-private service concession arrangements. The guidance applies only to service concession arrangements in which the public sector (the grantor) controls or regulates:

- the services provided with the infrastructure;
- to whom the operator should provide the services;
- the prices charged of end users; and
- any significant residual interest in the infrastructure.

US

5.12A Service concession arrangements

(Topic 853, Topic 980, Topic 605, Topic 840)

The US GAAP requirements in this chapter are forthcoming from the new Codification Topic on service concession arrangements. The new Codification Topic is effective for annual periods beginning after 15 December 2014; early adoption is permitted.

Like IFRS, US GAAP provides guidance on the accounting by operators for service concession arrangements. Unlike IFRS, the guidance applies only to service concession arrangements that are not regulated operations. Like IFRS, the guidance applies only to service concession arrangements in which the public sector (the grantor) controls:

- the services provided with the infrastructure;
- to whom the operator must provide those services;
- the price charged for the services; and
- any residual interest in the infrastructure at the end of the term of the arrangement.

Home

IFRS	US
For service concession arrangements in the scope of the guidance, the operator does not recognise public service infrastructure as its property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or if the infrastructure is built or acquired by the operator as part of the service concession arrangement.	Like IFRS, for service concession arrangements in the scope of the guidance, the operator does not recognise public service infrastructure as its property, plant and equipment.
If the grantor provides other items to the operator that the operator may retain or sell at its discretion, then the operator recognises those items as its assets, with a liability for unfulfilled obligations.	Although no specific guidance exists, like IFRS, the operator would generally recognise as a separate asset items provided by the grantor that the operator may retain or sell at its discretion.
The operator recognises and measures revenue for providing construction or upgrade services, and revenue for other services, in accordance with applicable revenue recognition standards.	Unlike IFRS, the operator evaluates construction and upgrade services as separate deliverables to determine whether they constitute separate units of accounting. The operator accounts for revenue and costs relating to construction, upgrade or operation services in accordance with the revenue Codification Topic, which differs in some respects from IFRS.
The operator recognises consideration receivable from the grantor for construction or upgrade services, including upgrades of existing infrastructure, as a financial asset and/or an intangible asset.	Unlike IFRS, the operator evaluates the arrangement to determine whether it comprises a single or multiple units of accounting. US GAAP does not provide specific guidance on the classification of a resulting asset, unlike IFRS.
The operator recognises a financial asset to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure.	The operator recognises a receivable to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure, which may result in practice similar to IFRS.

IFRS	US
The operator recognises an intangible asset to the extent that it has a right to charge for use of the infrastructure.	Unlike IFRS, an intangible asset would not generally be recognised. Instead, an 'other' asset might be recognised, but only if its realisation is not contingent on providing future service under the service concession arrangement.
Any financial asset recognised is accounted for in accordance with the relevant financial instruments standards, and any intangible asset in accordance with the intangible assets standard. There are no exemptions from these standards for operators.	Any financial asset recognised is accounted for in accordance with the relevant financial instruments Codification Topics, which differ in certain respects from IFRS. Unlike IFRS, an intangible asset would not generally be recognised.
The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard.	Unlike IFRS, the operator would apply the general guidance applicable to separate deliverables (performance obligations) to determine whether a deliverable (obligation) to maintain or restore infrastructure, including any construction or upgrade element, is a separate unit of accounting and whether the related deliverable (obligation) should be recognised and measured.
The operator generally capitalises attributable borrowing costs incurred during construction or upgrade periods to the extent that it has a right to receive an intangible asset. Otherwise, the operator expenses borrowing costs as they are incurred.	Unlike IFRS, the operator does not capitalise interest costs unless it concludes that the construction service gives rise to a qualifying asset and it has net accumulated expenditure on the qualifying asset.

5.13 Common control transactions and Newco formations

In our view, the acquirer in a common control transaction has a choice of applying either book value accounting or acquisition accounting in its consolidated financial statements.

In our view, the transferor in a common control transaction that is a demerger has a choice of applying either book value accounting or fair value accounting in its consolidated financial statements. In other disposals, in our view judgement is required in determining the appropriate consideration transferred in calculating the gain or loss on disposal.

Newco formations generally fall into one of two categories: to effect a business combination involving a third party, or to effect a restructuring among entities under common control.

In a Newco formation to effect a business combination involving a third party, acquisition accounting generally applies.

In a Newco formation to effect a restructuring among entities under common control, it is first necessary to determine whether there has been a business combination. If there has been, then the same accounting choices are available as for common control transactions in consolidated financial statements. Depending on the facts and circumstances, this will often result in the transaction being accounted for using book values.

5.13 Common control transactions and Newco formations

(ASC Subtopic 805-50-15, ASC Subtopic 805-50-25, ASC Section 805-50-S99)

Unlike IFRS, the acquirer in a common control transaction applies book value accounting in its consolidated financial statements.

Unlike IFRS, the transferor in a common control transaction that is a demerger applies book value accounting in its consolidated financial statements. In other disposals that are common control transactions, the transferor applies book value accounting, unlike IFRS.

Like IFRS, Newco formations generally fall into one of two categories: to effect a business combination involving a third party, or to effect a restructuring among entities under common control.

Like IFRS, in a Newco formation to effect a business combination involving a third party, acquisition accounting generally applies.

In a Newco formation to effect a restructuring among entities under common control, the transaction is accounted for using book values, which may result in differences from IFRS.

IFRS	US
If a Newco is used in a conditional initial public offering, then in our view the transaction can be analysed in the same way as either a Newco formation to effect a business combination involving a third party, or a Newco formation to effect a restructuring among entities under common control.	If a Newco is used in a conditional initial public offering, then the transaction is generally accounted for using book values, which may result in differences from IFRS.

7 Financial instruments

7.1 Scope and definitions

(IAS 39)

A 'financial instrument' is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments include a broad range of financial assets and financial liabilities. They include both primary financial instruments (e.g. cash, receivables, debt and shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps and currency swaps).

The standards on financial instruments apply to all financial instruments, except for those specifically excluded from their scope.

IFRS

7.1 Scope and definitions

(ASC Subtopic 320-10, ASC Subtopic 410-30, ASC Subtopic 505-10, ASC Subtopic 815-10, ASC Subtopic 820-10, ASC Subtopic 825-10, ASC Topic 860, ASC Subtopic 946-320)

Like IFRS, a 'financial instrument' is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Like IFRS, financial instruments include a broad range of financial assets and financial liabilities. They include both primary financial instruments (e.g. cash, receivables, debt and shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps and currency swaps).

Like IFRS, the Codification Topics on financial instruments apply to all financial instruments, except for those specifically excluded from their scope.

US

IFRS

7.2 Derivatives and embedded derivatives

(IAS 32, IAS 39, IFRIC 9)

A 'derivative' is a financial instrument or other contract in the scope of the financial instruments standards:

- the value of which changes in response to some underlying variable;
- that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable; and
- that will be settled at a future date.

An 'embedded derivative' is a component of a hybrid contract that affects the cash flows of the hybrid contract in a manner similar to a stand-alone derivative instrument.

US

7.2 Derivatives and embedded derivatives

(ASC Subtopic 310-10 and 20, ASC Subtopic 320-10, ASC Subtopic 325-20, ASC Subtopic 405-20, ASC Topic 450, ASC Subtopic 460-10, ASC Subtopic 470-20, 50 and 60, ASC Subtopic 480-10, ASC Subtopic 505-10, ASC Subtopic 810-10, ASC Subtopic 815-10, 15 and 25, ASC Subtopic 820-10, ASC Subtopic 825-10, ASC Subtopic 830-20, ASC Topic 840, ASC Topic 860, ASC Subtopic 940-320, ASC Subtopic 946-320 and 830, ASC Subtopic 948-10, SAB Topic 5-M, SAB Topic 6-L)

A 'derivative' is a financial instrument or other contract in the scope of the financial instruments Codification Topics:

- that has one or more underlyings, and one or more notional amounts or payment provisions or both, unlike IFRS;
- that has an initial net investment smaller than would be required for other instruments that would be expected to have a similar response to changes in market factors, like IFRS; and
- that, unlike IFRS:
  - requires or permits net settlement;
  - is readily settleable through a market mechanism outside the contract; or
  - provides for delivery of an asset that is readily convertible to cash.

Like IFRS, an 'embedded derivative' is one or more implicit or explicit terms in a host contract that affect the cash flows of the contract in a manner similar to a stand-alone derivative instrument.

A 'host contract' may be a financial or a non-financial contract.

An embedded derivative is not accounted for separately from the host contract if it is closely related to the host contract, or if the entire contract is measured at fair value through profit or loss. In other cases, an embedded derivative is accounted for separately as a derivative.

Like IFRS, a 'host contract' may be a financial or a non-financial contract.

Like IFRS, an embedded derivative is not accounted for separately from the host contract if it is clearly and closely related to the host contract, or if the entire contract is measured at fair value through profit or loss. However, the US GAAP guidance on the term 'clearly and closely related' differs from IFRS in certain respects. In other cases, an embedded derivative is accounted for separately as a derivative, like IFRS.

7.3 Equity and financial liabilities

(IAS 1, IAS 10, IAS 32, IAS 39, IFRIC 17)

An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

A financial instrument is a financial liability if it contains a contractual obligation to transfer cash or another financial asset.

A financial instrument is also classified as a financial liability if it will or may be settled in a variable number of the entity's own equity instruments.

An obligation for an entity to acquire its own equity instruments gives rise to a financial liability, unless certain conditions are met.

7.3 Equity and financial liabilities

(ASC Topic 815, ASC Subtopic 470-20, ASC Subtopic 480-10, ASC Subtopic 505-20, ASC Subtopic 505-30, ASC Subtopic 810-10, ASC para 480-10-S99-3, ASR 268, CON6)

An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the applicable Codification topics/subtopics, which may result in differences from IFRS.

Like IFRS, financial instruments that can obligate the issuer to settle in cash or by delivering another financial asset are classified as liabilities. Unlike IFRS, certain securities with redemption features that are outside the control of the issuer that would not otherwise be classified as liabilities are presented as 'temporary equity'.

Unlike IFRS, a financial instrument is a financial liability if it is predominantly indexed to a fixed monetary amount known at inception that will or may be settled in a variable number of the entity's own equity instruments. Unlike IFRS, a financial instrument that only conditionally obligates settlement in a variable number of shares is equity if other criteria are met. Unlike IFRS, a financial instrument that is predominantly indexed to the entity's own stock that is settleable in a variable number of shares is equity if other criteria are met.

Unlike IFRS, an obligation for an entity to acquire its own equity instruments creates a financial liability only if it has certain characteristics.

Home

IFRS	US
As an exception to the general principle, certain puttable instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation are classified as equity instruments if certain conditions are met.	Unlike IFRS, the accounting for a puttable instrument depends on whether the entity is publicly or privately held and on whether it is conditionally or unconditionally puttable. Like IFRS, certain instruments that can be required to be redeemed only in the event of the liquidation of the issuer are equity; however, the conditions for such treatment differ from IFRS.
The contractual terms of preference shares and similar instruments are evaluated to determine whether they have the characteristics of a financial liability.	Like IFRS, an instrument issued in the legal form of a preferred share and similar instruments may be, in whole or in part, a liability based on an analysis of the contractual terms of the instrument. However, differences between IFRS and US GAAP exist in treating preferred shares as liability, equity or temporary equity.
The components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately.	Unlike IFRS, instruments with characteristics of both liability and equity are not always split between their liability and equity components; and when they are, the basis of separation may differ from IFRS.
A non-derivative contract that will be settled by an entity delivering its own equity instruments is an equity instrument if, and only if, it is settleable by delivering a fixed number of its own equity instruments.	Unlike IFRS, a non-derivative contract in the form of a share that the issuer must or may settle by issuing a variable number of its equity shares is recorded as equity, unless it is known at inception that the monetary value of the obligation is based solely or predominantly on a fixed monetary amount; will vary based on something other than the fair value of the issuer's equity shares; or will vary inversely related to changes in the fair value of the issuer's equity shares.

IFRS

A derivative contract that will be settled by the entity delivering a fixed number of its own equity instruments for a fixed amount of cash is an equity instrument. If such a derivative contains settlement options, then it is an equity instrument only if all settlement alternatives lead to equity classification.

Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognised directly in equity.

Treasury shares are presented as a deduction from equity.

Gains and losses on transactions in an entity's own equity instruments are reported directly in equity.

Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity.

NCI are classified within equity, but separately from equity attributable to shareholders of the parent.

US

Derivative instruments indexed to an entity's own stock that will be settled by the entity delivering a fixed number of own equity instruments for a fixed amount of cash may meet the definition of equity; however, the criteria for determining whether they meet the definition of equity or liability differ from IFRS. Additionally, US GAAP contains more guidance on what constitutes 'indexed to an entity's own stock'. Also, derivative instruments indexed to an entity's own stock may be treated as equity if they can be net share settled if certain criteria are met, unlike IFRS.

Like IFRS, incremental costs that are directly attributable to issuing or buying back an entity's own equity instruments are recognised directly in equity.

Like IFRS, treasury shares are presented as a deduction from equity.

Like IFRS, gains and losses on transactions in own equity instruments are reported directly in equity.

Like IFRS, dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity.

Like IFRS, non-redeemable NCI are classified within equity, but separately from equity attributable to shareholders of the parent.

Home

7.4 Classification of financial assets and financial liabilities

(IAS 39)

Financial assets are classified into one of four categories: at fair value through profit or loss; loans and receivables; held-to-maturity; or available-for-sale. Financial liabilities are categorised as either at fair value through profit or loss, or other liabilities. The categorisation determines whether and where any remeasurement to fair value is recognised.

Financial assets and financial liabilities classified at fair value through profit or loss are further subcategorised as held-for-trading (which includes derivatives) or designated as at fair value through profit or loss on initial recognition.

Items may not be reclassified into the fair value through profit or loss category after initial recognition.

An entity may reclassify a non-derivative financial asset out of the held-for-trading category in certain circumstances if it is no longer held for the purpose of being sold or repurchased in the near term.

IFRS

7.4 Classification of financial assets and financial liabilities

(ASC Subtopic 310-10, 20 and 25, ASC Subtopic 320-10, ASC Subtopic 405-10, ASC Subtopic 815-10, 15 and 25, ASC Subtopic 825-10, ASC Subtopic 948-310)

Unlike IFRS, US GAAP does not have categories for all financial instruments. However, like IFRS, it does have the following categories for debt and marketable equity securities: held-for-trading, available-for-sale and held-to-maturity. Unlike IFRS, these categories do not include equity securities not quoted in an active market, which are measured at cost unless the fair value option is elected. Unlike IFRS, loans are either measured at amortised cost or classified as held-for-sale, which are measured at the lower of cost and fair value, unlike IFRS. Unlike IFRS, classification categories for financial liabilities are not prescribed. Like IFRS, categorisation determines whether and where any remeasurement to fair value is recognised.

Like IFRS, certain financial assets and financial liabilities can be classified as held-for-trading or designated as at fair value through profit or loss. However, the eligibility criteria and financial assets and financial liabilities to which the fair value option can be applied differ from IFRS in certain respects.

Unlike IFRS, securities may be reclassified into the trading category in certain rare circumstances.

Like IFRS, an entity may reclassify a security out of the held-for-trading category but, unlike IFRS, such reclassification is linked to rare circumstances.

US

IFRS	US
An entity may also reclassify a non-derivative financial asset from the available-for-sale category to loans and receivables if certain conditions are met.	Also like IFRS, an entity may reclassify a security out the available-for-sale category on a change in intent. Additionally, an entity may reclassify a loan out of the loans held-for-sale category in certain circumstances.
Other reclassifications of non-derivative financial assets may be permitted or required if certain criteria are met.	Other reclassifications of non-derivative financial assets may be permitted or required, but the criteria may differ from IFRS in certain respects.
Reclassifications or sales of held-to-maturity assets may require other held-to-maturity assets to be reclassified as available-for-sale.	Like IFRS, reclassifications or sales of held-to-maturity assets may require other held-to-maturity assets to be reclassified as available-for-sale.

7.5 Recognition and derecognition

(IAS 39, IFRIC 19)

Financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position at trade date. However, 'regular-way' purchases and sales of financial assets are recognised either at trade date or at settlement date.

A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain conditions.

A financial asset is 'transferred' if an entity transfers the contractual rights to receive the cash flows from the financial asset or enters into a qualifying 'pass-through' arrangement. If a financial asset is transferred, then an entity evaluates whether it has retained the risks and rewards of ownership of the transferred financial asset.

An entity derecognises a transferred financial asset if it has: transferred substantially all of the risks and rewards of ownership; or neither retained substantially all of the risks and rewards of ownership nor retained control of the financial asset.

7.5 Recognition and derecognition

(ASC Subtopic 405-20, ASC Subtopic 470-50 and 60, ASC Topic 860-10, 20, 30 and 50, ASC Subtopic 940-320, ASC Subtopic 942-325, ASC Subtopic 946-320)

Like IFRS, financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position at trade date. However, unlike IFRS, certain industries are required to use trade date accounting for 'regular-way' transactions; otherwise, US GAAP is silent and practice varies.

Unlike IFRS, the derecognition model for transfers of financial assets focuses on surrendering control over the transferred assets; the transferor has 'surrendered' control over transferred assets only if certain conditions are met.

Unlike IFRS, a financial asset is 'transferred' when it has been conveyed by and to someone other than its issuer.

Unlike IFRS, 'risks and rewards' is not an explicit consideration when testing a transfer for derecognition. Rather, an entity derecognises a transferred financial asset or a participating interest therein if it surrenders legal, actual and effective control of the financial asset or participating interest; otherwise, it continues to recognise the asset.

IFRS	US
An entity continues to recognise a financial asset to the extent of its continuing involvement if it has neither retained nor transferred substantially all of the risks and rewards of ownership and it has retained control of the financial asset.	After a transfer of a financial asset, or a participating interest therein, an entity continues to recognise the financial assets that it controls, which may be different from the treatment required by IFRS.
A financial liability is derecognised when it is extinguished or when its terms are substantially modified.	Like IFRS, a financial liability is derecognised when it is extinguished or when its terms are substantially modified. However, unlike IFRS, there is specific guidance on the modification of terms in respect of convertible debt and troubled debt restructuring.

7.6 Measurement and gains and losses

(IFRS 13, IAS 18, IAS 21, IAS 32, IAS 39)

All financial assets and financial liabilities are initially measured at fair value plus directly attributable transaction costs, except for financial instruments classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are subsequently measured at fair value, except for loans and receivables and held-to-maturity investments (which are measured at amortised cost) and investments in unlisted equity instruments (which are measured at cost in the rare event that fair value cannot be measured reliably).

Changes in the fair value of available-for-sale financial assets are recognised in OCI, except for foreign exchange gains and losses on available-for-sale monetary items and impairment losses, which are recognised in profit or loss. On derecognition, any gains or losses accumulated in OCI are reclassified to profit or loss.

IFRS

7.6 Measurement and gains and losses

(ASC Subtopic 310-10 and 20, ASC Subtopic 320-10 and 20, ASC Subtopic 325-20, ASC Subtopic 405-20, ASC Topic 450-20, ASC Subtopic 460-10, ASC Subtopic 470-20, 50 and 60, ASC Subtopic 480-10, ASC Subtopic 805-20, ASC Subtopic 815-10, 15 and 25, ASC Subtopic 820-10, ASC Subtopic 825 10, ASC Subtopic 830-20, ASC Subtopic 835-30, ASC Subtopic 946-320 and 830, ASC Subtopic 948-10)

Like IFRS, derivatives, securities classified as trading and instruments for which the fair value through profit or loss option has been elected are initially measured at fair value. Unlike IFRS, available-for-sale securities are initially measured at fair value with no inclusion of transaction costs. Unlike IFRS, other financial instruments are initially measured at cost.

Financial assets held for trading, financial assets for which the fair value option is elected and available-for-sale securities are subsequently measured at fair value, like IFRS. Unlike IFRS, loans held for sale are measured at the lower of cost and fair value. Investments in non-marketable equity instruments are recorded at cost, unlike IFRS.

Like IFRS, changes in the fair value of available-for-sale securities are recognised in OCI, except for impairment losses, which are recognised in profit or loss if, unlike IFRS, they are deemed to be 'other than temporary'. However, unlike IFRS, the amount recognised in OCI includes foreign exchange gains and losses on all available-for-sale securities. Like IFRS, on derecognition any gains or losses accumulated in OCI are reclassified to profit or loss.

US

IFRS	US
Financial liabilities, other than those held for trading or designated at fair value through profit or loss, are generally measured at amortised cost subsequent to initial recognition.	Like IFRS, financial liabilities are generally measured at either fair value or amortised cost subsequent to initial recognition.
Changes in the fair value of financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss.	Like IFRS, changes in the fair value of financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss.
All derivatives (including separated embedded derivatives) are measured at fair value.	Like IFRS, all derivatives (including separated embedded derivatives) are measured at fair value.
Interest income and interest expense are calculated under the effective interest method, based on estimated cash flows that consider all contractual terms of the financial instrument at the date on which the instrument is initially recognised or at the date of any modification.	Like IFRS, interest income and interest expense are calculated under the effective interest method. However, the effective interest method is generally based on the contractual cash flows of the financial instrument, unlike IFRS, except for instruments that are credit-impaired when they are acquired, for which, like IFRS, interest income is based on estimated cash flows.
An entity assesses whether there is objective evidence of impairment of financial assets not measured at fair value through profit or loss. When there is objective evidence of impairment, any impairment loss is recognised in profit or loss.	Unlike IFRS, there is not a single overarching requirement for objective evidence of impairment in assessing the impairment of financial assets. Instead, different impairment models are applied to different categories of financial instruments. Unlike IFRS, an impairment loss on a security is recognised only if it is other than temporary, even if there is objective evidence that the security may be impaired. If the impairment is other than temporary, then any impairment loss is recognised in profit or loss, except in certain situations involving debt securities, in which case the impairment loss is split between profit or loss and OCI.

7.7 Hedge accounting

(IAS 39, IFRIC 16)

Hedge accounting allows an entity to selectively measure assets, liabilities and firm commitments on a basis different from that otherwise stipulated in IFRS, or to defer the recognition in profit or loss of gains or losses on derivatives.

Hedge accounting is voluntary; however, it is permitted only if strict documentation and effectiveness requirements are met.

There are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations.

Qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions or net investments in foreign operations.

7.7 Hedge accounting

(ASC Topic 815)

Like IFRS, hedge accounting allows an entity to selectively measure assets, liabilities and firm commitments on a basis different from that otherwise stipulated, or to defer the recognition in profit or loss of gains or losses on derivatives.

Like IFRS, hedge accounting is voluntary; however, it is permitted only if strict documentation and effectiveness requirements are met.

Like IFRS, there are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations. However, the requirements differ from IFRS in certain respects.

Like IFRS, qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions or net investments in foreign operations. Unlike IFRS, a portfolio hedge of interest rate risk, a portion of a portfolio of financial assets or financial liabilities that share the risk being hedged is not allowed. In addition, the details differ in certain respects from IFRS. Also unlike IFRS, the hedged risk is restricted to the entire risk of changes in cash flows or fair value, benchmark interest rate risk, currency risk or counterparty credit risk for a financial hedged item and to the entire risk of changes in cash flows or fair value or currency risk for a non-financial hedged item.

IFRS	US
In general, only derivative instruments entered into with an external party qualify as hedging instruments. However, for hedges of foreign exchange risk only, non-derivative financial instruments may qualify as hedging instruments.	Like IFRS, in general only derivative instruments qualify as hedging instruments. Also like IFRS, non-derivative financial instruments may qualify as hedging instruments of foreign exchange risk exposure in: hedges of a net investment in a foreign operation and hedges of unrecognised firm commitments. Unlike IFRS, intra-group derivatives can be used as hedging instruments in certain circumstances.
The hedged risk should be one that could affect profit or loss.	Like IFRS, the hedged risk should be one that could affect profit or loss.
Effectiveness testing is conducted on both a prospective and a retrospective basis. For a hedge to be 'effective', changes in the fair value or cash flows of the hedged item attributable to the hedged risk should be offset by changes in the fair value or cash flows of the hedging instrument within a range of 80–125 percent.	Like IFRS, effectiveness testing is conducted on both a prospective and a retrospective basis. Unlike IFRS, the 80–125 percent range is not specified. However, this range is very commonly used in practice and the SEC Staff has indicated that this is an acceptable range. Unlike IFRS, hedging instruments meeting very restrictive criteria are accounted for as if they are perfectly effective without testing effectiveness.
Hedge accounting is discontinued prospectively if: the hedged transaction is no longer highly probable; the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; or the hedge is no longer highly effective.	Like IFRS, hedge accounting is discontinued prospectively if: the hedged transaction is no longer probable; the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; or the hedge is no longer highly effective. However, the requirements differ in certain respects from IFRS.

Home

7.8 Presentation and disclosure

(IFRS 7, IFRS 13, IAS 1, IAS 32)

A financial asset and a financial liability are offset only if there are both a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously.

Disclosure is required in respect of the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risk arising from financial instruments and how the entity manages those risks.

For disclosure of the significance of financial instruments, the overriding principle is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.

IFRS

7.8 Presentation and disclosure

(ASC Topic 815, ASC Topic 860, ASC Subtopic 320-10, ASC Subtopic 405 20, ASC Subtopic 460-10, ASC Subtopic 470-20, ASC Subtopic 480-10, ASC Subtopic 505-10, ASC Subtopic 825-10, Reg S-K, Reg S-X, SAB Topic 4-E, ASC para 310-10-S99-2)

Like IFRS, a financial asset and a financial liability may be offset only if there are both a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously. However, unlike IFRS, derivatives with the same counterparty, and related collateral, may be offset, provided that they are subject to a master netting arrangement and certain criteria are met. Also, unlike IFRS, repurchase agreements and reverse repurchase agreements that clear through a qualified clearing house may be offset, provided that they are subject to a master netting arrangement and certain criteria are met. Once the applicable criteria are met, offsetting is a policy choice, unlike IFRS.

Like IFRS, disclosures are required to enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the extent of risk arising from financial instruments.

Like IFRS, the overriding principle is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance. However, the specific requirements differ from IFRS.

US

IFRS	US
Risk disclosures require both qualitative and quantitative information.	Risk disclosure requirements differ for public and non-public entities under US GAAP. Public entities are required to disclose qualitative and quantitative information; however, the specific disclosure requirements differ from IFRS. The disclosure requirements for non-public entities are primarily qualitative and much less detailed than for public entities under US GAAP or under IFRS.
Qualitative disclosures describe management's objectives, policies and processes for managing risks arising from financial instruments.	Unlike IFRS, US GAAP does not require specific qualitative disclosures in respect of financial instruments other than related to significant concentrations of credit risk. Instead, qualitative disclosures about market risk, interest rate risk, foreign currency risk, commodity price risk and other relevant price risk are required to be disclosed by SEC registrants outside the financial statements in the management discussion and analysis (MD&A).
Quantitative data about the exposure to risks arising from financial instruments is based on information provided internally to key management. However, certain disclosures about the entity's exposures to credit risk, liquidity risk and market risk arising from financial instruments are required, irrespective of whether this information is provided to management.	Unlike IFRS, non-SEC registrants are not required to make specific quantitative risk-related disclosures in respect of financial instruments, other than related to concentrations of credit risk. The SEC does require certain quantitative disclosures; however, unlike IFRS, these disclosures are limited to market risk disclosures and are provided outside the financial statements in the MD&A.

8 Insurance contracts

8.1 Insurance contracts
(IFRS 4)

The insurance standard applies to all insurance contracts that an entity issues and reinsurance contracts that it holds, regardless of the type of entity that issued the contract. An 'insurance contract' is a contract that transfers significant insurance risk.

Generally, entities that issue insurance contracts are required to continue their existing accounting policies with respect to insurance contracts except when the standard requires or permits changes in accounting policies.

A financial instrument that does not meet the definition of an insurance contract (including investments held to back insurance liabilities) is accounted for under the general recognition and measurement requirements for financial instruments.

Changes in existing accounting policies for insurance contracts are permitted only if the new policy, or combination of new policies, results in information that is more relevant or reliable, or both, without reducing either relevance or reliability.

8.1 Insurance contracts
(ASC Topic 944)

Unlike IFRS, the insurance literature applies to all insurance contracts that are issued by an insurance company; there are no specific requirements for other entities that accept significant insurance risk. An 'insurance contract' is a contract that provides economic protection from identified risks occurring or discovered within a specific period, which differs from IFRS in certain respects.

Unlike IFRS, insurance companies comply with the accounting policies specified in the insurance literature.

Contracts that are not insurance contracts are accounted for under other applicable Codification topics/subtopics, which may differ from IFRS.

Like IFRS, an entity may change an accounting policy if it is justified on the basis that it is 'preferable'.

IFRS	US
Financial instruments that include 'discretionary participation features' may be accounted for as insurance contracts.	Unlike IFRS, US GAAP does not use the term 'discretionary participation feature' and instead addresses the accounting for dividends to policyholders. Further, US GAAP does not address discretionary participation features in contracts that are not insurance contracts.
In some cases, a deposit element is 'unbundled' (separated) from an insurance contract and accounted for as a financial instrument.	Unlike IFRS, US GAAP does not have a broad unbundling concept for insurance contracts.
Some derivatives that are embedded in insurance contracts should be separated from their host insurance contract and accounted for as if they were stand-alone derivatives.	Like IFRS, derivatives that are embedded in insurance contracts and meet certain criteria should be separated from the host insurance contract and accounted for as if they were stand-alone derivatives.
The recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.	Like IFRS, the recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.
A liability adequacy test is required to ensure that the measurement of an entity's insurance liabilities considers all contractual cash flows, using current estimates.	Unlike IFRS, the term 'liability adequacy test' is not used, and instead a form of premium deficiency testing is required, which generally meets the minimum requirements of IFRS for a liability adequacy test.
The application of 'shadow accounting' for insurance liabilities is permitted for consistency with the treatment of unrealised gains or losses on assets.	Unlike IFRS, the use of 'shadow accounting' is required.
An expanded presentation of the fair value of insurance contracts acquired in a business combination or portfolio transfer is permitted.	Unlike IFRS, US GAAP requires an expanded presentation of the fair value of insurance contracts acquired in a business combination.

Keeping you informed

Comparison between IFRS and US GAAP

In addition to this publication, more in-depth discussions on fair value measurement and revenue from contracts with customers are included in the following publications, which are available at kpmg.com/ifrs.

- Fair Value Measurement: Questions and Answers, which considers the requirements of both IFRS (IFRS 13 *Fair Value Measurement*) and US GAAP (ASC Topic 820 *Fair Value Measurement*).
- Issues In-Depth: Revenue from Contracts with Customers, which considers the requirements of both IFRS (IFRS 15 *Revenue from Contracts with Customers*) and US GAAP (ASC Topic 606 *Revenue from Contracts with Customers*).

In addition, the newsletters highlighted below bring you news about both the IASB and the FASB.

More about IFRS

Visit kpmg.com/ifrs to keep up to date with the latest developments in IFRS and browse our suite of publications. Whether you are new to IFRS or a current user of IFRS, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists. For a local perspective, follow the links to the IFRS resources available from KPMG member firms around the world.

All of these publications are relevant for those involved in external IFRS reporting. The *In the Headlines* series and *Insights into IFRS: An overview* provide a high-level briefing for audit committees and boards.

Your need	Publication series	Purpose
Briefing	In the Headlines	Provides a high-level summary of significant accounting, auditing and governance changes together with their impact on entities.
	IFRS Newsletters	Highlights recent IASB and FASB discussions on the financial instruments, insurance and leases projects. Includes an overview, analysis of the potential impact of decisions, current status and anticipated timeline for completion.

Your need	Publication series	Purpose
	The Balancing Items	Focuses on narrow-scope amendments to IFRS.
	New on the Horizon	Considers the requirements of consultation documents such as exposure drafts and provides KPMG's insight. Also available for specific sectors.
	First Impressions	Considers the requirements of new pronouncements and highlights the areas that may result in a change in practice. Also available for specific sectors.
Application issues	Insights into IFRS	Emphasises the application of IFRS in practice and explains the conclusions that we have reached on many interpretative issues. The overview version provides a high-level briefing for audit committees and boards.
	IFRS Practice Issues	Addresses practical application issues that an entity may encounter when applying IFRS. Also available for specific sectors.
	IFRS Handbooks	Includes extensive interpretative guidance and illustrative examples to elaborate or clarify the practical application of a standard.
Interim and annual reporting	Guide to financial statements – Illustrative disclosures	Illustrates one possible format for financial statements prepared under IFRS, based on a fictitious multinational corporation. Available for annual and interim periods, and for specific sectors. To start answering the question 'How can I improve my business reporting?', visit kpmg.com/betterbusinessreporting.
	Guide to financial statements – Disclosure checklist	Identifies the disclosures required for currently effective requirements for both annual and interim periods.
Sector-specific issues	IFRS Sector Newsletters	Provides a regular update on accounting and regulatory developments that directly impact specific sectors.
	Application of IFRS	Illustrates how entities account for and disclose sector-specific issues in their financial statements.
	Impact of IFRS	Provides a high-level introduction to the key IFRS accounting issues for specific sectors and discusses how the transition to IFRS will affect an entity operating in that sector.

More about US GAAP

We have a range of US GAAP publications that can assist you further, including the *Derivatives and Hedging Accounting Handbook*, *Share-Based Payment* and *Accounting for Business Combinations and Noncontrolling Interests*. In addition to our handbooks, we provide information on current accounting and reporting issues through our Defining Issues, Issues In-Depth and CFO Financial Forum webcasts, which are available online.

Offering	Details
Executive Accounting Update	A high-level overview document with industry-specific supplements that identify specific industry issues to be evaluated and a transition supplement that provides considerations for evaluating the transition options.
Defining Issues	A periodic newsletter that explores current developments in financial accounting and reporting on US GAAP.
Issues In-Depth	A periodic publication that provides a detailed analysis of key concepts underlying new or proposed standards and regulatory guidance.
CFO Financial Forum Webcast	Live webcasts, which are subsequently available on demand, that provide an analysis of significant decisions, proposals and final standards for senior accounting and financial reporting personnel.
Podcasts	A five- to 10-minute audio file of some potential impacts of the new standard on specific industries.
Executive Education Sessions	Executive Education sessions are live, instructor-led continuing professional education (CPE) seminars and conferences in the US that are targeted at corporate executives and accounting, finance and business management professionals.

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