

# U.S. GAAP vs. IFRS: Interim reporting

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## Introduction

Currently, more than 120 countries require or permit the use of International Financial Reporting Standards (IFRS), with a significant number of countries requiring IFRS (or some form of IFRS) by public entities (as defined by those specific countries). Of those countries that do not require use of IFRS by public entities, perhaps the most significant is the U.S. The U.S. Securities and Exchange Commission (SEC) requires domestic registrants to apply U.S. generally accepted accounting principles (GAAP), while foreign private issuers are allowed to use IFRS as issued by the International Accounting Standards Board (which is the IFRS focused on in this comparison). While the SEC continues to discuss the possibility of allowing domestic registrants to provide supplemental financial information based on IFRS (with a reconciliation to U.S. GAAP), there does not appear to be a specified timeline for moving forward with that possibility.

Although the SEC currently has no plans to permit the use of IFRS by domestic registrants, IFRS remains relevant to these entities, as well as private companies in the U.S., given the continued expansion of IFRS use across the globe. For example, many U.S. companies are part of multinational entities for which financial statements are prepared in accordance with IFRS, or may wish to compare themselves to such entities. Alternatively, a U.S. company's business goals might include international expansion through organic growth or acquisitions. For these and other reasons, it is critical to gain an understanding of the effects of IFRS on a company's financial statements. To start this process, we have prepared [a series of comparisons](#) dedicated to highlighting significant differences between U.S. GAAP and IFRS. This particular comparison focuses on the significant differences between U.S. GAAP and IFRS related to interim reporting.

The guidance related to interim reporting in U.S. GAAP is included in the Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 270, *Interim Reporting*. In IFRS, the guidance related to interim reporting is included in International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

## Comparison

The significant differences between U.S. GAAP and IFRS with respect to interim reporting are summarized in the following table.

|                   | U.S. GAAP | IFRS   |
|-------------------|-----------|--------|
| Relevant guidance | ASC 270   | IAS 34 |

|   | U.S. GAAP   | IFRS  |
|---|---|---|
| <b>Allocation of costs in interim periods</b> | <p>Interim periods are viewed as integral parts of an annual reporting period.</p> <p>Certain costs that benefit more than one period may be allocated among those periods.</p>   | <p>With the exception of income taxes, each interim period is considered a discrete reporting period, rather than an integral part of an annual reporting period.</p> <p>If a cost benefits more than one period, that cost must meet the definition of an asset at the end of an interim period to be deferred. In addition, a liability for accrued expenses must represent an existing obligation at the end of an interim period.</p> |
| <b>Interim tax provisions</b>                 | <p>If a tax rate change is enacted in an interim period, an entity is required to recognize the effect of the change immediately in the interim period in which the rate change was enacted. The concept of <i>substantively enacted</i> does not exist in U.S. GAAP.</p> | <p>If a tax rate change is enacted (or substantively enacted) in an interim period, an entity may choose to either recognize the effect of the change immediately in the interim period or spread the effect over the remainder of the year.</p>  |
| <b>Required statements</b>                    | <p>A condensed statement of changes in equity is not required, although entities are required to disclose significant changes in equity.</p>  | <p>Condensed interim financial statements require a condensed statement of changes in equity.</p>   |
| <b>Headings and subtotals</b>                 | <p>No requirements related to headings and subtotals exist in U.S. GAAP.</p>  | <p>Interim financial statements must include each of the headings and subtotals included in the most recent annual financial statements.</p>  |

These are the significant differences between U.S. GAAP and IFRS related to interim reporting. Refer to ASC 270 and IAS 34 for all of the specific requirements applicable to interim reporting. In addition, refer to our [U.S. GAAP vs. IFRS comparisons series](#) for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

Consult your RSM US LLP service provider concerning your situation and any specific questions you may have. You may also contact us toll-free at 800.274.3978 for a contact person in your area.

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*U.S. GAAP vs. IFRS: Interim reporting* resulted from the efforts and ideas of various RSM US LLP professionals, including members of the National Professional Standards Group, as well as contributions from RSM UK and RSM Canada professionals.

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