

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

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## Introduction

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

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

The guidance related to segment reporting in U.S. GAAP is included in the Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 280, *Segment Reporting*. In IFRS, the guidance related to segment reporting is included in IFRS 8, *Operating Segments*.

## Comparison

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

|                   | U.S. GAAP | IFRS   |
|-------------------|-----------|--------|
| Relevant guidance | ASC 280   | IFRS 8 |

|   | <b>U.S. GAAP</b>   | <b>IFRS</b>  |
|---|--|--|
| <b>Entities with matrix-style organizations</b> | 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." |
| <b>Disclosure of aggregation</b>                | Entities are required to disclose whether operating segments have been aggregated.   | Entities are required to disclose whether operating segments have been aggregated, and the judgments used in applying the aggregation criteria.  |
| <b>Disclosure of liabilities</b>                | Entities are not required to disclose segment liabilities.   | Disclosure of segment liabilities is required if such a measure is regularly reported to the chief operating decision maker.   |
| <b>Intangible assets</b>                        | Intangible assets are not included in segment disclosures of long-lived assets.  | Intangible assets are included in segment disclosures of noncurrent assets.  |

These are the significant differences between U.S. GAAP and IFRS with respect to segment reporting. Refer to ASC 280 and IFRS 8 for all of the specific requirements applicable to segment reporting. In addition, refer to our [U.S. GAAP vs. IFRS comparisons series](#) for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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

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

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