

The background of the entire page is a photograph of the Golden Gate Bridge in San Francisco, taken at night. The bridge's towers and suspension cables are illuminated with warm, golden lights, contrasting with the deep blue twilight sky. The bridge spans across the water, with the second tower visible in the distance.

IFRS compared to U.S. GAAP: An overview

May 2008

IFRS compared to U.S. GAAP: An overview

This overview is an abridged version of *IFRS compared to U.S. GAAP*, published in May 2008.

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 Financial Reporting Group (part of KPMG IFRG Limited) and the Department of Professional Practice of KPMG LLP in the U.S. We would like to acknowledge the efforts of the project team leaders of this publication, including Julie Santoro and Arnold Singh of the KPMG International Financial Reporting Group, and Paul Munter, Kurt Kurimsky and Lisa Watson of the Department of Professional Practice of KPMG LLP in the U.S.

We would also like to thank other members of the KPMG International Financial Reporting Group and the Department of Professional Practice of KPMG LLP in the U.S., as well as the KPMG U.S. Capital Markets Group (part of KPMG USCMG Limited) and the U.S. Accounting and Reporting Group (part of KPMG LLP in the U.K.), 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 year 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* 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.

With these accomplishments in mind, we are pleased to publish our comparison of IFRSs and U.S. GAAP as of 31 December 2008. 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.

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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 May 2008 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 addresses the types of businesses and activities that IFRSs address, other than IAS 26 *Accounting and Reporting by Retirement Benefit Plans*, and focuses on the preparation of consolidated financial statements prepared on a going concern basis. Separate (i.e., unconsolidated) financial statements are not addressed.

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

Generally the standards and interpretations included in this publication are those that are mandatory for an annual reporting date of 31 December 2008,

i.e., ignoring standards and interpretations that might be adopted before their effective dates.

New standards and interpretations published by 15 May 2008, but not effective for an annual reporting period ending on 31 December 2008, are noted as forthcoming requirements.

The following forthcoming requirements are the subject of new chapters:

- 2.2A Changes in equity
- 2.5A Non-controlling interests
- 2.6A Business combinations
- 5.2A Operating segments.

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*, *Financial instruments accounting*, 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* 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.

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1. Background

1.1 Introduction

(IASB 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 (SAS 69)

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.

Unlike IFRSs, U.S. GAAP does not use bold- and plain-type paragraphs. However, like IFRSs, all paragraphs of a standard have equal authority and must be complied with.

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

Like IFRSs, a hierarchy of alternative sources is specified when U.S. GAAP does not deal with a particular issue. This hierarchy includes industry practice in some instances, like IFRSs.

1.2 The Framework (IASB Framework, IAS 8)

The IASB uses its conceptual framework as an aid to drafting new or revised 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

(CON 1, 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: balance sheet, income statement, statement of recognised income and expense or a statement of all changes in equity, statement of cash flows, and notes including accounting policies.

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.

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

2. General issues

2.1 Form and components of financial statements (ARB 43, ARB 51, SFAS 130, Reg S-X, Reg G)

Like IFRSs, the components of a complete set of financial statements are: balance sheet, income statement, comprehensive income (recognised income and expense), statement of cash flows, and notes including accounting policies. Unlike IFRSs, a combined statement of income and comprehensive income may be presented.

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 balance sheets 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, there are no exemptions from preparing consolidated financial statements.

2.2 Changes in equity

(IAS 1, IAS 8)

An entity may choose to present as a primary statement either a statement of recognised income and expense or a statement of all changes in equity. If a statement of recognised income and expense is presented, then other changes in equity are disclosed in the notes to the financial statements.

The statement of recognised income and expense presents profit or loss with all other non-owner movements recognised directly in equity.

The statement of all changes in equity includes the information that would be included in a statement of recognised income and expense, as well as transactions with shareholders acting in that capacity.

A gain or loss may be recognised directly in equity only when a standard or interpretation permits or requires it.

Some gains or losses recognised directly in equity are never recycled to profit or loss.

2.2 Changes in equity

(APB 12, SFAS 130, SFAS 154)

Like IFRSs, entities are required to present all changes in equity and comprehensive income. However, unlike IFRSs, a statement of comprehensive income and a statement of all changes in equity both may be presented as primary statements.

Like IFRSs, comprehensive income reports all items of recognised profit or loss from non-owner transactions and events. However, unlike IFRSs, a combined statement of income and comprehensive income may be presented.

Like IFRSs, the statement of all changes in equity includes the information that would be included in a statement of comprehensive income, as well as transactions with shareholders acting in that capacity.

Like IFRSs, a gain or loss may be recognised directly in equity only when a standard permits or requires it.

Unlike IFRSs, all items recognised directly in equity as a component of accumulated other comprehensive income are recycled to profit or loss.

2.2A Changes in equity

(IAS 1 (2007))

A revised standard on the presentation of financial statements is effective for annual periods beginning on or after 1 January 2009; earlier application is permitted. The new requirements, highlighted below, apply retrospectively.

Forthcoming requirements

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 either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or 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.

An entity is not permitted to present components of comprehensive income in the statement of changes in equity.

2.2A Changes in equity

(SFAS 130)

Unlike IFRSs, there have been no changes in the requirements under U.S. GAAP related to the presentation of changes in equity. As a consequence, the following requirements are currently effective under U.S. GAAP.

Forthcoming requirements

Unlike IFRSs, an entity may present comprehensive income within a statement of changes in equity as part of a complete set of financial statements.

An entity may present comprehensive income in either a single statement of comprehensive income, like IFRSs; an income statement and a separate statement of comprehensive income, like IFRSs; or a statement of changes in equity, unlike IFRSs.

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

Unlike IFRSs, an entity is permitted to present components of comprehensive income in the statement of changes in equity, regardless of the method of presenting comprehensive income.

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 each 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 includes certain short-term investments.

In some cases cash includes 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

(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 includes certain short-term investments, although not necessarily the same short-term investments as under IFRSs.

Unlike IFRSs, cash does 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.

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

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

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 a material amount in the near term.

2.5 Consolidation (IAS 27, SIC-12)

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 currently are 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.

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

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

2.5 Consolidation

(ARB 51, SFAS 94, SFAS 140, 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, SAB Topic 5-H)

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 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.

Unlike IFRSs, a VIE is any entity in which the equity at risk either (1) is insufficient to finance its 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 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.

A parent and its subsidiaries generally use the same reporting date when consolidated financial statements are prepared. If this is not practicable, 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.

Minority interests are recognised initially based on the minority's share of the amounts recognised in the purchase accounting, excluding goodwill.

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

Losses in a subsidiary may create a debit balance in minority interests only if the minority has an obligation to fund the losses.

Minority interests in the balance sheet are classified as equity but are presented separately from the parent shareholders' equity.

Minority interests in profit or loss are presented as an allocation of the net profit or loss for the period.

There is no guidance on accounting for acquisitions of minority interests.

Intra-group transactions are eliminated in full.

There is no guidance on dilutions of a parent's interest in a subsidiary.

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, minority interests in a VIE are recognised initially at fair value. Unlike IFRSs, minority interests in non-VIE subsidiaries are recognised initially based on the carrying amounts of the assets and liabilities in the subsidiary's financial statements.

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

Like IFRSs, losses in a subsidiary may create a debit balance in minority interests only if the minority has an obligation to fund the losses.

Unlike IFRSs, minority interests in the balance sheet are presented either as a long-term liability, or between total liabilities and equity (the mezzanine).

Like IFRSs, minority interests in profit or loss are presented as an allocation of profit or loss for the period.

Unlike IFRSs, acquisitions of minority interests are accounted for using purchase accounting.

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, the treatment of dilutions in the parent's interest in a subsidiary is prescribed for SEC registrants, and depends on the nature of the dilution. Like IFRSs, there is no guidance for non-SEC registrants.

2.5A Non-controlling interests

(IAS 27 (2008))

An amended standard on consolidated financial statements, which changes the accounting for non-controlling interests, is effective for annual periods beginning on or after 1 July 2009; the amendments may be applied early for annual periods beginning on or after 30 June 2007 if the revised standard on business combinations also is applied (see 2.6A).

The amended standard changes the accounting for non-controlling interests, transactions with non-controlling shareholders, and the loss of control. These changes are highlighted below.

Forthcoming requirements

Non-controlling interests are recognised initially at fair value, or at the non-controlling interests' share of the amounts recognised in the acquisition accounting, excluding goodwill.

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 interest even if this causes the non-controlling interests to be in a deficit position.

Non-controlling interests in the balance sheet 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.

2.5A Non-controlling interests

(SFAS 160)

A new standard on non-controlling interests is effective for periods beginning on or after 15 December 2008; earlier application is prohibited.

Like IFRSs, the new standard changes the accounting for non-controlling interests, transactions with non-controlling shareholders, and the loss of control. These changes are highlighted below.

Forthcoming requirements

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 minority 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 interest even if this causes the non-controlling interests to be in a deficit position.

Like IFRSs, non-controlling interests in the balance sheet 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.

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.

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 (unless, unlike IFRSs, the portion is disposed of through a non-reciprocal transfer to owners), and an “unrealised” gain or loss from remeasurement to fair value of any retained non-controlling equity investment in the former subsidiary.

2.6 Business combinations (IFRS 3, IAS 38)

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

A business combination is the bringing together of separate entities or businesses into one reporting entity.

A business can be an operation managed for the purpose of providing a return to investors or lower costs. An entity in its development stage can meet the definition of a business.

In some cases the legal subsidiary is identified as the acquirer for accounting purposes (“reverse acquisition”).

The date of acquisition is the date on which effective control is transferred to the acquirer.

The cost of acquisition is the amount of cash or cash equivalents paid, plus the fair value of other purchase consideration given, plus any costs directly attributable to the acquisition.

The fair value of securities issued by the acquirer is determined at the date of exchange.

Costs directly attributable to the acquisition may be internal costs, but cannot be general administrative costs. There is no requirement for directly attributable costs to be incremental.

2.6 Business combinations

(SFAS 109, SFAS 141, SFAS 142, SFAS 147, FIN 4, FIN 48, EITF 95-3, EITF 95-8, EITF 96-7, EITF 97-15, EITF 98-3, EITF 99-12, EITF 99-15, EITF 02-17, EITF 04-01, EITF D-97)

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

Like IFRSs, a business combination occurs when an entity acquires net assets that constitute a business, or acquires equity interests of one or more other entities that together constitute a business and obtains control over that entity or entities.

Unlike IFRSs, a business must be managed for the purpose of providing a return to investors, and there is a rebuttable presumption that a development stage entity does not meet the definition of a business.

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

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

Like IFRSs, the cost of acquisition is the amount of cash or cash equivalents paid, plus the fair value of other purchase consideration given, plus any direct costs of the business combination. However, direct costs differ in certain respects from directly attributable costs under IFRSs.

Unlike IFRSs, the fair value of equity securities issued by the acquirer is determined by reference to their market price for a few days before and after the terms of the acquisition are agreed to and announced.

Unlike IFRSs, direct costs of the business combination cannot include internal costs, and qualifying direct costs must be incremental.

A liability for contingent consideration is recognised as soon as payment becomes probable and the amount can be measured reliably.

The assets acquired and liabilities and contingent liabilities assumed generally are recognised at fair value.

While there is general guidance on measuring fair values, there is no detailed guidance on valuation methodologies.

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

An intangible asset is recognised separately from goodwill when it is identifiable, the entity has control over it, and its fair value can be measured reliably.

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

Any change in the acquirer's deferred tax assets as a result of the business combination is not recognised as part of the purchase accounting.

Except in respect of goodwill, deferred tax is recognised on fair value adjustments recognised as part of the purchase accounting.

Subject to limited exceptions, adjustments to goodwill can be made only within 12 months of the acquisition.

Unlike IFRSs, a liability for contingent consideration is recognised only when the contingency is resolved and consideration becomes payable.

Like IFRSs, the assets acquired and liabilities assumed generally are recognised at fair value in a 100 percent acquisition. However, unlike IFRSs, liabilities that would be contingent liabilities under IFRSs are not recognised. Unlike IFRSs, when the acquirer's interest in the acquiree is less than 100 percent, assets and liabilities are adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree.

Unlike IFRSs, the general guidance on measuring fair values is supported by some detailed guidance on valuation methodologies.

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

Like IFRSs, an intangible asset is recognised separately from goodwill when it is identifiable and the entity has control over it. However, unlike IFRSs, there is no minimum reliability threshold in respect of estimating fair value.

Unlike IFRSs, certain costs of restructuring the acquiree are treated as liabilities assumed even though they are not a liability of the acquiree at the acquisition date.

Unlike IFRSs, any change in the acquirer's deferred tax assets as a result of the business combination is recognised as part of the purchase accounting.

Unlike IFRSs, no deferred tax is recognised in respect of in-process research and development recognised as part of the purchase accounting. Like IFRSs, deferred tax is recognised on all other fair value adjustments, but not on goodwill.

Like IFRSs, subject to limited exceptions, adjustments to goodwill can be made only within 12 months of the acquisition. However, those exceptions differ in certain respects from IFRSs.

If additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequently, then the adjustment is recognised in profit or loss, and goodwill is adjusted with a corresponding amount recognised in profit or loss.

When the acquirer's interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed exceeds the cost of acquisition (negative goodwill), any excess is recognised in profit or loss immediately after reassessing the identification and measurement of the assets acquired.

When an acquisition is achieved in successive share purchases, the assets acquired and liabilities and contingent liabilities assumed are recognised at full fair value when control is obtained, i.e., the share of the identifiable assets, liabilities and contingent liabilities acquired in previous transactions is revalued. Each exchange transaction is considered separately in determining goodwill.

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

There is no guidance on accounting for common control transactions.

There is no guidance on accounting for combinations by contract alone or for combinations involving two or more mutual entities.

Unlike IFRSs, if additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequently, then the adjustment is recognised first against goodwill, then against other non-current intangible assets, before being recognised in profit or loss.

Unlike IFRSs, when the acquirer's interest in the net fair value of the assets acquired and liabilities assumed exceeds the cost of acquisition (negative goodwill), the excess amount first is deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts are reduced to zero, and any remaining negative goodwill is recognised as an extraordinary gain in profit or loss. However, unlike IFRSs, any remaining negative goodwill is not recognised in profit or loss to the extent that contingent consideration based on earnings may become payable.

Unlike IFRSs, when an acquisition is achieved in successive share purchases, the assets acquired and liabilities assumed are not remeasured to full fair value when control is obtained. Like IFRSs, each exchange transaction is considered separately in determining goodwill.

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 parent at the date of transfer; comparatives are revised.

Like IFRSs, there is no guidance on accounting for combinations by contract alone or for combinations involving two or more mutual entities.

2.6A Business combinations

(IFRS 3 (2008), IAS 38)

A revised standard on business combinations is effective for business combinations in annual periods beginning on or after 1 July 2009; earlier application is permitted for annual periods beginning on or after 30 June 2007 if the amended standard on consolidated financial statements also is applied (see 2.5A). The new requirements, highlighted below, apply prospectively.

Forthcoming requirements

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, and any contingent consideration.

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

2.6A Business combinations

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

A revised standard on business combinations is effective for business combinations in annual periods beginning on or after 15 December 2008; earlier application is prohibited. The new requirements, highlighted below, apply prospectively.

Forthcoming requirements

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, and any contingent consideration.

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

Consideration transferred does not include acquisition-related 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.

An intangible asset is recognised separately from goodwill when it is identifiable. An intangible asset is identifiable if it meets either the separability criterion, or the contractual-legal criterion.

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 subsequently, 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.

While there is general guidance on measuring fair values in IFRSs, there is no detailed guidance on valuation methodologies.

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

Like IFRSs, consideration transferred does not include acquisition-related costs.

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, unlike IFRSs, the classification of contingent consideration as equity, or as an asset or liability under U.S. GAAP may differ from IFRSs.

Like IFRSs, an intangible asset is recognised separately from goodwill when it is identifiable. Like IFRSs, an intangible asset is identifiable if it meets either the separability criterion, or the contractual-legal criterion.

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 subsequently, 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 measurement as an exit value, provides a fair value hierarchy, and provides general valuation guidance and disclosure requirements.

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

At the acquisition date the acquirer measures any non-controlling interests at fair value, or at its proportionate interest in the values assigned to the identifiable assets acquired and liabilities assumed in the acquisition accounting.

When the sum of the fair value of the consideration transferred, the fair value of any previously held equity interest in the acquiree, and the recognised amount of non-controlling interests exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill. Any deficit is a bargain purchase, which is recognised in profit or loss immediately after reassessing the identification and measurement of the above items.

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 (step acquisition), the identifiable assets and liabilities are recognised at full fair value when control is obtained, and 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 guidance on accounting for common control transactions.

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

Like IFRSs, when the sum of the fair value of the consideration transferred, the fair value of any previously held equity interest in the acquiree, and the recognised amount of non-controlling interests (fair value under U.S. GAAP) exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill. Any deficit is a bargain purchase, which is recognised in profit or loss immediately after reassessing the identification and measurement of the above items, like IFRSs.

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 (step acquisition), the identifiable assets and liabilities are recognised at full fair value when control is obtained, and 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.

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 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.

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 as follows: assets and liabilities at the closing rate, revenues and expenses at actual rates or appropriate averages, and equity components 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 directly in equity 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.

2.7 Foreign currency translation

(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.

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

Unlike IFRSs, an entity may not have more than one reporting currency.

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 as follows: assets and liabilities at the closing rate, revenues and expenses at actual rates or appropriate averages, and equity components at historic rates.

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.

Like IFRSs, when an investment in a foreign operation is disposed of, the cumulative exchange differences recognised previously directly in equity 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.

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

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.

2.8 Accounting policies, errors and estimates

(APB 9, SFAS 16, SFAS 154)

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 impracticality 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.

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.

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

2.9 Events after the reporting date

(SFAS 6, SFAS 78, SFAS 128, FIN 8, FIN 48, FTB 79-3, EITF 86-30, EITF 95-22, SAB Topic 4-C, SAS 59, AU 560, AU 561)

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 beyond the date of authorisation of the financial statements to the date that the statements are issued, 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 balance sheet 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, post-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. Specific balance sheet items

3.1 General (IAS 1, IAS 32)

Generally an entity must present its balance sheet classified between current and non-current. An unclassified balance sheet 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 on the face of the balance sheet, 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. Specific balance sheet items

3.1 General

(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 balance sheet. Unlike IFRSs, there is no restriction on when an unclassified balance sheet 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 balance sheet, 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, 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)

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.

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

3.2 Property, plant and equipment

(ARB 43, APB 21, APB 29, SFAS 34, SFAS 143, SFAS 153, SFAS 154, FIN 30, FIN 47, FSP FAS 143-1, 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.

Like IFRSs, 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.

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.

Acquired 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.

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.

3.3 Intangible assets and goodwill

(SFAS 2, SFAS 68, SFAS 86, SFAS 142, SFAS 144, FIN 4, EITF 95-3, EITF 00-2, EITF 02-17, EITF 03-9, EITF D-100, EITF D-101, SOP 93-7, SOP 98-1, SOP 98-5)

Like IFRSs, an intangible asset is an asset, not including a financial asset, that lacks physical substance.

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

Like IFRSs, direct-response advertising, software developed for internal use, and software developed for sale to third parties are recognised initially at cost. Other intangible assets generally are recognised at fair value, which usually equals the fair value of the consideration given, like IFRSs.

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

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

Like IFRSs, intangible assets with finite 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.

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.

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, direct-response advertising expenditure is capitalised if specific criteria are met. Other advertising and promotional expenditure is expensed as incurred, like IFRSs.

IFRSs, certain relocation costs following a business combination are capitalised. Other relocation or reorganisation expenditures are expensed as incurred, like IFRSs.

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, a 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.

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.

3.4 Investment property

(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 balance sheet.

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 when it is probable that it will give rise to future economic benefits.

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.

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.

3.5 Equity-method investees

(APB 18, 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 D-46, EITF D-68, EITF D-84, AIN-APB 18, Reg S-X, SAB Topic 5-H, SAB Topic 5-M)

Like IFRSs, significant influence is the ability to significantly influence the operating and financial policies of an investee. 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.

Like IFRSs, potential voting rights that are exercisable currently and investments in other securities of the investee (e.g., preferred shares, bonds) are considered in assessing whether significant influence exists.

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

Equity-method investees are accounted for using the equity method, like IFRSs, or 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.

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.

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.

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.

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 only 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.

Like IFRSs, generally gains and losses on non-monetary contributions in return for an equity interest in a joint venture are recognised to the extent of the other investors' interests in the investee. However, unlike IFRSs, when a business is contributed to a joint venture by an SEC registrant, the investor recognises the gain or loss in full.

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

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:

- 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 with a similar response to the variable; and
- that will be settled at a future date.

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

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

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.

A financial instrument may be designated upon initial recognition at fair value through profit or loss only if certain criteria are met.

3.6 Financial instruments

(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:

- the value of which changes in response to an underlying variable, like IFRSs;
- that has an initial net investment smaller than would be required for other instruments with a similar response to the variable, 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 instrument that behave like a derivative.

Like IFRSs, derivatives embedded in host contracts generally are accounted for separately if they are not clearly and closely related to the host contract. However, “clearly and closely related” differs from “closely related” under IFRSs in certain respects.

Unlike IFRSs, the classification of financial instruments generally is not specified other than for debt and marketable equity securities, which are classified as:

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

Unlike IFRSs, entities have a free choice to designate most financial instruments, on an instrument-by-instrument basis, upon initial recognition at fair value through profit or loss.

All financial instruments are measured initially at fair value.

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 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 balance sheet 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 assets are recognised directly in equity, except that foreign exchange gains and losses on available-for-sale monetary items 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.

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 if it retains the rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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.

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

Like IFRSs, all freestanding derivatives and some embedded derivatives are recognised in the balance sheet 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 directly in equity; however, unlike IFRSs, the amount recognised directly in equity includes foreign exchange gains and losses.

Like IFRSs, financial liabilities other than derivative liabilities and short trading positions are measured at amortised cost unless they are designated at fair value through profit or loss.

A transfer is defined as the conveyance of a non-cash financial asset by and to someone other than the issuer of that financial asset, like IFRSs.

Evaluating whether a transfer of a financial asset qualifies for derecognition requires consideration of whether substantive risks and rewards and, in certain circumstances control, is 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 equity, may be impaired, the amount of any impairment loss must be calculated and recognised in profit or loss. Some impairment losses can be reversed.

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 achieved. However, after a transfer of a financial asset, or a portion thereof, an entity continues to recognise the financial and servicing assets it controls and derecognises the financial assets (or portions thereof) for which control has been surrendered, like IFRSs.

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

Unlike IFRSs, an impairment loss is recognised only if it is other than temporary even if there is objective evidence that an item may be impaired. If the impairment is other than temporary, then any impairment loss is recognised in profit or loss, like IFRSs. Unlike IFRSs, impairments losses cannot be reversed.

3.7 Hedge accounting (IAS 39)

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 and effectiveness testing requirements are met.

The hedged item is the underlying 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.

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.

3.7 Hedge accounting

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

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.

IFRSs, hedge accounting is permitted only when strict documentation and effectiveness testing requirements are met. Unlike IFRSs, a short-cut method is available if specific criteria are met when hedging with interest rate swaps.

Like IFRSs, the hedged item is the underlying 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, 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. 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.

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.

Like IFRSs, hedge accounting is 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.

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 use of 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

(ARB 43, SFAS 151, EITF 02-16, SAB Topic 4-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, 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 estimated point-of-sale costs unless fair value cannot be measured reliably, in which case they are measured at cost. Changes therein are recognised in profit or loss.

Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest, and subsequently is accounted for at the lower of cost and net realisable value.

3.9 Biological assets

(SOP 85-3)

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 less costs of disposal when certain conditions are met. The term “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

(SFAS 142, SFAS 144, 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.

The carrying amount of goodwill is grossed up for impairment testing if minority interests are present.

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 a pre-tax rate that reflects the market's assessment of the risks specific to the asset.

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 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 if minority interests are present.

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 are specific to the entity.

Unlike IFRSs, the cash flows used to assess recoverability are not discounted.

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)

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.

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.

The components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately.

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.

3.11 Equity and financial liabilities

(ARB 43, SFAS 133, SFAS 150, EITF 00-19, EITF 00-29, EITF D-98, FSP FAS 150-3, 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 balance sheet between total liabilities and equity (the mezzanine).

Like 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 is an outstanding share that only conditionally obligates settlement 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.

Unlike IFRSs, instruments with characteristics of both debt and equity are not always split between their debt and equity components.

Unlike IFRSs, a non-derivative contract that may or must be settled in an entity's own shares generally is classified as equity, 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.

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.

Minority interests in the balance sheet 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, 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.

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.

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

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

IFRSs, minority interests in the balance sheet are presented either as a long-term liability, or between total liabilities and equity (the mezzanine).

IFRSs, dividends on shares classified as equity or 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.

Unless the fair value of an obligation is observable in a market, a provision is measured at the “best estimate” of the expenditure to be incurred.

If there is a large homogeneous 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.

Provisions are discounted if the effect of discounting is material.

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

3.12 Recognised contingencies and other “provisions”

(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 homogeneous 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. This technique is not limited to large populations, unlike IFRSs.

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.

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.

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.

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

Like IFRSs, a provision for restructuring costs to terminate employees 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, in which case they will be recognised when probable and reasonably estimable. However, unlike IFRSs, termination benefits to employees are recognised at the communication date only if all services required to receive the benefits have been performed.

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.

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 the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax recognised 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 carry-forwards.

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. However, any temporary difference is recognised subsequently if the goodwill is tax deductible.

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

(APB 2, APB 4, SFAS 13, SFAS 109, FIN 48, EITF 93-7, 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 the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax recognised 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 carry-forwards.

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. However, like IFRSs, any temporary difference is recognised subsequently if the goodwill is tax deductible.

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 if certain conditions are met.

A deferred tax asset is recognised if it is probable that it will be realised.

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 balance sheet.

Income tax relating to items charged or credited directly to equity, in the current or a previous period, is charged or credited directly to equity.

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.

Like IFRSs, deferred tax is not recognised in respect of investments in foreign subsidiaries 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).

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.

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 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.

Like IFRSs, the tax effect of items charged or credited directly to equity during the current reporting period is charged or credited directly to equity. However, unlike IFRSs, subsequent changes in tax rates and laws, tax status, and the assessment of the recoverability of deferred tax for items previously recognised in equity are recognised in profit or loss.

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.

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.

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.

3.14 Contingent assets and liabilities

(IAS 37, IFRS 3)

Contingent liabilities are obligations 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 are not recognised other than in connection with a business combination.

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 unless their realisation is virtually certain.

3.14 Unrecognised contingencies

(SFAS 5, SFAS 143, FIN 47)

Unlike IFRSs, the term “contingent liabilities” refers to both recognised and unrecognised uncertain obligations. This chapter addresses only unrecognised contingent liabilities.

Unlike IFRSs, contingent liabilities assumed in a business combination are not recognised. Other contingent liabilities also are not recognised in the balance sheet, like IFRSs.

Like IFRSs, generally information on contingent liabilities is disclosed in the notes to the financial statements unless the probability of an outflow is remote. However, unlike IFRSs, certain contingent liabilities 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 contingent asset offsets a recognised loss, then it is recognised when it is “likely” to result in an inflow of resources.

4. Specific income statement items

4.1 General (IAS 1, IAS 8)

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

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

The presentation of alternative earnings measures, on the face of the income statement 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.

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.

4. Specific income statement items

4.1 General

(APB 9, APB 30, SFAS 141, SFAS 144, EITF 99-19, EITF 00-10, EITF 01-9, EITF 01-14, EITF 02-16, 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 income statement, 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 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. An extraordinary item is one that is both unusual in nature and infrequent in occurrence.

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, 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.

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

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.

4.2 Revenue

(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 04-11, 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, unlike IFRSs, there are specific indicators 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.

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.

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 limited guidance on sales of real estate.

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.

Unlike IFRSs, there is detailed guidance on accounting for sales of real estate.

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.

Government grants related to biological assets measured at fair value less point of sale costs are recognised in profit or loss when they are unconditionally receivable.

Other government grants are recognised in profit or loss so as to match the related expenses.

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 guidance on the accounting for grants from government.

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 government.

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.

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.

4.4 Employee benefits

(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 postretirement benefits are recognised on the basis of a legal or constructive obligation. Other types of employee benefits are recognised as the benefits accumulate if other 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 postretirement 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 postretirement benefit plan under which the employer pays specified contributions into a separate entity and has no further obligations. All other postretirement 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.

Unlike 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 benefit plans.

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.

Insurance policies issued to the sponsor by a party unrelated to the entity may meet the definition of plan assets.

The fair value of qualifying plan assets is offset against the defined benefit obligation.

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

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 are measured actuarially using the projected unit credit method, like IFRSs.

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.

Unlike IFRSs, the defined benefit obligation must be discounted using a high quality corporate bond rate.

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.

Unlike IFRSs, insurance policies can meet the definition of plan assets even if issued by a related party, but only if they are held by the plan.

Like IFRSs, the fair value of qualifying plan assets is offset against the defined benefit obligation.

Unlike IFRSs, the measurement of the defined benefit obligation and related plan assets may be made up to three months prior to the reporting date.

Actuarial gains and losses of defined benefit plans are recognised either in profit or loss, or immediately directly in equity. Amounts recognised directly in equity are not recycled 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” generally are required to be recognised over the average remaining working lives of employees in the plan. Faster 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.

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, actuarial gains and losses that are not included in profit or loss are recognised in other comprehensive income (OCI). Amounts recognised in accumulated other comprehensive income (AOCI) are recycled to profit or loss, unlike IFRSs.

Like IFRSs, actuarial gains and losses that exceed a “corridor” generally 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 OCI, and both vested and unvested amounts generally are amortised from AOCI to 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.

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)

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

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 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 a separate share-based payment arrangements.

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

4.5 Share-based payments

(SFAS 123R, 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 at fair value.

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.

Unlike IFRSs, liability-classified (cash-settled) share-based payments are within the scope of the share-based payment standards even if settled by another group entity or a shareholder.

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.

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

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

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

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 a cost, 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 a cost, and recognises a corresponding liability. Remeasurements are recognised immediately in profit or loss.

Estimates of the number of equity-settled instruments that are expected to vest are adjusted to the actual numbers that vest unless forfeitures are due to market-based conditions.

Market-based vesting 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 results in acceleration of the unrecognised cost.

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.

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 a cost, 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 a cost, and recognises a corresponding liability. Unlike IFRSs, remeasurements are recognised as a cost.

Like IFRSs, estimates of the number of equity-settled instruments that vest are adjusted 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 of a share-based payment results in acceleration of the unrecognised cost.

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.

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.

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 value may be used instead, like 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.

Incremental transaction costs generally are included in the initial measurement of the instrument by offset against its carrying amount. However, if the instrument is 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 may be capitalised if certain conditions are met.

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.

4.6 Financial income and expense

(APB 21, SFAS 34, SFAS 42, SFAS 58, SFAS 62, SFAS 84, SFAS 91, 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. However, unlike IFRSs, there are certain exemptions from the requirement to calculate an effective interest rate.

Like IFRSs, incremental transaction costs generally are included in the initial measurement of the instrument. If the instrument is at fair value through profit or loss, then such costs are recognised in profit or loss, like IFRSs. However, debt issue transaction costs are presented as a separate asset in the balance sheet, 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, together with the related costs. However, unlike IFRSs, the related costs are recognised in profit or loss even if the financial liability is not derecognised.

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

Unlike IFRSs, interest related to “qualifying” assets must be capitalised.

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.

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.

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

5. Special topics

5.1 Leases

(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.

Like IFRSs, under a capital lease, the lessor recognises a capital lease receivable unless the lease is a leveraged lease, and the lessee recognises the leased asset and a liability for future lease payments.

Like IFRSs, the leased asset in an operating lease remains in the balance sheet 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.

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 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 Segment reporting (IAS 14)

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.

Disclosures are required for both business segments and geographical segments.

One basis of segmentation is primary and the other is secondary; less information is required to be disclosed for secondary segments. The assessment of which is the primary segment reporting format is based on the dominant source and nature of an entity's risks and returns, as well as the entity's internal reporting structure.

Segments are reportable if they meet one of three quantitative tests, based on revenues, profits or losses, and assets.

The amounts disclosed are based on the same accounting policies as the amounts recognised in the financial statements.

Comparative information normally is adjusted for changes in reportable segments, unless impracticable.

5.2 Segment reporting

(SFAS 131, SFAS 142, SFAS 144, EITF 04-10)

Like IFRSs, 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. Unlike IFRSs, segment disclosures also are required for certain other entities required to file financial statements with the SEC.

Unlike IFRSs, disclosures are required for segments reported to the chief operating decision maker, with no distinction being made between business and geographical segments.

Unlike IFRSs, there is only one basis of segmentation, which is based on the internal reporting structure of the entity.

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

Unlike IFRSs, the amounts disclosed are based on the amounts reported internally to the chief operating decision maker.

Like IFRSs, comparative information is adjusted for changes in reportable segments, unless impracticable.

5.2A Operating segments (IFRS 8)

A new standard on operating segments is effective for annual periods beginning on or after 1 January 2009; earlier application is permitted. The new requirements, highlighted below, apply retrospectively.

Forthcoming requirements

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.

5.2A Operating segments

(SFAS 131, SFAS 142, SFAS 144, EITF 04-10)

Unlike IFRSs, there have been no changes in the requirements under U.S. GAAP related to operating segments. As a consequence, the following requirements are currently effective under U.S. GAAP.

Forthcoming requirements

Like IFRSs, 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. 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 revenue, 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 material 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 revenue, 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 material 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 on the face of the income statement, 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 shareholders 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 shareholders 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.

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.

5.3 Earnings per share

(SFAS 128, EITF 03-6, EITF 04-8, 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 on the face of the income statement, 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 on the face of the income statement 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.

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.

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, 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.

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, the weighted average number of common shares outstanding during all periods presented is adjusted retrospectively.

Unlike IFRSs, adjusted basic and diluted EPS based on alternative earnings measures may not be presented.

5.4 Non-current assets held for sale and discontinued operations (IFRS 5)

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

Non-current 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 on the face of the balance sheet.

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

The comparative balance sheet is not re-presented when a non-current asset (disposal group) is classified as held for sale.

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

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.

Discontinued operations are presented separately on the face of the income statement, and cash flow information is disclosed.

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

5.4 Non-current assets held for sale and discontinued operations

(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.

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 on the face of the balance sheet.

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

Unlike IFRSs, there is no specific guidance on whether the comparative balance sheet 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, 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.

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

Like IFRSs, the comparative income statement is re-presented for discontinued operations. Unlike IFRSs, cash flow information is re-presented only if cash flow information 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

(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.

Like IFRSs, there are no special recognition or measurement requirements for related party transactions.

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.

5.6 Financial instruments: presentation and disclosure

(IAS 32, IFRS 7, IFRIC 2)

Separate presentation on the face of the balance sheet is required for certain classes of financial assets and liabilities.

IFRSs do not provide guidance in the balance sheet presentation of non-derivative or derivative hedging instruments.

There is no guidance on the income statement 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.

The terms and conditions of financial instruments are disclosed.

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

5.6 Financial instruments: presentation and disclosure

(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 on the face of the balance sheet is required for certain classes of financial assets and liabilities. Unlike IFRSs, there are no presentation requirements for non-SEC registrants.

Like IFRSs, there is no specific guidance in the balance sheet presentation of non-derivative or derivative hedging instruments.

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

Like IFRSs, 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. However, unlike IFRSs, there are additional requirements for master netting arrangements related to derivatives.

Like IFRSs, the terms and conditions of financial instruments are disclosed.

Unlike IFRSs, specific qualitative disclosures in respect of risks arising from financial instruments, other than concentrations of credit risk, are not disclosed. Qualitative information in respect of risks and uncertainties related to the nature of a company's operations and determining estimates is disclosed, unlike IFRSs. Also, unlike IFRSs, additional qualitative information in respect of risks arising from financial instruments and management's approach to managing these risks is provided outside of the financial statements, but only for SEC registrants.

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 of the financial instruments.

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. Like IFRSs, 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, 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 when transferred to the entity by the government.

5.7 Non-monetary transactions

(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.

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

5.8 Accompanying financial and other information (IAS 1)

A financial and operational review is encouraged, but 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)

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 balance sheet; condensed income statement; condensed cash flow statement; condensed statement of changes in equity; 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

(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.

Like IFRSs, entities must present the following in condensed interim financial statements: condensed balance sheet; condensed income statement; condensed cash flow statement; selected explanatory notes. However, unlike IFRSs, a condensed statement of changes in equity 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, 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 permitted to continue their existing accounting policies with respect to insurance contracts.

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 a combination of new policies, results in information that is more relevant or reliable, or both, without reducing either.

Discretionary participation features are accounted for as insurance contracts.

In some cases a deposit element is required to be “unbundled” from an insurance contract and accounted for as a financial instrument.

Some derivatives embedded in insurance contracts must be separated from their 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.

5.10 Insurance contracts

(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 named 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; these are amounts distributable to policyholders of participating insurance contracts as determined by the insurer.

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

Like IFRSs, derivatives embedded in insurance contracts and meeting certain criteria must be separated from the host insurance contract and accounted for as if they were stand-alone derivatives.

Like IFRSs, 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 (gross) presentation is permitted for insurance contracts acquired in a business combination or portfolio transfer.

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 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 the exploration for and evaluation (E&E) of mineral resources.

E&E costs 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 a segment.

There is no specific guidance on the recognition or measurement of pre-exploration costs or post-exploration development expenditure.

5.11 Extractive activities

(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, capitalised costs are segregated and classified as either tangible or intangible assets, according to their nature.

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.

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. As a consequence, practice may be mixed with some entities applying the guidance applicable to lease arrangements.

Unlike IFRSs, the operator would need to evaluate the arrangement as a multiple element arrangement and determine whether the arrangement is a single unit of account, or separate units of account, and if separate units of account, the amount of consideration to be allocated to each unit of account. U.S. GAAP does not provide specific guidance on the classification of a resulting asset.

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 would be recognised for the right to charge for the usage of the infrastructure.

Unlike IFRSs, the operator is required to evaluate whether the deliverables are separate units of account under U.S. GAAP and if so, allocate the arrangement consideration to the separate units of account. In many situations, this may result in either a different determination about the number of units of account, or the arrangement consideration assigned to the units of account under U.S. GAAP, and differences in the timing and amount of revenue recognition between U.S. GAAP and IFRSs are likely to result.

The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard.

Unlike 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, 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

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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