|  |  |  |  |
| --- | --- | --- | --- |
| Item | Note | US GAAP | IFRS |
| Long Term Contract – longer than 1 year | 1. Can be measured 2. Cannot be measured | 1. Percentage of completion method is used.( more aggressive, revenue recognized sooner) 2. The completed contract method is used | 1. Percentage of completion method is used. 2. Revenue is recognized on the income statement to the extent costs incurred during the period. No profits are recognized until all costs have been recovered (cost recover) |
| Leasing | 1. Lessee’s Perspective 2. Lessor’s Perspective | 1. Capital lease if (on balance sheet) any:  * The ownership transferred at the end of the term * Bargain purchase option exists * Lease term > 75 of the assets useful economic life * PV of the lease pmts > 90% of the FV of the leased asset   Operating lease is off the balance sheet (in the footnote)   1. Two additional conditions:  * Collectability of the lease payments is predictable * There is no uncertainties regarding the cost | 1. Principle base approach   Depends on whether all the risks and rewards of ownership are transferred to the lessee.  If yes, then finance lease, if not, then operating lease   1. Same as above |
| Impairment of Assets |  | An asset is impaired when carrying value exceeds total value of ***undiscounted*** future cash flows  Two Step:   1. Is the asset impaired   Carrying Amt > Undiscounted FCFs   1. If yes, impairment loss = difference between carrying amount and its fair value (or ***discounted*** FFs if fair value not known)   !!charge on an income statement (non-cash) and write down of asset on balance sheet | An asset is impaired when its carrying amount exceeds its recoverable amount  Recoverable amount = higher of ‘fair value less costs to sell’ and ‘value in use’ (discounted future cash flows)  One step:  IV = Carrying Amount (on BS) – (max(Fair Value less Cost to sell, Value in Use)) |
| Reversal |  | Reversal depends on asset classification:   1. ‘**held-for-use’** it ***cannot*** be reversed 2. ‘**held-for-sale**’ if the fair value increases after the impairment recognition, the loss can be reversed and the asset value can be revised upward | Allows the reversal of all assets if the value of the asset increases.  The value cannot be greater then previous carrying value. |
| The Revaluation Model |  | ***Cost Model*** only | Allows companies to use:   1. ***Cost Model*** (where the carrying amount of the asset equals its historical cost minus accumulated depreciation/amortization) to report the carrying amounts of non-current assets on the balance sheet 2. **Revaluation Model** allows for the reported value of the asset to be higher than its historical cost (with the increase going directly to equity through the revaluation surplus account or other comprehensive income)(bypasses the income statement). Under the cost model, by contrast, the reported value can never exceed its historical cost. |
| Investment Property |  | Does not specifically define investment property. Goes under the revaluation model. | Investment property may be valued:   1. ***Cost model:*** identical to the cost model used for PPE 2. ***Fair Value Model Cost Model*** differs from reval model used for PPE in the way net income is affected.   All changes in the fair value impact net income (increases do ***not*** go directly to equity) |
| Defined Benefit Pension Planning |  | The change in the net pension asset or liability each period (pension expense) has five general components   1. Employee service costs *for the period*. Recognized as pension expense in profit and loss. 2. *Past* service cost: Recognized in other comprehensive income in the period during which they are incurred, and subsequently amortized into pension expense over the future service period of employees covered by the plan. 3. Interest expense accrued on the beginning pension obligation: Interest expense is also recognize in profit and loss. 4. Actuarial gains and losses: recognized in other comprehensive income in the period in which they occur and amortized into pension expense over time 5. Expected return on plan assets: *Reduces* the amount of pension expense recognized in profit and loss (management assumption!) | The change in net pension asset or liability each period (pension expense) has 3 general component:   1. Employee service cost: Recognized as pension expense in profit and loss (including *past* service cost) 2. *Net* interest expense or income: also recognized as pension expense in profit and loss 3. Remeasurements: Recognized in other comprehensive income (but *not* amortized into profit and loss over time) |
|  |  |  |  |