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EDUCATION

US GAAP are the generally accepted accounting principles used in the United States while IFRS are the international financial reporting standards used around the world. There are some major differences between US GAAP and IFRS.

Difference	US GAAP	IFRS
Financial periods required	Generally, comparative financial statements are presented; however, a single year may be presented in certain circumstances. Public companies must follow SEC rules, which typically require balance sheets for the two most recent years, while all other statements must cover the three-year period ended on the balance sheet date.	Comparative information must be disclosed with respect to the previous period for all amounts reported in the current period's financial statements

Layout of balance sheet and income statement	No general requirement within US GAAP to prepare the balance sheet and income statement in accordance with a specific layout; however, public companies must follow the detailed requirements in Regulation S-X.	IFRS does not prescribe a standard layout, but includes a list of minimum line items. These minimum line items are less prescriptive than the requirements in Regulation S-X.
Balance sheet — presentation of debt as current versus non-current	Debt for which there has been a covenant violation may be presented as non-current if a lender agreement to waive the right to demand repayment for more than one year exists before the financial statements are issued or available to be issued.	Debt associated with a covenant violation must be presented as current unless the lender agreement was reached prior to the balance sheet date.
Balance sheet — classification of deferred tax assets and liabilities	Current or non-current classification, generally based on the nature of the related asset or liability, is required.	All amounts classified as non-current in the balance sheet.

Treatment of certain costs in interim periods	Each interim period is viewed as an integral part of an annual period. As a result, certain costs that benefit more than one interim period may be allocated among those periods, resulting in deferral or accrual of certain costs.	Each interim period is viewed as a discrete reporting period. A cost that does not meet the definition of an asset at the end of an interim period is not deferred, and a liability recognized at an interim reporting date must represent an existing obligation.
Preparation of consolidated financial statements — general	Required, although certain industry-specific exceptions exist (e.g., investment companies).	Required, although certain industry-specific exceptions exist (e.g., investment companies), and there is a limited exemption from preparing consolidated financial statements for a parent company that is itself a wholly owned or partially owned subsidiary, if certain conditions are met.

Preparation of consolidated financial statements — Investment companies	Investment companies do not consolidate entities that might otherwise require consolidation (e.g., majority-owned corporations). Instead, these investments are reflected at fair value as a single line item in the financial statements. A parent of an investment company is required to retain the investment company subsidiary's fair value accounting in the parent's consolidated financial statements.	Investment companies ("investment entities" in IFRS) do not consolidate entities that might otherwise require consolidation (e.g., majority-owned corporations). Instead, these investments are reflected at fair value as a single line item in the financial statements. However, a parent of an investment company consolidates all entities that it controls, including those controlled through an investment company subsidiary, unless the parent itself is an investment company.
Uniform accounting policies	Uniform accounting policies between parent and subsidiary are not required.	Uniform accounting policies between parent and subsidiary are required.
Measurement of noncontrolling interest	Noncontrolling interest is measured at fair value, including goodwill.	Noncontrolling interest components that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net asset.

Costing methods	LIFO is an acceptable method. Consistent cost formula for all inventories similar in nature is not explicitly required.	LIFO is prohibited. Same cost formula must be applied to all inventories similar in nature or use to the entity.
Measurement	Inventory is carried at the lower of cost or market. Market is defined as current replacement cost, but not greater than net realizable value (estimated selling price less reasonable costs of completion and sale) and not less than net realizable value reduced by a normal sales margin.	Inventory is carried at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.
Reversal of inventory write-downs	Any write-down of inventory to the lower of cost or market creates a new cost basis that subsequently cannot be reversed.	Previously recognized impairment losses are reversed up to the amount of the original impairment loss when the reasons for the impairment no longer exist.
Revaluation of assets	Revaluation not permitted.	Revaluation is a permitted accounting policy election for an entire class of assets, requiring revaluation to fair value on a regular basis.

Depreciation of asset components	Component depreciation permitted but not common.	Component depreciation required if components of an asset have differing patterns of benefit.
Measurement of borrowing costs	Eligible borrowing costs do not include exchange rate differences. Interest earned on the investment of borrowed funds generally cannot offset interest costs incurred during the period.	Eligible borrowing costs include exchange rate differences from foreign currency borrowings.
Investment property	Investment property is not separately defined and, therefore, is accounted for as held for use or held for sale.	Investment property is separately defined in IAS 40, Investment Property, as property held to earn rent or for capital appreciation (or both) and may include property held by lessees under a finance or operating lease. Investment property may be accounted for on a historical cost basis or on a fair value basis as an accounting policy election. Capitalized operating leases classified as investment property must be accounted for using the fair value model.

Method of determining impairment — long-lived assets	Two-step approach requires that a recoverability test be performed first (carrying amount of the asset is compared with the sum of future undiscounted cash flows generated through use and eventual disposition). If it is determined that the asset is not recoverable, an impairment loss calculation is required.	One-step approach requires that impairment loss calculation be performed if impairment indicators exist.
Assignment of goodwill	Goodwill is assigned to a reporting unit, which is defined as an operating segment or one level below an operating segment (component)	Goodwill is allocated to a cash-generating unit (CGU) or group of CGUs that represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and cannot be larger than an operating segment (before aggregation) as defined in IFRS 8, Operating Segments.

Reversal of loss	Prohibited for all assets to be held and used.	Prohibited for goodwill. Other long-lived assets must be reviewed at the end of each reporting period for reversal indicators. If appropriate, loss should be reversed up to the newly estimated recoverable amount, not to exceed the initial carrying amount adjusted for depreciation.

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