SIDEBAR

IAS 1

Financial statement line items
IFRS: Specific line items required.
U.S.: A few standards, including SEC regulations, require specific line items.
Status: No specific IASB or FASB project.

Comparative prior year financial statements
IFRS: One year of comparative financial information is required.
U.S.: U.S. GAAP states that comparatives are "desirable." SEC regulations generally require two years of comparative financial information.
Status: No specific IASB or FASB project.

Reporting "total comprehensive income"
IFRS: Permitted, but not required.
U.S.: Required.
Status: IASB's performance reporting project is likely to result in a multi-column performance statement separating current income flows from remeasurements of previously recognized items. The grand total would be similar to FASB's "total comprehensive income," though the IASB is leaning toward labeling it "net income."

Departure from a standard when compliance would be misleading
IFRS: Permitted in "extremely rare" circumstances "to achieve a fair presentation."
U.S.: Covered by auditing and ethics rules.
Status: IASB has proposed modifying the "true and fair override" to not require an entity to depart, when it otherwise believes it should, if local law prohibits such departure.

Classification of liabilities on refinancing
IFRS: Noncurrent if refinancing is completed before issue date of the financial statements.
U.S.: Same as IFRS.
Status: The IASB has proposed classifying these liabilities as current unless refinancing is completed by balance sheet date. Both boards agreed to address this in their convergence projects.

Classification of liabilities due on demand due to violation of debt covenant
IFRS: Noncurrent if the lender has granted a 12-month waiver before issue date of the financial statements.
U.S.: Same as IFRS.
Status: While IFRS and U.S. GAAP are now the same, IASB has proposed to classify these as current unless lender has granted the waiver before balance sheet date. Subsequently, both boards agreed to address this in their convergence projects.

IAS 2

Including the costs of idle capacity and spoilage in inventory
IFRS: Prohibited.
U.S.: Not prohibited.
Status: FASB and IASB are addressing this in their convergence projects.

Reversal of inventory write-downs
IFRS: Required, if certain criteria are met.
U.S.: Prohibited.
Status: No specific IASB or FASB project to address this.

Measuring inventory at net realizable value even if greater than cost
IFRS: Permitted only for producers' inventories of agricultural and forest products and mineral ores.
U.S.: Permitted only for inventories of agricultural and forest products and mineral ores regardless of whether held by producers.
Status: IASB has proposed eliminating the restriction to producers.

IAS 7

Classification of interest received and paid in the cash flow statement
IFRS: May be classified as an operating, investing, or financing activity.
U.S.: Must be classified as an operating activity.
Status: No specific IASB or FASB project.

IAS 8

Correction of errors
IFRS: Restate prior financial statements or include the cumulative effect on net profit and loss in the current financial statements.
U.S.: Restate prior financial statements.
Status: IASB has proposed requiring restatement.

Nonmandated changes in accounting policy
IFRS: Restate prior financial statements or include the cumulative effect on net profit and loss in the current financial statements.
U.S.: Generally includes the cumulative effect in net profit and loss in the current financial statements (but restate for LIFO, extractive industries, long-term contracts, and IPOs).
Status: IASB has proposed requiring restatement for all accounting policy changes. This is also being addressed in the FASB and IASB short-term projects.

Change in depreciation method for existing assets
IFRS: Change in estimate (prospective).
U.S.: Change in accounting policy (cumulative effect on net profit or loss).
Status: Proposed revisions clarify that if the method is changed because the pattern of benefits changes, it is a change in estimate.

IAS 11

Construction contracts when the percentage of completion cannot be determined
IFRS: Cost recovery method.
U.S.: Completed contract method.
Status: IASB has indicated that it might provide some "interim guidance" as part of its convergence project.

IAS 12

Classification of deferred tax assets and liabilities
IFRS: Always noncurrent.
U.S.: Classification is split between current and noncurrent components.
Status: FASB and IASB are addressing the differences between IAS 12 and SFAS 109.

Recognition of a deferred tax asset after a business combination
IFRS: First reduce goodwill to zero, then credit the excess to net profit or loss.
U.S.: First reduce goodwill to zero, then reduce any other intangible assets to zero, and then credit any excess to net profit or loss.
Status: FASB and IASB are addressing the differences between IAS 12 and SFAS 109 .

Reconciliation of actual and expected tax expense
IFRS: Required for all companies.
U.S.: Required for public companies. Nonpublic companies must disclose the nature of the reconciling items but not amounts.
Status: FASB and IASB are addressing the differences between IAS 12 and SFAS 109.

Recognition of tax benefits related to employee share options
IFRS: Credited to equity only to the extent that it arises from a transaction recognized in equity.
U.S.: Credited to equity.
Status: FASB and IASB are addressing the differences between IAS 12 and SFAS 109.

Impact of temporary differences related to intercompany profits
IFRS: Deferred tax effect is recognized.
U.S.: Deferred tax effect is not recognized.
Status: FASB and IASB are addressing differences between IAS 12 and SFAS 109.

IAS 14

Basis of reportable segments
IFRS: Lines of business and geographical areas.
U.S.: Components for which information is reported internally to top management.
Status: IASB is soliciting the views of financial analysts.

Segment disclosures
IFRS: Required disclosures for primary and secondary segments.
U.S.: Only one basis of segmentation, although certain enterprise-wide disclosures are required, such as revenue from major customers and revenue by country.
Status: IASB is soliciting the views of financial analysts.

Accounting basis for reportable segments
IFRS: Amounts are based on IFRS GAAP measures.
U.S.: Amounts are based on measurements used for internal reporting purposes.
Status: IASB is soliciting the views of financial analysts.

Segment result
IFRS: Defined segment result.
U.S.: No definition of segment result.
Status: IASB is soliciting the views of financial analysts.

IAS 16

Major inspection or overhaul costs
IFRS: May be accounted for as a separate component of an asset.
U.S.: Generally expensed.
Status: IASB has proposed to clarify that the component approach is required.

Basis of property, plant, and equipment
IFRS: May use either fair value or historical cost.
U.S.: Generally required to use historical cost.
Status: Fair value will continue to be an allowed alternative under the IASB's proposed revisions to IAS 16.

Gains and losses on exchanges of similar assets
IFRS: Currently, IFRS is the same as U.S. GAAP. However, the IASB has proposed requiring gain or loss recognition on exchanges of similar productive assets (property, plant, equipment, and intangibles).
U.S.: Gain or loss recognition is prohibited.
Status: FASB and IASB are addressing this in their convergence projects.

Depreciation of assets held for disposal
IFRS: Depreciation continues.
U.S.: Depreciation ceases and the asset is measured at the lower of carrying amount and fair value, less the cost to sell it.
Status: IASB is leaning toward changing to the U.S. GAAP approach.

IAS 17

Minimum lease payments
IFRS: Includes guarantees of third-party debt related to the leased assets.
U.S.: Excludes guarantees of third-party debt in minimum lease payments.
Status: No specific IASB or FASB project.

Present value of minimum lease payments
IFRS: Generally uses the implicit rate in the lease to discount minimum lease payments.
U.S.: Generally uses the incremental borrowing rate to discount minimum lease payments.
Status: No specific IASB or FASB project.

Initial direct costs
IFRS: Expense or amortize over the lease term.
U.S.: Amortize over the lease term.
Status: IASB has proposed the U.S. GAAP approach.

Recognition of a gain on a sale and operating leaseback transaction
IFRS: The gain is recognized immediately.
U.S.: The gain is amortized over the lease term.
Status: No specific IASB or FASB project.

Disclosure of lease maturities
IFRS: Less detailed disclosure.
U.S.: More detailed disclosure.
Status: No specific IASB or FASB project.

IAS 18

Revenue recognition guidance
IFRS: General principles are consistent with U.S. GAAP, but contain limited industry-specific guidance.
U.S.: More specific guidance, particularly industry-specific issues. Public companies must follow more detailed guidance provided by the SEC.
Status: The FASB is taking the lead on a joint revenue recognition project with the IASB.

IAS 19

Accounting for stock options
IFRS: No guidance on recognition and measurement. Limited disclosures required (not including the fair value of options granted).
U.S.: Share options issued from a variable plan or to nonemployees are expensed. Those issued from a fixed plan are recognized either at their intrinsic value (generally zero) or fair value. If intrinsic value is used, then certain disclosures are required, including the fair value of options granted.
Status: IASB has proposed requiring the fair value of all share-based payments to be expensed. Calculation of fair value would differ from U.S. GAAP. FASB has invited comment on IASB's exposure draft.

Termination benefits
IFRS: No distinction between "special" and other termination benefits. Termination benefits recognized when the employer is demonstrably committed to pay.
U.S.: Recognize special termination benefits when employees accept the offer and the amount can be reasonably estimated. Recognize contractual termination benefits when it is probable that employees will be entitled and the amount can be reasonably estimated.
Status: No specific IASB or FASB project.

Recognition of past service costs related to vested employees
IFRS: Recognized immediately.
U.S.: Amortized over the remaining service period or life expectancy.
Status: IASB is addressing pension accounting as part of its convergence project.

Multi-employer plans
IFRS: May be considered defined benefit plans.
U.S.: Always considered defined contribution plans.
Status: IASB is addressing pension accounting as part of its convergence project.

Minimum liability recognition for benefits under defined benefit plans
IFRS: No minimum liability requirement.
U.S.: The unfunded accumulated benefit obligation is recognized at a minimum.
Status: IASB is addressing pension accounting as part of its convergence project.

Pension assets
IFRS: Limitation on the amount recognized.
U.S.: No limitation on the amount recognized.
Status: IASB is addressing pension accounting as part of its convergence project.

IAS 21

Translation of fair value adjustments and goodwill
IFRS: May use either current or historic exchange rate.
U.S.: Must use current exchange rate.
Status: IASB has proposed requiring the current exchange rate.

FX differences on monetary items resulting from a nonhedgeable severe devaluation
IFRS: Sometimes added to the cost of an asset.
U.S.: Always in net income.
Status: IASB has proposed to adopt the U.S. GAAP approach.

IAS 22

Accounting for business combinations
IFRS: Pooling of interests required if the acquirer cannot be identified. Otherwise acquisition (purchase) accounting must be used.
U.S.: All business combinations must be accounted for as purchases.
Status: IASB has proposed prohibiting pooling.

Recognizing a restructuring liability as part of a business combination
IFRS: May be recognized in limited circumstances.
U.S.: Generally not recognized.
Status: IASB has proposed generally prohibiting an acquirer from recognizing any restructuring liability that was not previously recognized by the acquired entity.

Purchased in-process R&D
IFRS: Capitalized and amortized as an identified intangible asset or as goodwill; useful life presumed to be 20 years or less.

U.S.: Expensed.
Status: IASB's business combinations proposal states that an in-process R&D project should be recognized as an acquired asset if other recognition criteria are met.

Goodwill
IFRS: Must capitalize and amortize goodwill over its estimated useful life, which is presumed to be 20 years or less, subject to an impairment test.
U.S.: Must capitalize, but not amortize, subject to an impairment test.
Status: IASB has proposed to adopt the U.S. GAAP approach.

Minority interest of acquired assets and liabilities in a business combination
IFRS: May measure at either fair value or historical cost.
U.S.: Must measure at fair value.
Status: IASB has proposed requiring that the minority portion be measured at fair value.

Adjustment period for subsequently recognized assets and liabilities
IFRS: Through the end of the first full year after acquisition.
U.S.: One year from the acquisition date.
Status: IASB has proposed a one-year rule.

Negative goodwill
IFRS: Initially offset against any expected future losses. Any amounts not exceeding the value of acquired nonmonetary assets are amortized. Any excess is included in net profit or loss.
U.S.: Initially allocate on a pro-rata basis against the carrying amounts of certain acquired nonfinancial assets, with any excess recognized as an extraordinary gain.
Status: IASB has proposed recognizing immediately as a gain.

Combinations of entities under common control
IFRS: Not addressed.
U.S.: Pooling of interests method.
Status: Included in the scope of phase II of IASB's business combinations project.

IAS 23

Borrowing costs related to assets that take a substantial time to complete
IFRS: Capitalization is optional.
U.S.: Capitalization is mandatory.
Status: No specific IASB or FASB project.

Types of borrowing costs eligible for capitalization
IFRS: Interest, certain ancillary costs, and exchange differences that are regarded as an adjustment of interest.
U.S.: Generally only interest.
Status: No specific IASB or FASB project.

Income on temporary investment of funds borrowed to construct an asset
IFRS: Reduces borrowing cost eligible for capitalization.
U.S.: Generally does not reduce borrowing cost eligible for capitalization.
Status: No specific IASB or FASB project.

IAS 27

Basis of consolidation policy
IFRS: Look to governance, risk, and benefits for control.
U.S.: Majority voting rights.
Status: IASB has a project on its agenda on consolidation.

Special purpose entities
IFRS: Consolidate if "controlled." Generally follow the same principles for commercial entities in determining whether control exists.
U.S.: Consolidate if certain criteria for "qualifying SPEs" are not met. Generally look to whether the SPE has a sufficient level of equity "at risk."
Status: In January 2003, FASB issued Interpretation 46 on consolidation of SPEs that are not qualified SPEs. IASB has begun a project on consolidation, including SPEs.

Different reporting dates of parent and subsidiaries
IFRS: Reporting date difference cannot be more than three months; must adjust for any significant intervening transactions.
U.S.: No requirement to conform dates or adjust for significant transactions.
Status: No specific IASB or FASB project.

Different accounting policies of parent and subsidiaries
IFRS: Must conform policies where practicable or disclose the proportion of items to which different accounting policies have been applied.
U.S.: No requirement to conform policies.
Status: IASB has proposed that all policies must be conformed.

Enterprises that are temporarily controlled
IFRS: Excluded from consolidation if acquired and held exclusively for disposal in the near future.
U.S.: Must be consolidated.
Status: IASB has proposed that "near future" be limited to one year.

IAS 28

Different reporting dates of investor and associate
IFRS: No requirement to conform dates, but must adjust for significant intervening transactions.
U.S.: No requirement to conform dates or to adjust for significant transactions.
Status: IASB has proposed restricting the time difference to not more than three months.

Different accounting policies of investor and associate
IFRS: Must either conform policies if practicable or disclose otherwise.
U.S.: No requirement to conform policies.
Status: IASB has proposed conforming policies.

Losses in excess of equity investment
IFRS: Recognized to the extent there is an obligation to fund such amounts.
U.S.: Used to reduce the basis of other investments, such as loans to the investee.
Status: IASB has proposed requiring that other long-term interests (preferred shares, long-term receivables, and loans) should be reduced for losses in excess of the equity investment.

IAS 29

Hyperinflation
IFRS: Would adjust the subsidiary financial statements for the general effects of inflation, with the gain or loss on net monetary position in net income.
U.S.: Would remeasure the subsidiary accounts using the "functional currency" of the parent.
Status: FASB and IASB are addressing this in their convergence projects.

IAS 31

Investments in joint ventures
IFRS: May use either the equity method or proportionate consolidation.
U.S.: Generally use the equity method, except in construction, oil, and gas industries.
Status: FASB and IASB are addressing this in their convergence projects.

IAS 32

Classification of convertible debt instruments by the issuer
IFRS: Split the instrument into liability and equity components.
U.S.: Classify the entire instrument as a liability.
Status: No specific IASB or FASB project.

Issuer classification of mandatory redeemable preferred shares
IFRS: Classified as a liability.
U.S.: Presented between liabilities and equity.
Status: FASB is working on a limited-scope standard that would address how to classify obligations to repurchase an entity's own equity instruments, mandatory redeemable instruments, and obligations that the issuer could settle by issuing its shares or other equity instruments.

IAS 33

Disclosures of earnings per share
IFRS: Basic and diluted net profit or loss per share.
U.S.: 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.
Status: IASB has proposed requiring basic and diluted income from continuing operations and net profit or loss per share. Disclosure of other per-share amounts is being considered in IASB's performance reporting project.

Base for measuring anti-dilution
IFRS: Net profit or loss per share.
U.S.: Income from continuing operations per share.
Status: IASB has proposed adopting the U.S. GAAP approach.

IAS 34

Revenue and expense recognition
IFRS: Interim period is a discrete reporting period.
U.S.: Interim period is an integral part of the full year.
Status: FASB and IASB are addressing this in their convergence projects.

IAS 35

Initial disclosure trigger for discontinued operation
IFRS: Public announcement of a disposal plan.
U.S.: Internal agreement on a disposal plan.
Status: IASB has said it plans to replace IAS 35 as part of its convergence project to conform IFRS presentation requirements to those in SFAS 144.

IAS 36

Costs relating to disposal activities
IFRS: Costs associated with ongoing activities cannot be accrued.
U.S.: Some costs associated with ongoing activities can be accrued.
Status: FASB is addressing this in its convergence project.

Impairment
IFRS: Impairment is triggered if an asset's carrying amount exceeds the higher of the asset's value-in-use (discounted present value of expected future cash flows) and net selling price.
U.S.: Impairment is triggered if an asset's carrying amount exceeds the asset's undiscounted expected future cash flows.
Status: No specific IASB or FASB project.

Measurement of impairment loss
IFRS: Based on the recoverable amount (the higher of the asset's value-in-use and net selling price).
U.S.: Based on fair value.
Status: No specific IASB or FASB project.

Subsequent reversal of an impairment loss
IFRS: Required, if certain criteria are met.
U.S.: Prohibited.
Status: IASB has proposed prohibiting reversal of all impairment losses on goodwill. Reversal of other impairment losses would still be permitted.

IAS 37

Measurement of provisions

IFRS: Best estimate to settle the obligation, generally using the expected value method. Discounting required.
U.S.: Low end of the range of possible amounts. Some provisions are not discounted.
Status: No specific IASB or FASB project.

Disclosures that may seriously prejudice the position of the enterprise in a dispute

IFRS: "In extremely rare cases" amounts and details need not be disclosed, but the general nature of the dispute and reason for nondisclosure is required.
U.S.: Disclosure is required.
Status: No specific IASB or FASB project.

IAS 38

Development costs

IFRS: Capitalize, if certain criteria are met.
U.S.: Expense, except for certain costs associated with development of a website or internal-use software.
Status: FASB is addressing this in its convergence project.

Purchased intangibles (other than in-process R&D)

IFRS: Capitalize and amortize over the estimated useful life, which is presumed to be 20 years or less.
U.S.: Capitalize. Amortize if the asset has a finite life. Do not amortize if the asset has an indefinite life, but test at least annually for impairment.
Status: IASB has proposed adopting the U.S. treatment.

Revaluation of intangible assets

IFRS: Permitted only if the intangible asset trades in an active market.
U.S.: Generally prohibited.
Status: IASB has reaffirmed its revaluation principle in its proposed amendments to IAS 38.

IAS 39

Change in value of nontrading investment

IFRS: Recognize either in net profit or loss or in equity (with recycling).
U.S.: Recognize in equity (with recycling).
Status: IASB has proposed adopting the U.S. treatment.

Accounting for hedges of a firm commitment

IFRS: Cash flow hedge.
U.S.: Fair value hedge.
Status: IASB has proposed adopting the U.S. treatment.

Use of partial-term hedges

IFRS: Allowed.
U.S.: Prohibited.
Status: No specific IASB or FASB project.

Selling investments classified as held-to-maturity

IFRS: Prohibited from using held-to-maturity classification for the next two years.
U.S.: Prohibited from using held-to-maturity classification.
Status: No specific IASB or FASB project.

Use of "basis adjustment"

IFRS: Gain or loss on hedging instrument that had been reported in equity becomes an adjustment of the carrying amount of the asset.
U.S.: Gain or loss on hedging instrument that had been reported in equity remains in equity and is amortized over the same period as the asset.
Status: IASB has proposed adopting the U.S. treatment.

Derecognition of financial assets

IFRS: No "isolation in bankruptcy" test.
U.S.: Derecognition prohibited unless the transferred asset is beyond the reach of the transferor, even in bankruptcy.
Status: IASB has proposed a new "no continuing involvement" principle for derecognition.

Subsequent reversal of an impairment loss

IFRS: Required, if certain criteria are met.
U.S.: Prohibited.
Status: The IASB's proposed amendments to IAS 39 would prohibit reversal of an impairment loss on a financial asset classified as available for sale.

Use of qualifying SPEs

IFRS: Prohibited.
U.S.: Allowed.
Status: In January 2003, FASB issued Interpretation 46 on consolidation of SPEs that are not QSPEs. IASB has begun a project on consolidation, including SPEs.

IAS 40

Measurement basis of investment property

IFRS: May use either fair value or historical cost.
U.S.: Historical cost generally required.
Status: IASB has announced it does not plan to eliminate the choice allowed by IAS 40.

IAS 41

Measurement basis of agricultural crops, livestock, orchards, or forests

IFRS: Fair value with changes recognized in net profit or loss.
U.S.: Historical cost is generally used.
Status: No specific IASB or FASB project. ❑