U.S. GAAP VS. IFRS: FAIR VALUE MEASUREMENTS AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself about the impact of IFRS on your financial reporting processes and business now. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS when measuring fair value. For other comparisons available in this series, refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series.

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. While the SEC has not made any final decisions with respect to use of IFRS by U.S. registrants, its activities are ongoing. For more information, refer to our IFRS Resource Center.

The guidance related to fair value measurements in U.S. GAAP is included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. In IFRS, the guidance related to fair value measurements is contained in IFRS 13, *Fair Value Measurement*. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 (with earlier application permitted). The guidance in ASC 820 and IFRS 13 resulted from a joint project undertaken by the FASB and IASB to provide converged guidance on fair value measurements. While the joint project resulted in ASC 820 and IFRS 13 being converged to a large extent, certain differences remain. The significant differences between U.S. GAAP and IFRS with respect to fair value measurements are summarized in the following table.

	U.S. GAAP	**IFRS**
Relevant guidance	ASC 820	IFRS 13
Recognition of day one gains and losses (which arise when the transaction price does not equal fair value)	The recognition of day one gains and losses is required, even when the inputs to a fair value measurement are not observable, unless other guidance in the Codification prohibits the recognition of such a gain or loss.	In certain situations, the recognition of day one gains and losses is prohibited when the inputs to a fair value measurement are not observable. For example, in some cases, the difference between the fair value and transaction price of a financial instrument at the acquisition date is deferred (instead of recognized as a day one gain or loss) when the inputs used to measure the fair value of the financial instrument are not observable.

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	U.S. GAAP	IFRS
Accounting for alternative investments	A practical expedient permits the measurement of certain alternative investments at net asset value.	A practical expedient for measuring alternative investments does not exist.
Disclosures	A quantitative sensitivity analysis is not required.	A quantitative sensitivity analysis is required for financial instruments measured at fair value and categorized in Level 3 of the fair value hierarchy.
Disclosure exemptions	No disclosure exemptions exist for nonpublic entities.	Nonpublic entities are not required to make certain sensitivity disclosures.

These are the significant differences between U.S. GAAP and IFRS with respect to fair value measurements. Refer to ASC 820 and IFRS 13 for all of the specific requirements applicable to fair value measurements. Refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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