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IFRSs and US GAAP

A pocket comparison

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An IAS Plus guide

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Deloitte's www.iasplus.com website provides comprehensive information about international financial reporting in general and IASB activities in particular. Unique features include:

- daily news about financial reporting globally.
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- an electronic library of several hundred IFRS resources.
- all Deloitte Touche Tohmatsu comment letters to the IASB.
- links to nearly 200 IFRS-related websites.
- e-learning modules for each IAS and IFRS – at no charge.
- complete history of adoption of IFRSs in Europe and information about adoptions of IFRSs elsewhere around the world.
- updates on developments in national accounting standards.

IFRSs and US GAAP
The path to convergence

The Norwalk agreement

In October 2002, following a joint meeting at the offices of the US Financial Accounting Standards Board (FASB) in Norwalk, Connecticut, the FASB and the International Accounting Standards Board (IASB) formalised their commitment to the convergence of generally accepted accounting principles in the United States (US GAAP) and International Financial Reporting Standards (IFRSs) by issuing a memorandum of understanding (commonly referred to as 'the Norwalk agreement'). The two Boards pledged to use their best efforts to:

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

"Compatible" does not mean word-for-word identical standards, but rather means that there are no significant differences between the two sets of standards.

Road map for convergence 2006-2008

In February 2006, the IASB and the FASB released a 'roadmap' which identified short- and long-term convergence projects.

Short-term projects

For the projects identified as short-term, the goal by 2008 is to reach a conclusion about whether major differences in those few focussed areas should be eliminated through one or more short-term standard-settting projects and, if so, to complete or substantially complete work in those areas. These topics for short-term convergence include:

IASB

- Borrowing costs (remove expense option)
- Joint ventures (remove proportionate consolidation option for jointly controlled entities and clarify definition)

FASB

- Fair value option for financial instruments (issued as FAS 159 in February 2007)
- Investment properties
- Research and development
- Subsequent events

Joint

- Impairment
- Income taxes

Long-term projects

The goal for 2008 for the projects listed below is to have made significant progress in the following areas identified for improvement:

- Business combinations
- Conceptual framework
- Fair value measurement guidance (FAS 157 used by IASB as basis for Discussion Paper)
- Financial statement presentation
- Post-retirement benefits
- Revenue recognition
- Liabilities and equity
- Financial instruments
- Derecognition
- Consolidations and Special Purpose Entities
- Intangible assets
- Leases

More specific goals have been set for each individual project. The objective is to provide a timeframe for convergence efforts in the context of both the objective of removing the need for IFRS reconciliation requirements by 2009 and the existing agendas of the FASB and the IASB.

Comparison of IFRSs and US GAAP

The table on the following pages sets out some of the key differences between IFRSs and US GAAP as of 28 February 2007.

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

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

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

Abbreviations used in this publication are as follows:

CGU	Cash generating unit
FAS	Financial Accounting Standard (US)
FASB	Financial Accounting Standards Board (US)
FIN	FASB interpretation (US)
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
IASB	International Accounting Standards Board
IAS(s)	International Accounting Standard(s)
IFRS(s)	International Financial Reporting Standard(s)
R&D	Research and development
SEC	Securities and Exchange Commission (US)
SPE(s)	Special Purpose Entity(ies)

End-note references indicated in superscript in the comparison table are located on page 31.

IAS/ IFRS	Topic	IFRSs	US GAAP
_	General approach	More "principles-based" standards with limited application guidance.	More "rules-based" standards with specific application guidance.
IFRS 1	First-time adoption	General principle is full retrospective application of IFRSs in force at the time of adoption, unless the specific exceptions and exemptions in IFRS 1 permit or require otherwise.	No specific standard. Practice is generally full retrospective application unless the transitional provisions in a specific standard require otherwise.
IFRS 1	General	Certain exceptions and exemptions at transition in accordance with IFRS 1 can give rise to differences between IFRSs and US GAAP in areas that would not normally give rise to such differences.	
IFRS 2	Date for measuring share-based payments to non-employees	Modified grant date method.	Earlier of counterparty's commitment to perform (where a sufficiently large disincentive for non-performance exists) or actual performance.
IFRS 2	Use of historical volatility or industry index measurement for non-public entities when it is not practicable to estimate expected volatility	Not permitted.	Permitted.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 2	Modification of an award by change in performance condition (improbable to probable) (Type III modifications)	Expense determined based on the grant date fair value.	Expense determined based on fair value at the modification date.
IFRS 2	Share-based payments with graded vesting features	Charge is recognised on an accelerated basis to reflect the vesting as it occurs.	An accounting policy choice exists for awards with a service condition only to either: (a) amortise the entire grant on a straight-line basis over the longest vesting period, or (b) recognise a charge similar to IFRSs.
IFRS 2	Balance sheet classification of share-based payment arrangements	Focus on whether the award can be cash settled.	More detailed requirements that may result in more share-based arrangements being classified as liabilities.
IFRS 3	Date on which marketable equity securities issued as consideration in a business combination are measured[1]	Acquisition date (date on which control passes).	Within a reasonable period before and after the date that the terms of the acquisition are agreed to and announced.
IFRS 3	Date on which contingent consideration is recorded (as part of consideration)	Acquisition date (if the amount is probable and can be measured reliably).	Generally when contingency is resolved.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 3	Recognising a liability for a planned post-acquisition restructuring[1]	Only if acquiree has already recognised a provision under IAS 37.	Can be recognised if the restructuring relates to the acquired business and certain conditions are met.
IFRS 3	Measuring minority interest[1]	Minority's percent of fair values.	Minority interest measured at fair value if entity consolidated under the risk and rewards model (FIN 46); otherwise, it is recorded at proportion of historical cost.
IFRS 3	Purchased in-process R&D[1]	Can be recognised as an acquired finite life intangible asset (amortised), or as part of goodwill if not separately measurable (not amortised but subject to an annual impairment test).	Determine the fair value of in-process R&D and expense immediately unless it has an alternative future use.
IFRS 3	Excess of fair value of net assets acquired over the acquisition cost[1]	Recognise immediately as a gain.	Allocate on a pro rata basis to reduce the carrying amounts of certain acquired non-financial assets, with any excess recognised as an extraordinary gain.
IFRS 3	Combinations of entities under common control[1]	Outside the scope of IFRS 3 though merger accounting (pooling of interests method) is generally used in practice.	Pooling of interests method is required.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 4	Rights and obligations under insurance contracts[2]	IFRS 4 addresses recognition and measurement in only a limited way. It is an interim standard pending completion of a comprehensive project.	Several comprehensive pronouncements and other comprehensive industry accounting guides have been published.
IFRS 4	Derivatives embedded in insurance contracts	An embedded derivative whose characteristics and risks are not closely related to the host contract but whose value is interdependent with the value of the insurance contract need not be separated out and accounted for as a derivative.	An embedded derivative whose characteristics and risks are not closely related to the host contract must be accounted for separately.
IFRS 5	Definition of a discontinued operation	A reportable business or geographical segment or major component thereof.	A component which may be an operating segment, a reporting unit, a subsidiary, or an asset group (less restrictive than the IFRS 5 definition).
IFRS 5	Definition of a discontinued operation – continuing involvement	Not addressed.	Disposing entity should have no continuing cash flows representative of significant continuing involvement.
IFRS 5	Presentation of discontinued operations	Post-tax income or loss is required on the face of the income statement.	Pre-tax and post-tax income or loss are required on the face of the income statement.

IAS/ IFRS	Topic	IFRSs	US GAAP
IFRS 8	Disclosure of non-current assets attributable to segments[3]	Include intangible assets.	Exclude intangible assets.
IFRS 8	Disclosure of measure of liabilities[3]	Required.	Not required.
IFRS 8	'Matrix' form of organisation – identification of segments[3]	Operating segments are identified on the basis of the core principle.	Operating segments are identified based on products and services.
IAS 1	Financial statement presentation[4]	Specific line items required.	Certain standards require specific presentation of certain items. Public companies are subject to SEC rules and regulations, which require specific line items.
IAS 1	Comparative prior year financial statements[4]	One year comparative financial information is required.	No specific requirement under US GAAP to present comparatives. Generally at least one year of comparative financial information is presented. Public companies are subject to SEC rules and regulations, which generally require two years of comparative financial information for income statement, statements of equity and cash flows.
IAS 1	Reporting "comprehensive income"[4]	Can be presented as a separate financial statement or in the statement of changes in equity.	As for IFRSs. In addition, it can be presented with the income statement.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 1	Departure from a standard when compliance would be misleading	Permitted in "extremely rare" circumstances to achieve a fair presentation. Specific disclosures are required.	Not directly addressed in US GAAP literature, although an auditor may, under Generally Accepted Auditing Standards (GAAS) rule 203, conclude that by applying a certain GAAP requirement the financial statements are misleading, thereby allowing for an "override".
IAS 1	Classification of liabilities on refinancing[4]	Non-current if refinancing is completed before balance sheet date.	Non-current if refinancing is completed before date of issuance of the financial statements.
IAS 1	Classification of liabilities due on demand due to violation of debt covenant[4]	Non-current if the lender has granted a 12-month waiver before the balance sheet date.	Non-current if the lender has granted a waiver for a period greater than one year (or operating cycle, if longer) before the issuance of the financial statements or when it is probable that the violation will be corrected within the grace period, if any, prescribed in the long-term debt agreement.
IAS 2	Reversal of inventory write-downs	Required, if certain criteria are met.	Prohibited.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 2	Measuring inventory at net realisable value even if above cost	Permitted only for producers' inventories of agricultural and forest products and mineral ores and for broker-dealers' inventories of commodities.	Permitted, but based on a specific product (precious metals).
IAS 2	Method for determining inventory cost	LIFO is prohibited.	LIFO is permitted.
IAS 7	Classification of interest received and paid in the cash flow statement[4]	Interest received – may be classified as operating or investing. Interest paid – may be classified as operating or financing.	Must be classified as an operating activity.
IAS 7	Inclusion of bank overdrafts in cash for cash flow statement presentation purposes	Included if they form an integral part of an entity's cash management.	Excluded.
IAS 11	Method of accounting for construction contracts when the percentage of completion cannot be determined	Cost recovery method.	Completed contract method.
IAS 12	Classification of deferred tax assets and liabilities[5]	Always non-current.	Classification is split between current and non-current components based on the classification of the underlying asset or liability, or on the expected reversal of items not related to an asset or liability.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Recognition of deferred tax assets[5]	Recognise the probable portion.	Recognise in full and then reduce by a valuation allowance, for the non-probable portion.
IAS 12	Subsequent recognition of a deferred tax asset after a business combination[5]	First reduce goodwill to zero, any excess credited to net profit or loss.	First reduce goodwill to zero, then any other non-current intangible assets to zero. Any excess credited to net profit or loss.
IAS 12	Reconciliation of actual and expected tax expense[5]	Required for all entities applying IFRSs; expected tax expense is computed by applying the applicable tax rate(s) to accounting profit, disclosing also the basis on which the applicable tax rate(s) is(are) computed.	Required for public companies only; expected tax expense is computed by applying the domestic federal statutory tax rates to pre-tax income from continuing operations. Non-public companies must disclose the nature of the reconciling items but not amounts.
IAS 12	Calculation of tax benefits related to share-based payments[5]	Deferred tax is computed based on the tax deduction for the share-based payment under the applicable tax law (i.e. intrinsic value).	Deferred tax is computed based on the GAAP expense recognised and trued up or down at realisation of the tax benefit/deficit.
IAS 12	Impact of temporary differences related to intercompany profits[5]	Deferred tax effect is recognised at the buyer's tax rate.	Deferred tax effect is recognised at the seller's tax rate, as if the transaction had not occurred.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	'Initial recognition' exemption[5]	Deferred tax not recognised for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is (a) not a business combination, and (b) does not affect accounting profit or taxable profit. Nor are changes in this unrecognised deferred tax asset or liability subsequently recognised.	No similar exemption.
IAS 12	Other specific exemptions to the basic principle that deferred tax is recognised for all temporary differences[5]	Does not have all the exemptions comparable to those in US GAAP.	US GAAP has three additional exemptions from providing deferred taxes that differ from IFRSs, including: leveraged leases, intragroup inventories, and differences related to assets and liabilities that are remeasured from the local currency into the functional currency using historical exchange rates and that result from (1) changes in exchange rates or (2) indexing for tax purposes.
IAS 12	Tax rate for measuring deferred tax assets and liabilities[6]	Use enacted or 'substantively enacted' tax rate.	Use enacted tax rate.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Measurement of deferred tax on undistributed earnings of a subsidiary[5]	Must use rate applicable to undistributed profits.	Generally, US GAAP requires the use of the higher of the distributed and the undistributed rates.
IAS 12	Changes in deferred taxes that were originally charged or credited to equity ('backward tracing') [5]	The tax effects of items credited or charged directly to equity during the current year are allocated directly to equity. A deferred tax item originally recognised by a charge or credit to shareholders' equity may change either from changes in assessments of recovery of deferred tax assets or from changes in tax rates, laws, or other measurement attributes. Consistent with the initial treatment, IAS 12 requires that the resulting change in deferred taxes also be charged or credited directly to equity.	'Backward tracing' is prohibited. Subsequent changes are allocated to continuing operations.
IAS 12	Uncertain tax positions[5]	Accounting for tax consequences reflects management's expectations.	FIN 48 prescribes a methodology which is based on the probability of a tax position being sustained.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 12	Changes in pre-acquisition tax liabilities of acquired entities[5]	Generally revise purchase price allocation if within the one year allocation window. Otherwise record effect in income statement.	Adjust purchase price allocation irrespective of period lapsed since acquisition.
IAS 14	Basis of reportable segments[3]	Lines of business and geographical areas.	Components for which information is reported internally to top management, which may or may not be based on lines of business or geographical areas.
IAS 14	Types of segment disclosures[3]	Required disclosures for both "primary" and "secondary" segments.	Only one basis of segmentation, although certain "enterprise-wide" disclosures are required such as revenue from major customers and revenue by country.
IAS 14	Accounting basis for reportable segments[3]	Amounts are based on IFRS measures.	Amounts are based on whatever basis is used for internal reporting purposes. These amounts should be reconciled to the relevant amounts contained in the financial statements.
IAS 14	Segment result[3]	Segment result defined.	No definition of segment result.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 16	Basis of measurement for property, plant and equipment	May use either revalued amount or historical cost. Revalued amount is fair value at date of revaluation less subsequent accumulated depreciation and impairment losses.	At historical cost. Revaluations prohibited.
IAS 16	Major inspection or overhaul costs	Generally accounted for as part of the cost of an asset.	Either expensed as incurred, deferred and amortised over the period until the next overhaul, or accounted for as part of the cost of an asset.
IAS 16	Measuring the residual value of property, plant and equipment	Current net selling price assuming the asset were already of the age and in the condition expected at the end of its useful life. Residual value may be adjusted upwards or downwards.	Generally the discounted present value of expected proceeds on future disposal. Residual value may only be adjusted downwards.
IAS 17	Leases of land and buildings[7]	Land and buildings elements are considered separately unless the land element is not material.	Land and building elements are generally accounted for as a single unit, unless land represents more than 25% of the total fair value of the leased property.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 17	Present value of minimum lease payments[7]	Generally would use the rate implicit in the lease to discount minimum lease payments.	Lessors must use the implicit rate to discount minimum lease payments. Lessees generally would use the incremental borrowing rate to discount minimum lease payments unless the implicit rate is known and is the lower rate.
IAS 17	Recognition of a gain on a sale and leaseback transaction where the leaseback is an operating lease[7]	The gain is recognised immediately.	Generally, the gain is amortised over the lease term.
IAS 17	Recognition of a gain on a sale and leaseback where the leaseback is a finance lease[7]	The gain is recognised over the lease term.	The gain is recognised over the useful life of the asset.
IAS 18	Revenue recognition guidance[8]	General principles are consistent with US GAAP, but IFRSs contain limited detailed or industry-specific guidance.	More specific guidance, particularly with respect to multiple element arrangements and industry-specific issues (for example, software revenue recognition). In addition, public companies must follow more detailed guidance provided by the SEC.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Termination benefits[9]	No distinction between "special" and other termination benefits. Termination benefits recognised when the employer is demonstrably committed to pay.	Recognise special (one-time) termination benefits generally when they are communicated to employees unless employees will render service beyond a "minimum retention period", in which case the liability is recognised ratably over the future service period. Recognise contractual termination benefits when it is probable that employees will be entitled and the amount can be reasonably estimated. Recognise voluntary termination benefits when the employee accepts the offer.
IAS 19	Recognising actuarial gains and losses directly in equity when they arise	Permitted.	Required.
IAS 19	Recycling in profit or loss of actuarial gains and losses previously recognised in equity	Not permitted.	Subsequently these amounts will be reclassified from other comprehensive income and recognised in profit or loss as components of net periodic benefit cost.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Measurement of gain or loss on curtailment of a benefit plan	A curtailment gain or loss comprises (a) the change in the present value of the defined benefit obligation, (b) any resulting change in fair value of the plan assets, and (c) a pro rata share of any related actuarial gains and losses, unrecognised transition amount, and past service cost that had not previously been recognised.	Similar to IFRSs. However, some detailed differences may arise in respect of: unrecognised actuarial gains and losses, unrecognised transition amount and past service costs.
IAS 19	Timing of recognition of gains/losses on curtailment of a benefit plan	Both curtailment gains and losses are recognised when the entity is demonstrably committed and a curtailment has been announced.	A curtailment loss is recognised when it is probable that a curtailment will occur and the effects are reasonably estimable. A curtailment gain is recognised when the relevant employees are terminated or the plan suspension or amendment is adopted, which could occur after the entity is demonstrably committed and a curtailment is announced.
IAS 19	Recognition of past service cost related to benefits that have vested	Recognised immediately.	Generally amortised over the remaining service period or life expectancy.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 19	Presentation of past service cost	Presented as an offset or increase to the defined benefit obligation.	Presented within other comprehensive income with unrecognised actuarial gains and losses.
IAS 19	Multi-employer plan that is a defined benefit plan	Should be accounted for as a defined benefit plan if the required information is available. Otherwise as a defined contribution plan.	Accounted for as a defined contribution plan.
IAS 19	Limitation on recognition of pension assets	Pension assets cannot be recognised in excess of the net total of unrecognised past service cost and actuarial losses plus the present value of benefits available from refunds or reduction of future contributions to the plan.	No limitation on the amount that can be recognised.
IAS 21	Foreign currency translation reserve – accounting for dividends considered to be returns of investment	Accounted for as a disposal of part of the foreign investment and relevant part of the reserve is recycled to the income statement.	No recycling of reserve to the income statement.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 23	Borrowing costs related to assets that take a substantial time to complete[10]	Capitalisation is an available accounting policy choice.	Capitalisation is mandatory.
IAS 23	Types of borrowing costs eligible for capitalisation	Includes interest, certain ancillary costs, and exchange differences that are regarded as an adjustment of interest.	Generally only includes interest.
IAS 23	Income on temporary investment of funds borrowed for construction of an asset	Reduces borrowing costs eligible for capitalisation.	Does not reduce borrowing costs eligible for capitalisation except in certain very limited circumstances.
IAS 27	Basis for consolidation [11,12]	Control (look to governance and risk and benefits).	Approach depends on the type of entity. For voting interests, entities generally look to majority voting rights. For variable interest entities, look to a risks and rewards model.
IAS 27	Special purpose entities[11,12]	Consolidate if "controlled". Generally follow the same principles as for commercial entities in determining whether or not control exists.	If SPE is not a "qualifying SPE" (QSPE)[13], then assessed whether within the scope of risks and rewards model for variable interest entities. Otherwise, apply guidance based on majority voting interests. QSPEs are **not** consolidated.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 27	Different reporting dates of parent and subsidiaries	Reporting date difference cannot be more than three months. Must adjust for any significant intervening transactions.	Reporting date difference generally should not be more than three months. Must disclose effects of any significant intervening transactions. May adjust for such transactions.
IAS 27	Different accounting policies of parent and subsidiaries[11]	Must conform policies.	No specific requirement.
IAS 27	Presentation of minority interest[11]	In equity.	Outside of equity, within the mezzanine area between liabilities and equity.
IAS 28	Different reporting dates of investor and associate	Reporting date difference cannot be more than three months. Must adjust for any significant intervening transactions.	Reporting date difference generally should not be more than three months. Must disclose effects of any significant intervening transactions. May adjust for such transactions.
IAS 28	Different accounting policies of investor and associate	Must conform policies.	SEC staff does not require policies to be conformed provided that policies are in accordance with US GAAP.
IAS 29	Adjusting financial statements of an entity that operates in a hyperinflationary economy	Adjust using a general price level index before translating.	Adjust the financial statements as if the reporting currency of the parent was the entity's functional currency.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 31	Investments in joint ventures	May use either the equity method or proportionate consolidation.	Generally use the equity method (except in construction and oil and gas industries).
IAS 32	Classification of convertible debt instruments with conversion option fixed amount of cash for fixed number of shares (a "conventional" instrument)	Split the instrument into its liability and equity components and measure the liability at fair value with the equity component representing the residual.	Equity component will arise only for instruments with a beneficial conversion feature that exists at the inception of the instrument.
IAS 32	Offsetting amounts due from and owed to two different parties	Required when and only when a legally enforceable right and the intention to settle net exist.	Prohibited.
IAS 33	Disclosures of earnings per share (EPS)	Basic and diluted income from continuing operations per share and net profit or loss per share.	Basic and diluted income from continuing operations, discontinued operations, extraordinary items, cumulative effect of a change in accounting policy, and net profit or loss per share.
IAS 33	Calculation of year-to-date (YTD) diluted EPS[14]	Apply the treasury stock method on a YTD basis, that is, do not average the individual interim period calculations.	Average the individual interim period incremental shares.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 33	Contracts that may be settled in ordinary shares or in cash, at issuer's option[14]	Assume always that the contracts will be settled in shares.	Include based on rebuttable presumption that the contracts will be settled in shares.
IAS 34	Interim reporting – revenue and expense recognition	Interim period is a discrete reporting period (with certain exceptions).	Interim period is an integral part of the full year (with certain exceptions).
IAS 36	Impairment methodology for long-term assets (other than goodwill) that are subject to amortisation	Impairment is recorded when an asset's carrying amount exceeds the higher of the asset's value-in-use (discounted present value of the asset's expected future cash flows) and fair value less costs to sell.	Impairment is recorded when an asset's carrying amount exceeds the expected future cash flows to be derived from the asset on an undiscounted basis.
IAS 36	Measurement of impairment loss for long-term assets (other than goodwill) that are subject to amortisation	Based on the recoverable amount (the higher of the asset's value-in-use and fair value less costs to sell).	Based on fair value, generally based on discounted cash flows.
IAS 36	Level of impairment testing for goodwill	Cash generating unit (CGU) – the lowest level at which goodwill is monitored for internal management purposes. This level cannot be larger than a segment.	Reporting unit – either an operating segment or one organisational level below.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 36	Calculating impairment of goodwill	One-step: compare recoverable amount of a CGU (higher of (a) fair value less costs to sell and (b) value-in-use) to carrying amount.	Two steps: 1. Compare fair value of the reporting unit with its carrying amount including goodwill. If fair value is greater than carrying amount, no impairment (skip step 2). 2. Compare “implied fair value” of goodwill, which is determined based on a hypothetical purchase price allocation, with its carrying amount, recording an impairment loss for the difference.
IAS 36	Calculating impairment of indefinite-life intangible assets	Calculated by comparing recoverable amount (higher of (a) fair value less costs to sell and (b) value-in-use) to carrying amount.	Calculated by comparing their fair value to carrying amount.
IAS 36	Subsequent reversal of an impairment loss	Required for all assets, other than goodwill, if certain criteria are met.	Prohibited.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 37	Measurement of provisions[9]	Best estimate to settle the obligation, which generally involves the expected value method.	Most probable outcome to settle the obligation. If no one item is more likely than another, use the low end of the range of possible amounts.
		Discounting required.	Unless specifically permitted by an accounting standard, discounting is only allowed where the timing and amount of the future cash flows is fixed and determinable.
IAS 37	Measurement of decommiss-ioning provisions[9]	Use the current, risk-adjusted rate to discount the provision when initially recognised. Adjust the rate at each reporting date.	Use the current, credit-adjusted risk-free rate to discount the provision when initially recognised. Do not adjust the rate in future periods.
IAS 37	Recognition of restructuring provisions[9]	Recognise if a detailed formal plan is announced or implementation of such a plan has started.	Recognise when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 37	Disclosures that may prejudice seriously the position of the entity in a dispute[9]	"In extremely rare cases" amounts and details need not be disclosed, but disclosure is required of the general nature of the dispute and why the details have not been disclosed.	Disclosure is required.
IAS 38	Development costs[15]	Capitalise, if certain criteria are met.	Expense as incurred (except for certain website development costs and certain costs associated with developing internal use software).
IAS 38	Revaluation of intangible assets	Permitted only if the intangible asset trades in an active market.	Prohibited.
IAS 39	General	A more extensive list of differences is included in the publication **iGAAP 2007 Financial instruments: IAS 32, 39 and IFRS 7 explained.**	
IAS 39	Option to designate any financial asset or financial liability to be measured at fair value through profit or loss	Option is allowed if one of three criteria is met.	Option allowed at iniitial recognition. Criteria in IFRSs do not apply.
IAS 39	Investments in unlisted equity instruments	Measured at fair value if reliably measurable; otherwise at cost.	Measured at cost less "other than temporary" impairments, if any.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Foreign exchange differences on available-for-sale debt instruments	Changes in fair value resulting from movements in exchange rates are reflected in the income statement as exchange differences.	Changes in fair value resulting from movements in exchange rates are reflected in equity and recycled to income statement when instrument is sold.
IAS 39	Reclassification of financial instruments into or out of the trading category	Prohibited.	Permitted but expected to be rare.
IAS 39	Classification of financial assets as held-to-maturity	Puttable debt instruments cannot be classified as held to maturity.	No such prohibition exists.
IAS 39	Effect of selling investments classified as held-to-maturity	Prohibited from using held-to-maturity classification for the next two years.	Prohibited from using held-to-maturity classification. SEC indicates that prohibition is generally for two years.
IAS 39	Subsequent reversal of an impairment loss recognised in the income statement	Required for loans and receivables, held-to-maturity, and available-for-sale debt instruments, if certain criteria are met.	Prohibited for held-to-maturity and available-for-sale securities. Reversals of valuation allowances on loans are recognised in the income statement.
IAS 39	Derecognition of financial assets	Combination of risks and rewards and control approach. Can derecognise part of an asset. No "isolation in bankruptcy" test. Partial derecognition allowed only if specific criteria are complied with.	Derecognise assets when transferor has surrendered control over the assets. One of the conditions is legal isolation. No partial derecognition.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Use of "partial-term hedges" for financial items (hedge of a fair value exposure for only a part of the term of a hedged item)	Permitted.	Although not explicitly prohibited, these items would most probably fail the correlation requirement of FAS 133 and hence not qualify for hedge accounting.
IAS 39	Assume perfect effectiveness of a hedge if critical terms match	Prohibited. Must always assess and measure effectiveness.	Allowed if the critical terms of the hedging instrument and the entire hedged asset or liability or hedged forecasted transaction are the same – "Matched Terms Method". Also allowed for hedge of interest rate risk in a debt instrument if certain conditions are met – "Shortcut Method".
IAS 39	Application of the effective interest rate method	Several differences exist between IFRSs and US GAAP on this topic. Given the case-by-case nature of such calculations, IFRSs and US GAAP specialists should be consulted as and when a comparative calculation is required.	
IAS 39	Impairment of debt and equity securities	Focus is on 'loss events' that provide objective evidence of impairment.	Impairment is recognised only when the decline in fair value is other than temporary.

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 39	Use of "basis adjustments" for cash flow hedges	Cash flow hedge of a transaction resulting in a financial asset or liability – same as US GAAP. Cash flow hedge of a transaction resulting in a non-financial asset or liability – choice of US GAAP or basis adjustment.	Cash flow hedge of a transaction resulting in an asset or liability – gain/loss on hedging instrument that had been reported in equity remains in equity and reclassified into earnings in the same period the acquired asset or incurred liability affects earnings. "Basis adjustments" prohibited for cash flow hedges.
IAS 39	Macro hedging	Fair value hedge accounting treatment for a portfolio hedge of interest rate risk is allowed if certain specified conditions are met.	Hedge accounting treatment is prohibited, though similar results may be achieved by designating specific assets or liabilities as hedged items.
IAS 39	Written puts over own (treasury) shares	Recognise a gross obligation for the present value of the strike price.	Recognise a derivative together with subsequent changes in fair value.
IAS 40	Measurement basis for investment property	Option of (a) historical cost model (depreciation, impairment) or (b) fair value model with value changes through profit or loss.	Generally required to use historical cost model (depreciation, impairment).

IAS/ IFRS	Topic	IFRSs	US GAAP
IAS 40	Property interests held under an operating lease	Accounted for as investment property under IAS 40 if held for investment and if measured at fair value with value changes in profit or loss. Otherwise upfront payments are treated as prepayments.	Always treated as a prepayment.
IAS 41	Measurement basis of agricultural crops, livestock, orchards, forests	Fair value with value changes recognised in profit or loss.	Historical cost is generally used. However, fair value less costs to sell is used for harvested crops and livestock held for sale.

Endnotes:

1 The differences may change once the final revised version of IFRS 3 (Business Combinations Phase II) (exposure draft released in June 2005) is published.

2 The IASB is developing a comprehensive standard on accounting for rights and obligations under insurance contracts that is consistent with the IASB Framework definitions of assets and liabilities.

3 The joint IASB/FASB project has resulted in the IASB deciding to converge with US statement FAS 131. IFRS 8 **Operating Segments** was issued in November 2006. It is effective for the periods beginning on or after 1 January 2009, with earlier application permitted (may also be subject to local endorsement processes). In advance of application of IFRS 8, IAS 14 **Segment Reporting** is the relevant Standard.

4 This issue is being addressed in the joint IASB/FASB project on Financial Statements Presentation.

5 The FASB and the IASB are addressing some IAS 12 / FAS 109 differences in their short-term convergence projects.

6 The IASB will retain "substantively enacted" but clarify that it means "virtually certain".

7 The IASB has a comprehensive project on leases on its Research Agenda.

8 A joint IASB/FASB project on revenue recognition concepts is underway.

9 The differences may change once the final revised versions of IAS 19 and IAS 37 (exposure drafts released in June 2005) are published.

10 The IASB has been addressing elimination of this difference in its short-term convergence project.

11 The differences may change once the final revised version of IAS 27 (exposure draft released in June 2005) is published.

12 The IASB has on its agenda a project on control including SPEs. This will become a joint project at a later stage.

13 As defined by FAS 140 **Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities**.

14 As part of its convergence project, the FASB issued an exposure draft in December 2003 that would eliminate these differences. The exposure draft has not yet been finalised as a standard.

15 The FASB may address this in its short-term convergence project.

Deloitte IFRS resources

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

www.iasplus.com	Updated daily, iasplus.com is your one-stop shop for information related to IFRSs.
Deloitte's IFRS e-Learning Modules	e-Learning IFRS training materials, one module for each IAS and IFRS and the Framework, with self-tests, available without charge at **www.iasplus.com.**
IAS Plus Newsletter	A quarterly newsletter on recent developments in International Financial Reporting Standards and accounting updates for individual countries. In addition, special editions are issued for important developments. To subscribe, visit **www.iasplus.com.**
IFRSs in your Pocket	Published in English, French, Spanish, Polish, Danish, Finnish, Chinese, and other languages, this pocket-sized guide includes summaries of all IASB Standards and Interpretations, updates on agenda projects, and other IASB-related information.
Presentation and disclosure checklist 2006	Checklist incorporating all of the presentation and disclosure requirements of Standards effective in 2006.
Model financial statements	Model financial statements illustrating the presentation and disclosure requirements of IFRSs.
iGAAP 2007 Financial Instruments: IAS 32, IAS 39 and IFRS7 Explained	3rd edition (March 2007). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.
First-time Adoption: A Guide to IFRS 1	Application guidance for the "stable platform" Standards effective in 2005.
Share-based Payment: A Guide to IFRS 2	Guidance on applying IFRS 2 to many common share-based payment transactions.
Business Combinations: A Guide to IFRS 3	Supplements the IASB's own guidance for applying this Standard.
Interim financial reporting: A Guide to IAS 34	Guidance on applying the interim reporting standard, including a model interim financial report and an IAS 34 compliance checklist.

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