KPMG

IFRS compared to U.S. GAAP: An overview

August 2009

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This overview is an abridged version of *IFRS compared to U.S. GAAP*, published in August 2009.

This overview should be read in conjunction with that publication in order to understand more fully the differences and similarities between International Financial Reporting Standards (IFRSs) and U.S. Generally Accepted Accounting Principles (U.S. GAAP).

This overview, and the related publication *IFRS compared to U.S. GAAP*, have been produced jointly by the KPMG International Standards Group (part of KPMG IFRG Limited) and the Department of Professional Practice of KPMG in the U.S. We would like to acknowledge the efforts of the project team leaders of this publication, including Julie Santoro and Jennifer Martin of the KPMG International Standards Group, and Paul Munter and Margaret Gonzales of the Department of Professional Practice of KPMG in the U.S.

We would also like to thank other members of the KPMG International Standards Group and the Department of Professional Practice of KPMG in the U.S., as well as the KPMG U.S. Capital Markets Group (part of KPMG USCMG Limited), KPMG in the U.K., KPMG in Spain, and KPMG in Israel, for the time that they committed to this project.

On the road to convergence

Change can be difficult. Change makes us nervous. Most people resist change as it makes us face the unknown. But change can be good. And eventually change becomes the norm. Over the past 10 years we have seen a rapidly changing environment in the world of accounting and financial reporting. Good progress has been made towards the establishment of a single set of high quality, globally accepted accounting standards – but we have not yet achieved that goal. However, we must also be careful in defining what our ultimate goal is. Is it convergence of U.S. Generally Accepted Accounting Principles (U.S. GAAP) to International Financial Reporting Standards (IFRSs), or conversion from U.S. GAAP to IFRSs? These are two different things and may cause an expectation gap when looking at the results of convergence.

In the past few years we have seen the results of one of the key convergence projects of the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB). In December 2007 the FASB issued SFAS 141R *Business Combinations* (ASC Subtopic 805) and in January 2008 the IASB issued revised IFRS 3 *Business Combinations*. These two standards represent a "substantially" converged standard on the accounting for business combinations. But you may be wondering why we refer to them as substantially converged. You also may be wondering why the IASB and the FASB did not issue identical standards as the project was carried out as a joint project with the goal of convergence. This underlies a key aspect of convergence. The process of attempting to dissect and eliminate every possible difference that may be experienced in practice would be very costly and time consuming, if not impossible. A more effective approach focuses on aligning the general principles and overall methodologies. This is further illustrated in other converged standards such as assets held for sale and discontinued operations, operating segments, borrowing costs, and share-based payment. Although the general principles and overall methodology of these standards are converged, we continue to experience differences in the detail, and therefore should avoid a false sense of security that convergence eliminates all significant differences.

While the IASB and the FASB continue to work on convergence, the U.S. Securities and Exchange Commission (SEC) has made significant progress to increase the acceptance of IFRSs. The SEC's decision to accept foreign private issuers' financial statements prepared in accordance with IFRSs as issued by the IASB without reconciliation to U.S. GAAP has demonstrated the SEC's willingness to continue to support work towards convergence. Additionally, the SEC currently is considering if – or when – it would allow U.S. domestic filers the option of applying IFRSs as an alternative to applying U.S. GAAP or whether it might require the use of IFRSs.

With these accomplishments in mind, we are pleased to publish our comparison of IFRSs and U.S. GAAP as of 1 August 2009. We hope that this publication continues to serve as a useful resource for standard setters, preparers, auditors and financial statement users who are living, at least for the moment, in a bilingual accounting world.

KPMG International Standards Group KPMG LLP in the U.S.

About this publication

Content

The purpose of this overview is to assist you in understanding the significant differences between IFRSs and U.S. GAAP by providing a quick overview for easy reference. However, it is not detailed enough to allow a full understanding of the significant differences; for more information you should refer to our August 2009 publication *IFRSs compared to U.S. GAAP*.

This overview does not discuss every possible difference; rather, it is a brief summary of the key provisions of IFRSs, contrasted with the parallel requirements of U.S. GAAP. The focus of this overview is on recognition, measurement and presentation, rather than on disclosure; therefore disclosure differences generally are not discussed. However, areas that are disclosure-based, such as segment reporting, are included.

This overview does not include the specific views that KPMG has developed in the absence of specific guidance under IFRSs or U.S. GAAP.

This overview focuses on the preparation of consolidated financial statements prepared on a going concern basis. Separate (i.e., unconsolidated) financial statements are not addressed.

On 1 July 2009 the FASB released its authoritative Accounting Standards Codification (FASB ASC or Codification), which is the single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the SEC. The FASB ASC supersedes all then-existing non-SEC accounting and reporting standards, which are included in this publication. All other non-grandfathered, non-SEC accounting literature not included in the FASB ASC is non-authoritative. Accordingly, this publication includes both the FASB ASC references and the legacy references to the original pronouncements. The Codification is effective for financial statements for interim or annual periods ending after 15 September 2009. For a calendar year 2009 entity, the Codification should be used in its financial statements as of third quarter 2009.

The requirements of IFRSs are discussed on the basis that the entity has adopted IFRSs already. The special transitional requirements that apply in the period in which an entity changes its GAAP to IFRSs are not discussed. In such cases you should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Effective date

The standards and interpretations included in this publication are those that are mandatory for an annual reporting period beginning on or after 1 July 2009, i.e., ignoring standards and interpretations that might be adopted before their effective dates.

Other ways KPMG member firms' professionals can help

We have a range of IFRS and U.S. GAAP publications that can assist you further, including *Insights into IFRS*, *First Impressions: IFRS 3 and FAS 141R Business Combinations (ASC Subtopic 805), First Impressions: Operating Segments*, and illustrative financial statements for interim and annual reporting under IFRSs; and the *Derivatives and Hedging Accounting Handbook*, *Share-Based Payment: An analysis of Statement No. 123R* (*ASC Subtopic 505-50 and 718*) and *Accounting for Business Combinations* under U.S. GAAP. Technical information is available at www.kpmgifrg.com.

For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This Web-based subscription service can be a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 15-day trial, go to www.aro.kpmg.com and register today.

For further assistance with the analysis and interpretation of the differences between IFRSs and U.S. GAAP, please get in touch with your usual KPMG contact.

Contents

1. Background

1.1 Introduction

(IASC Foundation Constitution, Preface to IFRSs, IAS 1, IAS 8)

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

IFRSs are designed for use by profit-oriented entities.

Any entity claiming compliance with IFRSs must comply with all standards and interpretations, including disclosure requirements, and must make a statement of explicit and unreserved compliance with IFRSs.

Both the bold- and plain-type paragraphs of IFRSs have equal authority and must be complied with.

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

A hierarchy of alternative sources is specified when IFRSs do not deal with a particular issue. This hierarchy includes industry practice in some instances.

1. Background

1.1 Introduction

(ASC Topic 105)

(SFAS 168)

U.S. GAAP is the term used to indicate the body of authoritative literature that comprises accounting and reporting standards in the United States.

Unlike IFRSs, U.S. GAAP is designed for use by both profit-orientated and not-for-profit entities, with additional accounting standards that are specifically applicable to not-for-profit entities.

Like IFRSs, any entity claiming compliance with U.S. GAAP must comply with all standards and interpretations, including disclosure requirements. However, unlike IFRSs, a statement of explicit and unreserved compliance is not required.

Like IFRSs, both the bold- and plain-type paragraphs of U.S. GAAP have equal authority and must be complied with.

Unlike IFRSs, the objective of financial statements is fair presentation in accordance with U.S. GAAP.

Unlike IFRSs, U.S. GAAP is divided between authorative and non-authorative literature.

1.2 The Framework

(IASB Framework, IAS 8)

The IASB uses its conceptual framework (the Framework) when developing new or revised IFRSs or amending existing IFRSs.

The Framework is a point of reference in the absence of specific guidance.

IFRSs do not apply to items that are "immaterial".

Transactions should be accounted for in accordance with their substance, rather than only their legal form.

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

1.2 The Framework

(ASC Topic 105, CON 2, CON 5, CON 6, CON 7, SAB 99, ASC paragraph 250-10-S99-1, SAB 108, ASC paragraph 250-10-S99-2)

(SFAS 168, CON 2, CON 5, CON 6, CON 7, SAB 99, SAB 108)

Like IFRSs, the FASB Concepts Statements (the Framework) establish the objectives and concepts that the FASB uses in developing standards.

Unlike IFRSs, the Framework is non-authoritative guidance and is not referred to routinely.

Like IFRSs, U.S. GAAP need not be applied to items that are "immaterial".

Unlike IFRSs, there is no general principle that transactions should be accounted for in accordance with their substance, rather than only their legal form.

Like IFRSs, transactions with shareholders in their capacity as shareholders are recognised directly in equity. However, the determination of when a shareholder is acting in that capacity differs from IFRSs in some cases.

2. General issues

2.1 Form and components of financial statements

(IAS 1, IAS 27)

The components of a complete set of financial statements are: statement of financial position, statement of comprehensive income (which includes items of profit or loss), statement of changes in equity, statement of cash flows, and notes comprising a summary of significant accounting policies and other explanatory information.

An entity presents comprehensive income in a single statement of comprehensive income, or in an income statement and a separate statement of comprehensive income.

While IFRSs specify minimum disclosures, they do not prescribe specific formats.

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

A statement of financial position as at the beginning of the earliest comparative period is required in certain circumstances.

An entity presents consolidated financial statements unless specific criteria are met.

2. General issues

2.1 Form and components of financial statements

(ASC Subtopic 210-10, ASC Subtopic 220-10, ASC Subtopic 235-10, ASC Subtopic 275-10, ASC Subtopic 310-10, ASC Subtopic 810-10, ASC Subtopic 825-10, Reg S-X, Reg G)

(ARB 43, ARB 51, SFAS 130, APB 22, SOP 94-6, FSP SOP 94-6-1, Reg S-X, Reg G)

Like IFRSs, the components of a complete set of financial statements include: statement of financial position, statement of cash flows, a financial statement presenting comprehensive income, and notes including accounting policies. However, unlike IFRSs, the statement of investments by and distributions to owners during the period (statement of changes in equity) may be presented in the notes in certain circumstances.

Like IFRSs, comprehensive income may be presented in a single statement of comprehensive income, or in a statement of earnings and a separate statement of comprehensive income. However, unlike IFRSs, comprehensive income also may be presented in the statement of changes in equity.

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

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

Unlike IFRSs, a statement of financial position as at the beginning of the earliest comparative period is not required.

Unlike IFRSs, there are no exemptions from preparing consolidated financial statements.

2.2 Changes in equity
(IAS 1, IAS 27)

An entity must present both a statement of comprehensive income and a statement of changes in equity as part of a complete set of financial statements.

An entity presents comprehensive income in a single statement of comprehensive income, or in an income statement and a separate statement of comprehensive income.

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

2.2 Changes in equity

(ASC Subtopic 220-10, ASC Subtopic 250-10, ASC Subtopic 505-10)

(APB 12, SFAS 130, SFAS 154)

Unlike IFRSs, an entity is not required to present a statement of comprehensive income separate from a statement of changes in equity 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 in the notes in certain circumstances, unlike IFRSs.

Like IFRSs, comprehensive income may be presented in a single statement of comprehensive income, or in a statement of earnings and a separate statement of comprehensive income. However, unlike IFRSs, comprehensive income also may be presented in the statement of changes in equity.

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

2.3 Statement of cash flows
(IAS 7)

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

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

Net cash flows from all three categories are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Cash and cash equivalents include certain short-term investments.

In some cases cash and cash equivalents include bank overdrafts.

Cash flows from operating activities may be presented using either the direct method or the indirect method.

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 in only limited circumstances.

2.3 Statement of cash flows

(ASC Subtopic 230-10)

(SFAS 95, SFAS 102, SFAS 104)

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

Unlike IFRSs, 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 IFRSs, net cash flows from all three categories are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Like IFRSs, cash and cash equivalents include certain short-term investments, although not necessarily the same short-term investments as under IFRSs.

Unlike IFRSs, cash and cash equivalents do not include bank overdrafts.

Like IFRSs, cash flows from operating activities may be presented using either the direct method or the indirect method.

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

Like IFRSs, cash flows generally are reported gross, and are offset in only limited circumstances.

2.4 Basis of accounting

(IAS 1, IAS 21, IAS 29, IFRIC 7)

Financial statements are prepared on a modified historical cost basis, with a growing emphasis on fair value.

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

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

The financial statements of a foreign operation whose functional currency is hyperinflationary are adjusted before being translated for consolidation purposes.

An entity discloses information about key sources of estimation uncertainty and judgements made in applying the entity's accounting policies.

2.4 Basis of accounting

(ASC Topic 830, ASC Subtopic 235-10, ASC Subtopic 255-10, ASC Subtopic 275-10, ASC Subtopic 820-10, ASC Subtopic 825-10)

(APB 22, SFAS 52, SFAS 89, SFAS 157, SOP 93-3, SOP 94-6, FSP SOP 94-6-1)

Like IFRSs, financial statements are prepared on a modified historical cost basis, with a growing emphasis on fair value.

Like IFRSs, when a non-U.S. entity that prepares U.S. GAAP financial statements operates in an environment that is highly inflationary, it reports price-level adjusted local currency financial statements.

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

Unlike IFRSs, the financial statements of a foreign operation whose functional currency is highly inflationary are remeasured for consolidation purposes as if the parent's reporting currency were its functional currency.

Like IFRSs, SEC registrants disclose information about critical accounting policies and estimates; however, unlike IFRSs, this information is disclosed outside of the financial statements. Like IFRSs, entities disclose information about estimates that are reasonably possible of changing by significant amounts in the near term.

2.5 Consolidation and non-controlling interests in consolidated financial statements

(IAS 27 (2008), SIC–12, IFRIC 17)

Consolidation is based on a control model.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

IFRSs are not clear regarding whether control should be assessed using a power-to-control model or a *de facto* control model.

Potential voting rights that are currently exercisable are considered in assessing control.

A special purpose entity (SPE) is an entity created to accomplish a narrow and well-defined objective. SPEs are consolidated based on control. The determination of control includes an analysis of the risks and rewards associated with an SPE.

All subsidiaries are consolidated.

2.5 Consolidation and non-controlling interests in consolidated financial statements

(ASC Topic 810, ASC Topic 860, ASC Topic 970, ASC Subtopic 718-40, ASC Subtopic 974-323, ASC Subtopic 480-10)

(ARB 51, SFAS 94, SFAS 140, SFAS 160, FIN 46R, SOP 78-9, SOP 93-6, EITF 85-12, EITF 95-6, EITF 96-16, EITF 97-2, EITF 00-4, EITF 04-5, EITF 06-9)

Consolidation is based on a controlling financial interest model, which differs in certain respects from IFRSs.

For non-variable interest entities, control is the continuing power to govern the financial and operating policies of an entity, like IFRSs. However, unlike IFRSs, there is no explicit linkage between control and ownership benefits.

Unlike IFRSs, there is no *de facto* control model under U.S. GAAP.

Unlike IFRSs, potential voting rights are not considered in assessing control for non-variable interest entities.

Although U.S. GAAP has the concepts of variable interest entities (VIEs) and qualifying SPEs (QSPEs), which may meet the definition of an SPE under IFRSs, the control model that applies to VIEs and QSPEs differs from the control model that applies to SPEs under IFRSs. Additionally, unlike IFRSs, entities are evaluated as VIEs based on the amount and characteristics of their equity investment at risk and not on whether they have a narrow and well-defined objective.

Generally all subsidiaries are consolidated, like IFRSs. However, unlike IFRSs, there are limited exceptions in certain specialised industries.

IFRSs do not have a concept of variable interest entities (VIEs).

IFRSs do not have a concept of qualifying SPEs (QSPEs).

A parent and its subsidiaries generally use the same reporting date when consolidated financial statements are prepared. 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.

Non-controlling interests are recognised initially either at fair value, or at the non-controlling interests' share of the amounts recognised in the acquisition accounting, excluding goodwill. This election is made on a transaction-by-transaction basis.

The entity recognises a liability for the present value of the (estimated) exercise price of put options held by non-controlling interests, but there is no detailed guidance on the accounting for such put options.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this causes the non-controlling interests to be in a deficit position.

Unlike IFRSs, a VIE is any entity in which the equity at risk either (1) is insufficient to finance the entity's own operations without additional subordinated financial support; or (2) lacks certain characteristics of a controlling financial interest. A VIE is assessed for consolidation based on an analysis of economic risks and rewards, and is consolidated by the party that absorbs a majority of the entity's expected losses or has the right to receive a majority of its expected residual returns.

Unlike IFRSs, a QSPE is an entity into which financial assets have been transferred and which meets certain strict criteria. A QSPE is not consolidated by the transferor.

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

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

Unlike IFRSs, non-controlling interests must be recognised initially at fair value.

Unlike IFRSs, there is specific guidance on the accounting for put options held by non-controlling interests, which varies depending on the terms of the arrangement.

Like IFRSs, losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this causes the non-controlling interests to be in a deficit position.

Non-controlling interests in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.

Comprehensive income attributable to non-controlling interests is presented as an allocation of comprehensive income for the period.

Changes in ownership interests after control is obtained that do not result in a loss of control are accounted for as equity transactions.

When control is lost, a gain or loss is recognised in profit or loss, comprising a "realised" gain or loss on the interest disposed of, and an "unrealised" gain or loss from remeasurement to fair value of any retained non-controlling equity investment in the former subsidiary.

Intra-group transactions are eliminated in full.

Like IFRSs, non-controlling interests in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.

Like IFRSs, comprehensive income attributable to non-controlling interests is presented as an allocation of comprehensive income for the period.

Like IFRSs, changes in ownership interests after control is obtained that do not result in a loss of control are accounted for as equity transactions.

Like IFRSs, when control is lost, a gain or loss is recognised in profit or loss, comprising a "realised" gain or loss on the interest disposed of, and an "unrealised" gain or loss from remeasurement to fair value of any retained non-controlling equity investment in the former subsidiary (unless, unlike IFRSs, the portion is disposed of through a non-reciprocal transfer to owners).

Generally intra-group transactions are eliminated in full, like IFRSs. However, income or expense between a primary beneficiary and a consolidated VIE is attributed entirely to the primary beneficiary, unlike IFRSs.

2.6 Business combinations
(IFRS 3 (2008))

All business combinations are accounted for using acquisition accounting, with limited exceptions.

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

A business is an operation that is capable of being conducted and managed for the purpose of providing a return to investors (or other owners, members or participants) by way of dividends, lower costs, or other economic benefits. An entity in its development stage can meet the definition of a business.

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 control is transferred to the acquirer.

Consideration transferred is the sum of the fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, equity interests issued, the fair value of any previously-held equity interests in the acquiree, and any contingent consideration.

The fair value of equity interests issued by the acquirer is determined at the date of acquisition.

Consideration transferred does not include acquisition-related costs. Such costs are expenses as incurred unless they are debt or equity issue costs.

2.6 Business combinations

(ASC Topic 350, ASC Topic 805, ASC Subtopic 820-10, SAB Topic 5-J, ASC paragraph 805-50-S99-1, ASC paragraph 805-50-S99-2)

(SFAS 141R, FSP FAS 141R-1, SFAS 142,SFAS 157, EITF 02-5, EITF D-97, SAB Topic 5-J)

Like IFRSs, all business combinations are accounted for using acquisition accounting, with limited exceptions.

Like IFRSs, a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

Like IFRSs, a business is an operation that is capable of being conducted and managed for the purpose of providing a return to investors (or other owners, members or participants) by way of dividends, lower costs, or other economic benefits. An entity in its development stage can meet the definition of a business, like IFRSs.

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

Like IFRSs, the date of acquisition is the date on which control is transferred to the acquirer.

Like IFRSs, consideration transferred is the sum of the fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, equity interests issued, the fair value of any previously-held equity interests in the acquiree, and any contingent consideration.

Like IFRSs, the fair value of equity interests issued by the acquirer is determined at the date of acquisition.

Like IFRSs, consideration transferred does not include acquisition-related costs. Such costs are expenses as incurred unless they are debt or equity issue costs.

Contingent consideration is recognised initially at fair value as part of the consideration transferred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability generally are recognised in profit or loss. Contingent consideration classified as equity is not remeasured.

Identifiable assets acquired and liabilities assumed are recognised in a business combination only if they meet the definition of assets and liabilities under IFRSs, and are exchanged as part of the business combination.

The assets acquired and liabilities assumed are measured at fair value with limited exceptions. Liabilities include contingent liabilities that represent present obligations.

An intangible asset is recognised separately from goodwill when it arises from contractual or legal rights, or is separable.

A restructuring provision is recognised only when it is an existing liability of the acquiree at the acquisition date.

Any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of the business combination is recognised in profit or loss.

If additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequent to the measurement period, then the adjustment is recognised in profit or loss.

The measurement principle in accounting for the identifiable assets acquired and liabilities assumed is full fair value, with limited exceptions.

There is limited guidance on measuring fair values in IFRSs, and no detailed guidance on valuation methodologies.

Like IFRSs, contingent consideration is recognised initially at fair value as part of the consideration transferred. Like IFRSs, subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in profit or loss. Like IFRSs, contingent consideration classified as equity is not remeasured. However, the classification of contingent consideration as equity, or as an asset or liability under U.S. GAAP may differ from IFRSs.

Like IFRSs, identifiable assets acquired and liabilities assumed are recognised in a business combination only if they meet the definition of assets and liabilities under U.S. GAAP, and are exchanged as part of the business combination.

Like IFRSs, assets acquired and liabilities assumed are measured at fair value, with limited exceptions. Unlike IFRSs, contingent assets, which are not recognised under IFRSs, and contingent liabilities are measured at fair value only if fair value is determinable.

Like IFRSs, an intangible asset is recognised separately from goodwill when it arises from contractual or legal rights, or is separable.

Like IFRSs, a restructuring provision is recognised only when it is an existing liability of the acquiree at the acquisition date.

Like IFRSs, any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of the business combination is recognised in profit or loss.

Like IFRSs, if additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequent to the measurement period, then the adjustment is recognised in profit or loss.

Like IFRSs, the measurement principle in accounting for the identifiable assets acquired and liabilities assumed is full fair value, with limited exceptions.

Unlike IFRSs, U.S. GAAP defines fair value as an exit price, provides a fair value hierarchy, and provides general valuation guidance and disclosure requirements.

Acquired non-current assets (disposal groups) classified as held for sale are measured at fair value less costs to sell.

At the acquisition date the acquirer measures any non-controlling interests at fair value, or at their proportionate interest in the amounts assigned to the identifiable assets acquired and liabilities assumed in the acquisition accounting. This election is made on a transaction-by-transaction basis.

Goodwill arising in a business combination is recognised as an indefinite-lived intangible asset. A gain on a bargain purchase is recognised in profit or loss after reassessing the values used in the acquisition accounting.

Adjustments to provisionally determined amounts in a business combination can be made only within the measurement period, which cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparatives are revised.

When an acquisition is achieved in stages, the identifiable assets acquired and liabilities assumed are recognised at full fair value (with limited exceptions) when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree.

"Push down" accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is not permitted under IFRSs.

There is no specific guidance on accounting for common control transactions.

Like IFRSs, acquired non-current assets (disposal groups) classified as held for sale are measured at fair value less costs to sell.

Unlike IFRSs, at the acquisition date the acquirer must measure any non-controlling interests at fair value.

Like IFRSs, goodwill arising in a business combination is recognised as an indefinite-lived intangible asset. Like IFRSs, a gain on a bargain purchase is recognised in profit or loss after reassessing the values used in the acquisition accounting.

Like IFRSs, adjustments to provisionally determined amounts in a business combination can be made only within the measurement period, which cannot exceed 12 months from the acquisition date. Like IFRSs, adjustments are made retrospectively and comparatives are revised.

Like IFRSs, when an acquisition is achieved in stages, the identifiable assets acquired, liabilities and contingent liabilities assumed are recognised at full fair value (with limited exceptions) when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree, like IFRSs.

Unlike IFRSs, "push down" accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is required for SEC registrants in certain circumstances.

Unlike IFRSs, common control transactions are accounted for by the receiving entity based on the carrying amounts in the consolidated financial statements of the ultimate parent at the date of transfer; comparatives are revised.

2.7 Foreign currency translation
(IAS 21, IAS 29)

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

When the indicators are mixed and the functional currency is not obvious, management should give priority to a number of primary indicators before considering secondary indicators.

An entity may present its financial statements in a currency other than its functional currency (presentation currency).

An entity may have more than one presentation currency.

All transactions that are not denominated in an entity's functional currency are foreign currency transactions; exchange differences arising from foreign currency transactions generally are recognised in profit or loss.

The financial statements of foreign operations are translated for the purpose of consolidation as follows: assets and liabilities at the closing rate, revenues and expenses at actual rates or appropriate averages, and equity components (excluding the current year movements, which are translated at actual rates) at historic rates.

2.7 Foreign currency translation

(ASC Topic 830)

(SFAS 52, FIN 37, EITF 01-5)

Like IFRSs, an entity measures its assets, liabilities, revenues 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 IFRSs.

Unlike IFRSs, there is no priority given to any indicators when the indicators are mixed and the functional currency is not obvious. Instead, the functional currency is evaluated by giving consideration to all of the indicators.

Like IFRSs, an entity may present its financial statements in a currency other than its functional currency (reporting currency).

Unlike IFRSs, U.S. GAAP does not address whether an entity may have more than one reporting currency. However, the SEC staff has indicated that a foreign private issuer may select any reporting currency that the issuer deems appropriate.

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

Like IFRSs, the financial statements of foreign operations are translated for the purpose of consolidation as follows: assets and liabilities at the closing rate, revenues and expenses at actual rates or appropriate averages, and equity components (excluding the current year movements, which are translated at actual rates) at historic rates.

If the functional currency of a foreign operation is hyperinflationary, then current purchasing power adjustments are made to its financial statements prior to translation. The financial statements then are translated at the closing rate at the end of the current period.

When an investment in a foreign operation is disposed of, the cumulative exchange differences recognised previously in other comprehensive income are recognised in profit or loss.

When financial statements are translated into a presentation currency other than the entity's functional currency, the entity uses the same method as for translating the financial statements of a foreign operation.

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

Unlike IFRSs, 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 with translation gains and losses recognised in profit or loss.

Like IFRSs, when an investment in a foreign operation is disposed of, the cumulative exchange differences recognised in accumulated other comprehensive income are recognised in profit or loss.

Like IFRSs, when financial statements are translated into a reporting currency other than the entity's functional currency, the entity uses the same method as for translating the financial statements of a foreign operation.

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

2.8 Accounting policies, errors and estimates
(IAS 1, IAS 8)

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

Generally accounting policy changes and corrections of prior period errors are accounted for retrospectively by adjusting opening equity and comparatives, unless impracticable.

Changes in accounting estimates are accounted for prospectively.

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

Comparatives are adjusted, unless impracticable, if the classification or presentation of items in the financial statements is changed. A statement of financial position as at the beginning of the earliest comparative period is required in certain circumstances.

2.8 Accounting policies, errors and estimates

(ASC Subtopic 250-10, ASC Subtopic 270-10, SAB 99, ASC paragraph 250-10-S99-1, SAB 108, ASC paragraph 250-10-S99-2)

(APB 9, SFAS 16, SFAS 154, SAB 99, SAB 108)

Like IFRSs, an accounting principle (policy) is changed in response to a new or revised standard or interpretation, or on a voluntary basis if the new principle is preferable.

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

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

Like IFRSs, when it is difficult to determine whether a change is a change in accounting principle or a change in estimate, it is treated as a change in estimate.

Like IFRSs, comparatives are adjusted, unless impracticable, if the classification or presentation of items in the financial statements is changed. Unlike IFRSs, a statement of financial position as at the beginning of the earliest comparative period is not required.

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 indicative of conditions that arose after the reporting date except when the going concern assumption no longer is appropriate.

Liabilities generally are classified as current or non-current based on circumstances at the reporting date. However, if an entity expects, and has the discretion, at the reporting date, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, then it classifies the obligation as non-current.

Dividends declared after the reporting date are not recognised as a liability.

2.9 Events after the reporting date

(ASC Subtopic 260-10, ASC Subtopic 470-10, ASC paragraph 855-10-S99-2, SAB Topic 4-C, ASC paragraph 505-10-S99-4, ASC Subtopic 855-10, AU 560)

(SFAS 6, SFAS 78, SFAS 128, FIN 8, FIN 48, FTB 79-3, EITF 86-30, EITF 95-22, EITF D-86, SAB Topic 4-C, SFAS 165, AU 560)

Like IFRSs, 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 IFRSs, the period to consider goes to the date the financial statements are issued for public entities and to the date the financial statements are available to be issued for certain non-public entities, and tax uncertainties are never adjusted for subsequent events.

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

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

Like IFRSs, dividends declared after the reporting date are not recognised as a liability.

3. Statement of financial position

3.1 General

(IAS 1, IAS 32)

Generally an entity must present its statement of financial position classified between current and non-current. An unclassified statement of financial position based on the order of liquidity is acceptable only when it provides reliable and more relevant information.

While IFRSs require 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.

Assets and liabilities that are expected to be settled within the entity's normal operating cycle, which may be longer than 12 months after the reporting date, are classified as current.

3. Statement of financial position

3.1 General

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

(ARB 43, SFAS 6, SFAS 78, FIN 8, FIN 39, EITF D-43, FSP FIN 39-1, Reg S-X)

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

Unlike IFRSs, 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 IFRSs.

Like IFRSs, generally obligations that are payable on demand are classified as current. However, unlike IFRSs, a liability is not classified as current when it is refinanced subsequent to the reporting date but prior to the financial statements being 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.

Like IFRSs, assets and liabilities that are expected to be settled within the entity's normal operating cycle, which may be longer than 12 months after the reporting date, are classified as current.

3.2 Property, plant and equipment

(IAS 16, IAS 23, IFRIC 1, IFRIC 18)

Property, plant and equipment is recognised initially at cost.

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

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

Changes to an existing decommissioning or restoration obligation generally are added to or deducted from the cost of the related asset and depreciated prospectively over its remaining useful life.

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

An item of property, plant and equipment is depreciated even if it is idle, but not if it is held for sale.

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

When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately.

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)

(ARB 43, APB 21, APB 29, SFAS 34, SFAS 143, SFAS 153, SFAS 154, FIN 30, FIN 47, FSP FAS 143-1, FSP AUG AIR-1, SOP 98-5, TPA 2210.28)

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

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

Like IFRSs, cost includes the cost of dismantling and removing the asset and restoring the site.

Like IFRSs, changes to an existing decommissioning or restoration obligation generally are added to or deducted from the cost of the related asset and depreciated prospectively over its remaining useful life.

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

Like IFRSs, an item of property, plant and equipment is depreciated even if it is idle, but not if it is held for sale.

Unlike IFRSs, 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 no longer are appropriate. Like IFRSs, any changes are accounted for prospectively as a change in estimate.

Unlike IFRSs, component accounting is permitted but not required.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

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.

Compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.

The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

Like IFRSs, subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

Unlike IFRSs, the revaluation of property, plant and equipment is not permitted.

Like IFRSs, compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.

Like IFRSs, the gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

3.3 Intangible assets and goodwill

(IFRS 3, IAS 36, IAS 38, 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 legal rights.

Intangible assets generally are recognised initially at cost, which is the fair value of the consideration given.

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

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

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.

Intangible assets may be revalued to fair value only if there is an active market.

3.3 Intangible assets and goodwill

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

(SFAS 2, SFAS 68, SFAS 86, SFAS 141R, SFAS 142, SFAS 144, EITF 00-2, EITF 07-3, EITF 08-7, EITF D-100, EITF D-101, SOP 93-7, SOP 98-1, SOP 98-5, FSP FAS 142-3)

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

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

Because several different standards apply to the accounting for intangible assets, there are different measurement bases upon initial recognition, unlike IFRSs.

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

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

Like IFRSs, intangible assets with finite useful lives are amortised over their expected useful lives.

Subsequent expenditure on an intangible asset is not capitalised unless it can be demonstrated that the expenditure increases the utility of the asset, which broadly is like IFRSs.

Unlike IFRSs, intangible assets cannot be revalued.

Internal research expenditure is expensed as incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.

Advertising and promotional expenditure is expensed as incurred.

Expenditure on relocation or reorganisation is expensed as incurred.

The following costs cannot be capitalised as intangible assets: internally generated goodwill, costs to develop customer lists, start-up costs and training costs.

Unlike IFRSs, both internal research and development expenditure is expensed as incurred. Special capitalisation criteria apply to direct-response advertising, software developed for internal use, and software developed for sale to third parties, which differ from the general criteria under IFRSs.

Unlike IFRSs, direct-response advertising expenditure is capitalised if specific criteria are met. Other advertising and promotional expenditure is expensed as incurred, like IFRSs, or deferred until the advertisement first appears, unlike IFRSs.

Like IFRSs, expenditure on relocation or reorganisation is expensed as incurred.

Like IFRSs, the following costs cannot be capitalised as intangible assets: internally generated goodwill, costs to develop customer lists, start-up costs and training costs.

3.4 Investment property
(IAS 40, IAS 17)

Investment property is property held to earn rental income or for capital appreciation or both.

Property held by a lessee under an operating lease may be classified as investment property if the definition of investment property otherwise is met and the lessee measures 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 only an "insignificant" portion is held for own use.

When a lessor provides ancillary services, the property is classified as investment property if such services are a "relatively insignificant" component of the arrangement as a whole.

Investment property is recognised initially at cost.

Subsequent to initial recognition, all investment property is measured using either the fair value model or the cost model. When the fair value model is chosen, changes in fair value are recognised in profit or loss.

Disclosure of the fair value of all investment property is required, regardless of the measurement model used.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

3.4 Investment property

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

(ARB 43, SFAS 13, SFAS 66, SFAS 67, SFAS 144, CON 6)

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

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

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

Like IFRSs, investment property is recognised initially at cost.

Unlike IFRSs, subsequent to initial recognition all investment property is measured using the cost model.

Unlike IFRSs, there is no requirement to disclose the fair value of investment property.

Like IFRSs, subsequent expenditure is capitalised only when 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 actual use of the property; changes in intention are not relevant.

Unlike IFRSs, investment property is accounted for as property, plant and equipment, and there are no transfers to or from an "investment property" category.

3.5 Investments in associates and joint ventures

(IAS 28, IAS 31, SIC–13)

The definition of an associate is based on significant influence, which is the power to exercise significant influence over the financial and operating policies of an entity.

There is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

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

A joint venture is an entity, asset or operation that is subject to contractually established joint control.

3.5 Equity-method investees

(ASC Topic 323, ASC Topic 970, ASC Subtopic 272-10, ASC Subtopic 325-20, ASC Subtopic 808-10, ASC Subtopic 810-20, ASC Subtopic 825-10, ASC paragraph 323-10-S99-3, ASC paragraph 323-30-S99-1, Reg S-X, 3-09, Reg S-X 4-08(e), Reg S-X 4-08(g), ASC paragraph 235-10-S99-1, Reg S-X 5-03.13, ASC paragraph 225-10-S99-2, SAB Topic 5-M, ASC paragraph 320-10-S99-1)

(APB 18, FAS 159, FIN 35, SOP 78-9, EITF 98-6, EITF 98-13, EITF 99-10, EITF 00-1, EITF 02-14, EITF 02-18, EITF 03-16, EITF 04-5, EITF 07-1, EITF 08-6, EITF D-46, EITF D-68, EITF D-84, AIN-APB 18, 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 IFRSs, significant influence is the ability to significantly influence the operating and financial policies of an investee. In addition, unlike IFRSs, for partnerships and similar entities significant influence is defined more broadly to include all circumstances except those in which the investor's interest is so minor that the investor may have virtually no influence over the investee's operating and financial policies. The term "equity-method investee" is used to describe what would be an associate under IFRSs.

Like IFRSs, there is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity. Unlike IFRSs, there are additional requirements in respect of partnerships and similar entities under which significant influence is deemed to exist for investments of more than three to five percent of the investee's equity interests.

Unlike IFRSs, the role of potential voting rights is not addressed explicitly in U.S. GAAP. However, because all factors are required to be considered in assessing significant influence, in effect any such voting rights would need to be considered, which may result in the same outcome as IFRSs.

Unlike IFRSs, U.S. GAAP does not define a joint venture other than a corporate joint venture.

Associates generally are accounted for using the equity method.

Jointly controlled entities may be accounted for either by proportionate consolidation or using the equity method.

An associate's or jointly controlled entity's accounting policies must be consistent with those of its investor.

The reporting date of an associate or jointly controlled entity may not differ from the investor's by more than three months. Adjustments are made for the effects of significant events and transactions between the two dates.

When an equity accounted investee incurs losses, the carrying amount of the investor's interest is reduced to zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses.

Unrealised profits or losses on transactions with associates or jointly controlled entities are eliminated to the extent of the investor's interest in the investee.

When an entity contributes a subsidiary in exchange for an interest in an associate or jointly controlled entity, it is unclear whether any gain or loss should be recognised in full by the investor only to the extent of the other investors' interest.

When other non-monetary assets are contributed, generally the investor recognises a gain or loss to the extent that the assets have been sold to the other venturers.

Equity-method investees are accounted for using the equity method, like IFRSs, or under the fair value option, unlike IFRSs.

Unlike IFRSs, generally jointly controlled entities are accounted for using the equity method. Proportionate consolidation is allowed only in certain industries for unincorporated ventures.

Unlike IFRSs, an equity-method investee's or jointly controlled entity's accounting policies need not be consistent with those of its investor.

Like IFRSs, the reporting date of an equity-method investee or jointly controlled entity may not differ from the investor's by more than three months. However, unlike IFRSs, adjustments are not made for the effects of significant events and transactions between the two dates.

Like IFRSs, when an equity-method investee incurs losses, the carrying amount of the investor's interest is reduced to zero. Like IFRSs, further losses are recognised by the investor to the extent that the investor has an obligation to fund losses. However, unlike IFRSs, further losses also are 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.

Like IFRSs, unrealised profits or losses on transactions with equity-method investees or jointly controlled entities are eliminated to the extent of the investor's interest in the investee.

Unlike IFRSs, when an entity contributes a subsidiary in exchange for an equity interest in a joint venture, the investor must recognise any gain or loss in full.

Like IFRSs, when other non-monetary assets are contributed, generally the investor recognises a gain or loss to the extent that the assets have been sold to the other venturers.

Gains and losses on non-monetary contributions in return for an equity interest in a jointly controlled entity are recognised to the extent of the other investors' interests in the investee. In some cases no gain or loss is recognised.

An equity accounted investment is written down if its carrying amount is impaired.

For jointly controlled assets, the investor accounts for its share of the jointly controlled assets, the liabilities and expenses it incurs, and its share of any income or output.

For jointly controlled operations, the investor accounts for the assets it controls, the liabilities and expenses it incurs, and its share of the income from the joint operation.

Upon the loss of significant influence or joint control, any retained investment is remeasured to fair value and a gain or loss is recognised in profit or loss.

Equity accounting or proportionate consolidation 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.

There is no specific guidance on the treatment of transaction costs incurred in acquiring an equity-method investee.

There is no specific guidance on the treatment of contingent consideration transferred in exchange for the investment in the investee.

Unlike IFRSs, when the investor contributes a group of assets, generally the investor measures its interest in the joint venture at the carryover basis of the assets transferred and no gain or loss is recognised unless the investor is an SEC registrant and the group of assets transferred is a business, in which case the investor recognises the gain or loss in full.

Unlike IFRSs, an equity-method investee is written down if its carrying amount is impaired only if that impairment is considered to be "other than temporary".

Unlike IFRSs, jointly controlled assets generally are accounted for using the equity method if a legal entity exists.

Like IFRSs, for jointly controlled operations the investor accounts for the assets it controls, the liabilities and expenses it incurs, and its share of the income from the joint operation.

Unlike IFRSs, if an equity-method investee or jointly controlled entity 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 reclassifications of items recognised previously in accumulated other comprehensive income.

Unlike IFRSs, there is no exemption from use of the equity method for an equity-method investees or joint venture that is acquired with a view to subsequent sale.

Unlike IFRSs, transaction costs incurred in acquiring an equity-method investee are included in the cost of the investment.

Unlike IFRSs, the fair value of contingent consideration is excluded from the carrying amount of the investment unless it is required to be recognised under other literature. When recognised, the contingent consideration is an increase to the cost of the investment.

Venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and jointly controlled entities as financial assets.

Unlike IFRSs, there is no election available to venture capital organisations, mutual funds and unit trusts to account for investments in associates and jointly controlled entities as financial assets. However, investment companies must account for investments in equity-method investees and jointly controlled entities as financial assets at fair value through profit or loss, unlike IFRSs.

3.6 Financial instruments
(IAS 39, IAS 21, IFRIC 9, IFRIC 10)

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

- the value of which changes in response to an underlying variable;
- 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; and
- that will be settled at a future date.

Embedded derivatives are terms of a contract or an instrument that behave like a derivative.

Derivatives embedded in host contracts generally are accounted for separately when their economic characteristics and risks are not closely related to those of the host contract.

3.6 Financial instruments

(ASC Topic 310, ASC Topic 450, ASC Topic 815, ASC Topic 830, ASC Topic 860, ASC Topic 942, ASC Subtopic 320-10, ASC Subtopic 405-20, ASC Subtopic 460-10, ASC Subtopic 470-50, ASC Subtopic 470-60, ASC Subtopic 480-10, ASC Subtopic 825-10, ASC Subtopic 835-30, ASC Subtopic 948-10, SAB Topic 5-M, ASC paragraph 320-10-S99-1, SAB Topic 6-L, ASC paragraph 310-10-S99-4)

(APB 21, SFAS 5, SFAS 15, SFAS 52, SFAS 91, SFAS 114, SFAS 115, SFAS 118, SFAS 133, SFAS 138, SFAS 140, SFAS 149, SFAS 150, SFAS 155, SFAS 156, SFAS 159, FIN 45, SOP 01-6, EITF 96-19, EITF 06-6, EITF D-80, SAB Topic 5-M, SAB Topic 6-L)

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

- that has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both, unlike IFRSs;
- 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 IFRSs; and
- that, unlike IFRSs:
  - 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 IFRSs, embedded derivatives are terms of a contract or an instrument that behave like a derivative.

Like IFRSs, derivatives embedded in host contracts generally are accounted for separately when their economic characteristics and risks are not clearly and closely related to those of the host contract. However, the U.S. GAAP guidance related to the term "clearly and closely related" differs from the IFRS guidance related to the term "closely related" in certain respects.

Financial instruments are classified in one of the following categories on initial recognition:

- at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; or
- other liabilities.

Reclassifications of financial assets between the different categories are permitted / required only if certain criteria are met, and may not be allowed at all without tainting implications.

A financial instrument may be designated upon initial recognition at fair value through profit or loss only if certain criteria are met. This designation is irrevocable and may be made only upon initial recognition. An entity can choose which, if any, of its financial assets and liabilities are to be designated into this category. Designation after initial recognition is prohibited.

All financial instruments are measured initially at fair value plus directly attributable transaction costs, except when the instrument is classified as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are measured at fair value and all changes therein are recognised immediately in profit or loss.

U.S. GAAP has financial asset categories. However, unlike IFRSs, these categories are only available for debt and marketable equity securities:

- held-for-trading;
- held-to-maturity investments; or
- available-for-sale.

Also unlike IFRSs, U.S. GAAP has a loans-held-for-sale category, which requires that loans in this category be recorded at the lower of cost or market.

Like IFRSs, reclassifications of financial assets between the different categories are permitted / required only if certain criteria are met, and may not be allowed at all without tainting implications. However, the detailed requirements differ in certain respects from IFRSs.

Unlike IFRSs, entities have a free choice to designate most financial instruments, on an instrument-by-instrument basis, upon initial recognition as at fair value through profit or loss. Like IFRSs, the designation is irrevocable. Unlike IFRSs, a financial instrument may be designated as at fair value through profit or loss subsequent to initial recognition if certain criteria are met.

Derivatives, securities classified as trading or available-for-sale, and instruments for which the fair value through profit or loss option has been elected are measured initially at fair value, like IFRSs. Unlike IFRSs, other financial instruments are measured initially at cost. Unlike IFRSs, the initial amount recognised for all financial instruments measured at fair value excludes transaction costs.

Like IFRSs, financial instruments at fair value through profit or loss are measured at fair value and all changes therein are recognised immediately in profit or loss.

Loans and receivables and held-to-maturity investments are measured, subsequent to initial recognition, at amortised cost. All other financial assets are measured at fair value, with limited exceptions.

All freestanding derivatives and some embedded derivatives are recognised in the statement of financial position and measured at fair value. Unless they qualify as hedging instruments in a cash flow or net investment hedge, all changes in fair value are recognised immediately in profit or loss.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except that foreign exchange gains and losses on available-for-sale monetary items and impairment losses on all available-for-sale financial assets are recognised in profit or loss.

Financial liabilities, other than those held for trading or designated at fair value through profit or loss, are measured at amortised cost subsequent to initial recognition.

An entity derecognises a financial asset when the contractual rights to the cash flows from that asset expire or when the entity transfers a financial asset and the transfer qualifies for derecognition.

Like IFRSs, loans and receivables and held-to-maturity securities are measured, subsequent to initial recognition, at amortised cost. However, unlike IFRSs, loans held for sale are measured at the lower of cost and market. Like IFRSs, trading and available-for-sale securities are measured at fair value although, unlike IFRSs, this category applies only to investments in securities. Unlike IFRSs, other financial assets generally are measured, subsequent to initial recognition, at cost.

Like IFRSs, all freestanding derivatives and some embedded derivatives are recognised in the statement of financial position and measured at fair value. Unless they qualify as hedging instruments in a cash flow or net investment hedge, all changes in fair value are recognised immediately in profit or loss, like IFRSs.

Like IFRSs, changes in the fair value of available-for-sale securities are recognised in other comprehensive income, except for impairment losses, which are recognised in profit or loss; however, unlike IFRSs, the amount recognised in other comprehensive income includes foreign exchange gains and losses on available-for-sale securities that are monetary items.

Like IFRSs, financial liabilities generally are measured at either fair value or amortised cost subsequent to initial recognition. Like IFRSs, a financial liability may be designated at fair value through profit or loss. Like IFRSs, trading liabilities and derivative liabilities are recorded at fair value. Unlike IFRSs, mandatorily redeemable instruments and obligations to repurchase a fixed number of an issuer's own equity shares are recorded at a settlement value or a net present value depending on the situation. Also unlike IFRSs, certain obligations to issue or repurchase a variable number of shares are required to be recorded at fair value.

A transfer of financial assets, or all or a portion of a financial asset, in which the transferor surrenders control over the assets is accounted for as a sale, unlike IFRSs.

An entity is considered to have transferred a financial asset, or a part thereof, if it transfers its rights to receive the cash flows from the asset; or it retains the rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Evaluating whether a transfer of a financial asset qualifies for derecognition requires consideration of whether substantially all risks and rewards and, in certain circumstances control, has been transferred.

If an entity retains control of a financial asset for which some but not substantially all risks and rewards have been transferred, then the entity continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when it is extinguished.

When there is objective evidence that a financial asset measured at amortised cost, or at fair value with changes recognised in other comprehensive income, may be impaired, the amount of any impairment loss must be calculated and recognised in profit or loss. Some impairment losses can be reversed.

An entity, that is not the issuer, is considered to have transferred a financial asset when it has conveyed the financial asset by and to someone other than the issuer of that financial asset, unlike IFRSs.

Unlike IFRSs, 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 IFRSs, risks and rewards is not an explicit consideration when testing a transfer for derecognition, but rather derecognition is based on whether legal, actual and effective control has been transferred. However, after a transfer of a financial asset, or a portion thereof, an entity continues to recognise the financial and servicing assets that it controls, like IFRSs. Also, after a transfer an entity derecognises the financial assets (or portions thereof) for which control has been surrendered.

Like IFRSs, a financial liability is derecognised when it is extinguished.

Unlike IFRSs, 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 other comprehensive income. Like IFRSs, impairment losses can be reversed only if they were not fully written off through profit or loss. Unlike IFRSs, other impairment losses that are other than temporary cannot be reversed.

3.7 Hedge accounting

(IAS 39, IFRIC 16)

The hedge accounting model applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign operation.

Hedge accounting is permitted only when strict documentation, effectiveness testing, and other requirements are met. There are no exceptions to the requirements for effectiveness testing.

The hedged item is the item that is exposed to the specific financial risk that an entity has chosen to hedge. The hedged item can be a single or group of recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions or net investments in foreign operations with similar risk characteristics; or in a portfolio hedge of interest rate risk, a portion of a portfolio of financial assets or financial liabilities that share the risk being hedged.

All derivatives, including separable embedded derivatives, can qualify as hedging instruments, with some limitations.

The hedged risk must be one that could affect profit or loss.

3.7 Hedge accounting
(ASC Topic 815)

(SFAS 133, SFAS 138, SFAS 149, EITF 00-19, DIG Issues)

Like IFRSs, the hedge accounting model applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign operation. However, the requirements differ in certain respects from IFRSs.

Like IFRSs, hedge accounting is permitted only when strict documentation, effectiveness testing, and other requirements are met. Unlike IFRSs, certain derivatives are accounted for as if they are perfectly effective without measuring ineffectiveness in very limited circumstances.

Like IFRSs, the hedged item is the item that is exposed to the specific financial risk that an entity has chosen to hedge. Like IFRSs, the hedged item can be a single or group of recognised assets or liabilities, unrecognised firm commitments, probable forecast transactions or net investments in foreign operations with similar risk characteristics. Unlike IFRSs, in 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 under U.S. GAAP. In addition, the details may differ in certain respects from IFRSs. Also, unlike IFRSs, U.S. GAAP restricts the hedged risk to the entire risk of changes in cash flows or fair value, benchmark interest rate risk, currency risk, or counterparty credit risk in a hedged item.

Like IFRSs, all derivatives, including separable embedded derivatives, can qualify as hedging instruments, with some limitations. However, those limitations differ from IFRSs in certain respects.

Like IFRSs, the hedged risk must be one that could affect profit or loss.

To qualify for hedge accounting, a hedge must be "expected to be" (prospectively) and "actually have been" (retrospectively) highly effective. The actual results of the hedge must be within the range of 80-125 percent effective.

Hedge accounting must be discontinued prospectively if the hedged transaction no longer is highly probable; the hedging instrument expires, is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; or the hedge is no longer highly effective.

Like IFRSs, to qualify for hedge accounting, a hedge must be “expected to be“ (prospectively) and “actually have been“ (retrospectively) highly effective. Unlike IFRSs, the 80-125 percent range is not specified. However, this range is very commonly used. The SEC staff has indicated that this is an acceptable range.

Like IFRSs, hedge accounting is discontinued prospectively if the hedged transaction no longer is probable; the hedging instrument expires, 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 IFRSs.

3.8 Inventories
(IAS 2)

Generally inventories are 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 generally is determined using the FIFO (first-in, first-out) or weighted average cost method. The LIFO (last-in, first-out) method is prohibited.

Other cost formulas, such as the standard cost or retail method, may be used if the result approximates actual cost.

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

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 increases subsequently, then the write-down is reversed.

3.8 Inventories

(ASC Subtopic 330-10, ASC Subtopic 605-50, ASC Subtopic 845-10, ASC paragraph 420-10-S99-3, SAB Topic 5-BB, ASC paragraph 330-10-S99-2)

(ARB 43, SFAS 151, EITF 02-16, EITF 96-9, EITF 86-13, EITF 04-13, SAB Topic 5-BB)

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

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

Unlike IFRSs, asset retirement obligations incurred through the production of inventory are added to the carrying amount of the related item of property, plant and equipment.

Unlike IFRSs, the cost of inventory can be determined using the LIFO method in addition to the FIFO or weighted average method.

Like IFRSs, other cost formulas such as the standard cost or retail method may be used if the result approximates actual cost.

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

Unlike IFRSs, "market" is replacement cost limited by net realisable value (ceiling) and net realisable value less a normal profit margin (floor). Like IFRSs, net realisable value is the estimated selling price less the estimated costs of completion and sale.

Unlike IFRSs, a write-down of inventory to market is not reversed for subsequent recoveries in value.

3.9 Biological assets
(IAS 41)

Biological assets are measured at fair value less costs to sell unless fair value cannot be measured reliably, in which case they are measured at cost. Changes in fair value less costs to sell are recognised in profit or loss.

Agricultural produce is measured at fair value less costs to sell at the point of harvest, which becomes cost under the inventories standard, and subsequently is accounted for at the lower of cost and net realisable value.

3.9 Biological assets

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

(SOP 85-3, AICPA Agricultural Producers and Agricultural Cooperatives Guide)

Unlike IFRSs, "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 IFRSs.

Unlike IFRSs, agricultural produce is measured 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 IFRSs.

3.10 Impairment
(IAS 36, IFRIC 10)

The impairment standard deals with the impairment of a variety of non-financial assets, including property, plant and equipment, intangible assets and goodwill; investment property and biological assets carried at cost less accumulated depreciation; and investments in subsidiaries, joint ventures and associates.

Impairment testing is required when there is an indicator 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 an annual reporting period provided that it is performed at the same time each year.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose.

A CGU is the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof.

Whenever possible an impairment test is performed for an individual asset. Otherwise assets are tested for impairment in CGUs. Goodwill always is tested for impairment at the level of a CGU or a group of CGUs.

3.10 Impairment

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

(SFAS 142, SFAS 144, SFAS 157, CON 7, EITF 95-23)

Like IFRSs, the impairment standards deal with the impairment of a variety of non-financial long-lived assets, including property, plant and equipment, intangible assets and goodwill. However, unlike IFRSs, different standards address impairments of biological assets, investments in joint ventures and equity-method investees (associates).

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

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

Unlike IFRSs, goodwill is allocated to reporting units (RUs) that are expected to benefit from the synergies of the business combination from which it arose. Unlike IFRSs, an RU is defined as an operating segment or one level below an operating segment.

Unlike IFRSs, an asset group is the lowest level for which there are identifiable cash flows that largely are independent of the cash flows (rather than cash inflows) of other groups of assets.

Like IFRSs, whenever possible an impairment test is performed for an individual asset; however, unlike IFRSs, generally an indefinite-lived intangible asset is tested as an individual asset. Otherwise assets are tested for impairment in asset groups, unlike IFRSs. Unlike IFRSs, goodwill always is tested for impairment at the RU level, and RUs may differ from CGUs or groups of CGUs.

The carrying amount of goodwill is grossed up for impairment testing if non-controlling interests are present and are recognised initially based on their proportionate interest in the values assigned to the identifiable assets acquired and liabilities assumed in the acquisition accounting.

An impairment loss is recognised if an asset's (CGU's) carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows.

Estimates of future cash flows used in the value in use calculation are specific to the entity.

The discount rate used in the value in use calculation is based on a market-related rate that reflects the current market assessment of risk specific to the asset at the current date.

An impairment loss for a CGU is allocated first to any goodwill and then *pro rata* to other assets in the CGU.

An impairment loss on a revalued asset is charged directly to the revaluation reserve in other comprehensive income to the extent that it reverses a previous revaluation surplus relating to the same asset. Any excess is recognised in profit or loss.

Reversals of impairment are recognised, other than in respect of goodwill.

Unlike IFRSs, the carrying amount of goodwill is not grossed up for impairment testing because non-controlling interests are measured at fair value in the acquisition accounting.

Unlike IFRSs, an impairment loss is recognised for assets other than goodwill and identifiable intangibles with indefinite lives only if the asset's (asset group's) carrying amount is less than the undiscounted cash flows of the asset or asset group. The impairment loss is calculated based on the fair value of the asset (asset group), unlike IFRSs. Unlike IFRSs, an impairment loss is recognised for goodwill if the fair value of the RU is less than its carrying amount, and for an indefinite-lived identifiable intangible asset if its fair value is less than its carrying amount.

Like IFRSs, estimates of future cash flows used to assess recoverability of assets (asset group) are specific to the entity.

Unlike IFRSs, the cash flows used to assess recoverability of depreciable and amortisable assets are not discounted. Unlike IFRSs, the first step of the goodwill impairment test is based on the fair value of the reporting unit.

Unlike IFRSs, an impairment loss for an asset group is allocated *pro rata* to assets in the asset group, which excludes goodwill, corporate assets and indefinite-lived intangible assets.

Unlike IFRSs, the revaluation of property, plant and equipment and intangible assets is not permitted; therefore all impairment losses are recognised in profit or loss.

Unlike IFRSs, reversals of impairments are prohibited.

3.11 Equity and financial liabilities

(IAS 1, IAS 27, IAS 32, IAS 39, IFRIC 17)

A financial instrument is a financial liability if the issuer can be obliged to settle in cash or by delivering another financial instrument.

A financial instrument is a financial liability if it will or may be settled in a variable number of the entity's own equity instruments. As an exception to the general principle, puttable 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.

An instrument issued in the legal form of a preference share and similar instruments may have to be classified in whole or in part as a liability based on an analysis of the contractual terms of the instrument.

3.11 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 paragraph 480-10-S99-3, ASR 268, CON6)

(ARB 43, SFAS 133, SFAS 150, SFAS 160, EITF 00-19, EITF 98-5, EITF 00-27, EITF 07-5, EITF 08-4, EITF 08-8, EITF D-98, FSP FAS 150-3, FSP FAS 150-5, FSP APB 14-1, ASR 268, CON 6)

Like IFRSs, financial instruments that can obligate the issuer to settle in cash or by delivering another financial instrument are classified as liabilities. Unlike IFRSs, certain securities with redemption features that are outside the control of the issuer, such as redeemable preferred shares, that would not otherwise be classified as liabilities, are presented in the statement of financial position between total liabilities and equity.

Unlike IFRSs, 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 IFRSs, a financial instrument that only conditionally obligates settlement in a variable number of shares is classified as equity if other criteria are met. Unlike IFRSs, a financial instrument that is predominantly indexed to the entity's own stock that is settleable in a variable number of shares is classified as equity if other criteria are met.

Like IFRSs, an instrument issued in the legal form of a preferred share and similar instruments may have to be classified in whole or in part as a liability based on an analysis of the contractual terms of the instrument. However, differences between IFRSs and U.S. GAAP exist in classifying preferred shares as debt or equity.

The components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately. A conversion option embedded in a convertible instrument that may be settled in whole or in part in cash upon conversion would be bifurcated and accounted for as a derivative at fair value through profit or loss. A feature that is not closely related to the host contract that is not equity-classified is bifurcated and accounted for as a derivative.

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 settled by exchanging a fixed number of its own equity instruments for a fixed amount of cash or another financial asset.

A derivative contract that can be settled by the entity delivering a fixed number of own equity instruments for a fixed amount of cash, but which contains settlement options, is an equity instrument only if all settlement alternatives lead to equity classification.

An obligation for an entity to acquire its own equity instruments gives rise to a financial liability.

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 own equity instruments classified as equity are recognised directly in equity.

Unlike IFRSs, instruments with characteristics of both debt and equity are not always split between their debt and equity components. However, convertible instruments that may be settled in whole or in part in cash upon conversion are split into liability and equity components that are accounted for separately. Like IFRSs, an embedded feature that is not clearly and closely related to the host contract that is not equity-classified is bifurcated and accounted for as a derivative; however, the conditions for bifurcation as a derivative differ in certain respects from IFRSs (see 3.6). Unlike IFRSs, a beneficial conversion feature is bifurcated from the host based on its intrinsic value if the conversion feature otherwise qualifies for equity classification.

Unlike IFRSs, a non-derivative contract that may or must be settled in an entity's own shares may be classified as equity if the contract meets specified criteria such that the entity has the ability to settle either gross or net in shares, unless it predominantly represents an obligation to issue a variable number of shares or is a financial instrument other than an outstanding share that embodies a conditional obligation to issue a variable number of shares based on a fixed monetary amount known at inception or certain other criteria.

Like IFRSs, derivative instruments indexed to an entity's own shares may be classified as equity; however, the criteria for determining equity or liability classification differ from IFRSs.

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

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

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

Like IFRSs, gains and losses on transactions in own equity instruments classified as equity are recognised directly in equity.

Non-controlling interests in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.

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

Like IFRSs, non-controlling interests are classified as equity but are presented separately from the parent's equity.

Like IFRSs, dividends on shares classified as equity are recognised directly in equity. Unlike IFRSs, dividends on shares in the mezzanine are recognised directly in equity.

3.12 Provisions

(IAS 37, IAS 16, IFRIC 1, IFRIC 5, IFRIC 6)

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 creates a valid expectation that it will act in a certain way.

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

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

If there is a large population and a continuous range of equally possible outcomes, then the obligation is measured at the mid-point in 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.

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 paragraph 805-50-S99-2, SAB Topic 5-P, ASC paragraphs 420-10-S99-1 and S99-2, SAB Topic 5-Y, ASC paragraph 450-20-S99-1, CON 6, TPA 5100.35)

(SFAS 5, SFAS 48, SFAS 88, SFAS 143, SFAS 146, FIN 14, FIN 30, FIN 45, FIN 47, FTB 79-15, SOP 96-1, EITF 89-13, EITF 01-10, EITF 02-6, EITF D-97, FSP FAS 143-1, FSP FIN 45-1, FSP FIN 45-2, FSP EITF 00-19-2, SAB Topic 5-P, SAB Topic 5-Y, CON 6, TPA 5100.35)

Unlike IFRSs, a contingency (provision) is recognised if it is probable that a liability has been incurred and the amount can be estimated reasonably. However, unlike IFRSs, "probable" in this context means "likely to occur".

Like IFRSs, a constructive obligation arises when an entity creates a valid expectation that it will act in a certain way. However, unlike IFRSs, constructive obligations are recognised only if required by a specific standard.

Unlike IFRSs, a recognised contingency is measured using a "reasonable estimate". Under other standards obligations that are a provision under IFRSs are measured at fair value.

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

Unlike IFRSs, 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.

Unlike IFRSs, 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 significant.

A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.

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.

IFRSs do not specifically address provisions for contract termination costs.

Provisions are not recognised for the repair or maintenance of own assets, or for self-insurance prior to an obligation being incurred.

A provision is recognised for a contract that is onerous, i.e., one in which the unavoidable costs of meeting the obligations under the contract exceed the benefits to be derived.

Unlike IFRSs, recognised contingencies are not discounted except in limited cases, in which case specific requirements apply that may differ from IFRSs.

Unlike IFRSs, a reimbursement right is recognised as a separate asset when recovery is probable; like IFRSs, the asset is capped at the amount of the related recognised contingency.

Like IFRSs, a provision is not recognised for future operating losses.

Like IFRSs, 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 pursuant to an ongoing post-employment benefit plan.

Unlike IFRSs, for contract termination costs related to a restructuring, a liability 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. The liability is measured at fair value.

Like IFRSs, provisions are not recognised for the repair or maintenance of own assets, or for self-insurance prior to an obligation being incurred.

Unlike IFRSs, there is no general requirement to recognise a loss for onerous contracts; such a provision is recognised only when required by a specific standard.

3.13 Income taxes
(IAS 12, SIC–21, SIC–25)

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

Deferred tax is recognised for the estimated future tax effects of temporary differences and tax loss carryforwards.

A temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

A deferred tax liability is not recognised if it arises from the initial recognition of goodwill. A deferred tax asset is recognised for "excess" tax deductible goodwill. Subsequent to acquisition, deferred taxes are recognised for temporary differences that arise on tax deductible goodwill.

A deferred tax liability (asset) 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 affects neither accounting profit nor taxable profit.

A deferred tax liability (asset) is recognised for the difference in tax bases between jurisdictions as a result of an intra-group transfer of assets.

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.

3.13 Income taxes

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

(APB 2, APB 4, APB 23, SFAS 13, SFAS 109, FIN 48, EITF 93-9, EITF 93-16, EITF 95-9, EITF 95-10, EITF 95-20, EITF 98-11, FSP FAS 13-2)

Like IFRSs, the total income tax expense recognised in profit or loss is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, excluding tax recognised in other comprehensive income, directly in equity or arising from a business combination.

Like IFRSs, deferred tax is recognised for the estimated future tax effects of temporary differences and tax loss carryforwards.

Like IFRSs, a temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

Like IFRSs, a deferred tax liability is not recognised if it arises from the initial recognition of goodwill. A deferred tax asset is recognised for "excess" tax deductible goodwill. Subsequent to acquisition, deferred taxes are recognised for temporary differences that arise on tax deductible goodwill.

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

Unlike IFRSs, a deferred tax liability (asset) is not recognised for the difference in tax bases between jurisdictions as a result of an intra-group transfer of assets.

Unlike IFRSs, when the reporting currency is the functional currency, 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 functional currency using historical exchange rates or indexing for tax purposes.

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

A deferred tax asset is recognised if it is "probable" that it will be realised, i.e., a net approach.

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

Deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset).

Deferred tax is measured on an undiscounted basis.

Deferred tax is classified as non-current in a classified statement of financial position.

Income tax relating to items recognised outside profit or loss, in the current or a previous period, is recognised where that item was recognised.

Like IFRSs, deferred tax is not recognised in respect of investments in foreign or domestic subsidiaries and foreign corporate joint ventures if certain conditions are met; however, the conditions differ from IFRSs. Unlike IFRSs, deferred tax always is recognised in respect of investments in equity-method investees (associates) and outside basis differences caused by post-1992 undistributed earnings from domestic joint ventures.

Unlike IFRSs, 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.

Unlike IFRSs, deferred tax is measured based on rates and tax laws that are enacted at the reporting date.

Unlike IFRSs, 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.

Like IFRSs, deferred tax is measured on an undiscounted basis.

Unlike IFRSs, deferred tax, but not the valuation allowance, is classified as either current or non-current in the statement of financial position according to the classification of the related asset or liability giving rise to the temporary difference. The valuation allowance is allocated against current and non-current deferred tax assets for the relevant tax jurisdiction on a *pro rata* basis, unlike IFRSs. The expected timing of the reversal of deferred taxes is not considered in the classification of deferred tax balances except when a deferred tax balance does not relate to a recognised asset or liability.

Like IFRSs, income tax relating to items recognised outside profit or loss during the current reporting period is recognised where that item was recognised. However, unlike IFRSs, subsequent changes are 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.

Current tax assets and liabilities are offset only when there is a legally enforceable right of offset, and the entity intends to apply offset or to settle simultaneously.

Deferred tax liabilities and assets are offset if the entity has a legally enforceable right to offset 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.

Deferred tax assets and liabilities cannot be offset against current tax assets and liabilities.

Unlike IFRSs, temporary differences related to share-based payment arrangements are based on the amount of compensation cost recognised in profit or loss without any adjustment for the entity's current share price until the tax benefit is realised.

Like IFRSs, current tax assets and liabilities are offset only when there is a legally enforceable right of offset. However, unlike IFRSs, the entity need not intend to apply offset or to settle simultaneously.

Unlike IFRSs, 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. Like IFRSs, deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions may not be offset.

Like IFRSs, deferred tax assets and liabilities cannot be offset against current tax assets and liabilities.

3.14 Contingent assets and liabilities

(IAS 37, IFRS 3)

Contingent liabilities are present obligations that arise from past events with uncertainties about either the probability of outflows of resources or about the amount of the outflows, or possible obligations when the existence of an obligation is uncertain; these uncertainties result in the non-recognition of the item.

Contingent liabilities that represent present obligations are not recognised other than in a business combination. Contingent liabilities are not recognised in the financial statements.

Details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote.

Contingent assets are possible assets whose existence is uncertain.

Contingent assets are not recognised in the statement of financial position.

3.14 Unrecognised contingencies

(ASC Topic 450, ASC Topic 805, ASC Subtopic 275-10, ASC Subtopic 410-20, ASC Subtopic 410-30, ASC Subtopic 450-20, ASC paragraph 450-20-S99-2, SEC SAB Topic 5-Y, ASC paragraph 450-20-S99-1)

(SFAS 5, SFAS 141R, SFAS 143, FIN 14, FIN 47, SOP 94-6, SOP 96-1, EITF D-77, FSP FAS 141R-1, SEC SAB Topic 5-Y)

Unlike IFRSs, the term used in U.S. GAAP is loss or gain contingencies and it refers to both recognised and unrecognised contingencies. This chapter addresses only unrecognised contingencies.

Unlike IFRSs, contingent liabilities that represent present obligations are recognised in a business combination only when fair value is determinable within the measurement period (see 2.6), or it is probable that an obligation exists at the acquisition date and the amount can be reasonably estimated.

Like IFRSs, generally information on contingencies is disclosed in the notes to the financial statements unless the probability of an outflow is remote. However, unlike IFRSs, certain loss contingencies are disclosed even if the likelihood of an outflow is remote.

Unlike IFRSs, contingent assets are not defined.

Unlike IFRSs, 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 probable, unlike IFRSs.

4. Specific items of profit or loss and comprehensive income

4.1 General

(IAS 1, IAS 8)

While IFRSs require certain items to be presented in the statement of comprehensive income, there is no prescribed format.

An analysis of expenses is required, either by nature or by function, in the statement of comprehensive income or in the notes.

The presentation of alternative earnings measures, in the statement of comprehensive income or in the notes, is not prohibited.

IFRSs do not describe events or items of income or expense as "exceptional" or "unusual" items.

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

4. Specific items of profit or loss and comprehensive income

4.1 General

(ASC Topic 805, ASC Subtopic 205-20, ASC Subtopic 225-10, ASC Subtopic 225-20, ASC Subtopic 250-10, ASC Subtopic 360-10, ASC Subtopic 605-45, ASC Subtopic 605-50, Reg S-X, SAB Topic 5-P, ASC paragraphs 420-10-S99-1 and S99-2)

(APB 9, APB 30, SFAS 141R, SFAS 144, EITF 99-19, EITF 00-10, EITF 01-9, EITF 01-14, EITF 02-16, EITF 03-10, Reg S-X, SAB Topic 5-P)

Unlike IFRSs, 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 earnings or statement of comprehensive income, like IFRSs.

Unlike IFRSs, 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 IFRSs.

Unlike IFRSs, the presentation of alternative earnings measures in the financial statements by SEC registrants is prohibited. Also, unlike IFRSs, in practice the presentation of alternative earnings measures in the financial statements by non-SEC registrants is not permitted.

Unlike IFRSs, transactions of an unusual nature are defined as events or transactions 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 IFRSs, the presentation of certain items as "extraordinary items" is required when 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 IFRS, or when the amounts relate to similar transactions or events that are not material.

Like IFRSs, generally items of income and expense are not offset unless required or permitted by another standard, or when the amounts relate to similar transactions or events that are not material. However, unlike IFRSs, there is more detailed guidance on when amounts are offset.

4.2 Revenue

(IAS 18, Framework, IAS 1, IAS 11, IAS 17, IFRIC 13, IFRIC 15, IFRIC 18, SIC–27, SIC–31, IFRIC 4)

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

Revenue includes amounts 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. IFRSs include some guidance in evaluating whether an entity is acting as a principal or an agent.

When a transaction comprises multiple elements, as a general principle each element is accounted for separately.

4.2 Revenue

(CON 5, ASC Topic 605, ASC Topic 860, ASC Topic 905, ASC Topic 920, ASC Topic 922, ASC Topic 926, ASC Topic 928, ASC Topic 932, ASC Topic 944, 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 paragraph 470-20-S99-1, SAB Topic 13, ASC paragraph 605-10-S99-1, TPA 5100)

(CON 5, FTB No. 90-1, ARB 45, APB 29, SFAS 19, SFAS 45, SFAS 48, SFAS 49, SFAS 50, SFAS 51, SFAS 60, SFAS 63, SFAS 66, SFAS 91, SFAS 140, SFAS 152, SFAS 153, FIN 43, FIN 45, SOP 81-1, SOP 85-3, SOP 97-2, SOP 98-9, SOP 00-2, EITF 84-15, EITF 85-9, EITF 85-24, EITF 87-10, EITF 90-22, EITF 91-6, EITF 91-9, EITF 95-1, EITF 95-4, EITF 96-17, EITF 99-19, EITF 00-10, EITF 00-21, EITF 00-24, EITF 01-4, EITF 01-09, EITF 01-14, EITF 02-16, EITF 03-5, EITF 03-10, EITF 03-12, EITF 06-1, EITF 06-3, SAB Topic 13, TPA 5100)

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

Like IFRSs, revenue includes amounts received by an entity for its own account. Like IFRSs, in an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent. However, there is more detailed guidance than IFRSs in evaluating whether an entity is acting as a principal or agent.

Like IFRSs, when a transaction comprises multiple elements, the arrangement must be evaluated to determine if it constitutes one or multiple units of account. Unlike IFRSs, there is detailed guidance that must be followed in making this assessment.

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.

Fixed price construction contracts are accounted for using the percentage-of-completion method. The completed contract method is not permitted.

Under the percentage-of-completion method, both contract revenue and costs are recognised by reference to the stage of completion of the work.

Construction contracts are segmented when certain criteria are met.

Revenue from service contracts is recognised in the period that the service is rendered, generally using the percentage-of-completion method.

There is no specific guidance on software revenue recognition.

There is detailed guidance on accounting for sales of real estate. Application of this guidance may result in revenue being recognised on a percentage-of-completion basis or at a single point in time.

Like IFRSs, 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 detailed criteria underlying these principles are different from those under IFRSs.

Unlike IFRSs, construction contracts (including fixed price contracts) are accounted for using the percentage-of-completion method only if certain criteria are met; otherwise, unlike IFRSs, the completed contract method is used.

Like IFRSs, under the percentage-of-completion method, both contract revenue and costs may be recognised by reference to the stage of completion of the work. However, unlike IFRSs, it also is permitted to recognise all costs incurred, with revenue calculated by reference to the gross margin earned on the contract during the period.

Unlike IFRSs, construction contracts may, but are not required to, be segmented when certain criteria are met; additionally, the criteria differ from IFRSs.

Like IFRSs, revenue from service contracts is recognised in the period that the service is rendered. However, unlike IFRSs, revenue from services generally is recognised using the proportional performance or straight-line method rather than the percentage-of-completion method.

Unlike IFRSs, there is detailed guidance on software revenue recognition.

Like IFRSs, there is detailed guidance on accounting for sales of real estate. However, application of this guidance may result in revenue being recognised under any of the full accrual method, the instalment method, the cost recovery method, percentage-of-completion method, or the deposit method, which is a broader range of possibilities than IFRSs.

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.

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

Other government grants are recognised in profit or loss so as to match the costs that they are intended to compensate.

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

4.3 Government grants

Unlike IFRSs, there is no specific U.S. GAAP guidance on the accounting for grants from governments to profit-oriented entities.

Like IFRSs, contributions from government of "biological assets" are recognised initially at fair value when they are unconditionally receivable. However, unlike IFRSs, there is no requirement for the amount to be recognised in profit or loss.

Unlike IFRSs, there is no specific guidance on accounting for grants from governments to profit-oriented entities.

Unlike IFRSs, a contributed non-monetary asset must be recognised at fair value when fair value can be measured reliably.

4.4 Employee benefits

(IAS 19, IFRIC 14)

Liabilities for employee benefits are recognised on the basis of a legal or constructive obligation.

Liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

All benefits provided after the cessation of employment, i.e., both before and during retirement, are accounted for under a single set of requirements and are referred to as post-employment benefits.

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

Multi-employer plans are post-employment plans that pool the assets contributed by various entities 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 a plan is accounted for as a defined contribution plan.

4.4 Employee benefits

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

(APB 12, SFAS 43, SFAS 87, SFAS 88, SFAS 106, SFAS 112, SFAS 146, SFAS 158, FSP FAS 146-1, FSP FAS 158-1, EITF 88-1, EITF 05-5, EITF 06-2)

Like IFRSs, liabilities for post-retirement benefits are recognised on the basis of a legal or constructive obligation. Other types of employee benefits are recognised as the benefits accumulate only if other specific criteria are met, unlike IFRSs.

Like IFRSs, liabilities and expenses for employee benefits generally are recognised in the period in which the service is rendered.

Unlike IFRSs, 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 IFRSs.

Like IFRSs, 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 IFRSs, other post-employment benefit plans do not have to be classified as either defined contribution or defined benefit plans.

Like IFRSs, multi-employer plans are pension plans that pool the assets contributed by various entities to provide benefits to employees of more than one entity. However, unlike IFRSs, such plans are accounted for like defined contribution plans.

Post-employment plans in which participating employers pool their assets for investment purposes, but maintain separate accounts for purposes of benefit payments, are classified as defined contribution or defined benefit plans following the above definitions.

Group plans are classified as defined contribution or defined benefit plans following the above definitions.

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.

Contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.

A liability is recognised for an employer's obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected unit credit method.

The measurement of the defined benefit obligation includes estimated future salary increases, and future changes in state benefits if there is reliable evidence that the change will occur.

The defined benefit obligation is discounted using a high quality corporate bond rate, or a government bond rate when there is an insufficiently deep corporate bond market.

To qualify as plan assets, assets must meet strict criteria, including a requirement that they be unavailable to the entity's creditors.

Like IFRSs, pension plans in which participating employers pool their assets for investment purposes but maintain separate accounts for purposes of benefit payments (multiple-employer plans) are classified as defined contribution or defined benefit plans following the above definitions.

Unlike IFRSs, group plans are accounted for depending on whether they are multi- or multiple-employer plans.

Unlike IFRSs, there is specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees.

Like IFRSs, contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.

Like IFRSs, a liability is recognised for an employer's obligation under a defined benefit plan. The liability and expense generally are measured actuarially using the projected unit credit method, like IFRSs for pay-related plans and, unlike IFRSs, using the traditional unit credit method (projected unit credit method without future increases in salary) for non-pay-related plans.

Like IFRSs, the measurement of the defined benefit obligation generally includes estimated future salary increases. However, unlike IFRSs, future changes in state benefits are not included until enacted.

Like IFRSs, the defined benefit obligation must be discounted using a high quality corporate bond rate. However, more guidance exists under U.S. GAAP.

Like IFRSs, to qualify as plan assets, assets must meet strict criteria. However, unlike IFRSs, there is no requirement that they be unavailable to the entity's creditors.

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.

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.

The measurement of the defined benefit obligation and related plan assets is made as of the reporting date.

Actuarial gains and losses of defined benefit plans are recognised either in profit or loss (see below), or immediately in other comprehensive income. Amounts recognised in other comprehensive income are not reclassified to profit or loss.

If actuarial gains and losses of a defined benefit plan are recognised in profit or loss, then gains and losses that exceed a "corridor" are required to be recognised over the average remaining working lives of employees in the plan. Faster recognition, including immediate recognition, in profit or loss is permitted.

The corridor is 10 percent of the greater of the obligation and the fair value of plan assets at the beginning of the period.

Liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately. Liabilities and expenses for unvested past service costs under a defined benefit plan are recognised over the vesting period.

If plan assets exceed the defined benefit obligation, then the amount of any net asset recognised is limited to available future benefits from the plan and unrecognised actuarial losses and past service costs.

Unlike IFRSs, insurance policies issued to the sponsor do not meet the definition of plan assets. However, like IFRSs, insurance policies issued to the plan, including those issued by a related party, can meet the definition of plan assets.

Like IFRSs, 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 IFRSs, the measurement of the defined benefit obligation and related plan assets is made as of the reporting date.

Actuarial gains and losses that are not included in profit or loss are recognised in other comprehensive income. Amounts recognised in accumulated other comprehensive income are reclassified to profit or loss, unlike IFRSs.

Like IFRSs, actuarial gains and losses that exceed a "corridor" are recognised over the average remaining working lives of active employees in the plan. Faster recognition in profit or loss is permitted, like IFRSs.

Unlike IFRSs, the corridor is 10 percent of the greater of the obligation and the market related value, rather than the fair value, of plan assets at the beginning of the period.

Unlike IFRSs, prior (past) service costs are recognised initially in other comprehensive income, and both vested and unvested amounts generally are amortised into profit or loss over the average remaining service period.

Unlike IFRSs, the recognition of an asset in respect of a defined benefit plan is not restricted.

Gains and losses on the settlement or curtailment of a defined benefit plan are recognised immediately. However, there is no specific guidance on the calculation of the gain or loss.

Settlement and curtailment gains and losses are not accounted for until the entity is committed.

The expense for long-term employee benefits is accrued over the service period.

Termination benefits are not recognised until communicated to affected employees.

Like IFRSs, gains and losses on the settlement or curtailment of a defined benefit plan are recognised immediately. However, unlike IFRSs, there is specific guidance on the calculation of the gain or loss.

Like IFRSs, settlement gains and losses and curtailment gains are not accounted for until the entity is committed. However, unlike IFRSs, curtailment losses are recognised when they are probable.

Like IFRSs, the expense for long-term employee benefits is accrued over the service period.

Unlike IFRSs, there is not a single model for the recognition of termination benefits. The timing of recognition depends on whether the costs will be paid pursuant to an ongoing plan.

4.5 Share-based payments

(IFRS 2, IFRIC 8, IFRIC 11)

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 that they are received.

Equity-settled share-based payments are within the scope of the share-based payment standard even if settled by another group entity or by a shareholder.

Cash-settled share-based payments are within the scope of the share-based payment standard. However, there is no explicit guidance on the accounting when the liability is settled by a shareholder or another group entity.

Equity-settled grants to employees generally are measured based on the grant-date fair value of the equity instruments issued.

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

The service period may commence prior to the grant date.

Awards with graded vesting are accounted for as separate share-based payment arrangements.

4.5 Share-based payments

(ASC Topic 718, ASC Subtopic 505-50, ASC paragraph 480-10-S99-3, ASR 268)

(SFAS 123R, FSP FAS 123R-1, FSP FAS 123R-2, FSP FAS 123R-4, FSP FAS 123R-5, FTB 97-1, SOP 93-6, EITF 96-18, EITF D-98, ASR 268)

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

Like IFRSs, goods are recognised when they are obtained and services are recognised over the period that they are received.

Like IFRSs, equity-classified share-based payments are within the scope of the share-based payment standard even if settled by another group entity or by a shareholder.

Like IFRSs, liability-classified (cash-settled) share-based payments are within the scope of the share-based payment standard. Unlike IFRSs, there is guidance that awards settled by another group entity or a shareholder are within the scope of the standard.

Like IFRSs, equity-classified grants to employees generally are measured based on the grant-date fair value of the equity instruments issued.

Like IFRSs, 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 IFRSs, employees also must begin to benefit from or be adversely affected by the entity's share price.

Like IFRSs, the service period may commence prior to the grant date.

Awards with graded vesting may be accounted for as separate share-based payment arrangements, like IFRSs; or ratably over the longest vesting tranche if the award vests based on service only, unlike IFRSs.

A share-based payment transaction settled in redeemable shares is classified as cash-settled.

An intrinsic value approach is permitted only when the fair value of the equity instruments cannot be estimated reliably.

Equity-settled grants are not remeasured for subsequent changes in the value of the equity instruments.

For equity-settled transactions an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding increase in equity.

Cash-settled grants are remeasured until settlement date for subsequent changes in the value of the liability.

For cash-settled transactions an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding liability. Remeasurements are recognised in profit or loss.

Estimates of the number of equity instruments that are expected to vest are adjusted each period and ultimately to the actual numbers that vest unless forfeitures are due to market conditions.

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 the market conditions.

Cancellation of a share-based payment by the entity or the counterparty results in acceleration of the unrecognised cost. Failure to satisfy a non-vesting condition within the control of either party is treated as a cancellation.

Share-based payment transactions settled in redeemable shares generally are liability-classified, like IFRSs; however, in certain cases they are equity-classified, unlike IFRSs.

Like IFRSs, an intrinsic value approach is required in the rare circumstance that the fair value of the equity instruments cannot be estimated reliably. However, unlike IFRSs, all non-public entities may apply an intrinsic value approach for liability-classified share-based payments as an accounting policy election.

Like IFRSs, equity-classified grants are not remeasured for subsequent changes in the value of the equity instruments.

Like IFRSs, for equity-classified transactions an entity recognises an expense, unless goods or services received qualify for recognition as assets, and recognises a corresponding increase in equity.

Like IFRSs, liability-classified grants are remeasured until the settlement date for subsequent changes in the value of the liability.

Like IFRSs, for liability-classified transactions an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding liability. Unlike IFRSs, remeasurements are recognised as compensation cost, which is eligible for capitalisation.

Like IFRSs, estimates of the number of equity instruments that vest are adjusted each period and ultimately to the actual number that vests. There is no adjustment for failure to achieve a market condition, like IFRSs.

Like IFRSs, a market condition for equity-classified transactions is reflected in the initial measurement of fair value and there is no "true-up" to the actual outcome.

Like IFRSs, the cancellation by the employer of a share-based payment results in acceleration of the unrecognised cost. However, unlike IFRSs, the cost continues to be recognised over the remaining service period when an employee decides to stop contributing to an employee share purchase scheme.

The modification of an equity-settled share-based payment results in the recognition of any incremental fair value, but not any reduction in fair value.

Share-based payments to non-employees generally are measured at the date(s) that the goods are received or services rendered, based on the fair value of the goods or services received. The fair value of the equity instruments granted is used only when the fair value of the goods or services cannot be measured reliably.

Like IFRSs, the modification of equity-classified instruments results in the recognition of any incremental fair value, but not any reduction in fair value. Unlike IFRSs, when there is a modification of an equity-classified award that, at the date of the modification, is improbable of vesting under the original terms, there is no minimum compensation cost that must be recognised.

Unlike IFRSs, share-based payments to non-employees generally are measured at the earlier of the completion of performance and the performance commitment date, based on the fair value of the instruments issued. However, if the fair value of the goods or services can be determined objectively, then their fair value may be used instead, which is more restrictive than IFRSs.

4.6 Financial income and expense
(IAS 18, IAS 23, IAS 39)

Interest income and expense are calculated using the effective interest method, based on market rates at the date that the instrument is recognised initially, or at the date of any modification.

Incremental transaction costs directly related to acquiring a financial asset or issuing a financial liability generally are included in the initial measurement of the instrument. However, if the instrument is classified at fair value through profit or loss, then such costs are recognised in profit or loss.

If the modification of a financial liability results in its derecognition, then any gain or loss is recognised in profit or loss immediately, together with the related costs. If the financial liability is not derecognised, then any related costs are adjusted against the carrying amount of the liability.

Following the impairment of a financial asset, interest continues to be recognised using the effective interest method.

Borrowing costs related to “qualifying” assets is capitalised.

4.6 Financial income and expense

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

(APB 12, APB 21, SFAS 34, SFAS 42, SFAS 58, SFAS 62, SFAS 84, SFAS 91, SFAS 114, SFAS 118, EITF 96-19, EITF 99-9, EITF 06-6)

Like IFRSs, generally interest income and expense are calculated using the effective interest method based on market rates at the date that the instrument is recognised initially, or at the date of any modification. However, unlike IFRSs, there are certain exemptions from the requirement to calculate an effective interest rate in this manner, such as for troubled debt restructurings.

Unlike IFRSs, incremental transaction costs generally are not included in the initial measurement of the instrument. Debt issue transaction costs are presented as a separate asset in the statement of financial position, unlike IFRSs, and the amount capitalised on a financial asset may differ from that under IFRSs. If the instrument is at fair value through profit or loss or through other comprehensive income, then such costs are recognised in profit or loss, unlike IFRSs.

Like IFRSs, if the modification of a financial liability results in its derecognition, then any gain or loss is recognised in profit or loss immediately; like IFRSs, fees paid to the creditor are included in the calculation of the gain or loss, but fees paid to third parties are capitalised, unlike IFRSs. Unlike IFRSs, if the financial liability is not derecognised, then fees paid to the creditor are capitalised and fees paid to third parties are recognised in profit or loss.

Unlike IFRSs, following the impairment of a financial asset, interest need not be recognised using the effective interest method.

Like IFRSs, interest cost related to "qualifying" assets is capitalised; however, the amount of interest cost capitalised may differ from IFRSs.

An investment other than investment property cannot be a qualifying asset.

Borrowing costs eligible for capitalisation are reduced by interest income from the temporary investment of borrowings.

Like IFRSs, property, plant and equipment that would be investment property under IFRSs can be a qualifying asset. Unlike IFRSs, an equity- method investee can be a qualifying asset. However, like IFRSs, other investments cannot be qualifying assets.

Unlike IFRSs, borrowing costs eligible for capitalisation generally are not reduced by interest income from the temporary investment of borrowings.

5. Special topics

5.1 Leases

(IAS 17, IFRIC 4, SIC–15, SIC–27)

There are only limited exclusions from the requirements in respect of lease accounting.

Under certain circumstances an arrangement that is not legally a lease is deemed to contain a lease in substance.

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 have been transferred from the lessor to the lessee, and is determined at inception of the lease.

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

5. Special topics

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)

(SFAS 13, SFAS 22, SFAS 23, SFAS 27, SFAS 28, SFAS 29, SFAS 91, SFAS 98, FIN 19, FIN 21, FIN 23, FIN 24, FIN 26, FIN 27, FTB 79-10, FTB 79-12, FTB 79-13, FTB 79-14, FTB 79-15, FTB 79-16(R), FTB 85-3, FTB 86-2, FTB 88-1, EITF 84-37, EITF 85-16, EITF 85-27, EITF 86-17, EITF 86-43, EITF 88-21, EITF 89-16, EITF 90-14, EITF 90-15, EITF 90-20, EITF 93-8, EITF 95-1, EITF 95-4, EITF 96-21, EITF 97-1, EITF 97-10, EITF 99-13, EITF 01-8, FSP FAS 13-1, FSP FAS 13-2)

Unlike IFRSs, the lease accounting literature applies only to property, plant and equipment.

Like IFRSs, under certain circumstances an arrangement that is not legally a lease is deemed to contain a lease in substance.

Like IFRSs, 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, sales-type leases and leveraged leases, which differ in certain respects from IFRSs.

Like IFRSs, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is determined at inception of the lease. However, there are more detailed requirements than IFRSs.

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

The leased asset in an operating lease remains in the statement of financial position of the lessor and the lessee recognises an expense for the lease payments over the lease term.

A lessee may classify a property interest held under an operating lease as an investment property if investment property is accounted for using the fair value model. In such case the interest is accounted for as if it were a finance lease.

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

A lease of land generally is classified as an operating lease unless title transfers to the lessee.

A lease of land and a building is treated as two separate leases if the land element is material to the leased property; the two leases may be classified differently.

Immediate gain recognition from the sale and leaseback of an asset depends on whether the sale takes place at fair value, and the classification of the leaseback as an operating or finance lease.

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.

Like IFRSs, the leased asset in an operating lease remains in the statement of financial position of the lessor and the lessee recognises an expense for the lease payments over the lease term.

Unlike IFRSs, there is no concept of "investment property", and the usual lease classification requirements apply.

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

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

Like IFRSs, a lease of land and a building is treated as two separate leases if the land element is material to the leased property. However, unlike IFRSs, the land element is deemed to be material only if its fair value is at least 25 percent of the fair value of the leased property as a whole. Like IFRSs, the two leases may be classified differently.

Unlike IFRSs, U.S. GAAP generally does not permit immediate gain recognition on sale-leaseback transactions unless the leaseback is considered to be "minor".

Unlike IFRSs, 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.

5.2 Operating segments
(IFRS 8)

Segment disclosures are required only by entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the chief operating decision maker, and for which discrete financial information is available.

Operating segments are identified on the basis of internal reports reviewed regularly by the chief operating decision maker.

The aggregation of operating segments is permitted only when the segments are similar and meet a number of other specified measures.

Entities that follow a matrix form of organisation determine operating segments consistent with the objective of the standard when more than one set of components is reviewed by the chief operating decision maker.

Operating segments are reportable if they meet one of three quantitative tests, based on revenues, profits, and assets.

Reportable segment disclosures are based on the measures reported to the chief operating decision maker, which are not necessarily based on the same accounting policies as in the financial statements.

5.2 Operating segments

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

(SFAS 131, SFAS 131 – FASB Implementation Guide (Q&A), SFAS 142, SFAS 144, EITF 04-10)

Like IFRSs, segment disclosures are required by entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities. Unlike IFRSs, segment disclosures also are required for certain other entities required to file financial statements with the SEC.

Like IFRSs, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the chief operating decision maker, and for which discrete financial information is available.

Like IFRSs, operating segments are identified on the basis of internal reports reviewed regularly by the chief operating decision maker.

Like IFRSs, the aggregation of operating segments is permitted only when the segments are similar and meet a number of other specified measures.

Unlike IFRSs, entities that follow a matrix form of organisation determine operating segments based on products and services when more than one set of components is reviewed by the chief operating decision maker.

Like IFRSs, operating segments are reportable if they meet one of three quantitative tests, based on revenues, profits, and assets.

Like IFRSs, reportable segment disclosures are based on the measures reported to the chief operating decision maker, which are not necessarily based on the same accounting policies as in the financial statements.

Disclosures include a measure of profit or loss and total assets and, if reported to the chief operating decision maker, liabilities for each reportable segment.

Disclosures are required for additions to non-current assets, with certain exceptions.

Total amounts disclosed for all reportable segments are reconciled to financial statement amounts, with a description of all significant reconciling items.

General and entity-wide disclosures are required, including information about products and services, geographical areas, and major customers.

Comparative information is revised for changes in the composition of segments, unless impracticable.

Like IFRSs, disclosures include a measure of profit or loss and total assets for each reportable segment. Unlike IFRSs, there is no requirement to disclose information about liabilities.

Unlike IFRSs, disclosures are required only for additions to long-lived tangible assets, with certain exceptions.

Like IFRSs, total amounts disclosed for all reportable segments are reconciled to financial statement amounts, with a description of all significant reconciling items.

Like IFRSs, general and entity-wide disclosures are required, including information about products and services, geographical areas, and major customers.

Like IFRSs, comparative information is revised for changes in the composition of segments, unless impracticable.

5.3 Earnings per share
(IAS 33)

Basic and diluted earnings per share (EPS) for both continuing operations and net income are presented in the statement of comprehensive income, with equal prominence, for each class of ordinary shares.

Basic and diluted EPS is disclosed for discontinued operations.

IFRSs do not have the concept of extraordinary items and therefore disclosure of the related EPS is not relevant.

Basic EPS is profit or loss attributable to ordinary equity holders of the parent entity for the period, divided by the weighted average number of ordinary shares outstanding.

Diluted EPS is calculated based on profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Contingently issuable ordinary shares are included in basic EPS from the date that all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

When a contract may be settled in either cash or shares at the entity's option, it is treated as a potential ordinary share.

5.3 Earnings per share

(ASC Subtopic 260-10, ASC paragraphs 260-10-S99-2 and S99-3, Reg G)

(SFAS 128, FSP EITF 03-6-1, EITF 03-6, EITF 04-8, EITF 07-4, EITF D-42, EITF D-53, EITF D-62, EITF D-72, EITF D-82, EITF D-95, Reg G)

Like IFRSs, basic and diluted EPS for both continuing operations and net income are presented in the statement of earnings, with equal prominence, for each class of common shares.

Like IFRSs, basic and diluted EPS is disclosed for discontinued operations.

Unlike IFRSs, entities with an extraordinary item also must present EPS data for those line items, either in the statement of earnings or in the notes to the financial statements.

Like IFRSs, basic EPS is profit or loss attributable to common shareholders of the parent entity for the period, divided by the weighted average number of common shares outstanding.

Like IFRSs, 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.

Like IFRSs, contingently issuable common shares are included in basic EPS from the date that all necessary conditions are satisfied and, when not satisfied, in diluted EPS based on the number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

Like IFRSs, when a contract may be settled in either cash or shares at the entity's option, it is treated as a potential common share unless, unlike IFRSs, the entity has an existing practice or a stated policy that provides a reasonable basis to conclude the contract will be paid partially or wholly in cash.

When a contract may be settled in either cash or shares at the holder's option, 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.

When the number of ordinary shares outstanding changes, without a corresponding change in total equity (e.g., share splits and share dividends), the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively.

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

Like IFRSs, when a contract may be settled in either cash or shares at the holder's option, the more dilutive of cash and share settlement is used to calculate diluted EPS.

Unlike IFRSs, the computation of diluted EPS for the year to date is based on the weighted average of incremental shares included in each of the quarters making up the year-to-date period.

Like IFRSs, when the number of common shares outstanding changes, without a corresponding change in total equity (e.g., stock splits and stock dividends), the weighted average number of common shares outstanding during all periods presented is adjusted retrospectively.

Like IFRSs, entities may choose to present basic and diluted other per share amounts that are not required under U.S. 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, IFRIC 17)

Non-current assets, and some groups of assets and liabilities known as disposal groups, are classified as held for sale or for distribution to owners when specific criteria related to their sale or distribution are met.

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

Assets classified as held for sale or for distribution to owners are not amortised or depreciated.

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

A discontinued operation is a component of an entity that either has been disposed of or is held for sale or for distribution to owners.

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

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 paragraph 505-60-S99-1)

(SFAS 144, SAB Topic 5-Z, EITF 87-24, EITF 03-13)

Like IFRSs, long-lived assets (disposal groups) are classified as held for sale when specific criteria related to their sale are met. Unlike IFRSs, groups of assets are not classified as held for distribution and the measurement and classification guidance differs from IFRSs.

Like IFRSs, long-lived assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position. Unlike IFRSs, long-lived assets to be distributed to owners continue to be classified as held and used until disposed of.

Like IFRSs, assets classified as held for sale are not amortised or depreciated. Unlike IFRSs, assets held for distribution to owners continue to be depreciated or amortised.

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

Like IFRSs, a discontinued operation is a component of an entity that either has been disposed of or is held for sale. Unlike IFRSs, long-lived assets held for distribution are not considered discontinued operations until disposed of.

Unlike IFRSs, a discontinued operation comprises 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 IFRSs, the entity cannot have significant continuing involvement in the operation after disposal.

The results of discontinued operations are presented separately in the statement of comprehensive income, and cash flow information is disclosed.

The comparative statement of comprehensive income and cash flow information is re-presented for discontinued operations.

Like IFRSs, the results of discontinued operations are presented separately on the face of the statement of earnings. However, unlike IFRSs, cash flow information is not required to be disclosed.

Like IFRSs, the comparative statement of earnings is re-presented for discontinued operations. However, unlike IFRSs, cash flow information is re-presented only if cash flow information for discontinued operations is presented separately for the current reporting period.

5.5 Related party disclosures
(IAS 24)

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

Key management and their close family members are related parties.

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

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.

5.5 Related party disclosures

(ASC Topic 850, Reg S-X)

(SFAS 57, Reg S-X)

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

Like IFRSs, management and management's immediate family members are related parties.

Generally there are no special recognition or measurement requirements for related party transactions; however, unlike IFRSs, certain standards have specific guidance.

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

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

Unlike IFRSs, 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.

5.6 Financial instruments: presentation and disclosure

(IAS 32, IFRS 7, IFRIC 2)

Separate presentation in the statement of financial position is required for certain classes of financial assets and liabilities.

There is no specific guidance on the statement of comprehensive income presentation of gains and losses on financial instruments.

A financial asset and a financial liability are offset only when there is a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously. Master netting arrangements typically do not qualify for net since they are enforceable contingent on the occurrence of an event.

5.6 Financial instruments: 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 paragraph 310-10-S99-2)

(SFAS 107, SFAS 115, SFAS 133, SFAS 137, SFAS 138, SFAS 140, SFAS 149, SFAS 150, SFAS 155, FIN 45, EITF 85-1, EITF 98-5, EITF 00-19, Reg S-K, Reg S-X, SAB Topic 4-E)

Like IFRSs, for SEC registrants separate presentation in the statement of financial position is required for certain classes of financial assets and liabilities. Unlike IFRSs, there are no presentation requirements for non-SEC registrants.

Unlike IFRSs, there is guidance for SEC registrants on the statement of earnings presentation of gains and losses on financial instruments. Like IFRSs, for non-SEC registrants there is no guidance on the statement of earnings presentation of gains and losses on financial instruments (see below).

Like IFRSs, a financial asset and a financial liability may be offset only when there is a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously. However, unlike IFRSs, derivatives with the same counterparty may be offset, provided that they are subject to a master netting arrangement and certain criteria are met. Also, unlike IFRSs, repurchase agreements and reverse repurchase agreements that clear through a qualified clearinghouse 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 in all circumstances.

Qualitative information in respect of risks arising from financial instruments and management's approach to managing these risks is disclosed.

Quantitative disclosures are required for at least credit, liquidity and market risks arising from financial instruments and how the entity manages those risks.

The fair value of each class of financial asset and liability is disclosed, as well as information about the methods and significant assumptions used in determining fair value.

The level of disclosure varies depending on the nature and relative significance of the financial instruments.

Unlike IFRSs, U.S. 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 (e.g., equity price risk) are required to be disclosed by SEC registrants outside of the financial statements, i.e., in management's discussion and analysis (MD&A).

Unlike IFRSs, 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 requires certain quantitative disclosures; however, unlike IFRSs, those disclosures are limited to market risk disclosures and are provided outside of the financial statements.

Like IFRSs, the fair value of each class of financial asset and liability is disclosed, as well as information about the methods and significant assumptions used in determining fair value.

Like IFRSs, the level of disclosure varies depending on the nature of the financial instruments and, unlike IFRSs, whether the entity is an SEC registrant.

5.7 Non-monetary transactions

(IAS 16, IAS 18, IAS 38, IFRIC 17, IFRIC 18, SIC–13, SIC–31)

Generally exchanges of non-monetary assets are measured at fair value and result in the recognition of gains or losses rather than revenue.

Exchanged non-monetary assets are recognised based on historical cost if the exchange lacks commercial substance or the 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 are exchanged for items that are similar in nature and value.

Donated assets may be accounted for in a manner similar to government grants unless the transfer is, in substance, an equity contribution, or an item of property, plant and equipment that must be used to provide access to a supply of goods or services.

A spin-off is accounted for on a fair value basis as long as the spin-off is not a common control transaction.

5.7 Non-monetary transactions

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

(APB 29, SFAS 116, SFAS 153, EITF 99-17, EITF 01-2, EITF 04-13, SAB Topic 5-T)

Like IFRSs, exchanges of non-monetary assets generally are measured at fair value and result in the recognition of gains or losses rather than revenue.

Like IFRSs, exchanged non-monetary assets are recognised based on historical cost if the exchange lacks commercial substance or the fair value cannot be measured reliably.

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

Unlike IFRSs, U.S. GAAP does not provide specific guidance on donated assets, which are accounted for in accordance with the requirements for other non-monetary transactions.

Unlike IFRSs, a spin-off is accounted for on a book value basis.

5.8 Accompanying financial and other information
(IAS 1)

Supplementary financial and operational information may be presented, but is not required.

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

5.8 Accompanying financial and other information

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

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

Like IFRSs, a financial and operational review is not required. However, unlike IFRSs, SEC registrants are required to include management's discussion and analysis in their annual and interim reports.

Like IFRSs, an entity considers the legal, securities exchange, or SEC requirement in assessing the information to be disclosed in addition to U.S. GAAP requirements.

5.9 Interim financial reporting

(IAS 34, IAS 8, IFRIC 10)

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

When a complete set of interim financial statements is prepared, the form and content of those financial statements is the same as for an annual reporting period. However, the recognition and measurement requirements of the interim reporting standard apply, including the requirements for the presentation of comparatives.

The following must be presented in condensed interim financial statements: condensed statement of financial position; condensed statement of comprehensive income (which includes items of profit or loss); condensed statement of changes in equity; condensed statement of cash flows; selected explanatory notes.

Except in respect of income tax expense, each interim period is viewed as a discrete period in determining the recognition and measurement of elements of the financial statements.

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

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

5.9 Interim financial reporting

(ASC Subtopic 250-10, ASC Subtopic 270-10, ASC Subtopic 740-270, Reg S-X)

(APB 28, SFAS 154, FIN 18, FTB 79-9, Reg S-X)

Like IFRSs, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than an annual reporting period.

Like IFRSs, when a complete set of interim financial statements is prepared, the form and content of those financial statements is the same as for an annual reporting period. Like IFRSs, the recognition and measurement requirements of the interim reporting standard apply, including the requirements for the presentation of comparatives by SEC registrants.

Entities must present the following in condensed interim financial statements: condensed statement of financial position; condensed statement of earnings; condensed statement of cash flows; selected explanatory notes. However, unlike IFRSs, a condensed statement of changes in equity or statement of comprehensive income is not required.

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

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

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

5.10 Insurance contracts
(IFRS 4)

The insurance standard applies to all insurance contracts that an entity issues and reinsurance contracts it holds, regardless of the type of entity that issued the contract. An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder.

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 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.

Financial instruments that include discretionary participation features are accounted for as insurance contracts, although these are subject to the general disclosure requirements for financial instruments.

In some cases a deposit element is "unbundled" from an insurance contract and accounted for as a financial instrument.

Some derivatives embedded in insurance contracts are separated from their host insurance contract and accounted for as if they were stand-alone derivatives.

5.10 Insurance contracts
(ASC Topic 944)

(SFAS 60, SFAS 97, SFAS 113, SFAS 120, SOP 03-1, SOP 05-1)

Unlike IFRSs, the insurance literature applies to all insurance contracts issued by an insurance company; there are no specific requirements for other entities that accept significant insurance risk. An insurance contract is a contract determined as such under applicable law, unlike IFRSs.

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

Unlike IFRSs, only contracts that are not legally insurance contracts are accounted for under other applicable standards.

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

Unlike IFRSs, U.S. GAAP does not use the term "discretionary participation feature" and instead addresses the accounting for dividends to policyholders; although such items are accounted for as insurance contracts, the accounting may differ from IFRSs.

Unlike IFRSs, U.S. GAAP does not have a broad unbundling concept for insurance contracts.

Like IFRSs, derivatives embedded in insurance contracts that meet certain criteria are 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.

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.

The introduction of "shadow accounting" for insurance liabilities is permitted for consistency with the treatment of unrealised gains or losses on assets.

An expanded presentation of the fair value of insurance contracts acquired in a business combination or portfolio transfer is permitted.

Like IFRSs, the recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.

Unlike IFRSs, the term "liability adequacy test" is not used, and instead a form of premium deficiency testing is required, which meets the minimum requirements of IFRSs for a liability adequacy test.

Unlike IFRSs, the use of "shadow accounting" is required.

Unlike IFRSs, U.S. GAAP has no specific guidance on the presentation for insurance contracts acquired in a business combination or portfolio transfer.

5.11 Extractive activities

(IFRS 6)

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

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

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

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.

There is no specific guidance on the recognition or measurement of pre-exploration costs or post-exploration development expenditure. Although pre-E&E (pre-licence) expenditure generally is expensed as incurred.

5.11 Extractive activities

(ASC Topic 930, ASC Topic 932, Reg S-X, SAB Topic 12, ASC paragraphs 932-10-S99-3 and S99-4, ASC Section 932-360-S99)

(SFAS 19, SFAS 25, SFAS 69, EITF 04-6, Reg S-X, SAB Topic 12)

Unlike IFRSs, U.S. GAAP provides detailed guidance on accounting and reporting by oil and gas producing entities for expenditure that occurs before, during and after E&E activities. U.S. GAAP does not contain authoritative guidance for other extractive industries.

Unlike IFRSs, 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.

Like IFRSs, in extractive industries (other than oil and gas producing industries), capitalised costs are segregated and classified as either tangible or intangible assets, according to their nature. Unlike IFRSs, 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.

Unlike IFRSs, the test for recoverability usually is conducted at the oil and gas field level under the successful efforts method, or by geographic region under the full cost method.

Unlike IFRSs, there is specific guidance on the recognition or measurement of pre-exploration costs and post-exploration development expenditure for oil and gas producing entities.

5.12 Service concession arrangements
(IFRIC 12)

The interpretation on service concession arrangements provides guidance on the accounting by private sector entities (the operator) for public-to-private 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.

Generally the operator does not recognise public service infrastructure as its property, plant and equipment.

The operator recognises consideration receivable from the grantor for construction or upgrade services as a financial asset and / or an intangible asset.

The operator recognises a financial asset to the extent that it has an unconditional right to receive cash irrespective of the usage of the infrastructure.

The operator recognises an intangible asset to the extent that it has a right to charge for usage of the infrastructure.

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

The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard.

5.12 Service concession arrangements

Unlike IFRSs, U.S. GAAP has no specific guidance applicable to service concession arrangements. The arrangements would be evaluated in accordance with existing U.S. GAAP.

Unlike IFRSs, U.S. 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, unlike IFRSs.

Unlike IFRSs, the operator would need to evaluate the arrangement to determine whether it comprises a single or multiple units of account. U.S. GAAP does not provide specific guidance on the classification of a resulting asset, unlike IFRSs.

Like IFRSs, the operator recognises a receivable to the extent that it has an unconditional right to receive cash irrespective of the usage of the infrastructure.

Unlike IFRSs, U.S. GAAP does not provide guidance on whether an intangible asset or other asset would be recognised for the right to charge for the usage of the infrastructure. The costs incurred to obtain the service concession (including infrastructure construction costs) would be evaluated for recoverability under the impairment standard (see 3.10).

Unlike IFRSs, having identified the unit(s) of account in the arrangement, the operator generally would apply the leasing and / or revenue standards to determine the appropriate accounting. This is likely to lead to differences from IFRSs, particularly when the intangible asset model is applied under IFRSs.

Unlike IFRSs, the operator would apply the general guidance applicable to performance obligations to determine whether an obligation to maintain or restore infrastructure, including any construction or upgrade element, is a separate unit of account and whether the related obligation should be recognised and measured.

Appendix 1

Abbreviations used for pronouncements

IFRS

IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	Interpretation of the International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
SIC	Interpretation of the Standards Interpretation Committee

U.S. GAAP

ASC	FASB Accounting Standards Codification Legacy Standards
AICPA Guide	Accounting and Auditing Guide or Industry Guide of the AICPA
AIN-APB	AICPA Interpretation of an APB Opinion
APB	Opinion of the Accounting Principles Board
ARB	Accounting Research Bulletin
ASR	Accounting Series Release of the SEC
AU	Codification of Statements on Auditing Standards
CON	Statement of Financial Accounting Concepts of the FASB
EITF	Consensus of the Emerging Issues Task Force
FASB	Financial Accounting Standards Board
FIN	Interpretation of the FASB
FSP	FASB Staff Position
FTB	Technical Bulletin of the FASB
PB	AICPA Practice Bulletin
Reg	SEC Regulation
SAB	Staff Accounting Bulletin of the SEC staff
SAS	Statement on Auditing Standards
SFAS	Statement of Financial Accounting Standards of the FASB
SOP	AICPA Statement of Position
TPA	AICPA Technical Practice Aid

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