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U.S. GAAP to IFRS Comparisons

April 2026



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1. FOREWORD

The International Accounting Standards Board (IASB) is the primary setter of accounting standards globally. The IASB is responsible for issuance of International Financial Reporting Standards (IFRS). IFRS comprise:

- IFRS issued by the IASB
- International Accounting Standards (IAS)
- Interpretations developed by the IFRS Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee

In the United States, the Financial Accounting Standards Board (FASB) is the primary setter of accounting standards. The standards are issued in the form of Accounting Standards Updates (ASUs), which are then codified as Topics in the FASB's Accounting Standards Codification (ASC). Additionally, the FASB's Emerging Issues Task Force (EITF) operates in a capacity similar to IFRIC and considers interpretive issues. If the EITF reaches a final consensus on an interpretive issue, that consensus is approved by the FASB and issued as an ASU.

Historical perspective

The FASB and the IASB entered into a bilateral convergence project in 2002. Since that time, the Boards have made significant progress towards convergence. For example, the Boards have issued substantially converged standards on:

- Business combinations (IFRS 3 and ASC 805)
- Revenue recognition (IFRS 15 and ASC 606)
- Fair value measurement (IFRS 13 and ASC 820)
- Stock-based compensation (IFRS 2 and ASC 718)

While the Securities and Exchange Commission (SEC) has maintained a position supporting convergence over the years, they have still not decided to incorporate IFRS into the U.S. financial reporting system.

Despite this, we believe that fluency in IFRS is important for practitioners and investors. IFRS continues to gain international acceptance in the world's capital markets. At the time of this writing, IFRS (or some form thereof) is required for financial statements of public-interest entities in over 140 jurisdictions around the world. The United States remains the largest major capital market that neither requires nor permits IFRS as the primary reporting framework for domestic public entities. Only foreign registrants are allowed to report under IFRS as issued by the IASB, while domestic registrants must use U.S. generally accepted accounting principles (GAAP). Other major capital markets that do not require IFRS include Japan (which permits, but does not require adoption) and China (which has standards that are somewhat converged with IFRS).

Although the United States does not have plans to require the use of IFRS, entities within the U.S. find themselves being affected by IFRS in a multitude of circumstances, including (but not limited to):

- U.S. entities that are subsidiaries or investees of parent companies that issue financial statements in accordance with IFRS are likely to find themselves reporting to their parent entities under IFRS.
- U.S. entities with subsidiaries or investments in entities that report under IFRS would benefit from an understanding of IFRS.

- U.S. entities that are considering acquisitions of entities that prepare financial statements in accordance with IFRS would need to understand IFRS to assess the target entity's financial condition and performance.

This document assists in identifying the significant differences between U.S. GAAP and IFRS that are frequently encountered in practice. It does not discuss all differences between U.S. GAAP and IFRS. The significance or materiality of any difference depends on a number of quantitative and qualitative factors and can vary widely from one entity to another.

For a listing of updates to this document since its prior publication, refer to [Appendix C](#).

For a listing of U.S. GAAP and IFRS guidance that is effective as of January 1, 2025, please refer to the [2025 Effective Date Reminder](#) publication. For a listing of pending guidance and the applicable effective dates, refer to [Appendix B](#).

The differences discussed do not consider IASB standards that are effective for reporting periods beginning on or after January 1, 2026, which include:

- *Amendments to the Classification and Measurement of Financial Instruments* – Amendments to IFRS 9 and IFRS 7
- IFRS 18, *Presentation and Disclosure in Financial Statements*
- IFRS 19, *Subsidiaries without Public Accountability*
- Annual Improvements – IFRS Accounting Standards – Volume 11
- *Contracts Referencing Nature-dependent Electricity* – Amendments to IFRS 9 and IFRS 7

In addition, the differences that are included in the tables do not consider FASB ASUs that are effective for annual reporting periods that begin after December 15, 2025, which include:

- ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*
- ASU 2024-04, *Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*
- ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*
- ASU 2025-04, *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer*
- ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*
- ASU 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*
- ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*
- ASU 2025-08, *Financial Instruments – Credit Losses (Topic 326): Purchased Loans*
- ASU 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*
- ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*

- ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*
- ASU 2025-12, *Codification Improvements*

Additionally, this document does not address:

- IASB's IFRS for Small- and Medium-Sized Entities. Similarly, concerning U.S. GAAP, although certain Private Company Council (PCC) alternatives are mentioned, the PCC alternatives are not an area of focus in this document.
- IFRS S1 and IFRS S2. These are sustainability disclosure standards issued by the International Sustainability Standards Board in June 2023. These standards were developed to provide more consistent, complete and comparable sustainability-related financial information. They are intended to help investors and other capital providers assess an entity's enterprise value. Refer to [our environmental, social and governance resources](#) for RSM publications related to environmental, social and governance-related issues.
- Accounting standards that relate exclusively or primarily to a particular industry.

2. FINANCIAL ASSETS: RECOGNITION AND MEASUREMENT

2.1 Introduction

The guidance related to the recognition and measurement of financial assets in U.S. GAAP is included in ASC Topic 310, *Receivables*; ASC Topic 320, *Investments – Debt Securities*; ASC Topic 321, *Investments – Equity Securities*; ASC Topic 326, *Financial Instruments – Credit Losses*; ASC Topic 815, *Derivatives and Hedging*; and ASC Topic 825, *Financial Instruments*. In IFRS, the guidance related to the recognition and measurement of financial assets is included in IFRS 9, *Financial Instruments*.

2.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the recognition and measurement of financial assets are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 310, ASC 320, ASC 321, ASC 326, ASC 815 and ASC 825	IFRS 9
Regular-way purchases and sales of financial assets: Trade-date versus settlement-date accounting	U.S. GAAP does not prescribe either trade-date or settlement-date accounting. However, certain entities that are subject to industry-specific guidance (e.g., brokers and dealers, investment companies) are required to apply trade-date accounting.	An entity may elect an accounting policy to apply trade-date or settlement-date accounting to each of the IFRS 9 financial asset categories. This election must be applied consistently to all financial assets in the same classification category.
Loans and receivables: Classification and measurement categories	<p>If the eligibility criteria are met, an entity may irrevocably elect to measure its loans or receivables at fair value with changes in fair value recorded in net income (the fair value option [FVO]).</p> <p>If the FVO is not elected, loans and receivables are classified based on management’s intent as either:</p> <ul style="list-style-type: none"> • Held-for-investment: Measured at amortized cost • Held-for-sale: Measured at the lower of cost or fair value 	<p>If the eligibility criteria are met, an entity may irrevocably elect the FVO, in which case the loan or receivable is measured at fair value with changes in fair value recorded in profit or loss.</p> <p>If the FVO is not elected, loans and receivables are classified based on the entity’s business model for managing those assets and the asset’s contractual cash flow characteristics. The following classification categories and measurement attributes are used:</p> <ul style="list-style-type: none"> • Amortized cost: The asset is held within a business model whose objective is achieved by collecting contractual cash flows and the asset’s contractual cash flows are comprised of solely payments of principal and interest (SPPI).

	U.S. GAAP	IFRS
		<ul style="list-style-type: none"> • Fair value with changes in fair value recognized through other comprehensive income (FVTOCI): The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and the asset’s contractual cash flows are comprised of SPPI. • Fair value with changes in fair value recognized through profit or loss (FVTPL): The asset’s contractual cash flows are not comprised of SPPI, or the asset does not otherwise qualify to be classified at amortized cost or FVTOCI based on the related business model.
Loans and receivables: Credit losses	<p>Credit losses on loans and receivables carried at amortized cost are recognized immediately to reflect the entity’s current estimate of lifetime expected credit losses (ECLs). ECLs should generally include a measure for the expected risk of loss even if the risk of loss is remote.</p> <p>The ECL allowance should generally consider historical loss experience, current conditions, and reasonable and supportable forecasts. No one way of determining the allowance (i.e., a method) is prescribed. For example, a discounted cash flow approach is not required.</p>	<p>For loans and receivables that are not classified as FVTPL, credit losses are recognized immediately based on an ECL model. The ECL model uses two measurement bases: a 12-month ECL and a lifetime ECL for assets whose credit risk has increased significantly since the asset’s initial recognition. A discounted cash flow analysis is required to determine the allowance.</p> <p>In addition, for financial assets that are credit impaired at the time of recognition, the credit loss would be based on the cumulative changes in the lifetime ECL since initial recognition.</p>
Nonaccrual loans and interest recognition	<p>No explicit requirement exists for when interest income recognition on a loan or receivable measured at amortized cost should cease. However, there is a practice of placing financial assets on nonaccrual status when it is unlikely that the entity will collect full principal and interest related to the financial asset.</p>	<p>Although nonaccrual of interest is not permitted, interest income for credit-impaired financial assets is based on the net carrying amount of the asset.</p>



	U.S. GAAP	IFRS
Loan modifications	<p>A loan modification is accounted for as a new loan (i.e., the original asset is derecognized and a new asset is recognized) if both of the following are met:</p> <ul style="list-style-type: none"> • The terms are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risk. • The present value of the cash flows under the modified terms is at least 10% different from the present value of the remaining cash flows according to the original terms. <p>If the loan is accounted for as a new loan, any unamortized net fees or costs and any prepayment penalties associated with the original loan are recognized in interest income upon derecognition and recording of the new loan.</p> <p>If the loan is not accounted for as a new loan, a gain or loss is not recognized.</p>	<p>If the modified contractual cash flows are substantially different from the contractual cash flows under the original terms, the original financial asset is derecognized and a new financial asset is recognized, with a gain or loss recognized based on the difference between the net carrying amount of the original asset and the fair value of the consideration received.</p> <p>If the modified financial asset is not accounted for as a new asset, a gain or loss is recognized based on the difference between the gross carrying amount of the original asset and the present value of the modified cash flows discounted by using the effective interest rate of the original asset.</p>
Debt securities: Classification and measurement categories	<p>The FVO may be irrevocably elected if the eligibility criteria are met, in which case the debt security is measured at fair value with changes in fair value recorded in net income (FVTNI).</p> <p>If the FVO is not elected, debt securities are classified in one of three categories:</p> <ul style="list-style-type: none"> • Trading: Debt securities acquired with the intent to sell within hours or days (however, an entity is not precluded from using this classification for securities it plans to hold for a longer period) • Held-to-maturity (HTM): Debt securities that the reporting entity has both the positive intent and ability to hold until maturity 	<p>The classification and measurement categories for debt securities are the same as those for loans and receivables. See “Loans and receivables: Classification and measurement categories.”</p>



	U.S. GAAP	IFRS
	<ul style="list-style-type: none"> • Available-for-sale (AFS): Debt securities not classified as trading or HTM <p>Debt securities are measured based on their classification:</p> <ul style="list-style-type: none"> • Trading: FVTNI • HTM: Amortized cost • AFS: Fair value with changes in fair value recorded in other comprehensive income (FVTOCI) 	
AFS debt securities measured at FVTOCI: Foreign exchange gains or losses	The foreign currency gain or loss on the debt security is part of the full change in fair value that is recorded in other comprehensive income (OCI).	The portion of the change in the fair value of the debt security that is attributable to foreign exchange gains or losses is recorded in profit or loss.
Debt securities: Credit losses	<p>Credit losses may be reported in an allowance account of the balance sheet and are recognized as:</p> <ul style="list-style-type: none"> • HTM: Credit losses reflect the entity’s current estimate of lifetime ECL, similar to loans and receivables. HTM debt securities do not need to be in an unrealized loss position (i.e., fair value does not need to be less than amortized cost) for an allowance to be recorded; an allowance should generally be reported even if the risk of loss is remote. See “Loans and receivables: Credit losses.” • AFS: An impairment exists and an allowance for ECL may need to be recorded when the fair value of the security is less than its amortized cost and any one of the following exist: <ul style="list-style-type: none"> – The entity intends to sell the security. – It is more likely than not that the entity will be required to sell the security before it recovers its amortized cost basis. 	The determination, quantification and recognition of credit loss for debt securities that are not classified as FVTPL are the same as those for loans and receivables that are not classified as FVTPL. See “ Loans and receivables: Credit losses. ”

	U.S. GAAP	IFRS
	<ul style="list-style-type: none"> – A credit loss exists (i.e., the entity does not expect to recover the amortized cost basis). <p>If the entity intends to sell the security, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the credit loss is equal to the difference between the amortized cost basis and fair value. Any change in the credit loss is recognized in net income.</p> <p>If neither condition is met, the loss may be recorded as an allowance that is separated into the credit loss component (recognized in net income) and all other factors (recognized in OCI).</p>	
Debt securities: Reversal of credit losses	<p>If the ECL was initially recorded through an allowance (refer to Debt securities: Credit losses), credit losses may be reversed through an allowance account to reflect the current estimate of lifetime ECLs. Favorable and unfavorable changes in expected cash flows and the ECL would be recognized immediately through an adjustment to the allowance and credit loss expense.</p>	<p>Credit losses on debt securities may be reversed through an allowance account and profit or loss based on ECLs.</p>
Debt securities: Reclassification	<p>Debt securities may be reclassified if management changes its intent and ability to hold the investment.</p> <p>Except for specific, limited circumstances, sales or transfers of HTM securities to another category would “taint” the remainder of the HTM securities category and result in reclassification of the remaining HTM securities to AFS.</p> <p>Transfers to or from the trading category are expected to be rare.</p>	<p>Reclassification of debt securities is permitted only when an entity changes its business model for managing those investments. This is expected to be infrequent.</p> <p>A change to an entity’s business model occurs only if the entity begins or ceases an activity significant to its operations (i.e., changes in intention related to particular investments and transfers of financial assets between parts of the entity with different business models are not considered changes in the business model).</p> <p>No concept of “tainting” exists.</p>

	U.S. GAAP	IFRS
Equity investments: Classification and measurement categories	<p>Equity securities other than those excluded from the scope of ASC 321 (e.g., equity method investees) are measured at FVTNI, except as noted below.</p> <p>If fair value is not readily determinable and certain conditions are met, entities can use the net asset value (NAV) per share as a practical expedient to estimate the fair value of investments in certain funds (e.g., private equity funds, real estate funds, hedge funds).</p> <p>For equity investments that do not have a readily determinable fair value and do not qualify for the NAV practical expedient, an entity may elect the “measurement alternative.” Under the measurement alternative, the equity investment is recorded at cost, plus or minus observable price changes in the same security or a similar security of the same issuer, less impairment. Adjustments for observable price changes and impairment are recorded in net income. The measurement alternative is elected on a security-by-security basis.</p>	<p>Equity investments other than those excluded from the scope of IFRS 9 (e.g., equity method investees) are measured at FVTPL. This is because the contractual cash flows of an equity investment are not SPPI. Nonetheless, an entity can irrevocably elect to present the changes in the fair value of a non-derivative equity investment in OCI (with no subsequent reclassification to profit or loss) if the entity is not holding it for trading purposes. This election is made on an instrument-by-instrument basis.</p> <p>A measurement alternative is not permitted.</p>
Equity investments: Impairment	<p>For equity investments for which the measurement alternative has been elected, an impairment loss is recorded in net income based on the results of a qualitative assessment. If a qualitative analysis indicates impairment exists, the fair value of the security will need to be estimated and any excess of the carrying value of the security over its fair value is recognized in net income. No consideration is given to whether the impairment is permanent or temporary.</p>	<p>There is no measurement alternative under IFRS; as such, the entire change in the fair value of equity investments is recorded either through earnings or OCI based on management’s election.</p>
Embedded derivatives	<p>Unless certain exceptions apply, a derivative embedded in a financial asset is bifurcated from its host contract and accounted for as a separate derivative and measured at FVTNI if:</p> <ul style="list-style-type: none"> • The economic characteristics and risks of the embedded derivative 	<p>A derivative embedded in a financial asset is not recorded separately. The hybrid instrument in which it is embedded is classified and measured based on its related business model and its contractual cash flows in their entirety.</p>

	U.S. GAAP	IFRS
	<p>are not clearly and closely related to the economic risks and characteristics of the host contract.</p> <ul style="list-style-type: none"> The hybrid instrument is not remeasured at fair value under otherwise applicable U.S. GAAP. The embedded derivative meets the definition of a derivative. 	

Subsequent to the adoption of ASU 2025-05: U.S. GAAP reporters will be allowed to elect a practical expedient whereby the reporting entity will be able to assume that the future economic conditions will be the same as current economic conditions throughout the remaining life of certain current accounts receivable and current contract assets when calculating its allowance for expected credit losses. In addition, a reporting entity that elects this practical expedient may also elect an accounting policy to consider cash collections after the reporting date when calculating its allowance for expected credit losses. This would create a difference with IFRS because IFRS does not offer such a practical expedient or accounting policy election.

Pending Change: In December 2024, the IASB issued *Contracts Referencing Nature-dependent Electricity, amendments to IFRS 9 and IFRS 7*. Companies entering into contracts referencing nature-dependent electricity (e.g., power purchase arrangements [PPAs]) may now be able to more readily qualify for hedge accounting and the own-use exemption under IFRS 9. The amendments allow an entity to apply the own-use exemption to PPAs if it has been, and expects to be, a net-purchaser of electricity for the contract period. In addition, the amendments will permit an entity to designate a variable nominal volume of forecasted sales or purchases of renewable electricity as the hedged transaction, rather than a fixed volume. An entity would base the variable hedged volume (i.e., the hedged transaction) on the variable volume it expects to receive from the generation facility referenced in the hedging instrument. This would allow an economic offset between the hedged transaction and the hedging instrument, which may make hedge accounting achievable. Entities will also be required make certain disclosures regarding these transactions. The guidance is effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. Under U.S. GAAP, there is no specific guidance for contracts referencing nature-dependent electricity.

3. INVENTORY

3.1 Introduction

The guidance related to accounting for inventory in U.S. GAAP is included in the ASC Topic 330, *Inventory*. In IFRS, the guidance related to accounting for inventory is included in IAS 2, *Inventories*.

3.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for inventory are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 330	IAS 2
Agricultural products	Agricultural products held for sale are measured at net realizable value if certain conditions are met or are continued to be measured at cost. If under the cost method, no remeasurement occurs at the point of harvest.	Although bearer plants related to agricultural activity are in the scope of IAS 16, <i>Property, Plant and Equipment</i> , IAS 41, <i>Agriculture</i> , applies to the produce growing on those bearer plants. Once the produce is harvested, it is measured at fair value less costs to sell. This measurement becomes the cost of the agricultural produce when applying the inventories standard from this point onwards.
Intangible assets	Inventory does not include intangible assets.	Inventory may include intangible assets that are produced for resale (e.g., software).
Costing methods	Use of last-in, first-out (LIFO) is permitted. First-in, first-out (FIFO); weighted-average cost; and specific identification method are acceptable accounting methods for computing inventory costs.	Use of LIFO is prohibited. FIFO and weighted-average cost are acceptable accounting methods for computing inventory costs. Use of the specific identification method is appropriate and is required for inventory items that are not ordinarily interchangeable and earmarked for specific projects to produce goods or offer services.
Measurement	Inventory that is accounted for under LIFO or the retail inventory method is carried at the lower of cost or market, with market defined as replacement cost (provided the replacement cost is between the ceiling [represented by net realizable value] and the floor [net realizable value less normal profit margin]).	Regardless of method, inventory is carried at lower of cost or net realizable value.

	U.S. GAAP	IFRS
	Inventory not accounted for under LIFO or the retail inventory method is carried at the lower of cost or net realizable value.	
Cost formula	The same cost formula is not required to be applied to all inventories that have a similar nature and use to the entity.	The same cost formula is required to be applied to all inventories that have a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.
Storage and handling costs	There is no specific guidance on storage and handling costs.	Storage and holding costs are generally expensed as they are incurred unless storage is necessary for a further production stage, inventory requires a maturation process for it to be saleable or the inventory is produced as a discrete project.
Reversal of writedowns	When an inventory writedown occurs, a new cost basis is established. Reversals of writedowns are prohibited unless the writedown occurred in an interim period and was recovered in a subsequent interim period during the same fiscal year. This only applies to market value recoveries if using the LIFO or retail inventory method, or net realizable recoveries for all other inventory.	Reversals of writedowns are required (up to the amount of previous writedowns) when the reasons for the writedown cease to exist or when changes in economic circumstances clearly indicate an increase in the net realizable value of the inventory.

4. INTANGIBLE ASSETS OTHER THAN GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

4.1 Introduction

The guidance related to accounting for intangible assets other than goodwill in U.S. GAAP is primarily included in the ASC Topic 350, *Intangibles—Goodwill and Other*. Additional guidance related to specific types of intangible assets can be found in ASC Subtopic 340-20, *Other Assets and Deferred Costs – Capitalized Advertising Costs*, and ASC Subtopic 985-20, *Software – Costs of Software to Be Sold, Leased, or Marketed*. In IFRS, the guidance related to intangible assets other than goodwill is included in IAS 38, *Intangible Assets*.

4.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the accounting for intangible assets other than goodwill are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 340-20, ASC 350 and ASC 985-20	IAS 38
Internally-developed intangible assets	<p>Costs of internally developing, maintaining or restoring intangible assets generally should be expensed as incurred.</p> <p>With limited exceptions, research and development costs are expensed as incurred. Costs to develop computer software for external use are capitalized once technological feasibility is established in accordance with the criteria in ASC 985-20. Materials, equipment and facilities that have an alternative future use can be capitalized as property, plant and equipment (PP&E).</p> <p>For development costs of internally-used software and implementation costs associated with cloud computing service contracts, only those costs incurred during the application development stage may be capitalized.</p> <p>While determining the accounting treatment of research and development costs, it is important to assess whether the asset has any alternative future use generating an economic benefit to the entity, as costs can only be capitalized in that limited circumstance.</p>	<p>Costs in the research phase are expensed as incurred. Costs in the development phase (regardless of type of costs and industry) are capitalized if the entity can demonstrate all of the following pursuant to IAS 38, <i>Intangible Assets</i>, paragraph 57:</p> <ul style="list-style-type: none"> • The technical feasibility of completing the intangible asset so that it will be available for use or sale • The intention to complete the intangible asset and use or sell it • The ability to use or sell the intangible asset • How the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset) • The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset • The ability to measure reliably the expenditures attributable to the

	U.S. GAAP	IFRS
		intangible asset during its development
Advertising and promotional costs	Advertising and promotional costs are either expensed as incurred or deferred until the advertising takes place for the first time (policy election), except for direct-response advertising associated with acquiring or renewing insurance contracts, which should be capitalized if specific criteria outlined in ASC 944-30 are met.	Advertising and promotional costs are expensed as incurred. A prepaid expense may be recorded as an asset when payment is made for the goods or services in advance of the entity obtaining access to the goods or receiving agreed-upon services.
Initial measurement of acquired in-process research and development (IPR&D) costs	IPR&D costs are recognized initially at fair value as an intangible asset in a business combination. Such assets acquired in a business combination are not required to have an alternative future use from a recognition perspective. An intangible asset for IPR&D acquired in an asset acquisition is only recognized if the IPR&D has an alternative use.	IPR&D costs are allowed to be capitalized in an asset acquisition or a business combination if it is probable that an asset will have future economic benefits.
Costs related to development of internal-use computer software	Internal and external costs incurred during the application development stage (which includes design, coding, hardware installation and testing) are capitalized. All other costs are expensed as incurred. See “ Subsequent to the adoption of ASU 2025-06 ” for additional information.	No specific guidance exists for costs related to internal-use computer software. However, these costs can be capitalized, subject to general principles and conditions discussed in IAS 38.57 (see “ Internally-developed intangible assets ”).
Costs related to computer software that was sold, leased or marketed	Internal and external costs incurred on computer software are capitalized after technological feasibility has been established pursuant to the provisions of ASC 985-20-25. Capitalization of computer software costs ceases when the product is available for general release to customers. Costs of maintenance and customer support are charged to expense when related revenue is recognized or when those costs are incurred, whichever occurs first. Capitalized software costs are amortized on a product-by-product	No specific guidance exists for computer software developed for sale or lease. Such software costs may be capitalized and are subject to general principles of IAS 38, <i>Intangible Assets</i> , and conditions discussed in IAS 38.57 (see “ Internally-developed intangible assets ”). Amortization of such costs is generally based on the asset’s expected future economic benefits to be realized by the entity. However, when it is impracticable to determine a reliable expectation of future economic benefits, entities may use the straight-line method.

	U.S. GAAP	IFRS
	basis. The annual amortization is the greater of: <ul style="list-style-type: none"> • The ratio of current gross revenues to the total of current and anticipated future gross revenues for a product • The straight-line method over the remaining estimated economic life of the product, including the period being reported on 	
Digital assets	Holdings of crypto assets that are within the scope of ASC 350-60 are reported at FVTNI.	<ul style="list-style-type: none"> • Holdings of crypto assets that are held for sale in the ordinary course of business: Accounted for under IAS 2, <i>Inventories</i>, as inventories and, as such, are measured at the lower of cost or net realizable value. (A broker-trader may elect to measure its crypto asset inventories at fair value less costs to sell.) • Holding of crypto assets that are not held for sale in the ordinary course of business: Accounted for as intangible assets. Under IAS 38, <i>Intangible Assets</i>, indefinite-lived intangible assets are accounted for at cost less impairment unless their fair value can be measured reliably in an active market and the entity elects to apply a revaluation model under which revaluation changes are reported directly in equity.

Subsequent to the adoption of ASU 2025-06: This ASU eliminates the guidance that requires companies to identify and differentiate between costs incurred during the preliminary and application development stages for software projects. Instead, capitalization will begin when management has authorized and committed the funding for the project, and it is probable that the project will be completed and the software will be used to perform the function intended. Entities will be required to consider any unresolved development uncertainties when evaluating whether it is probable a software project will be completed. The ASU is effective for all entities for annual reporting periods (including interim reporting periods within those annual reporting periods) beginning after December 15, 2027. Early adoption is permitted. As noted in the table above, there is no specific guidance for the accounting for costs related to internal-use software under IFRS and these costs are only capitalizable if they meet the general principles and conditions discussed in IAS 38.57.



5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

5.1 Introduction

The guidance related to accounting for property, plant and equipment in U.S. GAAP is included ASC Topic 360, *Property, Plant, and Equipment*. Additional guidance related to borrowing costs can be found in ASC Topic 835, *Interest*. In IFRS, the guidance related to accounting for property, plant and equipment is included in IAS 16, *Property, Plant and Equipment*; the guidance related to borrowing costs is included in IAS 23, *Borrowing Costs*; and the guidance related to accounting for investment property is included in IAS 40, *Investment Property*.

5.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for property, plant and equipment and investment property are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 360 and ASC 835	IAS 16, IAS 23 and IAS 40
Depreciation	Component depreciation is permitted but is not used often.	Depreciation of individual components is required when the components' lives are different. Investment property that is reported at FVTPL does not need to be segregated into separate components or separately depreciated.
Major overhaul costs	Various alternatives are available to account for the costs of performing a major overhaul (i.e., major spare-parts, stand-by equipment, related inspection costs), including expensing the costs as incurred, accounting for the overhaul as a separate component, and deferring the costs and amortizing them over the period of benefit.	Costs of performing a major overhaul are required to be capitalized if the overhaul represents a replacement of a previously identified component (if the future economic benefits are probable and reliably measurable). When capitalizing such costs, prior overhaul costs must be either fully depreciated or written off.
Revaluation	Revaluation is not allowed. Properties are carried at their historical costs less any impairment.	PP&E may be revalued at fair value if it can be reliably measured, with changes reported directly in equity. If elected, the model must be applied to entire class of assets. The change in fair value is recorded directly in OCI.
Borrowing costs: Period of time	Interest costs must be capitalized while a qualifying asset (see Borrowing costs: Qualifying assets) is being prepared for its intended use, regardless of how long it takes to get the asset ready.	Interest costs must be capitalized only if the time to get an asset ready for its intended use or sale is a substantial period of time (generally interpreted as at least one year).

	U.S. GAAP	IFRS
Borrowing costs: Qualifying assets	<p>The following are qualifying assets:</p> <ul style="list-style-type: none"> • Assets constructed or produced for an entity’s own use • Assets intended for sale or lease constructed or produced as discrete projects (e.g., a building) • Equity method investments while the investee has activities in progress necessary to commence its planned principal operations, provided that the investee’s activities include using funds to acquire qualifying assets for its operations 	Equity method investments are not qualifying assets.
Borrowing costs: Acquisition	The amount of interest cost capitalized for qualifying assets is that portion of the interest cost incurred during the assets’ acquisition periods that could have been avoided if expenditures for the assets had not been made.	<p>Borrowing costs are capitalized if:</p> <ul style="list-style-type: none"> • The costs are directly attributable to the acquisition, construction or production of a qualifying asset • It is probable that the cost will result in future economic benefits to the reporting entity • The costs are reliably measurable
Investment property	<p>No specific guidance exists on investment property.</p> <p>Generally, real estate companies and operating companies account for investment-type property using historical cost.</p> <p>Under industry guidance, investor entities generally account for their investments in investment-type property at fair value.</p> <p>No option exists to account for leased property at fair value.</p>	<p>Investment property is defined as property held to earn rentals or for capital appreciation, or both.</p> <p>Investment property is permitted to be reported at FVTPL.</p> <p>The option to account for the property at fair value applies to leased property.</p>

6. IMPAIRMENT OF GOODWILL, INDEFINITE-LIVED INTANGIBLE ASSETS AND LONG-LIVED ASSETS

6.1 Introduction

The guidance related to accounting for the impairment of goodwill and indefinite-lived intangible assets in U.S. GAAP is included in ASC Topic 350, *Intangibles—Goodwill and Other*, and the guidance related to accounting for the impairment or disposal of other long-lived assets in U.S. GAAP is included in ASC Topic 360, *Property, Plant, and Equipment*. In IFRS, the guidance related to accounting for the impairment of long-lived assets is included in IAS 36, *Impairment of Assets*.

6.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for the impairment of goodwill, indefinite-lived intangible assets and long-lived assets to be held and used are summarized in the following tables.

Impairment of goodwill		
	U.S. GAAP	IFRS
Relevant guidance	ASC 350	IAS 36
Goodwill allocation	Goodwill is assigned to a reporting unit. Depending on the facts and circumstances, a reporting unit is either an operating segment or one level below an operating segment (also referred to as a component).	Goodwill is allocated to a cash-generating unit (CGU) or a group of CGUs. A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. A CGU cannot be larger than an operating segment.
Recognition of impairment loss	An impairment test of goodwill must be performed at least annually. Entities may elect to first perform a qualitative test to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount before performing a quantitative impairment test. If the qualitative test is not performed or it is determined more likely than not that the fair value of the reporting unit is less than its carrying amount as a result of performing the qualitative test, the entity should perform a quantitative test comparing the fair value of the reporting unit to the carrying amount of the reporting unit.	A one-step approach that compares the carrying amount of a CGU (including goodwill) to its recoverable amount is performed at least annually. When the carrying amount of a CGU is greater than its recoverable amount, an impairment loss is recognized. The recoverable amount is the greater of the fair value less costs to sell and the value in use (i.e., the present value of future cash flows expected to be derived from the CGU). The optional qualitative assessment step does not exist. Each CGU must be tested annually for impairment, regardless of whether any impairment indicators exist.
Measurement of impairment loss	The impairment loss is equal to the amount by which the reporting unit's	The impairment loss is the amount by which the carrying amount of the CGU

Impairment of goodwill		
	U.S. GAAP	IFRS
	carrying amount exceeds its fair value, limited to the carrying amount of goodwill allocated to the reporting unit (i.e., an impairment loss should not result in negative goodwill).	(including goodwill) exceeds its recoverable amount. That loss is then allocated first to goodwill, until goodwill is reduced to zero. The carrying amounts of other assets in the CGU are then reduced on a pro-rata basis (subject to certain exceptions).
Reversal of impairment loss	Reversal of an impairment to goodwill is not permitted.	

Impairment of indefinite-lived intangible assets		
	U.S. GAAP	IFRS
Relevant guidance	ASC 350	IAS 36
Unit of account	In general, the unit of account is an individual asset. However, in rare cases, the unit of account may be a combined group of separately recorded indefinite-lived intangible assets that are essentially inseparable from one another.	When possible, the impairment test should be carried out at the individual asset level. If the test cannot be performed at the individual asset level, it should be performed at the CGU level.
Recognition and measurement of impairment loss	An impairment loss is recognized for the amount by which the carrying amount of the intangible asset exceeds its fair value. An entity has the option to first assess qualitative factors to determine whether it is necessary to estimate the fair value of an indefinite-lived intangible asset. An entity electing this option only has to estimate the fair value of an indefinite-lived intangible asset if its qualitative assessment indicates it is more likely than not that the asset is impaired. If the estimate of fair value is needed, the fair value is determined and then compared to the carrying amount.	An impairment loss is recognized for the amount by which the carrying value of the intangible asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use (i.e., the present value of future cash flows expected to be derived from the assets). There is no option to assess qualitative factors to determine if further impairment testing is required.
Reversal of impairment loss	Reversal of impairment losses are prohibited.	For indefinite-lived intangible assets on which an impairment loss has been recognized in the past, an entity must perform a review for indicators of reversal at each reporting period. If such an indicator exists, the entity estimates the recoverable amount of the

Impairment of indefinite-lived intangible assets		
	U.S. GAAP	IFRS
		assets in question and previously recognized impairment losses are reversed in an amount that increases the carrying amount of the assets up to the new recoverable amount, subject to a ceiling of the amount necessary to restore the carrying amount of the assets to their initial carrying amount.

Impairment of long-lived assets to be held and used		
	U.S. GAAP	IFRS
Relevant guidance	ASC 360	IAS 36
Unit of account	The unit of account is an asset group, which is defined in the Master Glossary of the ASC as “the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.” An asset group almost always includes multiple assets. In other words, an asset group is rarely a single asset.	When possible, the impairment test should be carried out at the individual asset level. If the test cannot be performed at the individual asset level, it should be performed at the CGU level.
Recognition and measurement of impairment loss	An impairment loss is recognized when the carrying amount of an asset group is not recoverable (i.e., the carrying amount is greater than the undiscounted cash flows expected to be derived from the asset group) and the carrying amount of the asset group exceeds its fair value. The impairment loss is measured as the excess of the carrying amount of an asset group over its fair value.	An impairment loss is recognized when the carrying amount is greater than the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use (i.e., the present value of future cash flows expected to be derived from the assets). The impairment loss is measured as the excess of the carrying amount of the asset over its recoverable amount.
Reversal of impairment loss	Reversal of impairment losses are prohibited.	For long-lived assets to be held and used on which an impairment loss has been recognized in the past, an entity must review for indicators of reversal at each reporting period. If such an indicator exists, the entity estimates the recoverable amount of the assets in question and previously recognized impairment losses are reversed in an amount that increases the carrying amount of the assets up to the new

Impairment of long-lived assets to be held and used		
	U.S. GAAP	IFRS
		recoverable amount, subject to a ceiling of the amount necessary to restore the carrying amount of the assets to what its initial carrying amount would have been if the prior impairment losses had not been recognized (i.e., what the carrying amount would have been after adjusting for regular depreciation expense that would have been recognized).

7. CONTINGENCIES AND PROVISIONS

7.1 Introduction

The general guidance on accounting for contingencies in U.S. GAAP is included in ASC Topic 450, *Contingencies*, and guidance on accounting for specific types of contingencies is included in other ASC topics, such as ASC Topic 410, *Asset Retirement and Environmental Obligations*, and ASC Topic 420, *Exit or Disposal Cost Obligations*. For U.S. GAAP purposes, the term “general loss contingency” is used in this comparison to refer to those contingencies that fall within the scope of ASC Topic 450. In IFRS, the guidance related to contingencies and provisions is included in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

7.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 410, ASC 420 and ASC 450	IAS 37
Definitions	The Master Glossary of the ASC defines a contingency as follows: “An existing condition, situation, or set of circumstances involving uncertainty as to possible gain (gain contingency) or loss (loss contingency) to an entity that will ultimately be resolved when one or more future events occur or fail to occur.”	<p>A provision is defined as “a liability of uncertain timing or amount.”</p> <p>A contingent liability is defined as “a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.”</p> <p>The definition of a contingent liability also includes “a present obligation that arises from past events, but is not recognised because:</p> <ul style="list-style-type: none"> (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.” <p>A contingent asset is defined as “a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.”</p>
Recognition threshold	To recognize a general loss contingency, the loss must be probable	A provision must be probable and reasonably estimable to be recognized. Probable is interpreted as more likely

	U.S. GAAP	IFRS
	<p>and the amount of loss must be reasonably estimable.</p> <p>The Master Glossary of the ASC defines probable as: “The future event or events are likely to occur.” Probable, however, is not defined by reference to a single percentage threshold. The intent is that probable be interpreted as a high likelihood.</p> <p>While a numeric standard for probable does not exist, practice generally considers an event that has a 70% or greater likelihood of occurrence to be probable.</p>	<p>than not (i.e., a probability of greater than 50%).</p>
Measurement	<p>For specific obligations (e.g., asset retirement, environmental, restructuring), an entity should refer to the U.S. GAAP applicable to the specific obligation (e.g., ASC 410-10 for asset retirement obligations) to determine measurement.</p> <p>For all other obligations, when there is a range of possible outcomes for a general loss contingency, the amount accrued should be the most likely outcome within the range. If no single outcome within the range is more likely than the others, the minimum amount in the range should be accrued.</p> <p>A probable loss contingency is measured at the single most likely outcome even if the other possible outcomes are mostly higher or lower than that amount.</p>	<p>When there is a range of possible outcomes for a provision, the amount accrued should be the best estimate of the obligation (the amount an entity would rationally pay to settle or transfer to a third party the obligation at the balance-sheet date). If no single outcome within the range represents the best estimate, provision is measured using an expected value (probability-weighted) approach. If outcomes within a continuous range are equally likely, the midpoint of the range may be used.</p> <p>When other possible outcomes of a single obligation are either mostly higher or mostly lower than the single most likely outcome, best estimate will be a higher or lower amount, resulting in measurement of the obligation at an amount higher or lower than the single most likely outcome.</p>
Discounting	<p>Typically, a general loss contingency is not discounted unless the aggregate amount of the liability and the timing of cash payments for the liability are fixed or determinable. For example, environmental liabilities or asset retirement obligations (AROs) are generally discounted using a credit-adjusted risk-free rate if the timing and amounts of outflows are fixed or reliably determinable.</p>	<p>The anticipated cash flows to settle an obligation are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability if the effect is material.</p> <p>Provisions must be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The carrying amount of a provision increases in each period to reflect the</p>

	U.S. GAAP	IFRS
		passage of time with said increase recognized as a borrowing cost.
Onerous contracts	<p>Unless specifically required by other U.S. GAAP, obligations arising from onerous contracts generally are not recognized as provisions (i.e., anticipated losses on executory contracts).</p> <p>A provision on an unfavorable (onerous) contract could be recorded, for example, when leased property rights cease to be used by a lessee permanently or for restructuring, exit or disposal activities.</p>	<p>An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract, (which is the lower of the net costs of fulfilling the contract [e.g., direct labor costs, material costs, depreciation of equipment] or the cost of terminating it), exceed the expected economic benefits. If such a contract exists, the reporting entity should recognize the present obligation as a provision. Such provisions are discounted where the effect is material.</p>
Asset retirement obligations	<p>A liability for an ARO is initially recognized when a legal obligation arises in connection with the acquisition, construction or development of a long-lived asset. The liability is measured at its fair value. If the expected cash flow approach is used to estimate the fair value of the ARO, a credit-adjusted risk-free rate is used for discounting.</p>	<p>A liability for dismantling and removing an item, or for restoring the site, is recorded when a present obligation exists. The liability is recorded at management's best estimate of the costs to be incurred. A pre-tax discount rate that reflects the current assessment of the risks specific to the liability is used to discount the liability.</p>
Restructuring costs	<p>A restructuring liability is only recognized if it represents a present obligation. An attribute of a present obligation is that the entity has little or no discretion to avoid settlement of the liability by transferring or using assets. An entity's commitment to an exit plan or disposal plan is required to recognize a restructuring liability. In addition, one-time employee termination benefits must meet certain criteria prior to recognition of a related liability, including communication of the details of the plan to employees who could be affected.</p> <p>A liability for contract termination costs is recognized only when the contract has been terminated pursuant to its terms or the entity has permanently ceased using the rights granted under the contract.</p> <p>Restructuring costs other than employee termination benefits and</p>	<p>A provision for restructuring costs is required to be recognized if the general requirements for recognition of a provision are met. One of those criteria is that a present legal or constructive obligation exists. A constructive obligation exists when an entity has both:</p> <ul style="list-style-type: none"> • Prepared a detailed formal plan for the restructuring • Raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing the main features to those affected by it <p>Provisions for contract termination costs are not specifically addressed.</p> <p>A restructuring liability is measured at the best estimate of the direct expenditures related to the restructuring.</p>

	U.S. GAAP	IFRS
	contract termination costs associated with disposal or exit activities are recognized and measured at fair value when the liability is incurred, which is generally upon receipt of the goods or services (e.g., relocation services).	
Expenses incurred or liabilities settled by a shareholder on behalf of the entity	If any expenses incurred or liabilities settled by a principal shareholder on behalf of the entity clearly benefit the entity, such costs should be recognized as an expense with a corresponding credit to additional paid-in capital or capital contributions in the entity's financial statements.	This concept only exists in cases where such costs incurred or liabilities settled are within the scope of IFRS 2, <i>Share-based Payment</i> .

8. DEBT MODIFICATIONS AND EXTINGUISHMENTS

8.1 Introduction

The guidance related to debt modifications and extinguishments for borrowers in U.S. GAAP is included in ASC Topic 470, *Debt*. In IFRS, the guidance related to debt modifications and extinguishments is included in IFRS 9, *Financial Instruments*.

8.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to debt modifications and extinguishments for borrowers are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 470	IFRS 9
Troubled debt restructurings (TDRs)	If a lender grants a concession to the borrower and the borrower is experiencing financial difficulties, an exchange or modification is accounted for as a TDR. In a TDR, the borrower recognizes a restructuring gain only to the extent that the carrying amount of the debt instrument is greater than the undiscounted future cash flows of the restructured debt.	IFRS has no concept equivalent to a TDR. The same guidance applies for all exchanges and modifications. See “Debt instrument is modified or exchanged, and the transaction is not a TDR.”
Debt instrument is modified or exchanged, and the transaction is not a TDR	<p>When a borrower and lender modify or exchange debt instruments and the modification or exchange is not a TDR, the borrower accounts for the modification or exchange as an extinguishment of the original debt instrument and a recognition of a new debt instrument if the new or modified debt instrument is substantially different than the original debt. If the new or modified debt is not considered substantially different, then the borrower accounts for the transaction as a modification.</p> <p>The new or modified debt instrument is considered substantially different than the original debt if any of the below are true:</p> <ul style="list-style-type: none"> The present value of the cash flows of the new or modified debt instrument (including the present value of any fees paid and received between the borrower and lender) is at least 10% different than the 	<p>When a borrower and lender modify or exchange debt instruments, the borrower accounts for the exchange or modification as an extinguishment of the original debt instrument and a recognition of a new debt instrument if the new or modified debt instrument is substantially different than the original debt.</p> <p>The new or modified debt instrument is considered substantially different than the original debt if the new or modified debt instrument’s discounted cash flows differ from the present value of the remaining cash flows of the original debt instrument by at least 10%. The cash flows of the new or modified debt instrument would include the present value of any fees paid and received.</p> <p>Debt conversion options that are accounted for as a component of equity would not be considered in the 10% test. However, the modification of the host contract and an embedded derivative should be assessed together</p>

	U.S. GAAP	IFRS
	<p>present value of the remaining cash flows of the original debt. If the new, modified or original debt instrument is callable or puttable, the cash flow tests would be performed both assuming exercise (and non-exercise) of the call or put.</p> <ul style="list-style-type: none"> The difference between the fair value of any embedded conversion feature (not accounted for as a derivative) before and after the exchange or modification is at least 10% of the carrying amount of the original debt A substantive conversion option is added or removed 	<p>when applying the 10% test to debt instruments with embedded derivatives that are bifurcated and measured at FVTPL.</p> <p>There is no specific guidance for callable, puttable or convertible instruments. However, when performing the 10% test, entities typically use expected cash flows rather than an assumption of immediate prepayment.</p> <p>If an entity determines that the new or modified debt instrument's discounted cash flows differs from the present value of the remaining cash flows of the original debt instrument by less than 10%, we believe that the entity should, as a matter of best practice, perform a qualitative test to determine if the new or modified debt instrument is substantially different than the original debt.</p>
Extinguishment accounting: Treatment of fees and costs	<p>Lender fees are expensed.</p> <p>Third-party costs are capitalized and amortized over the term of the new debt instrument.</p>	<p>IFRS 9, <i>Financial Instruments</i>, does not distinguish between lender and third-party costs. All fees and costs are included in the gain or loss upon extinguishment.</p>
Extinguishment of convertible debt	<p>The debtor generally recognizes a gain or loss calculated as the difference between the debt's net carrying amount and the purchase price paid to extinguish the debt.</p>	<p>Similar to U.S. GAAP, the debtor generally recognizes a gain or loss calculated as the difference between the debt component's net carrying amount and the purchase price paid to extinguish the debt. However, under IFRS, because the debtor always allocates part of the initial purchase price to the conversion feature, the gain or loss realized upon extinguishment of the debt will generally differ from that recognized under U.S. GAAP.</p>
Modification accounting: Treatment of fees and costs	<p>Lender fees are capitalized and amortized over the term of the new debt instrument.</p> <p>Third-party costs are expensed as incurred.</p>	<p>Incremental costs and fees (both lender and third party) are spread over the expected term of the new debt instrument by adjusting the effective interest rate.</p> <p>Payments that are compensation for the change in the liability's cash flows should be expensed as part of the gain or loss on modification.</p>

	U.S. GAAP	IFRS
Gain or loss recognition when modification accounting applies	No gain or loss is recognized when modification accounting is applied. A new effective interest rate is established based on the debt instrument's carrying value and the new cash flows.	A new carrying amount for the debt instrument is established based on the revised cash flows discounted at the original effective interest rate. The difference between the new and original carrying amount is accounted for as a gain or loss in profit or loss in the period that the modification occurs.

9. DISTINGUISHING LIABILITIES AND EQUITY

9.1 Introduction

The guidance related to distinguishing liabilities from equity in U.S. GAAP is included in ASC Topic 470, *Debt*; ASC Topic 480, *Distinguishing Liabilities from Equity*; ASC Topic 505, *Equity*; and ASC Topic 815, *Derivatives and Hedging*. In IFRS, the guidance related to distinguishing liabilities from equity is included in IAS 32, *Financial Instruments: Presentation*.

9.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to distinguishing liabilities from equity are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 470, ASC 480, ASC 505 and ASC 815	IAS 32
Non-mandatorily redeemable shares (e.g., puttable shares, contingently redeemable shares)	US GAAP does not address the accounting for non-mandatorily redeemable shares. However, Securities and Exchange Commission (SEC) filers are required to classify such instruments in the “mezzanine” or “temporary equity” (i.e., presented between liabilities and equity on the balance sheet). Private companies are encouraged, but not required, to follow the same classification.	Non-mandatorily redeemable shares are generally (i.e., barring some narrow exceptions for puttable shares) classified as financial liabilities because the issuer does not have the unconditional ability to avoid settling the shares in cash or another financial asset. There is no “mezzanine” or “temporary equity” section of the balance sheet under IFRS.
Instruments redeemable only upon liquidation	Instruments of an issuer that are redeemable only upon the liquidation of an entity are not within the scope of ASC 480, which requires liability classification. As a result, such instruments may be classified as equity depending on facts and circumstances.	Instruments of an issuer that are redeemable only upon the liquidation of an entity are generally (i.e., barring some narrow exceptions) classified as financial liabilities because the issuer does not have the unconditional ability to avoid settling the shares in cash or another financial asset.
Obligation to repurchase an entity’s own shares	Physically settled forward-purchase contracts that embody an obligation of an entity to repurchase its own equity shares for cash are accounted for at either: <ul style="list-style-type: none"> • The present value of the redemption amount • The settlement value Other physically settled contracts that embody an obligation of an entity to repurchase its own equity shares by transferring assets are accounted for at fair value. These contracts include:	Obligations of an entity to repurchase its own equity shares are accounted for at the present value of the redemption amount if the issuer could be required to physically settle the contract by transferring assets in exchange for shares. The following are examples of such contracts: <ul style="list-style-type: none"> • Physically settled or net settled written put option • Physically settled or net settled forward purchase contract

	U.S. GAAP	IFRS
	<ul style="list-style-type: none"> Physically settled or net cash settled written put option Forward purchase contract for which the counterparty can elect either physical or net cash settlement 	
Obligations to issue a variable number of equity shares	A financial instrument that embodies an unconditional obligation—or a financial instrument other than an outstanding share that embodies a conditional obligation—that the issuer must or may settle by issuing a variable number of its equity shares is classified as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount, varies in something other than the fair value of the issuer’s equity shares, or varies inversely related to changes in the fair value of the issuer’s equity shares.	Contracts to be settled in a variable number of shares are accounted for as financial assets or financial liabilities.
Convertible debt instruments	A convertible debt instrument is accounted for as a liability in its entirety, unless either: <ul style="list-style-type: none"> The equity conversion feature or other embedded features are separately accounted for under ASC 815. The convertible instrument is within the scope of the guidance in ASC 470-20, requiring separate equity recognition for a portion of the instrument because it was issued at a substantial premium to par. 	A convertible debt instrument is always separated into at least two components. Each convertible debt instrument will include both: <ul style="list-style-type: none"> A liability component Either an equity component if the fixed-for-fixed condition is met or an embedded derivative if the fixed-for-fixed component is not met Additional components may require separate accounting depending on whether certain conditions are met.
Convertible instruments issued at a substantial premium	Generally, when a convertible debt is issued at a substantial premium to par, the premium should be presented as equity unless the equity conversion feature is accounted for separately as a bifurcated embedded derivative.	Regardless of the issuance price relative to par value, an issuer is required to separate convertible debt into liability and equity components unless the equity conversion feature is accounted for separately as a bifurcated embedded derivative.
Conversions in accordance with original terms	No gain or loss is recognized on the conversion of traditional convertible debt in accordance with the original terms unless conversion occurred upon the issuer’s exercise of a call option and	No gain or loss is recognized upon the conversion of convertible debt at maturity in accordance with the original terms.

	U.S. GAAP	IFRS
	<p>the conversion option was not substantive at issuance. Upon conversion of a convertible debt instrument that has a separate equity component, the issuer would immediately recognize any unamortized discount as interest expense on that date.</p>	
<p>Contracts on an entity's own equity: Fixed-for-fixed</p>	<p>An equity derivative is classified as equity if it is indexed to the issuer's own shares (assuming its settlement provisions do not prohibit equity classification). This determination is made in two steps.</p> <ol style="list-style-type: none"> 1. Consider whether any contingent exercise features exist. If there are such features, they cannot be based on an observable index or market other than those that reference the issuer's own shares. 2. Consider the settlement amount. Equity classification can only be achieved if the settlement amount equals the difference of the fair value of a fixed number of the entity's equity shares and a fixed amount of cash or a debt instrument issued by the entity. <p>If the strike price of the instrument is not fixed, the instrument may be classified as equity if the instrument is not leveraged and the variables that could affect settlement include inputs to the fair value of a fixed-for-fixed option or forward contract on equity shares. This is also the case if the number of shares used to determine the settlement amount is not fixed.</p> <p>Down round features do not cause an equity-linked financial instrument or an embedded conversion option to fail equity accounting in the assessment of whether the instrument is indexed to the entity's own stock.</p>	<p>For derivatives, only contracts that require settlement only by exchanging fixed number of shares for a fixed amount of cash or other financial asset are classified as equity. An instrument that has a strike-price-adjustment-based change in the issuer's stock price would not pass the fixed-for-fixed criterion under IFRS, but the same adjustment may meet the criteria under U.S. GAAP.</p> <p>There is no exception for down round features. As a result, an equity-linked financial instrument and a debt instrument containing embedded conversion options in debt instruments containing down round features generally fail equity classification and may require derivative or liability classification.</p>
<p>Contracts on an entity's own equity:</p>	<p>A derivative within the scope of ASC 815-40 is classified as equity if it requires physical settlement, requires</p>	<p>Only derivatives that will settle physically on a gross basis with certain exceptions (e.g., a written put) are</p>

	U.S. GAAP	IFRS
Settlement provisions	net share settlement or permits the issuer to settle either net in cash or in its own shares if it meets the criteria at ASC 815-40 (assuming the contract is also indexed to the issuer's own shares). Derivatives that require net cash settlement or give the counterparty a choice of net cash settlement or settlement in shares are reported as derivative assets (liabilities).	classified as equity. Unlike U.S. GAAP, a derivative that allows either party to choose the settlement method (net in cash, net in shares or by gross delivery) is a derivative asset (liability), unless all settlement alternatives would result in the derivative being considered an equity instrument.
Contracts on an entity's own equity: Written puts	<p>A financial instrument that is not an outstanding share and that at inception obligates the issuer to repurchase its own equity shares, or is indexed to such an obligation, and requires or may require the issuer to settle the obligation by transferring assets is classified as a financial asset or liability.</p> <p>A common example of this is a written put option on the issuer's equity shares that will be physically settled or net cash settled. Written put options are measured at fair value, with changes in fair value recognized in net income.</p>	Written put options are reported as liabilities, like U.S. GAAP. However, they are measured at the net present value of the amount that the entity may be required to pay.

Subsequent to the adoption of ASU 2024-04: Although U.S. GAAP provides guidance on induced conversions, ASU 2024-04 aims to clarify when induced conversion accounting applies to certain settlements of convertible debt instruments. Upon the adoption of ASU 2024-04, differences between U.S. GAAP and IFRS may emerge because IFRS does not provide prescriptive guidance for induced conversions.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

10.1 Introduction

The guidance related to recognizing revenue from contracts with customers in U.S. GAAP is included in ASC Topic 606, *Revenue from Contracts with Customers*. In IFRS, the guidance related to recognizing revenue from contracts with customers is included in IFRS 15, *Revenue from Contracts with Customers*.

10.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to recognizing revenue from contracts with customers are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 606	IFRS 15
Collectibility threshold: Definition of probable	Probable is defined as “likely to occur.” While a numeric standard does not exist, practice generally considers an event that has a 70% or greater likelihood of occurrence to be probable.	Probable is “defined as more likely than not” (i.e., greater than a 50% likelihood), which is a lower threshold than U.S. GAAP.
Licensing	Intellectual property (IP) must be classified as either functional or symbolic. IP is considered functional if it has standalone functionality at the time of transfer. Examples are films and software. Revenue recognition on arrangements including functional IP usually occurs at the point in time at which control of the license transfers. IP is considered symbolic if it does not have standalone functionality at the time of transfer. Examples include brands and trade names. Revenue recognition on transfers of symbolic IP occurs over the license period.	There is no differentiation between types of IP. Instead, when determining whether a license is a right to use or a right to access, an entity considers whether the customer can direct the use of, and obtain substantially all of the benefits from, the license at the point in time at which the license is granted. If the IP is not significantly affected by the entity’s ongoing activities, the customer is considered to have the right of use.
License renewals	Revenue cannot be recognized before the beginning of the renewal period.	No such restriction exists.
Shipping and handling	Entities are permitted to make an accounting policy election to account for shipping and handling activities that occur after control of the goods transfers to the customer as a fulfillment expense.	No such accounting policy election is permitted for shipping and handling activities. If an entity performs shipping and handling services after the customer has obtained control of the related good, the shipping and handling would typically be accounted for as a separate performance obligation.

	U.S. GAAP	IFRS
Sales and other similar taxes	Entities are permitted to make an accounting policy election to exclude all sales (and other similar taxes) from the transaction price measurement.	No such accounting policy election is provided.
Noncash consideration: Measurement date	Noncash consideration is measured at inception.	No date is prescribed for measurement of noncash consideration.
Noncash consideration: Variability	In situations in which noncash consideration varies for reasons other than the form of the noncash consideration, variations in fair value due to the form of the noncash consideration are excluded from the transaction price (and revenue) and variations in fair value not due to the form of the noncash consideration are accounted for as variable consideration.	The variable consideration guidance applies regardless of the reason for the variability.
Consideration payable to a customer: Equity instruments	A reporting entity that issues equity instruments as consideration payable to a customer follows the guidance on accounting for share-based compensation included in ASC 718.	IFRS does not specifically address the accounting for equity instruments issued as consideration payable to a customer. In practice, entities apply the guidance in IFRS 2, IFRS 15 or IAS 32 based on facts and circumstances.
Reversal of impairment losses on certain capitalized costs	Reversal of an impairment loss on capitalized costs to obtain or fulfill a contract is not permitted.	Reversal of an impairment loss on capitalized costs to obtain or fulfill a contract is required if the conditions leading to the recognition of the loss cease to exist (or have improved).

11. SHARE-BASED COMPENSATION

11.1 Introduction

The guidance related to accounting for share-based compensation in U.S. GAAP is included in ASC Topic 718, *Compensation—Stock Compensation*. In IFRS, the guidance related to accounting for share-based compensation is included in IFRS 2, *Share-based Payment*.

11.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for share-based compensation are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 718	IFRS 2
Definition of an employee	<p>The definition of an employee is based on the common law definition of the term.</p> <p>ASC 718 applies similarly to both employee and nonemployee share-based payments except for differences in certain inputs used in the valuation of nonemployee awards and the recognition of compensation costs.</p>	<p>The definition of an employee focuses more on the nature of services provided (rather than a legal definition). Awards to employees are treated similarly to awards to nonemployees that provide employee-type services.</p> <p>Note that the accounting treatment differs for awards related to nonemployee-type services or goods received from vendors.</p>
Classification	<p>Awards that are based on a fixed monetary amount but settleable by issuance of a variable number of shares are classified as liability awards.</p> <p>Share-based payment awards that can be settled in cash at the employee's option might not be a liability if settlement is contingent upon an event outside the employee's control and not considered probable.</p> <p>Puttable shares may be classified as an equity award if the grantee is required to bear the risks and rewards normally associated with share ownership for a reasonable period of time (i.e., six months).</p>	<p>Because IFRS places more emphasis on the manner of settlement than does U.S. GAAP, awards that are based on a fixed monetary amount but settleable by issuance of a variable number of shares are classified as equity awards.</p> <p>Puttable shares are classified as liabilities in all circumstances.</p>
Measurement of share-based transactions with nonemployees	<p>Nonemployee awards are generally measured in a manner consistent with employee awards, based on the grant date fair value of the award. However, on an award-by-award basis, an entity may elect to use the contractual term as</p>	<p>Measurement of equity-settled transactions with nonemployees for goods and services that are not similar to employee service is generally based on the fair value goods or services received. The measurement date is the</p>

	U.S. GAAP	IFRS
	the expected term when estimating the fair value of a nonemployee award.	date on which the goods or services are received. IFRS does not include practical expedients for nonpublic entities and does not differentiate between public and nonpublic entities.
Measurement of share-based transactions with employees	Equity-classified awards are generally required to be measured using the fair value method. If it is not practicable to estimate the expected volatility in stock price, nonpublic companies are allowed to measure the awards using the calculated value method. A nonpublic company is allowed to make an accounting policy decision as to how it will measure liability-classified share-based payment awards. A nonpublic company is allowed to measure these awards using: <ul style="list-style-type: none"> • The fair value method • The calculated value method, if applicable • The intrinsic value method 	The use of the fair value method is required in all circumstances.
Awards granted to employees with graded vesting based on only service conditions	An accounting policy election is permitted for recognizing compensation cost on a straight-line basis using one of the following methods, which should be applied consistently and disclosed (if significant): <ul style="list-style-type: none"> • The accelerated method (i.e., the requisite service period is considered separately for each vesting portion of the award per graded vesting schedule) • The requisite service period for the entire award The valuation method that the entities use to fair value either a single award or multiple tranches of individual awards is not required to coincide with the accounting policy election of the attribution method (i.e., straight-line or accelerated method).	The accelerated method is required to account for share-based payment awards granted to employees with graded vesting based on service conditions only. Entities should treat multiple tranches of an individual award as a separate grant which will require separate measurement and attribution to expense over the related vesting period resulting in an accelerated recognition of compensation cost.
Forfeiture of share-based payment awards	Entities can make an accounting policy election separately for employee and nonemployee awards with service	No specific guidance on accounting policy election is provided. Entities are

	U.S. GAAP	IFRS
granted to employees	conditions by accounting and recognizing forfeitures as they occur or by estimating expected forfeitures.	required to estimate expected forfeitures.
Awards with performance targets satisfied after the requisite service period	A performance target that can be met after the employee's requisite service period or nonemployee's vesting period is a performance vesting condition. Compensation cost should be recognized in the period in which the performance condition is probable of being achieved.	Performance targets met after the requisite service period are considered a nonvesting condition and are reflected in the grant date fair value measurement of an award.
Share-based payment awards with performance targets based on a liquidity event	Compensation cost associated with awards that vest upon a liquidity event (e.g., an initial public offering [IPO] or a change of control) generally cannot be recognized until the event occurs.	Compensation expense is recognized for an award that vests only on a liquidity event (e.g., an IPO, a change of control) when it is likely to occur. It may be appropriate to conclude that a liquidity event is expected to occur before its actual consummation if such plan of action is affirmed.
Share-based payment award associated with a condition other than service, market or performance conditions	If an award includes conditions other than service, performance or market conditions, it is classified as a liability award.	If an award includes conditions other than service, performance or market vesting conditions generally referred to as nonvesting conditions, it is generally classified as an equity-settled award. The nonvesting condition is considered when determining and measuring the grant date fair value of the award.
Modification accounting: Equity to liability classification	Any excess from the modified award's fair value over the grant-date fair value of the original award is accounted for as additional compensation cost. If, however, the grant-date fair value of the original award exceeds or equals the fair value of the modified award, the offsetting amount is recognized in additional paid-in capital.	Any excess from the award's modification is accounted for in additional paid-in capital. Similarly, when the fair value of the original award is more than or equal to the fair value of a modified award, the net offsetting amount is recognized in additional paid-in capital.
Modification accounting: Liability to equity classification	If the fair value of the modified award is less than the fair value of the liability at the time of the modification, the excess is considered a capital contribution and recorded in equity. If the fair value of the modified award exceeds the liability, the excess is recorded as compensation expense in the future over the remaining requisite	The liability on the books is derecognized as of the modification date. The fair value of the equity awards granted as of the modification date is recorded in equity based on the value of goods or services received. Any difference arising as a result of comparing the liability derecognized with the amount recorded in equity is

	U.S. GAAP	IFRS
	service period of an employee or vesting period of a nonemployee.	recognized in profit or loss as part of compensation cost.
Modification accounting: Awards for which vesting was improbable but becomes probable	Compensation cost is recognized based on the fair value of the modified award measured as of the modification date.	Compensation cost is recognized based on the original award's grant-date fair value plus the incremental fair value of the modified award on the modification date.

12. EMPLOYEE BENEFITS OTHER THAN SHARE-BASED COMPENSATION

12.1 Introduction

The guidance related to accounting for employee benefits other than share-based payments in U.S. GAAP is included in ASC Topic 710, *Compensation—General*; ASC Topic 715, *Compensation—Retirement Benefits*; and ASC Topic ASC 712, *Compensation—Nonretirement Postemployment Benefits*. In IFRS, the guidance related to accounting for employee benefits other than share-based payments is included in IAS 19, *Employee Benefits*, and IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

12.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for employee benefits other than share-based payments are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 710, ASC 712 and ASC 715	IAS 19 and IFRIC 14
Accounting for termination benefits	The overall accounting for termination benefits is driven by the type of benefit (e.g., contractual, special, one-time benefit arrangements). Each type has its own accounting criteria.	The single recognition framework is typically consistent with the U.S. GAAP accounting requirements under ASC 712 for one-time benefit arrangements.
Other long-term benefits	Certain non-retirement postemployment benefits are generally measured on a present-value basis and any actuarial adjustments may be initially recognized in OCI.	Other long-term employee benefits are measured at present value using a simplified method of accounting similar to how postemployment benefits are measured according to U.S. GAAP. However, changes in the benefit obligation are recognized in the income statement instead of OCI.
Defined benefit plan: Actuarial method	Entities may use the projected unit credit method or the traditional unit credit method (i.e., the projected unit credit method without considering future salary increases).	The use of the projected credit method is required in all instances.
Defined benefit plan: Actuarial gains and losses for defined benefit plans	Entities can elect to either recognize actuarial gains and losses: <ul style="list-style-type: none"> • Immediately in net income • In OCI and amortize it into net income using a corridor approach 	Entities recognize actuarial gains and losses immediately in OCI and do not recognize them subsequently in profit or loss.
Defined benefit plan: Expected return on plan assets	An expected return on plan assets is calculated using an expected long-term rate of return and the market-related value of the assets. An expected return	Expected return on plan assets is not measured. Entities multiply the net defined benefit liability or asset by the discount rate to arrive at a net interest

	U.S. GAAP	IFRS
	on plan assets is a component of net periodic benefit cost.	expense or benefit, which is a component of defined benefit cost.
Defined benefit plan: Recognition of net pension asset	The net pension asset that can be recognized on the balance sheet is not limited.	A net defined benefit asset is recorded at the lower of the extra funds in the pension plan or the current value of any benefits the entity can actually use—either by getting money back from the plan or by paying less into it in the future.
Defined benefit plan: Minimum funding requirement	The recognition of a liability for minimum funding requirements is not required.	If the required contributions that an entity makes to a plan cannot be recovered once paid, the entity is required to record a liability when the obligation arises.
Defined benefit plan: Treatment of prior service costs	Prior service costs are deferred in Accumulated Other Comprehensive Income (AOCI) and then amortized into net income over the average remaining service period. If all or almost all the participants are inactive, the amortization period is the average remaining life expectancy of the participants.	Past service costs are recognized immediately in profit or loss.
Defined benefit plans: Settlements	Settlement gains or losses are recognized in net income when the obligation is settled. A settlement gain or loss is the net gain or loss remaining in AOCI.	A settlement gain or loss is recognized in profit or loss when the settlement occurs. A settlement gain or loss is the difference between the settlement price and the present value of the settled obligation without considering any asset ceiling if the plan is in a surplus position. If the plan settlement changes the effect of the asset ceiling, the change is recognized in OCI.
Defined benefit plans: Curtailments	Curtailment losses are recognized in net income when the curtailment is probable and the amount of the loss is reasonably estimable. Curtailment gains are recognized in net income when the curtailment occurs. A curtailment gain or loss is comprised of a portion of unamortized net prior service cost or credit, any remaining net	When the event that causes the curtailment occurs (i.e., when the related employees are terminated or the entity adopts the related plan amendment), the entity records a curtailment gain or loss in profit or loss. A curtailment gain or loss is the change in the present value of the defined benefit obligation resulting from the curtailment without considering any

	U.S. GAAP	IFRS
	transition obligation, and the change in the benefit obligation exceeding any offsetting unamortized actuarial gain or loss.	asset ceiling if the defined benefit plan is in a surplus position. If the plan curtailment changes the effect of the asset ceiling, the change is recognized in OCI.
Multi-employer plan	Multi-employer plans are classified as defined contribution plans.	Depending on the economic substance of a plan, multi-employer plans may be classified as either defined contribution or defined benefit plans. If defined benefit accounting is not possible, however, the plans are accounted for as defined contribution plans and require certain additional disclosures.
Subsidiary whose employees participate in a parent entity's pension plans	If the employees of a subsidiary participate in a parent entity's pension plan, the subsidiary usually accounts for the plan as a multiemployer plan (i.e., a defined contribution plan) in the subsidiary's stand-alone financial statements.	If the employees of a subsidiary participate in a parent entity's defined-benefit pension plan, the subsidiary in its stand-alone financial statements would account for the plan cost based on the contractual arrangement with the parent. If there is no arrangement in place with the parent entity, the accounting for the plan cost would be based on the contribution payable.
Discount rate for defined benefit obligation	The chosen discount rate should represent the rates at which the plan's benefits can realistically be settled. One valid approach to determining this rate is by referencing yields on high-quality corporate bonds, such as those with AA or AAA ratings. If there is not an active market for such bonds, the standards do not provide specific instructions. In such cases, an entity may build a theoretical portfolio of high-grade securities with maturities that align with the timing of the benefit payments—this method is commonly known as bond matching.	Market yields on high-quality corporate bonds, selected on an unbiased and systematic basis, should be used to determine the discount rate at the end of the reporting period. When an active market for these bonds does not exist, government bonds can be used.



13. INCOME TAXES

13.1 Introduction

The guidance related to accounting for income taxes in U.S. GAAP is included in ASC Topic 740, *Income Taxes*. In IFRS, the guidance related to accounting for income taxes is included in IAS 12, *Income Taxes*, and IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*.

Both standards require use of an asset and liability approach and require entities to account for current taxes as well as deferred tax assets and deferred tax liabilities.

13.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for income taxes are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 740	IAS 12 and IFRIC 23
Initial recognition exemption in IFRS (within certain asset purchases that are not business combinations)	<p>No such exemption exists in U.S. GAAP.</p> <p>A deferred tax asset or liability is recorded in asset purchases (that do not meet the criteria for business combinations), with the offset generally being the assigned fair value of the asset.</p> <p>The amount of the deferred tax asset or liability is calculated using a simultaneous equation to account for the residual impact. If this equation reduces the asset value below zero, a deferred credit is recorded. Such deferred credit is amortized to income tax expense as the tax benefits relating to the deferred credit are realized.</p>	<p>An exemption exists that deferred tax assets and deferred tax liabilities should not be recognized on the initial recognition of an asset or liability in a transaction that:</p> <ul style="list-style-type: none"> • Is not a business combination • Affects neither accounting profit nor taxable profit or loss at the time of the transaction • Does not give rise to equal taxable and deductible temporary differences at the time of the transaction <p>Subsequent recognition of changes in these unrecognized deferred tax assets or liabilities is not permitted.</p>
Intercompany transfers of inventory remaining within a consolidated group	<p>Tax expense paid on intercompany profit from the transfer of inventory is deferred in consolidation (resulting in a prepaid expense). Income tax expense is recognized when the inventory is used or sold to an outside entity.</p> <p>Recognition of deferred taxes for an increase in tax basis due to intercompany sale or transfer of inventory is prohibited. Instead, the tax effects are recognized when the inventory is sold to an entity that is not part of the consolidated group.</p>	<p>Taxes paid on intercompany profits are recognized as incurred. Additionally, any deferred taxes related to temporary differences between tax bases of assets transferred between entities that remain in the consolidated group are required to be recognized and are measured by using the statutory tax rate of the buyer's tax jurisdiction.</p>

	U.S. GAAP	IFRS
Tax basis	Tax basis is not defined and is generally based on the relevant jurisdiction's tax law. Management's intent does not factor into the determination of the tax basis.	Tax basis is determined based on the amount deductible for tax purposes. The tax basis is influenced by the way in which the entity intends to settle or recover the carrying amount of a liability or an asset (e.g., by sale or through use).
Deferred taxes on exchange gains and losses related to foreign nonmonetary assets and liabilities	Deferred taxes are not recognized for differences related to nonmonetary assets and liabilities that are remeasured from local currency into the functional currency by using historical exchange rates, assuming such gains and losses result from changes in exchange rates or indexing for tax purposes.	Deferred taxes are recognized related to differences in the carrying amount of foreign nonmonetary assets remeasured from the local currency into the functional currency using historical exchange rates and the related tax basis, which may result from exchange rate changes or the indexing of basis for tax reporting purposes.
Recognition of deferred tax assets and use of valuation allowance	An entity records the total amount of deferred tax assets and then reduces those recorded deferred tax assets by a valuation allowance if it is more likely than not (greater than 50% likelihood) that some or all of the deferred tax asset will not be realized.	An entity records deferred tax assets only if it is probable (i.e., greater than 50% likely) that the deferred tax asset will be realized.
Subsequent changes in deferred taxes (e.g., changes in tax laws, rates, status, valuation allowance)	In general, subsequent changes in deferred taxes due to changes in tax laws or tax rates are reflected in the income statement, regardless of whether the deferred tax amount originated in equity or in OCI or as part of acquisition accounting. Backwards tracing is generally prohibited. Subsequent changes to the amount recognized in the valuation allowance arising from changes in the assessment of future realizability are also generally taken through the income statement, with certain limited exceptions.	Subsequent changes in deferred tax balances are recognized in the income statement, OCI or equity depending on where the transactions that resulted in the deferred tax asset or liability were first recorded. Backwards tracing is generally required.
Tax rates	The enacted tax rates are used to calculate income tax amounts.	The enacted or substantively enacted tax rates are used to calculate income tax amounts. A rate is considered substantively enacted when only perfunctory actions are required for a measure to become law.
Uncertain tax positions	A two-step recognition and measurement approach is applied. A benefit is recognized when it is more	If it is probable that the taxing authority will accept an uncertain tax position, the recognition and measurement are

	U.S. GAAP	IFRS
	<p>likely than not (greater than 50% likelihood) that the position will be upheld based on its technical merits. The benefit would be measured using the cumulative probability approach at the largest amount that is more likely than not (greater than 50% likelihood) to be realized upon settlement.</p> <p>This approach is applied to each individual tax position.</p>	<p>consistent with the position the entity took in its tax filing.</p> <p>If it is not probable that the taxing authority will accept an uncertain tax position, the entity is required to use the most likely amount or the expected value (whichever method is a better predictor of the resolution of the uncertainty) to reflect the impact of the uncertainty.</p> <p>(Note: “Probable” under IFRS means “more likely than not.”)</p> <p>Entities are permitted to consider uncertain tax positions individually or on an aggregated basis, whichever more accurately predicts the resolution of the uncertainty.</p>
Outside basis differences	<p>Deferred tax assets (for investments in subsidiaries and corporate joint ventures) would only be recorded if they are expected to reverse in the foreseeable future.</p> <p>Deferred tax liabilities would be recognized on undistributed profits of domestic subsidiaries and corporate joint ventures arising after 1992. There is an exception related to domestic subsidiaries, whereby amounts need not be recognized if they can be recovered on a tax-free basis and the entity anticipates doing so.</p> <p>No deferred tax liabilities are recognized on undistributed profits and other outside basis differences related to foreign subsidiaries and foreign corporate joint ventures if sufficient evidence shows that the subsidiary has invested or will invest the undistributed earnings indefinitely or the earnings will be remitted in a tax-free liquidation. A parent entity should have evidence of specific plans for reinvestment of undistributed earnings of a subsidiary which demonstrate the entity’s intention to permanently invest the subsidiary’s earnings.</p>	<p>Deferred tax assets (for investments in foreign and domestic subsidiaries and joint ventures) would only be recorded if it is probable that the temporary difference will reverse in the foreseeable future and taxable profit would be available to utilize the temporary difference.</p> <p>An entity is required to recognize a deferred tax liability related to undistributed profits and other outside basis differences unless the entity has control over the timing of the reversal of the temporary difference and it is more likely than not (i.e., greater than 50% likely) that the temporary difference will not reverse in the foreseeable future.</p>



	U.S. GAAP	IFRS
Deferred tax asset recognition and valuation	A deferred tax asset is recognized on a gross basis. If it is more likely than not (greater than 50% likely) that some or all of the deferred tax asset will not be realized, a valuation allowance is recognized, which is netted against the deferred tax asset.	A deferred tax asset is recognized at the amount that is more likely than not (more than 50%) to be recovered with no offsetting valuation allowance. In other words, the deferred tax asset is recognized on a net basis.
Reconciliation of tax rates	<p>Accounting treatment depends on the adoption of ASU 2023-09. For public business entities, ASU 2023-09 is effective for annual periods beginning after December 15, 2024. For entities other than public business entities, ASU 2023-09 is effective for annual periods beginning after December 15, 2025.</p> <p><u>Prior to adopting ASU 2023-09:</u></p> <p>Public companies are required to disclose a reconciliation (using either percentages or amounts) of the reported amount of income tax expense from continuing operations to the amount of income tax expense that would have resulted from applying the statutory rates to pretax income from continuing operations.</p> <p>Nonpublic companies are required to qualitatively explain significant reconciling items between the above rates; however, a numerical reconciliation is not required.</p> <p><u>After adopting ASU 2023-09:</u></p> <p>Public companies are required to disclose a reconciliation (in both percentages and amounts) of the reported amount of income tax expense (benefit) from continuing operations to the amount of income tax expense (benefit) that would have resulted from applying the statutory rates to pretax income from continuing operations including:</p> <ul style="list-style-type: none"> • Specific categories of reconciling items • Further disaggregation within certain categories by nature and jurisdiction when the 5% threshold is met 	<p>All entities are required to disclose a reconciliation of either (or both) of the following forms:</p> <ul style="list-style-type: none"> • A numerical reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rates, also disclosing the basis on which the applicable tax rates are computed • A numerical reconciliation between the average effective tax rate and the applicable tax rate, also disclosing the basis on which the applicable tax rate is computed

	U.S. GAAP	IFRS
	Nonpublic companies are required to qualitatively explain significant reconciling items between the above rates including the effect of items in the specific categories noted above; however, a numerical reconciliation is not required.	
Deferred tax assets recognized for share-based payment arrangements	Deferred taxes related to tax-deductible share-based payment arrangements are based on the amount of compensation cost that is recognized in profit or loss without any adjustment for the entity's current share price until the tax benefit is realized upon settlement or expiration.	Deferred tax assets recognized in relation to tax-deductible share-based payment arrangement are adjusted at the end of the reporting period to reflect the vested portion (i.e. amount earned to date) of the tax deduction calculated based on the current market price of the shares. The change in the deferred tax asset during the period would be recorded either through the income statement or equity, as appropriate.

14. STATEMENT OF CASH FLOWS

14.1 Introduction

The guidance related to the statement of cash flows in U.S. GAAP is included in ASC Topic 230, *Statement of Cash Flows*. In IFRS, the guidance related to the statement of cash flows is included in IAS 7, *Statement of Cash Flows*.

14.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the statement of cash flows are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 230	IAS 7
Cash flows from operating activities	Entities are permitted to use either the direct or indirect method. Under either method, entities must reconcile net income to net cash flows from operating activities.	Entities are permitted to use either the direct or indirect method. Profit or loss must be reconciled to net cash flows from operating activities if the indirect method is used.
Interest and dividends	Interest received or paid is classified as operating activities—except for interest capitalized as part of the cost to acquire property, plant, and equipment or other productive assets, which is classified as investing activities. Dividends received are classified as operating activities, while dividends paid are classified as financing activities.	Interest and dividends received or paid should be separately disclosed and classified in a consistent manner from period to period as either operating, investing or financing activities.
Taxes	Cash flows related to income taxes are generally classified as operating activities.	Cash flows related to income taxes are classified as operating activities unless they can be specifically identified with financing or investing activities.
Bank overdrafts	Bank overdrafts are not included in cash and cash equivalents. Instead, they are accounted for as liabilities, and changes in the overdraft balances are classified as financing cash flows.	In certain circumstances, bank overdrafts are included in cash and cash equivalents. In some countries, bank overdrafts repayable on demand constitute an integral part of an entity's cash management policies. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. However, bank borrowings are generally considered a financing activity.

	U.S. GAAP	IFRS
Restricted cash or restricted cash equivalents	<p>Restricted cash is required to be included in the beginning and ending balances of cash and cash equivalents in the statement of cash flows, regardless of whether it is included in cash and cash equivalents on the balance sheet.</p> <p>Entities should present the change in total cash, cash equivalents and amounts described as restricted cash and cash equivalents.</p> <p>Entities are also required to disclose the nature of their restricted cash and cash equivalent balances.</p>	No specific guidance exists.
Cash flow per share amount	Presentation of cash flow per share in the financial statements is prohibited.	Presentation of cash flow per share in the financial statements is not prohibited.
Leases for lessees	<p>Finance leases: The principal portion of the payments is classified as financing activities. The interest portion of the payment is classified as operating activities.</p> <p>Operating leases: Lease payments are classified as operating activities.</p>	The principal portion of the payment is classified as financing cash flow activities. The interest portion of the payment is classified as either a financing or an operating cash flow activity, based on the lessee's accounting policy election.
Comparative periods	Entities are not subject to specific requirements of presentation of comparative periods. However, presentation of two years of comparative financial information for the statement of cash flows is required under Rule 3-02 of SEC Regulation S-X.	One year of comparative financial information is required to be provided.

15. SEGMENT REPORTING

15.1 Introduction

The guidance related to segment reporting in U.S. GAAP is included in ASC Topic 280, *Segment Reporting*. In IFRS, the guidance related to segment reporting is included in IFRS 8, *Operating Segments*.

15.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 280	IFRS 8
Segment determination	Entities with matrix-style organizations are required to determine their segments based on products and services offered, rather than geography or other measures.	All entities, including those with matrix-style organizations, are required to determine their segments using the management approach. Under that approach, an entity determines operating segments by reference to the core principle of IFRS 8: "An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates." As a result, management must exercise judgment to satisfy this objective.
Disclosure of aggregation	Entities are not required to disclose the judgments used in applying the aggregation criteria to operating segments.	Entities are required to disclose the judgments used in applying the aggregation criteria to operating segments.
Segment liabilities	Disclosure of segment liabilities is not required.	Disclosure of segment liabilities is required if such a measure is regularly reported to the chief operating decision maker.
Intangible assets: Entity-wide disclosures	Intangible assets are not included in segment disclosures of long-lived assets.	Intangible assets are included in segment disclosures of noncurrent assets.
Segment expenses	Disclosure of segment expenses is required if they are determined to be significant expenses in accordance with the significant expense principle. The criteria of this principle include that the segment expense is included in the reported measure of segment profit or	Disclosure of segment expenses is required if they are determined to be material items of expense. This includes consideration of the objective of IFRS 8 and whether the expense is material in the context of the financial statements taken as a whole.

	U.S. GAAP	IFRS
	loss, regularly provided to the chief operating decision maker, and determined to be significant by management.	
Other segment items	Other segment items account for the difference between segment profit or loss and the total of segment revenues less significant segment expenses. Disclosure of the amount and composition of other segment items is required.	Disclosure of other segment items is not required.
Chief operating decision maker	Disclosure of position and title of the individual or group identified as the chief operating decision maker is required.	Disclosure of the chief operating decision maker is not required.
Use of the measure of segment profit or loss	Disclosure of how the chief operating decision maker uses the reported measure of profit or loss to assess performance and allocate resources to the segment is required.	Disclosure of how the chief operating decision maker uses the reported measure of segment profit or loss is not required.

16. LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

16.1 Introduction

The guidance related to long-lived assets held for sale in U.S. GAAP is included in ASC Topic 360, *Property, Plant, and Equipment*, and the guidance related to discontinued operations is included in ASC Subtopic 205-20, *Presentation of Financial Statements – Discontinued Operations*. In IFRS, the guidance related to noncurrent assets held for sale and discontinued operations is included in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

16.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to long-lived assets held for sale and discontinued operations are summarized in the following tables.

Classification and presentation of long-lived assets held for sale		
	U.S. GAAP	IFRS
Relevant guidance	ASC 360	IFRS 5
Applicability	<p>The held-for-sale measurement requirements do not apply to:</p> <ul style="list-style-type: none"> • Deferred tax assets • Financial instruments • Deferred insurance policy acquisition costs • Goodwill • Equity-method investees • Servicing rights • Intangible assets not being amortized that are to be held and used • Unproved oil and gas properties accounted for under the successful-efforts method • Oil and gas properties accounted for under the full-cost method • Certain other long-lived assets for which the accounting treatment is in the scope of ASC 920, ASC 928, ASC 980-360 or ASC 985-20 	<p>The held-for-sale measurement requirements do not apply to:</p> <ul style="list-style-type: none"> • Deferred tax assets • Employee benefit assets • Financial assets in the scope of IFRS 9 • Investment property measured at fair value • Noncurrent assets within the scope of IAS 41, <i>Agriculture</i>, measured at fair value less costs to sell • Insurance contracts
Assets held for distribution to owners	Such assets are classified as held and used until disposed of and measured at cost less accumulated depreciation and impairment.	Assets held for distribution to owners are treated similar to assets held for sale and are measured at the lower of carrying amount and fair value less costs to distribute.

Discontinued operations		
	U.S. GAAP	IFRS
Relevant guidance	ASC 205-20	IFRS 5
Unit of account	The unit of account is a component, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component may be an operating segment, a reporting unit, a subsidiary or an asset group, depending on the facts and circumstances.	The unit of account is a component, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component will have been a cash-generating unit or a group of cash-generating units when it was held for use.
Definition	<p>A discontinued operation is defined as either:</p> <ul style="list-style-type: none"> • A component of an entity that has been disposed of, meets the criteria to be classified as held for sale, or has been abandoned or spun-off and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results • A business or nonprofit activity that on acquisition meets the criteria to be classified as held for sale 	<p>A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale or for distribution to owners, and that meets any of the following criteria:</p> <ul style="list-style-type: none"> • Represents a separate major line of business or geographical area of operations. • Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. • Is a subsidiary acquired exclusively with a plan to resell.
Precluded assets	Oil and gas properties accounted for using the full cost method are precluded from designation as a discontinued operation.	There are no assets that are precluded from designation as a discontinued operation.
Cash flow information	An entity is required to present net cash flow information for discontinued operations in the financial statements or the accompanying notes.	An entity may choose to separately report net cash flow information of discontinued operations either in the statement of cash flows or in the notes to the financial statements. Regardless of the method chosen, the entity must separately display the total of operating, investing and financing cash flows (i.e., one aggregate amount of cash flows may not be separately reported).
Allocation of interest on debt	Allocation to a discontinued operation of interest on debt that is to be assumed by a buyer and interest on debt that is required to be repaid as a result of the disposal transaction is required. The	There is no guidance on allocating interest to discontinued operations.

Discontinued operations		
	U.S. GAAP	IFRS
	allocation to discontinued operations of other interest is permitted but not required.	
Long-lived asset or disposal group to be exchanged for other non-monetary assets	A long-lived asset or disposal group to be exchanged for other non-monetary assets is classified as held-for-sale, provided that the exchange is reciprocal and measured at fair value.	A long-lived asset or disposal group to be exchanged for other non-monetary assets is classified as held-for-sale, provided that the expected exchange has commercial substance.
Newly acquired subsidiaries	No disclosure exemptions exist for a disposal group that is a newly acquired subsidiary classified as held for sale on acquisition.	An entity is not required to present an analysis of the amounts presented in the income statement and cash flow information if the disposal group is a newly acquired subsidiary classified as held for sale on acquisition.
Presentation and disclosure	<p>If a disposal group meets the criteria for discontinued operations, it is presented separately on the face of the balance sheet for both the current period (if held for sale) and the prior period.</p> <p>Disclosure of significant continuing involvement with a discontinued operation is required until the results of discontinued operations are no longer presented in the income statement.</p>	<p>If a disposal group meets the criteria for discontinued operations, it is not reclassified and presented as held for sale in the prior period balance sheet for comparative financial statements.</p> <p>Disclosure of significant continuing involvement with a discontinued operation after the disposal date is not required.</p>

17. EARNINGS PER SHARE

17.1 Introduction

The guidance related to earnings per share (EPS) in U.S. GAAP is included in ASC Topic 260, *Earnings Per Share*. In IFRS, the guidance related to EPS is included in IAS 33, *Earnings per Share*.

17.2 Comparison

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

It should be noted that differences between U.S. GAAP and IFRS in other topics will likely result in differences in the numerator for the EPS calculation.

	U.S. GAAP	IFRS
Relevant guidance	ASC 260	IAS 33
Applicability of the two-class method	The two-class method applies to participating securities that are debt or equity instruments.	The two-class method applies solely to participating securities that are equity instruments.
Diluted EPS denominator: Year-to-date (YTD) computation	<p>Treasury stock method: The number of incremental shares included in the denominator is determined using a weighted average of the number of incremental shares included in each quarterly diluted EPS calculation.</p> <p>Contingently issuable shares: The number of contingent shares included in the diluted EPS denominator is determined by weighting the interim periods.</p> <p>Contingently convertible instruments: Contingently issuable shares from a convertible instrument with a market price trigger are included in the calculation of diluted EPS (if dilutive) regardless of whether the market price trigger has been met.</p>	<p>Treasury stock method: The number of incremental shares is determined separately. The number of dilutive potential ordinary shares in the YTD period is not a weighted average of the dilutive potential ordinary shares included in each interim calculation.</p> <p>Contingently issuable shares: Interim periods in the YTD calculation are not weighted. See preceding paragraph.</p> <p>Contingently convertible instruments: Contingently issuable shares from a convertible instrument with a market price trigger are included in the calculation of diluted EPS (if dilutive) only if the market price trigger was met at the end of the reporting period.</p>
YTD calculation of diluted EPS	<p>The treasury stock method is applied to certain instruments, such as options and warrants.</p> <p>The number of incremental shares is computed using a YTD weighted-average number of incremental shares</p>	The number of incremental dilutive potential ordinary shares (including contingently issuable shares) is computed independently for each period presented rather than computing a weighted average of the dilutive

	U.S. GAAP	IFRS
	by using the incremental shares from each quarterly diluted EPS computation.	potential common shares included in each interim computation. In other words, if an annual reporting period is presented, then the number of incremental shares is computed for that annual period and does not reference the quarterly computations of incremental shares.
Treatment of certain contingent features included in convertible debt securities	<p>The potentially issuable shares from convertible debt securities that contain conversion features that are triggered upon an entity's stock price reaching a predetermined price should always be included in the diluted EPS calculation using the if-converted method from the issuance date, if dilutive, regardless of whether the market price trigger has been attained.</p> <p>Similarly, if an issue of common shares is contingent on attaining a specified level of earnings at a future date, the number of shares included in diluted EPS is based on actual earnings to date, assuming no future earnings at the reporting period.</p>	<p>Potentially issuable shares from convertible instruments that contain conversion features that are triggered upon an entity's stock price reaching a predetermined price are included in the dilutive EPS calculation only if the market-price trigger has been attained as of the reporting date, assuming the contingency period also ended as of the reporting date.</p> <p>If the entity is required to maintain the level of earnings for an additional period after the reporting date, shares are considered only in the calculation of diluted EPS. The number of additional shares included in diluted EPS is based on the number of ordinary shares that would be issuable if the reporting date were the end of the contingency period. IFRS does not differentiate between convertible debt instruments and other convertible instruments.</p>
Mandatorily convertible instruments	<p>If the instrument is a participating security, the two-class method is applied.</p> <p>If the instrument is not a participating security, the if-converted method is applied when calculating diluted EPS.</p>	Regardless of whether the instrument is a participating security, the reporting entity should include ordinary shares that will be issued upon the conversion of mandatorily convertible instruments in the computation of basic and diluted EPS from the origination date of the contract.



18. INTERIM REPORTING

18.1 Introduction

The guidance related to interim reporting in U.S. GAAP is included in ASC Topic 270, *Interim Reporting*. In IFRS, the guidance related to interim reporting is included in IAS 34, *Interim Financial Reporting*.

18.2 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
Interim tax provisions	<p>Each interim period is considered to be an integral part of the related annual period.</p> <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 income from continuing operations in the interim period in which the rate change was enacted.</p> <p>Adjustment to the estimated annual effective tax rate for the change should be evaluated and any resultant changes should be applied prospectively by the entity.</p> <p>The concept of “substantively enacted” does not exist in U.S. GAAP.</p>	<p>Income tax expense recognized in an interim period is calculated based on the estimated average annual effective tax rate, applied to the pre-tax income of the interim period. To the extent practicable, a separate estimated average annual effective income tax rate is determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. If not practicable, a weighted average of rates may be used.</p>
Financial statement headings and subtotals	<p>No requirements related to headings and subtotals exist in U.S. GAAP; however, SEC registrants are permitted to disclose only major captions, subject to certain limitations discussed in ASC 270-10-99S.</p>	<p>Interim financial statements must include each of the headings and subtotals included in the most recent annual financial statements.</p>

19. BUSINESS COMBINATIONS

19.1 Introduction

The principal guidance related to accounting for business combinations in U.S. GAAP is included in ASC Topic 805, *Business Combinations*. In IFRS, the guidance related to accounting for business combinations is included in IFRS 3, *Business Combinations*.

Although the guidance is largely converged, differences continue to exist in a number of important areas including, but not limited to, the definitions of a business and control, pushdown accounting, operating leases, acquired contingencies, contract assets and liabilities, contingent consideration, noncontrolling interests, measurement period adjustments, and combinations of entities under common control.

19.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for business combinations are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 805	IFRS 3
Definition of control for purposes of identifying a business combination	For purposes of identifying a business combination, "...the usual condition for a controlling financial interest [control] is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50% of the outstanding voting shares of another entity is a condition pointing toward consolidation." Additional guidance applies for purposes of determining whether an entity obtains control over a limited partnership or a variable interest entity (VIE).	For purposes of identifying a business combination, control is defined as "An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee."
Distinction between business combination and asset acquisition	If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set acquired is not a business. The word "set" relates to the definition of a business under ASC 805.	An entity may elect on a transaction-by-transaction basis whether to apply the screen test when evaluating whether an acquired set is a business. Like U.S. GAAP, under IFRS, "set" refers to and is part of the definition of a business. Although the words used in the U.S. GAAP and IFRS definitions of a business differ slightly, the meanings of those definitions are essentially the same.
Pushdown accounting	An acquiree has the option to apply pushdown accounting in its separate	The notion of pushdown accounting does not exist.

	U.S. GAAP	IFRS
	financial statements when an acquirer obtains control of the acquiree.	
Acquired contingencies	The acquirer recognizes assets and liabilities arising from contingencies at fair value if fair value can be determined. If fair value cannot be determined, then assets and liabilities arising from contingencies are only recognized if it is probable at the acquisition date that an asset or liability exists and if its amount is reasonably estimable.	The acquirer recognizes contingent liabilities of the acquiree if a present obligation exists and its fair value can be measured reliably. The acquirer does not recognize contingent assets.
Contract assets and liabilities	The buyer should recognize and measure contract assets and liabilities in accordance with ASC 606 as if the buyer had originated the related customer contracts. In other words, contract assets and contract liabilities are recognized at the amounts that would have resulted from the buyer applying ASC 606 to the acquired customer contract since its origination, except when one of the practical expedients provided in ASC 805-20-30-29 is elected.	The buyer should recognize and measure contract assets and contract liabilities at their fair values at the acquisition date.
Noncontrolling interests	Noncontrolling interests are measured at fair value, which results in the acquirer recognizing 100% of the acquiree's assets (including goodwill) and liabilities and measuring them predominantly at their respective fair values in accordance with ASC 805.	For noncontrolling interests that represent present ownership interests and entitle the holder to a proportionate share of net assets if the entity is liquidated, acquirers may elect to measure those interests at either their full fair value or their proportionate share of the net amount recognized for the acquiree's assets and liabilities. In general, all other noncontrolling interests must be measured at fair value.
Measurement period adjustments	The acquirer recognizes adjustments to provisional amounts identified for a business combination in the period the adjustments are determined (instead of retroactively).	The acquirer recognizes any adjustments occurring in the measurement period retroactively.
Combinations of entities under common control	Combinations of entities under common control are accounted for at historical cost for the group.	Combinations of entities under common control are outside the scope of IFRS 3. Entities commonly apply U.S. GAAP or can elect to apply acquisition accounting. In making such an

	U.S. GAAP	IFRS
		accounting policy choice, an entity should apply the guidance in IAS 8, <i>Basis of Preparation of Financial Statements</i> , about selecting and changing accounting policies.

20. CONSOLIDATIONS

20.1 Introduction

The guidance related to consolidations in U.S. GAAP is included in ASC Topic 810, *Consolidations*. In IFRS, the guidance related to consolidations is included in IFRS 10, *Consolidated Financial Statements*, and IFRS 12, *Disclosure of Interests in Other Entities*.

20.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 810	IFRS 10 and 12
Consolidation models and the concept of control	<p>There are three consolidation models. First, entities are subjected to the variable interest entity (VIE) model. If the VIE model is not applicable, then entities are subjected to the voting interest model or the controlled by contract model.</p> <p>Under the VIE model, a reporting entity has a controlling financial interest in a VIE, and thus consolidates the VIE, if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the rights to receive benefits that could potentially be significant to the VIE. The entity that consolidates a VIE is referred to as the primary beneficiary.</p> <p>Under the voting interest model, a reporting entity has a controlling financial interest in an entity that is not a VIE, and thus consolidates the entity, if a reporting entity owns a majority voting interest in a corporation or a majority of kick-out rights in a limited partnership (or similar entity). In certain circumstances, the power to control may exist when one entity owns less than a majority voting interest (e.g., because of contractual provisions or agreements with other shareholders). Furthermore, in certain circumstances a reporting entity that owns a majority voting interest may not consolidate if</p>	<p>The basis for consolidation focuses on controlling financial interest, regardless of the form of the investee. The concept of a VIE does not exist.</p> <p>An investor controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.</p> <p>Although the concept of a VIE does not exist under IFRS 10, it is expected that application of IFRS 10 generally will result in a similar conclusion as application of U.S. GAAP. However, a few other differences described may result in different conclusions on consolidation under IFRS and U.S. GAAP.</p>

	U.S. GAAP	IFRS
	<p>one or more minority owners hold substantive participating rights or kickout rights.</p> <p>Under the controlled by contract model, a reporting entity should consolidate a legal entity that is not a VIE if it controls a contract with the legal entity that meets certain criteria—including the length of the contract and control provided to the reporting entity over the legal entity through the contract—and the reporting entity has a financial interest in the legal entity. The controlled-by-contract subsection of ASC 810 has limited applicability as most entities controlled by a contract will be VIEs and thus the reporting entity would evaluate the legal entity for consolidation under the VIE model.</p>	
Scope exceptions	<p>ASC 810 applies to legal entities that are corporations, partnerships, limited liability companies, grantor trusts and other trusts.</p> <p>The following legal entities are subject to scope exceptions:</p> <ul style="list-style-type: none"> • Governmental organizations • Employee benefit plans • Investment companies that do not consolidate investees that are not investment companies (subject to specific definition of investment company) • Brokers / dealers • Money market funds <p>There are certain scope exceptions from the VIE model that may apply.</p>	<p>A general scope exception is provided by IFRS 10 for postemployment benefit plans or other long-term employee benefit plans.</p> <p>Investment entities generally account for investments in subsidiaries at fair value.</p> <p>Since there is no separate VIE model, VIE scope exceptions are not applicable.</p> <p>Parent entities are exempt from presenting consolidated financial statements when the parent is itself a wholly owned subsidiary or a partially owned subsidiary and none of its noncontrolling interests' owners object to the parent's not presenting consolidated financial statements (after being informed of the plans not to provide consolidated financial statements), the parent's equity or debt instruments are not publicly traded and the parent did not file or is not in the process of issuing any class of instruments in publicly traded markets, the parent is unlisted, and the ultimate or any intermediate parent of the parent prepares consolidated financial statements available for public use.</p>

	U.S. GAAP	IFRS
Private company election for entities under common control	<p>Private companies have the option to elect not to apply the VIE model to legal entities when all of the following criteria are met:</p> <ul style="list-style-type: none"> • The reporting entity and the legal entity are under common control. • The reporting entity and the legal entity are not under common control of a public business entity. • The legal entity under common control is not a public business entity. • The reporting entity does not directly or indirectly have a controlling financial interest in the legal entity when considering the General Subsections of ASC 810. The VIE Subsections of ASC 810 are not applied when making this determination. 	No equivalent election exists.
Limited partnerships and similar entities	<p>Specific guidance applicable to limited partnerships and similar entities is provided.</p> <p>A limited partnership, or an entity with a governance structure similar to a limited partnership, would be considered a VIE regardless of whether it otherwise qualifies as a voting interest entity unless a simple majority or lower threshold of the limited partners that are “unrelated” to the general partner have substantive kick-out rights (including liquidation rights) or substantive participating rights.</p> <p>Limited partnerships and similar entities that are not VIEs are consolidated by the limited partner that holds the majority of the kick-out rights (which includes liquidation rights). If no entity holds the majority of the kick-out rights, no limited partner consolidates the limited partnership.</p>	Specific guidance applicable to limited partnerships is not provided.
De facto control	The concept of de facto control does not exist.	The notion of de facto control does enter into the consideration of whether control exists. In certain situations, a parent entity may have control over another entity despite holding less than

	U.S. GAAP	IFRS
		<p>a 50% voting interest and lacking legal or contractual rights that would permit the entity to control the investee’s voting power or board.</p> <p>For example, de facto control may exist in a situation in which a major shareholder holds a significant, less-than-majority stake in an entity, but the other ownership holdings are widely dispersed. To determine if control exists in this situation, all relevant facts and circumstances, including the ability of the other owners to vote in a block, would need to be considered.</p>
Potential voting rights	<p>Potential voting rights are generally not considered in the determination of control by entities in the voting interest model; however, judgment is required. Potential voting rights should be considered in determining the purpose and design of the legal entity. Under the VIE model, potential voting rights might (in limited situations) be considered in the determination of whether the entity is a VIE or which party is the primary beneficiary of a VIE.</p>	<p>Potential voting rights are considered only if substantive (i.e., they must give the holder the ability to direct the relevant activities of an investee, and the holder must have the ability to exercise those rights). An investor with potential voting rights might have power over an investee, even if the rights are not currently exercisable.</p>
Accounting policies	<p>A parent and all its subsidiaries are not required to apply uniform accounting policies. Upon consolidation, the accounting policies of a parent and its subsidiaries should be conformed in the parent’s consolidated financial statements unless dissimilar operations provide a basis for different accounting policies which can be justified (e.g., through specialized industry specific guidance).</p>	<p>A parent and its subsidiaries are required to apply uniform accounting policies.</p>
Different reporting dates	<p>The consolidated financial statements of a parent and its subsidiaries are generally prepared using the same reporting date. However, a difference in reporting dates of not more than three months is permitted.</p> <p>An entity is required to disclose or adjust the effects of intervening significant transactions or events between the two reporting dates that</p>	<p>A parent and its subsidiaries are required to have the same reporting date unless it is impracticable to do so. If impracticable to do so, the difference between the two reporting dates cannot be more than three months and the effects of significant transactions and events between the two dates must be adjusted for in the consolidated financial statements.</p>



	U.S. GAAP	IFRS
	would materially affect the consolidated financial statements.	
Shared power to direct activities and its impact on consolidation	<p>If multiple parties share power under the voting interest model, no party will consolidate the legal entity.</p> <p>Under the VIE model, if multiple unrelated entities share the power to direct the activities that most significantly impact a VIE’s economic performance, no party would consolidate the VIE.</p> <p>If there is shared power over a VIE among a related party group and the related party group collectively meets the power and economic criteria, the party within the related party group that is most closely associated with the VIE will consolidate the VIE.</p>	<p>If two or more investors collectively control an investee while directing the relevant activities of an entity, no investor individually can direct the activities without the co-operation of the others because no investor individually controls the investee. Each investor would account for its interest in the investee in accordance with the relevant guidance, such as IFRS 11, <i>Joint Arrangements</i>, or IAS 28, <i>Investments in Associates and Joint Ventures</i>.</p>
Related party considerations under consolidation models	<p>There is no specific guidance addressing voting rights of related parties under the voting interest model, and thus voting rights held by related parties are not considered under the voting interest model. However, the relationship between the majority and noncontrolling shareholders or partners that are of a related-party nature are considered in determining whether the participating rights of the noncontrolling shareholder or limited partner are substantive.</p> <p>Reporting entities are required to consider the involvement of related parties, including de facto agents, in numerous aspects of the VIE model, including in the determination of whether certain scope exceptions apply, the identification of variable interests, the determination of whether a legal entity is a VIE and the determination of the primary beneficiary of a VIE.</p> <p>Under the VIE model, it is possible to reach a determination that a reporting entity is not the primary beneficiary of a VIE on a standalone basis but still conclude that the reporting entity is required to consolidate the VIE after</p>	<p>There is no related party tiebreaker test. Paragraph B73 of IFRS 10 states, “When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor’s behalf (i.e., they are ‘de facto agents’). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.”</p> <p>When the related party is not acting as a de facto agent of the reporting entity, it is less likely that a reporting entity reporting under IFRS would consolidate the related party than would a reporting entity reporting under U.S. GAAP.</p>

	U.S. GAAP	IFRS
	consideration of the power and economics held by the related party group.	
Change in ownership interest with or without loss of control of a subsidiary	<p>Loss of control of a subsidiary: In most instances, changes in the parent's ownership interest that result in a loss of control of a subsidiary result in the remeasurement of any retained noncontrolling investment to fair value with the resulting gain or loss recognized in net income as part of the gain or loss on the ownership interest sold.</p> <p>Without loss of control of a subsidiary: Changes in the parent's ownership interest without a loss of control of a subsidiary are accounted for as equity transactions and no gain or loss is recognized in the income statement when the subsidiary is a business or nonprofit activity (except a conveyance of oil and gas mineral rights or a transfer of a good or service in a contract with a customer) or the subsidiary is not a business or nonprofit activity, but the substance of the transaction is not addressed directly by other applicable ASC guidance.</p>	<p>Loss of control of a subsidiary: This guidance is consistent with U.S. GAAP. However, there are no exceptions for certain industries (such as conveyance of oil and gas mineral rights) and types of transactions (such as contracts with customers) or when the subsidiary is not a business or a nonprofit activity.</p> <p>Without loss of control of a subsidiary: This guidance is consistent with U.S. GAAP. However, there are no exceptions for certain industries (such as conveyance of oil and gas mineral rights) and types of transactions (such as contracts with customers) or when the subsidiary is not a business or a nonprofit activity.</p> <p>IFRS 10 does not address whether this guidance should be applied to transactions involving non-subsidiaries that are businesses or nonprofit activities.</p>



21. DERIVATIVE INSTRUMENTS

21.1 Introduction

The guidance related to derivative instruments in U.S. GAAP is included in ASC Topic 815, *Derivatives and Hedging*. In IFRS, the guidance related to derivative instruments is included in IFRS 9, *Financial Instruments*.

21.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 815	IFRS 9
Scope exceptions	<p>The FASB did not intend for contracts that result in the delivery of something other than a financial instrument or derivative instrument in quantities that the entity expects to use or sell in the normal course of its business to be accounted for as derivative instruments. For this reason, the FASB established the normal purchases and normal sales (NPNS) scope exception.</p> <p>For an entity to avail itself of the NPNS exception, it must be properly elected and documented.</p>	<p>There is an exception similar to the U.S. GAAP NPNS exception referred to as the own use scope exception. However, the own use scope exception is not elective; however, entities may designate qualifying contracts at FVTPL, which overrides own-use accounting. Regardless of election or documentation, if the transaction qualifies for the own use exception, the exception applies.</p>
Definition of a derivative	<p>A derivative instrument is a financial instrument or other contract with the following characteristics:</p> <ul style="list-style-type: none"> • Underlying and notional amount or payment provision: The contract has both of the following terms, which determine the amount of the settlement and, in some cases, whether a settlement is required: <ul style="list-style-type: none"> – One or more underlyings – One or more notional amounts or payment provisions • Initial net investment: The contract requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar 	<p>A derivative instrument has the following characteristics:</p> <ul style="list-style-type: none"> • Its value fluctuates based on the fluctuations of an underlying. • It requires no or a small initial net investment. • It settles at a future date. <p>The definition of a derivative does not include a net settlement characteristic. However, a contract to purchase or sell a nonfinancial item can be a derivative only if it can be settled net.</p>

	U.S. GAAP	IFRS
	<p>response to changes in market factors.</p> <ul style="list-style-type: none"> • Net settlement: The contract can be settled net by any of the following means: <ul style="list-style-type: none"> – Its terms implicitly or explicitly require or permit net settlement. – It can readily be settled net by a means outside the contract. – It provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement. 	
Embedded derivatives	Both IFRS and U.S. GAAP require an embedded derivative to be accounted for separate from the hybrid instrument in which it is embedded as if it was a freestanding derivative instrument if certain conditions are met. Those conditions under IFRS and U.S. GAAP are worded very similarly, but differences may be seen in practice upon application. In addition, differences in the assessment of contracts that can be settled in an entity’s own equity shares and scope exclusions can create differences as well. The separated components may also be measured differently.	
Embedded derivatives: Initial recognition	The separation requirements apply to both assets and liabilities. In addition, the guidance for embedded derivatives provided under U.S. GAAP is more detailed than that provided under IFRS. As a result, an entity may reach a conclusion under U.S. GAAP that is different than it would reach under IFRS regarding whether the embedded derivative should be accounted for separately as if it was freestanding derivative instrument.	The separation requirements apply only to liabilities.
Embedded derivatives: Debt with embedded put or call option	An embedded put, call or prepayment option is considered not clearly and closely related to a debt host contract if it is indexed to an underlying other than interest rate risk, credit risk or inflation risk; the debt involves a substantial discount or premium and the option is contingent; or the option is not contingent and the negative-yield or double-double test is passed.	A put, call or prepayment feature embedded in a debt instrument is generally viewed as not closely related to the debt host unless the option can be exercised at a price that is roughly equal to the amortized cost of the debt on each exercise date (measured before separating any equity component) or the exercise price compensates the lender for an amount that approximates the present value of the interest they would forgo over the remaining life of the instrument.

	U.S. GAAP	IFRS
Embedded equity components: Initial recognition	Embedded equity derivatives are not separated from liabilities except in certain circumstances. See Section 9 for additional guidance.	Embedded equity derivatives are separated from liabilities and accounted for as equity.

22. HEDGE ACCOUNTING

22.1 Introduction

The guidance related to hedge accounting in U.S. GAAP is included in ASC Topic 815, *Derivatives and Hedging*. In IFRS, the guidance related to hedge accounting is included in IFRS 9, *Financial Instruments*.

22.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 815	IFRS 9
Assessing effectiveness: General	<p>An entity is required to perform quantitative prospective assessment of hedge effectiveness at hedge inception, unless one of the methods that allows for the assumption of perfect effectiveness (e.g., the simplified approach for private companies) can be used. However, if certain conditions are met, the entity can elect to perform its subsequent prospective and retrospective hedge effectiveness assessments on a qualitative basis unless facts and circumstances change. Subsequent assessments must be performed whenever financial statements or earnings are reported, or at least every three months.</p> <p>Private companies have until the date on which the next interim (if applicable) or annual financial statements are available to be issued to complete their effectiveness testing.</p>	<p>An entity is required to perform a prospective assessment of hedge effectiveness at hedge inception but is not required to retrospectively assess effectiveness. However, an entity must perform an ongoing assessment of whether the hedging relationship continues to meet the effectiveness criteria.</p> <p>Subsequent assessments must be performed at each reporting date (not necessarily every three months) or upon a significant change in circumstances. The ongoing assessment is prospective only.</p>
Assumption of perfect effectiveness	<p>Certain methods of assessing effectiveness allow for the assumption of perfect effectiveness. For each of these methods, certain conditions must be met. The following are examples of methods that allow for the assumption of perfect effectiveness:</p> <ul style="list-style-type: none"> • Shortcut method for interest rate swaps • Critical-terms-match method for forward and futures contracts 	<p>The assumption of perfect effectiveness is not permitted. As a result, an entity must perform an assessment of effectiveness.</p>

	U.S. GAAP	IFRS
	<ul style="list-style-type: none"> Terminal value method for option contracts Simplified approach for private companies that hedge the variability of cash flows from debt issued that is hedged with an interest rate swap 	
Ineffectiveness	Ineffectiveness is not separately measured and reported.	<p>For fair value hedges, ineffectiveness refers to the degree to which the change in fair value of the hedging instrument does not offset the change in fair value of the hedged item attributable to the hedged risk.</p> <p>For cash flow hedges, ineffectiveness refers to the degree to which the cumulative change in the fair value of the hedging instrument exceeds cumulative change in the fair value of the cash flows of the hedged forecasted transaction attributable to the hedged risk.</p> <p>Ineffectiveness is separately measured and reported.</p>
Hedging benchmark interest rates	<p>For fair value hedges, the hedged risk must be one of the following qualified benchmark interest rates:</p> <ul style="list-style-type: none"> U.S. Treasury rates Fed Funds Effective Rate Overnight Index Swap Rate Securities Industry and Financial Markets Association Municipal Swap Rate Secured Overnight Financing Rate Overnight Index Swap Rate <p>For cash flow hedges, the hedged risk must be a contractually specified rate.</p>	For a fair value hedge or a cash flow hedge, the hedged risk must be a separately identifiable and reliably measurable component.
Nonfinancial item risk component	<p>An entity may designate a component of a nonfinancial item as the hedged risk if that component is either:</p> <ul style="list-style-type: none"> A foreign currency risk A contractually specified risk component 	An entity may designate a component of a nonfinancial item as the hedged risk if that component is separately identifiable and reliably measurable. The component does not have to be contractually specified.
Nonderivative hedging instruments	Generally, an entity may not designate a nonderivative as a hedging instrument. However, if a nonderivative financial instrument gives rise to a	Generally, an entity may designate a nonderivative financial instrument that is classified at FVTPL as a hedging instrument for any type of risk.

	U.S. GAAP	IFRS
	foreign currency gain or loss, an entity may designate it as a hedging instrument as part of a fair value hedge where the hedged item is a firm commitment and the hedged risk is foreign currency risk or as a net investment hedge.	However, an entity may not designate a nonderivative financial liability as a hedging instrument when changes in fair value attributable to credit risk are presented in OCI. An entity may designate the foreign currency component of nonderivative financial instruments as a hedge of foreign currency risk (except for equity instruments whose changes in fair value are recorded in OCI).
Hedging groups of items	An entity may designate a group of items as the hedged item in a fair value hedging relationship only if the individual items that comprise the group all share the same risk exposure for which they are being hedged as evidenced by passing a quantitative evaluation, which is sometimes referred to as the similarity test. The similarity test requires that the change in fair value of the individual items in the group be proportional to the change in the aggregate fair value of the group.	An entity may designate a group of similar items as the hedged item in a hedging relationship. However, the entity need not prove that the fair value change of each individual item is proportional to the overall group. An entity may designate groups of offsetting exposures as the hedged item.
Basis adjustments	A basis adjustment for the realized effective amount related to a cash flow hedge is prohibited. Rather, the amount in AOCI related to a cash flow hedge is reclassified into net income as the hedged forecasted transaction affects net income.	If a hedged forecasted transaction results in recognizing a nonfinancial asset or liability, or if the forecasted transaction becomes a firm commitment that is then designated as the hedged item in a fair value hedge, the amount that was reported in AOCI is removed and included in the carrying amount of the related asset or liability.
Hedging prepayable financial assets	An entity may use the “portfolio layer method,” which allows an entity to designate static amounts of fixed-rate financial assets from a closed pool of financial assets over certain periods of time in a fair value hedge of interest rate. That is, the entity may apply hedge accounting to one or more layers of a closed portfolio of financial assets if certain conditions are met.	An entity may designate a layer of a group as the hedged item. The entity can specify a layer component from a defined, but open, population or from a defined nominal amount. If an entity designates a layer component in a fair value hedge, it must specify it from a defined nominal amount.
Dedesignation	An entity may voluntarily dedesignate a hedging relationship, thereby discontinuing hedge accounting at any time. Otherwise, dedesignation is	An entity is prohibited from voluntarily dedesignating an entire hedging relationship. However, dedesignating a proportion may be required to rebalance

	U.S. GAAP	IFRS
	required when the hedging relationship no longer qualifies for hedge accounting.	the hedge. In addition, dedesignation is required when the hedging relationship no longer qualifies for hedge accounting.

23. FINANCIAL INSTRUMENTS: FAIR VALUE OPTION

23.1 Introduction

The guidance related to the fair FVO in U.S. GAAP is included in ASC Topic 825, *Financial Instruments*. In IFRS, the guidance related to the FVO is included in IFRS 9, *Financial Instruments*.

23.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 825	IFRS 9
Scope	An entity may elect the FVO for most financial assets and financial liabilities, though there are some explicit scope exceptions (e.g., financial assets and financial liabilities recognized under leases, deposit liabilities). Financial assets and financial liabilities for which the FVO is elected are accounted for at fair value with changes in fair value recorded in net income.	<p>An entity may elect and apply the FVO only to:</p> <ul style="list-style-type: none"> • A financial asset or financial liability if doing so eliminates or significantly reduces an accounting mismatch • A group of financial liabilities or a group of financial assets and financial liabilities that is managed and evaluated on a fair value basis • A hybrid financial liability that contains one or more embedded derivatives (unless the embedded derivatives are not significant, or it is clear with little or no analysis that the embedded derivatives would not be accounted for separately) • A financial instrument that reflects a credit exposure that an entity manages with a credit derivative measured at FVTPL if certain criteria are met <p>Changes in fair value are recorded in profit or loss when the FVO is elected for financial assets and financial liabilities.</p>
Timing of the election of the FVO	<p>An entity may elect the FVO upon:</p> <ul style="list-style-type: none"> • The initial recognition of a financial instrument • The occurrence of certain events (e.g., when an investment becomes subject to the equity method of accounting) 	<p>For a financial instrument that reflects a credit exposure, the election may be made after initial recognition or while it is unrecognized.</p> <p>For other financial instruments, the election can only be made at initial recognition.</p>

	U.S. GAAP	IFRS
Presentation of changes in fair value of liabilities for which the FVO has been elected	<p>For a financial liability for which the FVO has been elected, the portion of the change in fair value that is attributable to the instrument’s credit risk is recorded in OCI.</p> <p>The balance related to the change in fair value attributable to credit risk builds up in AOCI and is reclassified to net income when the liability is derecognized.</p>	<p>For a financial liability for which the FVO has been elected, the portion of the change in fair value that is attributable to the instrument’s credit risk is recorded in OCI, unless doing so would increase or create an accounting mismatch.</p> <p>The balance related to the change in fair value attributable to credit risk builds up in AOCI and is not reclassified to profit or loss.</p>

24. FAIR VALUE MEASUREMENTS

24.1 Introduction

The guidance related to fair value measurements in U.S. GAAP is included in ASC Topic 820, *Fair Value Measurement*. In IFRS, the guidance related to fair value measurements is included in IFRS 13, *Fair Value Measurement*.

24.2 Comparison

Under both IFRS and U.S. GAAP, fair value is defined the same: “Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The significant differences between U.S. GAAP and IFRS with respect to how this definition is applied are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 820	IFRS 13
Recognition of day-one gains and losses: When 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 there is not a quoted price and 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. The deferred difference is subsequently recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.
Accounting for certain investments	A practical expedient is available that permits estimating the fair value of certain investments using NAV when both of the following are true: <ul style="list-style-type: none"> • The investment does not have a readily determinable fair value. • The investment is in an investment company or is an investment in a real estate fund for which it is industry practice to measure assets at fair value on a recurring basis and to issue financial statements that are consistent with the 	A practical expedient for estimating the fair value of certain investments using NAV does not exist.

	U.S. GAAP	IFRS
	measurement principles applied to investment companies.	
Equity securities with contractual sales restrictions	The contractual sales restriction is not considered in determining the fair value of the security because it is not considered part of the security’s unit of account. It is also not considered a separate unit of account.	The contractual restriction on the sale of an equity security is included in the fair value measurement of the security if the restriction is a characteristic of the asset and the impact of the restriction would be considered by market participants when valuing the asset. If these factors are not applicable, then the contractual restriction would be excluded when determining the fair value of the equity security.
Disclosures	A quantitative sensitivity analysis is not required for Level 3 financial assets and financial liabilities.	A quantitative sensitivity analysis is required for financial instruments measured at fair value and categorized in Level 3 of the fair value hierarchy. Narrative disclosures may also be required based on the sensitivity of the inputs.

25. FOREIGN CURRENCY MATTERS

25.1 Introduction

The guidance related to accounting for foreign currency matters in U.S. GAAP is included in ASC Topic 830, *Foreign Currency Matters*. In IFRS, the guidance related to foreign currency matters is included in IAS 21, *The Effects of Changes in Foreign Exchange Rates*, and IAS 29, *Financial Reporting in Hyperinflationary Economies*.

25.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to accounting for foreign currency matters are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 830	IAS 21 and IAS 29
Determination of functional currency	A number of indicators must be considered to determine the entity's functional currency. Those indicators are not set up in a hierarchical structure. The same indicators are also used in assessing whether the functional currency of a foreign operation is the same as that of its parent; there are no additional indicators.	A hierarchy of indicators exists, which lists primary and secondary indicators to consider when determining an entity's functional currency. The secondary indicators need only be assessed if the functional currency is not clear from assessing only the primary indicators.
Hyperinflationary or highly inflationary economies	<p>If the economy qualifies as highly inflationary, the financial statements are remeasured as if the reporting entity's reporting currency were the functional currency. Any exchange differences are reported in net income.</p> <p>Once a reporting entity determines that it has a foreign entity operating in a highly inflationary economy, the reporting currency should be considered the foreign entity's functional currency on a prospective basis. The new accounting basis of monetary and nonmonetary assets and liabilities should be the last translated balances prior to the designation as highly inflationary.</p> <p>Translation is usually not required since the financial statements of a foreign entity in a highly inflationary economy are already remeasured directly into the reporting currency. Translation adjustments for prior periods are not removed from equity.</p>	<p>Even when the economy qualifies as hyperinflationary, the functional currency is retained. However, if there are any amounts in the financial statements that are not already measured at the current rate at the end of the reporting period, those amounts should be restated using a general price index, then translated into the reporting currency at the current (spot exchange) rate.</p> <p>If an economy is no longer considered hyperinflationary, the balances measured at the current rate at the end of the prior reporting period become the bases for the carrying values in entities' subsequent financial statements.</p>

	U.S. GAAP	IFRS
	If an economy is no longer considered highly inflationary, the reporting currency balances are translated back into the local currency at current spot exchange rates as of the date of change. The resultant new balances will become the new functional currency bases for the nonmonetary assets and liabilities.	
Foreign exchange gains and losses related to AFS debt securities	Foreign exchange gains and losses related to AFS debt securities (not related to the allowance for credit losses) are reported in OCI.	Foreign exchange gains and losses related to debt instruments measured at FVTOCI are recognized in profit or loss.
Reporting entity with multiple levels of foreign subsidiaries and parent companies with different functional currencies	When a reporting entity has multiple levels of foreign subsidiaries and parent companies with different functional currencies, the step-by-step bottom-up approach of consolidation should be used by the reporting entity while accounting for the foreign currency translations. In other words, the lowest level of foreign subsidiary is first translated and consolidated into an intermediate foreign subsidiary's currency. Then, the intermediate foreign subsidiary's consolidated financial statements are translated into the reporting entity's currency from a consolidation perspective. A careful consideration of a reporting entity's ownership structure is imperative prior to performance of the translation accounting at multiple levels of foreign subsidiaries and parent companies with different functional currencies.	No specific guidance exists for the method of consolidation. A reporting entity can use either the direct or the step-by-step method of consolidation while performing the translation accounting. Unlike U.S. GAAP, each foreign entity within the consolidated group can translate their financial statements into the ultimate parent (reporting entity)'s functional currency prior to its consolidation into the reporting entity under the direct method. IFRS does not require the reporting entity to consider its complex ownership structure in this regard.
Equity method investee that is a foreign entity held for disposal	<p>If the equity method foreign investee's operations are entirely disposed of, differences resulting from historical translations are reclassified from AOCI into net income.</p> <p>However, if the equity-method foreign investee's operations are only partially disposed of and the investor retains significant influence or joint control, a portion of the amount is reclassified from AOCI into net income.</p>	<p>IFRS does not permit transferring of AOCI into profit or loss until a reporting entity does not exercise significant influence or retain a joint control over foreign investee's operations in its entirety.</p> <p>If the equity method investee is entirely disposed of, the cumulative amount of the exchange differences related to that foreign operation recognized in OCI shall be reclassified into profit or loss.</p>

	U.S. GAAP	IFRS
	When an investor loses significant influence or joint control over an investee accounted for using the equity method, a proportionate amount is released into the income statement, and the remainder shall be used to offset the carrying value of the investment if the carrying amount is not below zero. If the carrying amount of investment is zero, then the remainder amount is reclassified into net income.	However, a portion of the exchange differences in OCI are transferred to profit or loss if the foreign investee's operations are partially disposed of and the reporting entity exercised significant influence or retained joint control of the foreign investee's operations.

26. LEASES

26.1 Introduction

The guidance related to accounting for leases in U.S. GAAP is included in ASC Topic 842, *Leases*. In IFRS, the guidance related to accounting for leases is included in IFRS 16, *Leases*.

Although both standards require lessees to recognize right-of-use assets and lease liabilities for most leases, one of the primary differences (i.e., the dual lessee classifications for U.S. GAAP compared to a single classification for IFRS), result in significant differences in the subsequent accounting for lessees.

26.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the accounting for leases (excluding differences related to the accounting for sale-leasebacks and subleases) are summarized in the following tables.

Both lessees and lessors		
	U.S. GAAP	IFRS
Relevant guidance	ASC 842	IFRS 16
Scope	<p>Applies to all leases of property, plant and equipment. Scope exclusions include:</p> <ul style="list-style-type: none"> • Rights to use intangible assets • Rights to explore for or use nonregenerative resources • Rights to use biological assets • Rights to use inventory • Rights to use assets under construction • Service concession arrangements 	<p>Applies to all leases (i.e., not limited to property, plant and equipment) with certain limited exceptions, including:</p> <ul style="list-style-type: none"> • Leases to explore for or use of nonregenerative resources • Leases of biological assets • Service concession arrangements • Certain types of intangible assets <p>The lessee may, but is not required to, apply lease accounting to leases of intangible assets other than rights held under licensing arrangements. However, a lessor is required to apply lease accounting to leases of intangible assets other than licenses of IP.</p>
Sale and leaseback transactions	<p>The transaction is accounted for as a sale if the criteria in ASC 606, <i>Revenue from Contracts with Customers</i>, are satisfied. Additionally, the transaction is not accounted for as a sale if the leaseback is classified as a finance lease or a sales-type lease.</p> <p>If the seller-lessee retains a repurchase option, accounting for the transaction as a sale is not permitted unless the exercise price at the time the option is exercised is at fair value and there are</p>	<p>The transaction is accounted for as a sale if the criteria in IFRS 15, <i>Revenue from Contracts with Customers</i>, are satisfied.</p> <p>If the seller-lessee retains a repurchase option, accounting for the transaction as a sale is not permitted in any situation.</p> <p>If the transaction is accounted for as a sale, the seller-lessee only recognizes a gain for the rights that were transferred to the buyer-lessor; a right-of-use asset is recognized for the rights retained by the seller-lessee.</p>

Both lessees and lessors		
	U.S. GAAP	IFRS
	<p>alternative assets readily available for purchase in the market.</p> <p>If the transaction is accounted for as a sale, the seller-lessee derecognizes the carrying value of the asset and recognizes a gain for the sale when control transfers. The lease is then accounted for under ASC 842.</p> <p>If the transaction is not accounted for as a sale, the seller-lessee does not derecognize the asset and accounts for the consideration received as a financial liability under other applicable US GAAP topics.</p>	<p>If the transaction does not qualify as a sale, both parties account for it as a financing transaction (no derecognition of the underlying asset by the seller-lessee).</p>
Leases between related parties or parties under common control	<p>A private company election is available for private companies and not-for-profit entities that are not conduit bond obligors. Such entities can elect a practical expedient whereby they can use the terms and conditions as written in the agreement between the related parties or entities under common control to determine whether the agreement is or contains a lease. If a lease exists, those same written terms and conditions are used to classify and account for the lease. The practical expedient can be elected on an agreement-by-agreement basis. The practical expedient can be elected on an agreement-by-agreement basis.</p> <p>The amortization period for leasehold improvements associated with a lease between entities under common control is the useful life of the improvements to the common control group, provided the lessee controls the use of the asset. If the lessee ceases to control the use, any remaining carrying amount is accounted for as an equity adjustment.</p>	<p>IFRS 16 does not specifically address leases between related parties or entities under common control. In practice, entities apply the general principles of IFRS 16 (focusing on enforceable rights and obligations) and provide disclosures under IAS 24, <i>Related Party Disclosures</i>.</p>

Lessee accounting		
	U.S. GAAP	IFRS
Short-term leases: Lessee accounting policy election	A short-term lease is defined as one with a lease term of 12 months or shorter that does not include a purchase option that the lessee is reasonably certain to exercise.	A short-term lease is defined as one with a lease term of 12 months or shorter that does not include a purchase option. The likelihood of the lessee exercising the purchase option is not considered.
Low-value assets exemption for lessees	No exemption for low-value assets is provided, although materiality considerations apply in the same manner as such considerations apply to all U.S. GAAP.	An entity may elect to recognize payments for a lease of a low-value asset on a straight-line basis over the lease term. Although the term “low value” is not defined, <i>Basis for Conclusions</i> on IFRS 16 implies that the term refers to assets that, when new, individually have values of \$5,000 or less.
Lessee lease classification	Under a dual model, lessees classify leases as either operating or finance leases, depending on five classification criteria. If any of the five criteria are met, the lease is classified as a finance lease.	Only one accounting model exists for lessees. All leases are treated in a manner similar to finance leases under ASC 842.
Lease modifications that reduce the lease term	Lessees should remeasure the lease liability and adjust the right-of-use asset accordingly. No gain or loss should be recognized unless the right-of-use asset is reduced to zero.	Lessees would recognize gain or loss for any difference between the reduction in the right-of-use asset and the reduction in the lease liability.
Lease modifications and related reallocation of contract consideration	Upon a lease modification or a remeasurement of the lease liability, lessees are required to reallocate the revised lease payments based on the standalone price of the lease and non-lease components at the effective date of the modification.	When there is a lease modification, the consideration in the contract is reallocated. When a lease liability is remeasured for other reasons, lessees are required to allocate the revised lease payments based on the standalone price of the lease and non-lease components at the lease commencement date.
Subsequent accounting	For finance leases, the right-of-use asset is amortized on a straight-line basis. The lease liability is accreted using the interest method and is decreased for payments made. The expense recognition pattern generally is front-loaded. For operating leases, the expense recognition pattern in the income	Only one accounting model exists for lessees. The accounting is similar to that for finance leases under U.S. GAAP.

Lessee accounting		
	U.S. GAAP	IFRS
	statement is generally straight line and includes both the amortization of the right-of-use asset and interest expense related to the lease liability.	
Variable lease payments that do not depend on an index or rate	Lessees recognize these payments in the period in which it becomes probable that the target that triggers the payment will be achieved.	Lessees recognize these payments in the period in which the target is achieved.
Variable lease payments that depend on an index or rate: Reassessment	There is no requirement to reassess the variable lease payments. The variable lease payments are only reassessed if the lease is modified or if there is a change in the lease term.	When there is a change in the index or rate that changes the cash flows, lessees are required to reassess their variable lease payments.
Incremental borrowing rate	<p>The lessee's incremental borrowing rate is the rate that would be paid to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment.</p> <p>A lessee that is not a public business entity can make an accounting policy election to use a risk-free discount rate for initial and subsequent measurements of the lease liability, but this policy should be applied on a class-of-asset basis.</p> <p>Note that lessees are required to use the rate implicit in the lease if it is readily determinable.</p>	<p>The lessee's incremental borrowing rate is the rate that a lessee would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.</p> <p>No accounting alternatives are provided to private entities.</p>

Lessor accounting		
	U.S. GAAP	IFRS
Lessor lease classification	<p>Lessors assess classification at commencement.</p> <p>The first test is to determine if the lease meets any of the five criteria that are also applied by lessees. If any of those criteria are met, the lessor classifies the lease as a sales-type lease.</p> <p>If none of those five criteria are met, but two additional criteria are met, the lessor classifies the lease as a direct finance lease.</p> <p>Otherwise, the lease is classified as an operating lease.</p> <p>Notwithstanding the requirements above, if the lease contains variable lease payments that do not depend on an index or a rate, the lessor would classify the lease as an operating lease at commencement if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss.</p>	<p>Lessors assess classification at inception.</p> <p>A lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership. If not, the lease is classified as an operating lease.</p> <p>No additional criteria specific to lessors are included in the guidance for lease classification. However, there are examples available in IFRS including indicators of situations which can be considered appropriately to determine whether a lease is a finance lease.</p>
Collectibility	<p>Collectibility of lease payments is not assessed when determining whether a lease should be classified as a sales-type lease. However, lessors consider the collectibility of lease payments when determining whether a lease should be classified as an operating lease or a direct financing lease.</p>	<p>No specific guidance is included for the collectibility of lease payments.</p>
Selling profit	<p>Selling profit is recognized at commencement for a sales-type lease when collectibility is probable. For direct financing leases, the selling profit is deferred and (if relevant) recognized over the lease term.</p>	<p>Selling profit for a finance lease is recognized at commencement.</p>
Separation of lease and nonlease components	<p>A practical expedient may be elected, under which the lessor or lessee does not separate lease components and nonlease components (if certain conditions are met).</p>	<p>No practical expedient is provided related to the separation of lease and nonlease components.</p>
Presentation of sales taxes	<p>Lessors are provided with a practical expedient to present sales tax collected from lessees on a net basis.</p>	<p>No practical expedient is provided related to the presentation of sales taxes.</p>

Lessor accounting		
	U.S. GAAP	IFRS
Lessor costs paid by lessee	Lessor costs paid directly by a lessee to a third party should be excluded from lease payments.	No guidance is provided with respect to the treatment of lessor costs paid directly by a lessee to a third party.
Rate implicit in the lease	Lessor determines the rate implicit in the lease at the commencement date of the lease contract.	Lessor determines the rate implicit in the lease at the inception date of the lease contract.
Modifications: Original lease was an operating lease	<p>If the modification is not accounted for as a separate contract, the accounting is dictated by the classification of the modified lease:</p> <ul style="list-style-type: none"> • Operating lease: Prepaid and accrued lease rentals from the original lease are included in the lease payments of the modified lease • Direct financing or sales-type lease: Any deferred rent liability or accrued rent asset are derecognized and lease is accounted for as a new direct financing or sales-type lease, with the selling profit or loss adjusted 	A modification to an operating lease is accounted for as a new lease at the modification date. Any prepaid or accrued lease payments associated with the original lease are included in the measurement of the new lease liability and right-of-use asset.
Modifications: Original lease was a direct financing lease	<p>If the modification is not accounted for as a separate contract, the accounting is dictated by the classification of the modified lease:</p> <ul style="list-style-type: none"> • Operating lease: The carrying amount of the underlying asset shall equal the net investment in the original lease just prior to the modification • Direct financing lease: The discount rate for the modified lease is adjusted and the classification reassessed so that the initial net investment in the modified lease is equal to the carrying value of the original lease net investment just prior to the modification • Sales-type lease: Calculate the selling profit or selling loss using the fair value of the underlying asset as of the modification date and the carrying value of the net investment 	<p>If the modification is not accounted for as a separate contract, the accounting is dictated by the classification of the modified lease:</p> <ul style="list-style-type: none"> • Operating lease: The modified lease is accounted for as a new lease as of the modification date. The net investment in the lease is calculated as the carrying value of the underlying asset just prior to the modification date. • Not an operating lease: The lease receivable is treated under IFRS 9, applying derecognition and remeasurement guidance for financial assets.

Lessor accounting		
	U.S. GAAP	IFRS
	in the original lease immediately prior to the modification date	
Modifications: Original lease was a sales-type lease	<p>If the modification is not accounted for as a separate contract, the accounting is dictated by the classification of the modified lease:</p> <ul style="list-style-type: none"> • Operating lease: The carrying amount of the underlying asset shall equal the net investment in the original lease just prior to the modification • Direct financing of sales-type lease: The discount rate for the modified lease is adjusted and the classification is reassessed so that the initial net investment in the modified lease is equal to the carrying value of the original lease net investment just prior to the modification 	<p>If the modification is not accounted for as a separate contract, the accounting is dictated by the classification of the modified lease:</p> <ul style="list-style-type: none"> • Operating lease: The modified lease is accounted for as a new lease as of the modification date. The net investment in the lease is calculated as the carrying value of the underlying asset just prior to the modification date. • Not an operating lease: the lease receivable is treated under IFRS 9, applying derecognition and remeasurement guidance for financial assets

27. FINANCIAL ASSETS: DERECOGNITION

27.1 Introduction

The guidance related to the derecognition of financial assets in U.S. GAAP is included in ASC Topic 860, *Transfers and Servicing*. In IFRS, the guidance related to the derecognition of financial assets is included in IFRS 9, *Financial Instruments*.

27.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the derecognition of financial assets are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 860	IFRS 9
Control model versus risks and rewards model	<p>A transferor derecognizes a financial asset that it transferred when it relinquishes control over that financial asset. Control is relinquished when all the following are true:</p> <ul style="list-style-type: none"> The transferred financial asset is legally isolated (i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or receivership). Each transferee has the right to pledge or exchange the assets it received and no condition constrains the transferee from taking advantage of its right to pledge or exchange or provides more than a trivial benefit to the transferor. If the transferee is an entity whose sole purpose is engaging in securitization or asset-backed financing activities and that entity is constrained from pledging or exchanging the assets it receives, the same discussion above applies to beneficial interests and third-party holders of the beneficial interests. Neither the transferor nor its consolidated affiliates or agents maintain effective control of the transferred financial asset. Refer to ASC 860-10-40-5(c) for examples of ways a transferor may maintain 	<p>A transferor derecognizes a financial asset that it transferred when either:</p> <ul style="list-style-type: none"> The transferor transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. The transferor neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the transferor relinquishes control over the asset as evidenced by the transferee's practical ability to sell the asset.

	U.S. GAAP	IFRS
	effective control over the transferred assets.	
Retaining servicing rights	The transferor retaining servicing rights is considered a form of continuing involvement and may require the transferor to obtain a legal opinion to substantiate that the transferred financial asset is legally isolated (see Control model versus risks and rewards model).	When the transferor retains servicing rights, the transferor must satisfy the restrictive conditions for pass-through arrangements.
Impact of a cleanup call	The transferor’s retention of a call option (when that option qualifies as a cleanup call) does not affect the derecognition assessment for the transferred assets.	When the transferor retains a call option over the transferred assets, that option may affect derecognition because the transferor is viewed as retaining the related risks and rewards to the extent covered by the option.
Repurchase agreements	A repurchase agreement or clause must be evaluated to determine whether it results in the transferor retaining effective control over the transferred assets.	A repurchase agreement or clause is first evaluated to determine whether it results in the transferor transferring or retaining substantially all of the risks and rewards of the transferred assets. If neither condition is met, the arrangement is then assessed to determine whether it causes the transferor to retain control over the transferred assets.
Transfers of a portion of or participating interest in a financial asset	The only portion of a financial asset that can qualify for derecognition is the portion that meets the definition of a participating interest.	Any of the following portions of a financial asset can qualify for derecognition: <ul style="list-style-type: none"> • Specifically identified cash flows from a financial asset • Pro-rata share of cash flows from a financial asset • Pro-rata share of specifically identified cash flows from a financial asset
Secured borrowings	If the transfer of financial assets fails to qualify for derecognition, an entity records a secured borrowing (liability) equal to the consideration received and the financial asset remains recorded as an asset.	An entity records a secured borrowing for the consideration received if it retains substantially all the risks and rewards of ownership of a financial asset. If an entity has neither retained nor transferred substantially all risks and rewards, but it has retained control over the financial asset, the secured borrowing is recognized only to the extent of the entity’s “continuing

	U.S. GAAP	IFRS
		involvement” in the transferred financial asset.
<p>Servicing assets or liabilities recognized by a transferor following a transfer of financial assets that qualifies for derecognition</p>	<p>A servicing asset or liability must be initially recognized at fair value.</p> <p>An entity can elect to subsequently measure a servicing asset or liability at either fair value or amortized cost.</p>	<p>A servicing asset created as part of a transfer of financial assets is considered a retained interest in the transferred assets. As a result, the previous carry amount is allocated between the retained interest and the servicing asset based on their relative fair values as of the transfer date.</p> <p>There is no specific guidance for the subsequent measurement of servicing rights. Servicing assets are considered intangible assets, and servicing liabilities are considered to be provisions.</p>

28. SUBSEQUENT EVENTS

28.1 Introduction

The guidance related to subsequent events in U.S. GAAP is included in ASC Topic 855, *Subsequent Events*. In IFRS, the guidance related to events after the balance-sheet date is included in IAS 10, *Events after the Reporting Period*. The guidance under both standards is largely converged.

In addition, IAS 1, *Presentation of Financial Statements*, addresses one specific subsequent event.

28.2 Comparison

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

	U.S. GAAP	IFRS
Relevant guidance	ASC 855	IAS 1 and IAS 10
Date through which events must be evaluated	Entities that file their financial statements with the SEC, as well as conduit bond obligors, evaluate subsequent events through the date the financial statements are issued. Entities other than those that file their financial statements with the SEC and conduit bond obligors should evaluate events through the date the financial statements are available to be issued. Financial statements are considered available to be issued when they are in a form that complies with U.S. GAAP and all necessary approvals have been obtained.	Events after the reporting period must be evaluated through the date that the financial statements are authorized for issuance.
Reissuance of financial statements	An entity should not recognize events occurring between the date the financial statements were issued or available to be issued and the date that the financial statements were reissued (unless required to do so by other U.S. GAAP or regulatory requirements).	Reissuance of financial statements is not specifically addressed. The only date that is recognized as the date through which events after the reporting date are evaluated is the date at which the financial statements are authorized for issuance (even if the financial statements are being reissued).
Share dividends, share splits or reverse splits	SEC filers must adjust their balance sheet for share dividends, share splits or reverse splits that occur after the reporting date but before the financial statements are issued.	Financial statements are not adjusted for share dividends, share splits or reverse splits that occur after the reporting date.
Debt refinancings, amendments and covenant waivers	Debt refinancings, amendments and covenant waivers occurring after the reporting date are considered in determining the classification of debt at	Debt refinancings, amendments and covenant waivers that occur after the reporting date are not considered in

	U.S. GAAP	IFRS
that occur after the reporting date	<p>the reporting date. As a result, debt that would otherwise be considered current is classified as non-current if the reporting entity's intent and ability to refinance is demonstrated by a refinancing or a financing agreement executed after the reporting date but before the financial statements are issued.</p> <p>Liabilities that are payable on demand at the reporting date because of a covenant violation are classified as non-current if the creditor agrees, before the financial statements are issued (or available to be issued), not to demand prepayment for more than one year (or operating cycle, if longer) from the reporting date.</p>	<p>determining the classification of debt. Rather, they are disclosed if material.</p> <p>However, if an entity has the discretion at the reporting date and expects to refinance or reschedule payments on a long-term basis, then the debt is classified as non-current.</p>

29. GOVERNMENT GRANTS

29.1 Introduction

The guidance related to accounting for government grants under IFRS is included in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Prior to ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*, U.S. GAAP did not contain specific guidance on the accounting for government grants; however, in many instances, entities would apply IAS 20 by analogy as a source of nonauthoritative guidance.

29.2 Comparison

The guidance in U.S. GAAP and IFRS with respect to accounting for government grants or government assistance prior to the adoption of ASU 2025-10 is summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	Not specifically addressed prior to ASU 2025-10	IAS 20
Scope of government grants and related accounting guidance	<p>A business entity that receives government assistance must first consider whether the nature of that assistance falls within the scope of specific U.S. GAAP, which is generally dependent in large part on the form of the assistance:</p> <ul style="list-style-type: none"> Income tax credits are accounted for under ASC 740, <i>Income Taxes</i>. Loans generally are accounted for as debt under ASC 470, <i>Debt</i>. Assistance that represents a payment for goods or services should be considered revenue and accounted for under ASC 606, <i>Revenue from Contracts with Customers</i>. <p>Assistance that does not fall into any of the preceding categories is generally viewed as a government grant.</p> <p>U.S. GAAP does not provide guidance on business entities accounting for government grants. For not-for-profit entities, guidance on accounting for government grants is included in ASC 958-605, <i>Not-for-Profit Entities – Revenue Recognition</i>. While transfers of assets from government entities to business entities are specifically excluded from the scope of ASC 958-605, it may still be appropriate for business entities to apply ASC 958-605</p>	<p>Grants related to assets are differentiated from grants related to income. Government grants related to assets generally include a primary condition that the entity qualifying for the grant purchase, construct or otherwise acquire long-term assets. Grants related to income are those not related to assets.</p> <p>IAS 20 provides for the following:</p> <ul style="list-style-type: none"> Government grants (related to either assets or income) are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grants and the grants will be received. Government grants (related to either assets or income) are recognized in income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate the entity. For government grants related to assets that are reflected as reductions of the related assets (as discussed in a later bullet point), their effects on net income are recognized as the related assets are depreciated or amortized.

	U.S. GAAP	IFRS
	<p>by analogy, depending on the facts and circumstances. However, the income statement effects of a grant received by a business entity analogizing to ASC 958-605 should generally be reflected in other income (and not revenue).</p> <p>In certain cases, it may also be appropriate for business entities to analogize IAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> (see the discussion in the IFRS column of this table).</p> <p>Business entities in the U.S. must carefully analyze the substance of any governmental assistance, as well as their compliance with conditions of the assistance. Because of the current lack of guidance in U.S. GAAP for business entities, such entities should keep abreast of viewpoints that may be expressed by standard setters. In addition, where multiple accounting policies are deemed acceptable, we believe it is important for an entity to adopt a policy that is consistently applied to similar government assistance and to disclose its accounting policy for such assistance.</p>	<ul style="list-style-type: none"> • Government grants that become receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no tie to future related costs, are recognized in net income in the period they become receivable. • Government grants related to assets are presented in the balance sheet either by setting up deferred income or by deducting the grant in arriving at the carrying amount of the asset. • Government grants related to income are presented in the income statement as either a separate line item within other income (or a similar general line item) or net within the related expense line item for which the grant is intended to compensate the entity. • Government grants that become repayable are accounted for as changes in estimates. • Government grants must be disclosed in the financial statements, including information about their nature and extent, the accounting policy, the method of presentation in the financial statements, and any unfulfilled conditions and other contingencies related to government grants that have been recognized.
Non-monetary government grants	Contributed non-monetary assets are generally recognized at fair value as there is not an accounting policy election available in the form of a practical expedient.	Entities may elect an accounting policy to recognize the non-monetary assets and grants at either the fair value or at a nominal amount, which will need to be applied consistently.
Government loan at a below-market rate	Interest might not always be imputed on government loans at a below-market rate.	Government loans at a below-market rate are initially measured at fair value and the interest on such loans is recognized using the effective interest rate method. The benefit of the below-market rate of interest is measured as

	U.S. GAAP	IFRS
		the difference between the initial carrying value of the loan determined and the proceeds received.

Pending change: In December 2025, the FASB issued ASU 2025-10. The Board leveraged the guidance in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, with targeted improvements and will allow for early adoption. This update will significantly reduce the difference between U.S. GAAP and IFRS with respect to the accounting for government grants. ASU 2025-10 is effective for annual reporting periods beginning after December 15, 2028, for public business entities and interim periods therein and for annual reporting periods beginning after December 15, 2029, for entities other than public business entities and interim periods therein.

30. EQUITY METHOD OF ACCOUNTING

30.1 Introduction

The guidance related to the use of the equity method of accounting in U.S. GAAP is included in ASC 323, *Investments – Equity Method and Joint Ventures*. In IFRS, the guidance related to the use of the equity method of accounting is included in IAS 28, *Investments in Associates and Joint Ventures*, and IFRS 11, *Joint Arrangements*.

30.2 Comparison

The significant differences between U.S. GAAP and IFRS with respect to the equity method of accounting are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 323	IAS 28 and IFRS 11
Scope: Types of instruments	<p>The equity method of accounting applies only to investments in common stock or in-substance common stock.</p> <p>An investor is required to apply the equity method of accounting when it has significant influence over an investee, unless it has elected the FVO or qualifies for investment company accounting. In those cases, the investment is measured at fair value.</p> <p>Investments in limited partnerships and similar entities (e.g., limited liability companies that maintain specific ownership accounts for each investor) are accounted for under the equity method unless the investor's interest is so minor that the limited partner or member has virtually no influence over the investee's operating and financial policies. While this guidance is specific to real estate partnerships, the SEC staff has stated its view that investments in all limited partnerships should follow this guidance. The SEC staff understands that practice generally has viewed investments of more than 3 to 5% to be more than minor. The staff's guidance is also generally applied in practice by nonpublic investors.</p>	<p>IFRS does not limit the applicability by investment type for the application of the equity method of accounting.</p> <p>An investor is generally required to use the equity method of accounting when it has significant influence over an investee. However, this requirement does not apply to investments in venture capital organizations, mutual funds, unit trusts or similar entities classified as investment entities. For these types of investments, the investor may instead measure them at FVTPL.</p> <p>The equity method is required unless the investment qualifies for and the investor elects the FVO..</p>
Significant influence: Potential voting rights	In determining significant influence, an investor considers only the voting rights of currently outstanding securities, such as common stock and in-substance common stock instruments. This means	In determining significant influence, an investor considers not only the voting rights of present securities, but also those of currently exercisable options

	U.S. GAAP	IFRS
	an investor ignores instruments such as currently exercisable options and currently convertible debt that it may hold when determining whether it has significant influence.	and currently convertible debt or preferred shares. Although potential voting rights are considered when assessing whether the equity method of accounting should be applied to an investment, they are not factored into the calculation of the investor's share of profit or loss during each reporting period. For purposes of recognizing profit or loss under the equity method, the investor's share is determined solely based on existing ownership interests.
Initial measurement of the investment	An investor generally recognizes the initial investment in an equity method investment at cost. Cost is not a defined term but can be determined using the guidance in ASC 805. However, if the equity method investment arises as a result of the deconsolidation of a business or derecognition of an existing nonfinancial asset, it is initially recorded at fair value instead of cost.	An investor recognizes the initial investment in an equity method investment at cost.
Initial measurement of the investment: Contingent consideration	If contingent consideration is required to be recognized under US GAAP other than ASC 805, <i>Business Combinations</i> , such amounts may be included in the initial investment value of the equity method investment. A liability is also initially recorded as the lesser of the maximum value of the contingent consideration not already recognized or the excess of the investor's percentage of ownership in the net assets of the investee over the initial cost measurement (including contingent consideration otherwise recognized).	Contingent consideration is not addressed but is generally recorded at fair value consistent with IFRS 3, <i>Business Combinations</i> . Changes in fair value are recorded in FVTPL.
Initial measurement: Contribution of nonmonetary assets to investee in exchange for equity interests	The accounting treatment for nonmonetary contributions to an equity method investee depends on whether the contributed assets constitute a business. If they do, ASC 810 generally requires full gain or loss recognition (except in cases involving in-substance real estate or oil and gas mineral rights).	IFRS has conflicting guidance on this issue. IAS 28 requires partial-gain recognition for nonmonetary contributions. However, IFRS 10 requires a parent to fully recognize a gain or loss when it loses control of a subsidiary. Given this conflict, when an entity contributes shares of a subsidiary

	U.S. GAAP	IFRS
	For contributions of nonfinancial or in-substance nonfinancial assets outside the scope of ASC 606, ASC 610-20 applies, allowing full gain or loss recognition if specific criteria are met.	in exchange for an equity method investment, the entity essentially has an accounting policy choice between applying the approach in IFRS 10 (full gain recognition) or IAS 28 (partial gain recognition).
Basis difference	<p>Any difference between the cost of an equity method investment and the investor's share of the underlying equity in the net assets of the investee is accounted for as if the investee were a consolidated subsidiary. This difference is referred to as a "basis difference," and the investor is required to account for this basis difference as if the investee were a consolidated subsidiary in a manner consistent with the provisions of ASC 805; however, the equity method investment should be presented as a single line in an investor's balance sheet.</p> <p>The basis difference is allocated to the individual assets and liabilities of the investee at fair value (or relative fair value if the investee is not a business), with the remainder allocated to equity method goodwill.</p> <p>An investor should identify and track any basis differences, because the investor records its portion of earnings or losses of the investee as well as any effects of the basis differences related to identified assets or assumed liabilities (e.g., depreciation, amortization, revenue).</p>	Any difference between the cost of an investment and the entity's share of the net assets which is not attributable to goodwill should be recognized in income.
Subsequent measurement:– Differing reporting periods	If the financial statements of the investee are not sufficiently timely for an investor to apply the equity method currently, the investor must record its share of the earnings or losses of an investee from the most recent available financial statements. The lag in reporting must be consistent each reporting period. Although U.S. GAAP does not prescribe a limit, in practice the lag is generally not more than three months.	If the financial statements of the investee are not prepared as of the same reporting date as the investor, the investor may use of the most recent financial statements, which may include a lag in reporting for recording the equity method pickup. The lag in reporting, however, cannot be more than three months. Additionally, the financial statements of the investee must be adjusted to reflect the impact of significant transactions or events occurring between the financial

	U.S. GAAP	IFRS
		statement date and the reporting date of the investor.
Subsequent measurement: Differing accounting policies	U.S. GAAP does not require the investor and investee to follow the same accounting policies. As long as the equity method investee's financial statements were prepared in accordance with U.S. GAAP, the investor generally does not adjust the financial statements of an equity method investee to conform to its accounting policies. When applying the equity method of accounting, an investor retains any industry-specific guidance applied by that investee.	The investor is required to adjust the investee's financial statements if the investee and investor have different accounting policies so that similar transactions are accounted for in a similar manner.
Impairment	Impairment charges are only recognized to the extent they are "other than temporary." Impairment charges are not reversed in future periods if the value of the investment recovers.	An investor must test the investment in the investee for impairment. This involves comparing its recoverable amount (the higher of its value in use or its fair value less costs to sell) with its carrying amount whenever there is indication of any impairment. In addition, impairment losses are reversed in subsequent periods to the extent that the recoverable amount of investment increases.
Loss recognition in excess of investment balance	Once the investor has written the investment in the investee down to zero, it would only continue to record equity method losses of the investee if the investor has guaranteed obligations of the investee or is committed to providing additional financial support to the investee. If the investor has not committed to providing additional financial support to the investee, subsequent losses of the investee are then applied to any other instruments held by the investor with the entity (e.g., investments in preferred stock, loans receivable). Otherwise, the investor would suspend equity method loss recognition, with one exception. An investor is required to continue to record equity method losses after the investment balance has been reduced to zero if the investee's "imminent return to profitability" appears to be assured.	Once the investor has written the investment in the investee down to zero, it would only continue to record losses if it has a "legal or constructive" obligation to do so.

	U.S. GAAP	IFRS
Held for sale	Equity method investments are not within the scope of the guidance for held-for-sale accounting.	Equity method investments may be classified as held for sale either in its entirety or a portion of the investment if the criteria in IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i> , are met.
Loss of significant influence: Retained balance	When the investor loses its ability to significantly influence the investee, it should cease use of the equity method of accounting. The investment balance would then be subject to the guidance in ASC 321 or other GAAP, if applicable.	When the investor loses its ability to significantly influence the equity method investment entity, it should cease use of the equity method of accounting and any investment balance that is retained should be remeasured at fair value. The difference between the carrying amount of the investment and the fair value of the retained balance should be recognized in earnings.
Joint control arrangements	<p>U.S. GAAP does not have specific guidance for joint control arrangements and the equity method investment guidance in ASC 323 should be applied similar to other equity method investments.</p> <p>However, ASC 808 governs the accounting for collaborative arrangements that are contractual and involve a joint operating activity that includes two (or more) parties that meet both of the following requirements:</p> <ul style="list-style-type: none"> • They are active participants in the activity. • They are exposed to significant risks and rewards dependent on the commercial success of the activity. 	<p>IFRS 11 defines a joint arrangement as “an arrangement of which two or more parties have joint control.”</p> <p>A joint arrangement is then determined to be either a joint operation or a joint venture. IFRS 11 defines both terms. In a joint operation, “the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.” A joint venture is defined as “a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements.”</p> <p>If an interest in a joint operation is acquired and that joint operation meets the definition of a business in IFRS 3, <i>Business Combinations</i>, the investment shall be recorded according to the guidance in IFRS 3 or at fair value.</p> <p>Additionally, transaction costs would be expensed as incurred as opposed to being recorded as part of the investment cost basis.</p> <p>The above guidance also applies when a joint operation is formed and involves the contribution of a business to the joint operation.</p> <p>The guidance is not applicable upon formation of a joint operation if assets</p>

	U.S. GAAP	IFRS
		are contributed and those assets do not meet the definition of a business per IFRS 3.
Fair value option	An investor may elect the FVO under ASC 825 for its equity method investments.	An entity may elect to measure the equity method investment at FVTPL if the investment is held by or indirectly through a venture capital organization, mutual fund, unit trust, investment-linked insurance fund or similar entity. If only a portion of the equity method investment is held by one of the vehicles mentioned above, then that portion can be measured at FVTPL while the remaining portion applies the equity method of accounting.

APPENDIX A: ACRONYMS LEGEND

This appendix includes an acronym legend, which lists the acronyms and their corresponding definitions, definitions of certain key terms referred to throughout this document with their corresponding titles.

Acronym legend

Acronym	Definition
AFS	Available-for-sale
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CGU	Cash generating unit
ECL	Expected credit losses
EITF	Emerging Issues Task Force
EPS	Earnings per share
FASB	Financial Accounting Standards Board
FIFO	First-in, first-out
FVO	Fair value option
FVTNI	Fair value through net income
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
HTM	Held-to-maturity
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IP	Intellectual property
IPO	Initial public offering
IPR&D	In-process research and development
LIFO	Last-in, first-out
NAV	Net asset value
NPNS	Normal purchases and normal sales
OCI	Other comprehensive income
PCC	Private Company Council

Acronym	Definition
PP&E	Property, plant and equipment
SEC	Securities and Exchange Commission
SPPI	Solely payments of principal and interest
TDR	Troubled debt restructuring
U.S. GAAP	U.S. generally accepted accounting principles
VIE	Variable interest entity
YTD	Year-to-date

APPENDIX B: SUMMARY OF PENDING GUIDANCE

The following list summarizes the pending guidance related to topics captured in this compendium.

	Title	Effective Date
Amendments to IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	Annual reporting periods beginning on or after January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	Annual reporting periods beginning on or after January 1, 2027
IFRS 19	Subsidiaries without Public Accountability	Reporting periods beginning on or after January 1, 2027
Annual Improvements	IFRS Accounting Standards – Annual Improvements – Volume 11	Annual reporting periods beginning on or after January 1, 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	Annual reporting periods beginning on or after January 1, 2026
ASU 2024-03	Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses	For all PBEs for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027
ASU 2024-04	Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments	For all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods therein
ASU 2025-03	Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity	For all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods therein
ASU 2025-04	Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer	For all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods therein
ASU 2025-05	Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets	For all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods therein
ASU 2025-06	Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software	For all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods therein
ASU 2025-07	Derivatives and Hedging (Topic 815) and Revenue from Contracts with	For all entities for annual reporting periods beginning after December 15,

	Title	Effective Date
	Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract	2026, and interim reporting periods therein
ASU 2025-08	Financial Instruments – Credit Losses (Topic 326): Purchased Loans	For all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods therein
ASU 2025-09	Derivatives and Hedging (Topic 815): Hedge Accounting Improvements	For PBEs, for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods For all other entities, for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods
ASU 2025-10	Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities	For PBEs, for annual reporting periods beginning after December 15, 2028, and interim reporting periods therein For entities other than PBEs, for annual reporting periods beginning after December 15, 2029, and interim reporting periods therein
ASU 2025-11	Interim Reporting (Topic 270): Narrow-Scope Improvements	For PBEs, for interim reporting periods within annual reporting periods beginning after December 15, 2027 For all other entities, for interim reporting periods within annual reporting periods beginning after December 15, 2028
ASU 2025-12	Codification Improvements	For all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods

APPENDIX C: SUMMARY OF SIGNIFICANT CHANGES SINCE LAST EDITION

The following list summarizes the significant changes to this compendium since our last edition. The inclusion or deletion of topics is the result of newly issued or effective guidance or the frequency of which we see such matters in practice.

Section 1 – Forward

- Updated the pending guidance listed in Section 1 for the effectiveness and issuance of guidance by the FASB and IASB during 2025.

Section 2 – Financial assets: Recognition and measurement

- Added discussion of regular-way purchase and sales of financial assets and whether the trade date or settlement date should be used.
- Added mention of the issuance of ASU 2025-05.

Section 4 – Intangible assets other than goodwill and indefinite-lived intangible assets

- Added mention of the issuance of ASU 2025-06.

Section 8 – Debt modifications and extinguishments

- Added discussion of extinguishment of convertible debt and expected breakage.

Section 9 – Distinguishing liabilities and equity

- Added discussion of obligations to issue a variable number of equity shares.
- Added mention of the issuance of ASU 2024-04.

Section 10 – Revenue from contracts with customers

- Added discussion of when equity instruments are consideration payable to a customer.

Section 11 – Share-based compensation

- Added discussion of when awards are modified and the probability of vesting changes from improbable to probable.

Section 12 – Employee benefits other than share-based compensation

- Expanded the topics discussed in this section to include accounting for termination benefits, other long-term benefits, recognition of prepaid benefit assets and the minimum funding requirements for defined benefit plans, multi-employer plans, when the employees of a subsidiary participate in the parent company's pension plans, and the selection of the discount rate for defined benefit obligations.

Section 13 – Income taxes

- Added discussion of ASU 2023-09.

Section 16 – Long-lived assets held for sale and discontinued operations

- Added discussion of assets held for distribution to owners and presentation and disclosure differences.

Section 20 – Consolidations

- Added discussion of the controlled by contract model.

Section 21 – Derivative instruments

- Added discussion of debt with an embedded put or call option and the initial recognition of embedded equity components.

Section 26 – Leases

- Added discussion of sale and leaseback transactions, leases between related parties or parties under common control, the reassessment of variable lease payments that are dependent upon an index or rate, and modification accounting for lessors.

Section 27 – Financial assets: Derecognition

- Added discussion of retaining the rights to cash flows of a financial asset for servicing purposes, impact of a cleanup call and repurchase agreements.

Section 29 – Government grants

- Added discussion of ASU 2025-10.

Section 30 – Equity method of accounting

- Added this new section to the compendium.

Appendices

- [Appendix B](#) was added to include a listing of pending, not yet effective guidance.
- [Appendix C](#) was added to summarize the updates to the compendium since the last update.

U.S. GAAP TO IFRS COMPARISONS

This edition of U.S. GAAP to IFRS comparisons has been produced by the National Professional Standards Group of RSM US LLP.

+1 800 274 3978

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