IFRS vs. GAAP: Comparing and Contrasting Financial Statement Requirements

TUESDAY, MARCH 2, 2021, 1:00-2:50 pm Eastern

IMPORTANT INFORMATION FOR THE LIVE PROGRAM

This program is approved for 2 CPE credit hours. To earn credit you must:

- Participate in the program on your own computer connection (no sharing) – if you need to register additional people, please call customer service at 1-800-926-7926 ext. 1 (or 404-881-1141 ext. 1). Strafford accepts American Express, Visa, MasterCard, Discover.
- **Listen on-line** via your computer speakers.
- **Respond to five prompts during the program plus a single verification code.**
- To earn full credit, you must remain connected for the entire program.

WHO TO CONTACT DURING THE LIVE PROGRAM

For Additional Registrations:
-Call Strafford Customer Service 1-800-926-7926 x1 (or 404-881-1141 x1)

For Assistance During the Live Program:
-On the web, use the Chat function to send a message

If you get disconnected during the program, you can simply log in using your original instructions and PIN.

Tips for Optimal Quality

Sound Quality

When listening via your computer speakers, please note that the quality of your sound will vary depending on the speed and quality of your internet connection.

If the sound quality is not satisfactory, please e-mail sound@straffordpub.com immediately so we can address the problem.

IFRS vs. GAAP: Comparing and Contrasting Financial Statement Requirements

March 2, 2021

Tara Endy, Director
BDO USA, LLP
tendy@bdo.com

Justin Ortego, Managing Director
BDO USA, LLP
jortego@bdo.com

Notice

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY THE SPEAKERS' FIRMS TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

You (and your employees, representatives, or agents) may disclose to any and all persons, without limitation, the tax treatment or tax structure, or both, of any transaction described in the associated materials we provide to you, including, but not limited to, any tax opinions, memoranda, or other tax analyses contained in those materials.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

IFRS VS. GAAP:
COMPARING AND CONTRASTING FINANCIAL STATEMENT REQUIREMENTS

March 2, 2021

The information and advice contained herein (the “Materials”) were prepared by BDO USA, LLP (“BDO”) solely for Strafford (the “Company”) at the direction of the Company and solely for the benefit and use of the Company pursuant to a client agreement between BDO and the Company. BDO did not perform professional services on behalf of any other person or entity, and does not anticipate or authorize reliance by any other party on its services. Accordingly, no third party is entitled to rely, in any manner or for any purpose, on the Materials, and BDO expressly disclaims any duties or obligations to any person or entity other than the Company based on its use of the Materials. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of the Company, as well as the appropriateness of the accounting for any particular situation addressed by the Materials.

BDO did not perform on behalf of the Company, and the Materials do not constitute the results of, an audit, review, examination, or any form of assurance or attestation (as those terms are identified by the AICPA or by the Public Company Accounting Oversight Board or any other regulatory or professional body). Accordingly, BDO did not and does not express, and the Materials do not constitute, any opinion or any form of assurance or attestation on the Company’s accounting matters, financial statements, and any financial or other information or internal controls, and did not and does not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment the Company should select or adopt, and the Materials do not express any position regarding such treatment. Further, the Materials are not intended to be used, and may not be used, for the purpose of avoiding penalties that may be imposed on a taxpayer, do not address any legal matters or questions of law, and do not constitute a legal opinion.

The observations relating to accounting matters that BDO provided to the Company were designed to assist the Company in reaching its own conclusions and do not constitute our concurrence with or support of the Company’s accounting or reporting.

Agenda

Introduction

Introduction

According to IFRS.org, 144 global jurisdictions require International Financial Reporting Standards ("IFRS") for all or most domestic publicly accountable entities.

In the United States, all domestic publicly traded registrants apply generally accepted accounting principles in the United States ("US GAAP")

Introduction

General Comparison

IFRS	US GAAP
Principle based guidance	Prescriptive guidance
Allows the financial statement preparer to apply interpretive approach	Provides more illustrative examples
Governed by International Accounting Standards Board ("IASB") in 2001	Governed by Financial Accounting Standards Board ("FASB") founded in 1973
46 Pronouncements (17 IFRS and 29 IAS)	Over 71 ASCs

BDO

Converting from US GAAP to IFRS and Vice Versa

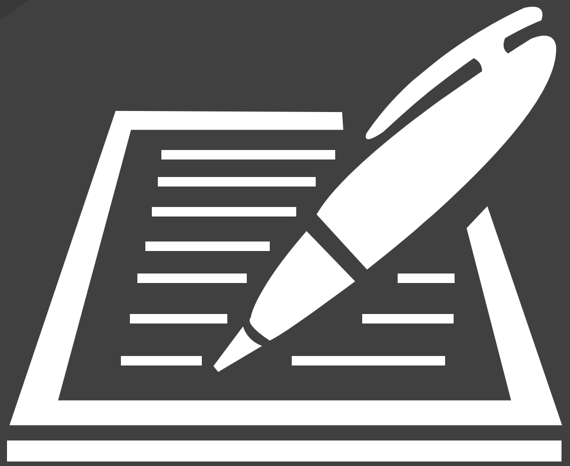
IFRS 1, *First-Time Adoption of International Financial Reporting Standards*

- IFRS 1 provides entities a frame to those who have not applied IFRS to previously prepared financial statements.
- The application process is similar in nature to the adoption of newly issued accounting pronouncements.
- The entity must understand how existing policies align with IFRS and make appropriate changes
- Apply a retrospective approach to the earliest period presented, with some exceptions
- Disclose and reconcile equity at the date of transition and the end of latest annual period presented before transition

Converting to US GAAP from IFRS

- Unlike IFRS, there is no similar framework for transition.
- Requires a full retrospective assessment of all periods to ensure US GAAP was appropriately applied since inception
- Much more complicated process than conversely transitioning to IFRS from US GAAP
- Certain accounting differences occurring before the earliest balance sheet presented could have a material impact in the transition to US GAAP (e.g. impairment recoveries)

Key Differences in the Balance Sheet



BDO

Inventory

IFRS – IAS 2	US GAAP – ASC 330
First-in, first-out (FIFO)	First-in, first-out (FIFO)
Weighted-average	Weighted-average
Specific identification	Specific identification
Recognize impairment if concerns of recoverability exists	Last-in, first-out (LIFO)
Reverse impairment charges if concerns are overcome	Recognize impairment if concerns of recoverability exists
	Once impaired the impaired cost basis will remain until sold or disposed

Long-lived tangible assets

IFRS – IAS 16	US GAAP – ASC 360
May be carried at historical cost and subject to depreciation or revalued at fair value if determinable If an item is comprised of multiple components, each component must be depreciated	Carried at historical costs and subject to depreciation Component depreciation is optional

Illustration

Componentized Depreciation

FACTS

- A large industrial machine consists of the following:
  - Reactor with a historical cost of $1,000 and an economical useful life of 15 years
  - Mixing tank with a historical cost of $250 and an economical useful life of 20 years
  - Product dryer with a historical cost of $500 and an economical useful life of 7 years
- None of the components are considered to have any residual value
- For purposes of IFRS, the Company elects not to revalue PPE at fair value

Illustration

Componentized Depreciation

IFRS

- Each component is deprecated as follows:
  - Reactor - $1,000/15 yrs = $67
  - Mixing tank - $250/20 yrs = $13
  - Dryer - $500/7 yrs = $71
- Annual Depreciation:
  - Years 1-7 = $151
  - Years 8-15 = $80
  - Year 16-20 = $67

US GAAP

- Based on a weighted average of cost of each component and relative useful live, the Company determines the entire asset has a depreciable life of 13 years
- Annual Depreciation:
  - Years 1-13 = $135 ($1,750/13 yrs)
  - Years 13-20 = $0

BDO

Intangible assets

IFRS – IAS 38	US GAAP – ASC 350
Development costs are capitalized if certain criteria are met	Development costs are generally expensed as incurred
Acquired IPR&D are capitalized	IPR&D can only be capitalized if acquired in a business combination
The carrying value of intangible assets can be revalued to fair value if determinable	The carrying value of intangible assets is historical costs less amortization
Unless associated with specific hardware, software is always classified as an intangible asset	Diversity in practice regarding whether software is an intangible or PPE

Development Costs of an Intangible Asset – IAS 38

- Development costs are capitalized if the following criteria are met:
  - The feasibility, intent, and ability to use or sell the intangible asset
  - Demonstration of a market for the output of the intangible
  - The availability of other resources necessary to complete development
  - Ability to measure costs during development

Order of Impairment Testing

IFRS	US GAAP
▶ Start at the lowest level ▶ Move to the GCU level starting with those where goodwill hasn't been allocated	▶ Start with other assets (i.e. AR and inventory) ▶ Next, long-lived assets ▶ Last, test goodwill
impairment tests are performed at the cash generating unit ("CGU"). A CGU is the smallest group of assets that are capable of generating independent cash flows. A CGU is no larger than an operating segment	Impairment tests for goodwill are performed at the reporting unit level. A reporting unit can be the same as an operating segment or one level below. Impairment tests for long-lived and intangibles are at the asset group level. An asset group is the lowest level at which identifiable cash flows are largely independent.

Impairment

Goodwill

IFRS	US GAAP
▶ Assessed at the CGU level ▶ Must be tested annually ▶ Testing must be quantitative ▶ If the carrying value of the CGU is less than the recoverable value of the CGU an impairment loss is first applied to goodwill before allocating to the remaining assets in the CGU	▶ Assessed at the Reporting Unit level ▶ Must be tested annually ▶ Policy elections can be made to apply a qualitative or quantitative test ▶ If after a qualitative test indicates that impairment is more likely than not, a quantitative test is performed to compare fair value to the carrying value of the goodwill

BDO

Impairment

Indefinite-lived Intangible Assets

IFRS	US GAAP
▶ Assessed at the individual asset level unless part of a CGU ▶ Must be tested annually or more frequently as triggers are present ▶ Testing must be quantitative ▶ If the carrying value of the CGU is less than the recoverable value of the CGU an impairment loss is first applied to goodwill before allocating to the remaining assets, including intangibles, in the CGU on a pro rata basis	▶ Assessed at the individual asset level ▶ Must be tested annually or more frequently as triggers are present ▶ Policy elections can be made to apply a qualitative or quantitative test ▶ If after a qualitative test indicates that impairment is more likely than not, a quantitative test is performed to compare fair value to the carrying value of the goodwill

Impairment

Long-lived tangible assets and Finite-lived Intangible Assets

IFRS	US GAAP
▶ Assessed at the individual asset level unless part of a CGU ▶ Must be tested when triggers are present ▶ Testing must be quantitative ▶ If the carrying value of the asset or CGU is less than the recoverable value of the CGU an impairment loss is first applied to asset or goodwill before allocating to the remaining assets	▶ Assessed at the lowest level for which cash flows are identifiable and largely independent ▶ Must be tested when triggers are present ▶ First assess whether the asset is recoverable based on undiscounted cash flows, if total undiscounted cash flows exceed carrying value – no impairment ▶ If discounted cash flows do not indicate that the carrying value is recoverable, then the difference is recognized as a loss

Impairment

Other key takeaways

IFRS	US GAAP
Except for goodwill, impairments are required to be reversed when the assets are no longer impaired A five-year cash flow forecast is used with a terminal value model applied before discounting back to present value	Once an asset is impaired the carrying value can be adjusted upward When preparing cash flows analysis to determine recoverability the cash flow period typically equals the remaining useful depreciable life with any residual proceeds for disposal added to the last cash flow period

Investments in Debt Instruments

Classification

IFRS - IFRS 9	US GAAP - ASC 320

IFRS - IFRS 9

- Based on entity's business model and instrument's characteristics
- Instruments are classified as follows and measured accordingly:
  - Amortized cost
  - Fair value through other comprehensive income ("FVTOCI")
  - Fair value through profit and loss

US GAAP - ASC 320

- Based on entity's intent and ability
- Instruments are classified as follows and measured accordingly:
  - Held to maturity - amortized cost
  - Available for sale - Fair value through other comprehensive income
  - Trading - Fair value through net income

Investments in Debt Instruments

Impairment

IFRS - IFRS 9	US GAAP - ASC 326

▶ Impairment losses at amortized cost or FVTOCI should be recognized immediately
▶ Impairment loss is measured as, either
  ▶ 12-month credit loss or
  ▶ lifetime expected credit loss
	▶ HTM debt— estimates of current expected credit losses are recognized as an allowance immediately upon acquisition and adjusted as of the end of each reporting period
	▶ AFS debt securities — allowance for credit losses are recognized when the PV of cash flows expected to be collected from the instrument is less than the instrument's amortized cost basis.

Investments in Equity Instruments

Classification

IFRS - IFRS 9	US GAAP - ASC 321
▶ Measured at fair value ▶ If held for trading are required to be adjusted to fair value through the profit and loss. ▶ Can elect on initial recognition, instrument-by instrument, to present changes in OCI	▶ Instruments are measured at fair value through net income

Investments in Equity Instruments

Impairment

IFRS - IFRS 9	US GAAP - ASC 326
No impairment assessment	Qualitative considerations of impairment indicators if election to measure certain qualifying equity securities at cost less impairment.

Commitments and Provisions

IFRS - IAS 37	US GAAP - ASC 450
Probable is defined as "more likely than not"	Probable is defined as "likely to occur"
Less specific literature	Literature that addresses specifically when to record certain obligations such as environmental and restructuring
General goal is best estimate of expenditure required to settle obligation at balance sheet date	Objective of pronouncements is not settlement price or fair value; often an accumulation of costs is the goal
If range is possible, with no better estimate, mid-point is used	If range is possible, with no better estimate, low end is used

Key Differences in the Income Statement

Revenue Recognition

IFRS - IFRS 15

- Includes a practical expedient that US GAAP does not that allows an entity that uses the full retrospective adoption method to apply the new standard only to contracts that are not completed as of the beginning of the earliest period presented.
- A completed contract is one in which the entity has fully transferred all of the goods and services identified in accordance with legacy IFRS and related interpretations.

US GAAP - ASC 606

- An entity electing the full retrospective adoption method must transition all of its contracts with customers to ASC 606 not just those contracts that are not considered completed as of the beginning of the earliest period presented.
- A completed contract is one for which all of the revenue was recognized in accordance with revenue guidance that is in effect before the date of initial application.

Share-Based Payments

IFRS - IFRS 2

- Includes both employee and non-employee arrangements
- Key terms are undefined which may lead to different accounting treatments
- The definition of “employee” is broader under IFRS (i.e. is based on the nature of the services provided)

US GAAP - ASC 718

- Applies to employees only (ASC 505 applies to non-employees) until adoption of ASU 2018-07
- Guidance defines key terms such as: “grant date,” “requisite service period” and “service inception date”
- The definition of “employee” is based on the legal definition of employee)

Share-Based Payments

IFRS - IFRS 2	US GAAP - ASC 718
▶ Requires modifications of performance or service conditions that affect vesting (Improbable-to-probable Type III modifications) to be accounted for as *only* a change in number of options expected vest ▶ All Employee Stock Purchase Plans (“ESPPs”) are compensatory ▶ Requires that companies treat each vesting tranche as a separate award	▶ Type III modifications are treated as forfeitures of the original award and grant of a new award FV of original award at grant date is ignored ▶ ESPPs are only compensatory if certain criteria are met ▶ Provides that for awards with service conditions and graded-vesting features that an accounting policy choice exists (either graded-vesting or straight line)

Illustration

Differences in Vesting

FACTS

- An employee receives a grant of 1000 RSUs with a grant date fair value of $5 per RSU
- The grant vests 250 RSUs on the anniversary of the grant over the next four years
- The awards only contain a service vesting condition
- Assume no forfeitures
- Under US GAAP, assume the entity elects to apply a straight-line methodology for expensing

Illustration

Differences in Vesting

IFRS

- Each vesting tranche is treated as stand alone grant and is expensed as follows
  - Tranche #1 – 250 x $5; vests in 1 year
  - Tranche #2- Tranche #1 – 250 x $5; vests in 2 years
  - Tranche #3- Tranche #1 – 250 x $5; vests in 3 years
  - Tranche #4 - Tranche #1 – 250 x $5; vests in 4 years

US GAAP

- The entire grant will vest straight-line over the four-year period as follows:
  - 1000 x $5; vesting in 4 years

BDO

Illustration

Differences in Vesting

IFRS	US GAAP

IFRS

- Compensation expense relating to grant is as follows:
  - Year 1: $4: **$521** (250 x $5 + 250 x $5 / 2 years + 250 x $5 / 3 years + 250 x $5 / 4 years)
  - Year 2: $4: **$271** (250 x $5 / 2 years + 250 x $5 / 3 years + 250 x $5 / 4 years)
  - Year 1: $4: **$146** (250 x $5 / 3 years + 250 x $5 / 4 years)
  - Year 1: $4: **$63** (250 x $5 / 4 years)

US GAAP

- Compensation expense relating to grant is as follows:
  - Years 1-4: **$250** (1000 x $5 / 4 years)

Income Taxes

IFRS - IAS 12	US GAAP - ASC 740
Deferred tax assets ("DTAs") are recognized at the amount which is probable of realization	DTAs are reduced by a valuation allowance if it is more likely than not that some of the DTAs will not be realized.
IFRIC Interpretation 23 illustrates reflecting the uncertainty by using either (a) the most likely amount or (b) the expected value.	Use of a two-step approach for uncertain tax position and position is measured using the greatest amount of benefit that is more than 50% likely to be realized.
"Substantively" enacted tax laws or rates are used to measure deferred tax assets or liabilities	Only enacted tax laws and rates are used.

Specific Transaction-related Differences

Leases

IFRS - IFRS 16	US GAAP - ASC 842
▶ Lease treatment expands beyond tangible assets ▶ Low-value lease is if the leased asset had a value of less than $5,000 when new ▶ Lessees follow one lease model where the right of use asset is amortized straight-line and the interest expense to accrete the lease obligation is combined to achieve an accelerated lease expense ▶ Must bifurcate lease and non-lease components	▶ Only leases of tangible PPE ▶ Low-value lease is determined using the Company's capitalization policy for PPE ▶ Operating lease expense for lessee is a single straight-lined expense ▶ Finance lease expense for lessee is similar to IFRS 16 ▶ Practical expedients allow both lessees and lessors to elect to not separate lease and non-lease components in a contract

Derivatives

IFRS - IFRS 9 & IAS 32	US GAAP - ASC 815
More broad definition of derivative instruments	More restrictive definition of a derivative (i.e. net settlement criteria)
Financial instruments that include hybrid features do not require bifurcation	ASC 470 addresses when an embedded derivative instrument requires bifurcation for a host instrument
"Normal purchase and normal sales" exception does not exist	Allows for a "normal purchases and normal sales" scope exception for derivative treatment

Hedging

IFRS - IFRS 9 & IAS 32	US GAAP - ASC 815
▶ No short-cuts exist for hedge effectiveness measurements ▶ Optional hedge designation not allowed	▶ For certain derivative instruments, the use of a short-cut method can eliminate the need to measure effectiveness ▶ Hedges can be designated at any time

Foreign Currency

Financial Statement Presentation

Presentation Currency (IFRS)	Currency in which the financial statements are presented, matter of choice. Financial statements are prepared in the entity's functional currency but may then be presented in any currency
Reporting Currency (US GAAP)	Currency in which an enterprise prepares its financial statements. Unlike IFRS, U.S. GAAP does not indicate that an entity can have more than one reporting currency

Foreign Currency

Financial Statement Presentation
Multi-level Consolidated Entities

IFRS	US GAAP
"Step-by-step" method or "direct" method	"Bottom up" approach

- Bottom up and step-by-step are similar
- Direct method requires translation directly into the functional currency of the parent

Functional Currency Indicators

- IAS 21 provides a hierarchy to the indicators when determining the functional currency
- Primary factors
  - Currency that mainly influences the entity's pricing of goods and services
  - Currency that mainly influences the costs of providing those goods and services
- Secondary factors are provided as well

IAS 21 Secondary and Other Factors

SECONDARY FACTORS

- Currency of financing activities
- Currency of receipts of operating activities

OTHER FACTORS

- Extension of reporting entity
- Proportion of activities with reporting activity
- Cash flows of entity can support operations

Functional Currency Change

IFRS	US GAAP
A change in functional currency, excluding those related to hyperinflationary economies, is accounted for prospectively	• Reporting to foreign – prospectively • Foreign to reporting – basis at end of the prior reporting period

Foreign Currency

Changes in a Parent's Ownership

DISPOSALS/LIQUIDATIONS

IFRS	US GAAP
▶ No distinguishment between partial disposals within a foreign entity ▶ Can elect absolute or proportionate approach as a policy	▶ Only changes in a parent's ownership may be treated as disposals ▶ Sale/liquidation of the net assets within a foreign entity do not trigger release of cumulative translation adjustment ("CTA")

Foreign Currency

Changes in a Parent's Ownership

LOSS OF CONTROL

IFRS	US GAAP
▶ Entire CTA is recognized in earnings	▶ Proportionate amount is recognized in earnings ▶ Remaining CTA is reclassified in the carrying value of the retained interest ▶ Ultimately, treatment of remaining CTA depends on accounting treatment of retained interest

Summary of Other Foreign Currency Differences

Guidance	US GAAP	IFRS - IAS 21
Intercompany transactions - long term in nature	Adjustments reported in Other comprehensive income	No similar provision
AFS Debt Securities – transaction gains and losses	Other comprehensive income	Earnings
Measurement of impairment of foreign investees held for disposal	May need to include CTA in carrying amount	Do not include CTA

Summary of Other Foreign Currency Differences

Guidance	US GAAP	IFRS - IAS 21
Deferred taxes	No recognition of deferred taxes for temporary differences caused by exchange rates changes for nonmonetary assets and liabilities	Recognition of deferred taxes is required for differences caused by exchange rate changes

Foreign Currency

Hyperinflationary Economies

IFRS - IAS 29	US GAAP
▶ Several judgment-based indicators are used ▶ Commence treatment from beginning of period when hyperinflationary economy is identified	▶ Criteria for determining whether an economy is highly inflationary ▶ Commence treatment on first day of next reporting period

Foreign Currency

Hyperinflationary Economies

IFRS - IAS 29	US GAAP
Maintain functional currency. If not measured at the current rate, an index is used to measure the financial statements.	Remeasure financial statements as if functional currency is the reporting currency.

Both result in differences being recorded in net income.

BDO

Business Combinations

IFRS 3 (Revised) and FASB ASC 805

- Purchase accounting method required
- Assets and liabilities assumed in a business combination recorded at fair value at date of acquisition
- Contingent consideration also recorded at fair value at date of acquisition, however…
  - Contingent consideration classified as either a liability or as equity on the basis of the definitions of an equity instrument and a financial liability in IAS 32, Financial Instruments: Presentation, or FASB ASC 480, Distinguishing Liabilities from Equity
  - IAS 32 and ASC 480 are not completely converged yet, therefore some differences as to classification and measurement of contingent consideration may arise

Business Combinations

IFRS 3 (Revised) and FASB ASC 805

- Non controlling interests –
  - IFRS option – measured at fair value including goodwill or measured at fair value of proportion of net assets acquired excluding goodwill
  - US GAAP measured at fair value including goodwill
- Measurement period adjustments –
  - IFRS – adjustments are recorded retrospectively for income statement adjustments
  - US GAAP - adjustments are recorded in period of adjustment for any impact from prior periods

Business Combinations

IFRS 3 (Revised) and FASB ASC 805

- US GAAP contains a screen test to determine if the transaction is a business combination or asset acquisition.
- Similar test is optional under IFRS.
- US GAAP allows for optional push down accounting
- US GAAP addresses combinations of entities under common control are treated on a cost basis with no step up for fair value
- IFRS 3 does not address transaction pushdown accounting or common control transactions

Consolidation

IFRS - IFRS 10	US GAAP - ASC 810
▶ Focus is on control, and ability to control ▶ Control presumed to exist if over 50% ownership ▶ Notion of de facto control, and potential voting rights, must also be considered ▶ If certain exceptions are met parent company only financial statements are acceptable	▶ Focus is on controlling financial interests ▶ Need to evaluate as potential VIEs ▶ Joint Ventures – use equity method (except in limited circumstances)

Asset Retirement Obligations

Discount Rates

IFRS	US GAAP – ASC 410
Calculation based on current rate and revalued each period.	Calculation of initial layer at current rate at date layer created. Layers not revalued. Reductions at historical rate New layers at current date layer created
Discount rate interest free rate adjusted for specific credit or entity	Discount rate pretax rate that reflects current market assessment of time value of money and risks specific to liability

Unique Reporting and Disclosure Considerations

Financial Statement Presentation

Income Statement

Income Statement (IFRS)	Ability to present expenses based on nature rather than function
Income Statement (US GAAP)	1 step or 2 step presentation: 1 step - revenue and function of expenses, cost of sales, general and administrative, and other categories 2 step - revenue less cost of sales to show gross profit then expenses by function

Financial Statement Presentation

Balance Sheet

Balance Sheet (IFRS)	In some instances, companies will report non-current assets and liabilities before current assets and liabilities
Balance Sheet (US GAAP)	Generally, in order of liquidity – starting the most liquid at the top

Financial Statement Presentation

Statement of Cash Flow

Statement of Cash Flow (IFRS)	• Cash may include bank overdrafts • Interest/dividends paid or received are classified as operating or financing cash flows • No specific guidance about the presentation of changes in restricted cash and restricted cash equivalents.
Statement of Cash Flow (US GAAP)	• Bank overdrafts not included in cash, changes presented as financing cash flows • Dividends paid classified as financing cash flows • Interest paid or received and dividends received classified as operating cash flow • After the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230) — Restricted Cash, changes in restricted cash and restricted cash equivalents required shown in the statement of cash flows; a reconciliation of the totals in the statement of cash flows to the balance sheet is also required

Financial Statement Presentation

IFRS	US GAAP
▶ Required to disclose judgments made in the process of applying accounting policies that have a significant impact, including key assumptions ▶ One year of comparatives required for all numerical information in the financial statements ▶ 3 balance sheets required for first year of adoption and restatements if material impact	▶ Risks and judgements are commonly presented this information only within MD&A ▶ Comparative requirements are not specified

Consistency of Accounting Policies in Consolidated Group

IFRS	US GAAP
▶ Requires parent and subsidiary to adopt same accounting policies ▶ Alignment must occur on date of acquisition	▶ Does not require parent and subsidiary to adopt same accounting policies (example - a subsidiary could use weighted average for its inventory valuation and the parent could use FIFO)

Certain Disclosures Requirements

IFRS	US GAAP
▶ Requires disclosure of key management personnel within the footnotes ▶ Other transactions with management must be disclosed	▶ Disclosure of compensation of key management positions is not required within the financial statements

Segment Reporting

IFRS (IFRS 8)	US GAAP (ASC 280)
▶ Non-current assets in IFRS include intangibles ▶ Requires disclosure of segment liabilities if such a measure is regularly provided to the chief operating decision maker ▶ Requires such an entity to determine operating segments by reference to the core principle of IFRS	▶ Implies exclusion of intangible assets ▶ Does not require disclosure of a measure of segment liabilities ▶ Requires entities with a matrix form of organization to determine operating segments based on products and services

Questions?