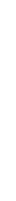


AN OVERVIEW OF US GAAP VS IFRS:  
SIMILARITIES AND DIFFERENCES  
KYLE GILLANI, PETER HARRIS



# BACKGROUND

GLOBALLY 2 ACCOUNTING REGIMES/STANDARDS

1-US GENERARLY ACCEPTED ACCOUNTING PRINCIPLES-US GAAP  
SECURITIES AND EXCHANGE COMMISSION OVERSIGHT (SEC)

2-INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS

INTERNATIONAL ACCOUNTING BOARD-IAB IN UK

# US GAAP

LIMITED ONLY TO US REGISTRANTS

SEC OVERSIGHT-FINANCIAL ACCOUNTING STANDARDS BOARD -FASB RECOMMENDS  
FINANCIAL REPORTING REQUIREMENTS IN THE FORM OF ACCOUNTING STANDARDS  
CODIFICATIONS-ASC

SOLEY US BASED

# IFRS

IFRS OR A SUB FORM OF IFRS IS PREVALENT WORLDWIDE EXCLUDING US REGISTRANTS—IN EU, AUSTRALIA, CANADA, MIDDLE ANS SOUTH AMERICA, ASIA, AFRICA

IN FORM OF IFRS NUMBERS—EXAMPLE IFRS 15 IS REVENUE RECOGI]TION  
US GAAP ASC 606 IS REVENUE RECOGNITION

# WORLDWIDE-2 SEPARATE FINANCIAL REPORTING STANDARDS

IFRS—PRINCIPLES—JUDGEMENT BASED

US GAAP—RULES —BRIGHT LINE— BASED

MANY COMPANIES NEED TO PREPARE DUAL STATEMENTS—

IE US COMPANIES OPERATING OVERSEAS—MICROSOFT, APPLE

AND NON-US COMPANIES OPERATING IN US IE HONDA, TAIWAN SEMICONDUCTOR,  
ALIBABA

# DISCUSSION TO CONVERGE INTO SINGLE FINANCIAL REPORTING MODEL

## PROS

- CONSISTENT WORLDWIDE REPORTING
- LESS COST OF COMPLIANCE-SINGLE MODEL

## CONS

- DIFFENCES DUE TO CULTURAL DIFFERENCES
- COST OF ADOPTING NEW MODEL

PROS OUTNUMBER CONS

# NORWALK AGREEMENT-2002

SEC AND IAB –AGREED TO HAVE CONVERGENCE EFFORTS TO STANDARDIZE FINANCIAL REPORTING–NORWALK AGREEMENT

GOAL TO WORK TOGETHER TO REDUCE/ELIMINATE DIFFERENCES

CALLED MOU–MUTUAL OF UNDERSTANDING COLLABORATIVE EFFORTS

# 2008

LOOKED LIKE A SINGLE REPORTING MODEL WOULD EMERGE

SEC ALLOWED US COMPANIES TO REPORT UNDER IFRS

LOOKED LIKE A DONE CHECKMATE DEAL-



2008-2010  
2012

WORLDWIDE FINANCIAL CRISIS

SEC CRITICIZED IFRS REPORTING AND TERMED AS LIMITED WITH MANY SHORTFALLS

RESULT-SEC IN JULY 2012 IN THEIR VER 100 PAGE REPORT STATED NO FURTHER INTEREST IN US ADAPTATION OF IFRS

FURTHER-NO INTENTION OF PURSUING CONVERGENCE EFFORTS

RESULT: IFRS. DEAD IN US

# JULY 2012 REPORT FOCUSED ON UNRESOLVED DIFFERENCES

1- IFRS -LAST IN FIRST OUT -LIFO INVENTORY METHOD PROHIBITED - USED IN US AS ALLOWED FOR INCOME TAX PURPOSES

2-IFRS ALLOWS FOR ASSET REVALUATION

3-IFRS REQUIRES COMPONENTATION DEPRECIATION

4-IFRS-EASIER THRESHOLD TO RECOGNIZE CONTINGENT LIABILITIES

MORE THAN LIKELY VS PROBABLE

5-IFRS REQUIRES CAPITALIZATION OF INTANGIBLE ASSETS IN DEVELOPMENT STAGE

6-UNCERTAIN TAX POSITION -UNCLEAR UNDER IFRS

# FAST FORWARD FOR PERIOD 2012 - 2022

JOINT CONVERGENCE EFFORTS—UNOFFICIAL AS MOU EFFORTS WERE TERMINATED

1—LEASE ACCOUNTING —RESULTED IN 2 SEPARATE REPORTING MODELS

2—REVENUE RECOGNITION==COLOSSAL SUCCESS

STANDARDIZED HOW EVERY COMPANY WORLDWIDE RECOGNIZES REVENUE

THIS INTERESTINGLY IS BASED ON IFRS PRINCIPLES BASED AND NOT US GAAP BASED PHILOSOPHY

—US GAAP— ADOPTED IFRS LOWER OF COST OR NET REALIZABLE VALUE FOR INVENTORY

—TREAT TAX LIABILITIES AS IFRS NON—CURRENT

—ELIMINATED EXTRAORDINARY ITEMS CONSISTENT WITH IFRS

# DIFFERENCES FOR 2112 REPORT STILL REMAIN

THE 2012 DIFFERENCES WILL NOT LIKELY BE RESOLVED FOR MANY YEARS.

HOWEVER, SIMILARITIES ARE MUCH MORE PRONOUNCED THAN IN 2012

FURTHER, REQUIREMENTS ARE IN PROCESS TO ADDRESS SOCIAL  
RESPONSIBILITY AND GOVERNANCE ISSUES WHICH MAY REOPEN DISCUSSION FOR  
THE RESURRECTION OF CONVERGENCE EFFORTS

# KEY RESISTANCE OF CONVERGENCE

-POLITICAL-SEC DOES NOT WANT TO RELINQUISH POLITICAL POWER TO ENGLAND

-US LITIGIOUS SOCIETY. PRINCIPLES BASED RESULTS IN MORE LAWSUITS VS RULES BASED-ALSO KEY REASON FOR DIFFERENCE IN CONTINGENT LIABILITY AND UNCERTAIN TAX REPORTING

-CULTURAL DIFFERENCES-US INCOME STATEMENT BASED VE IFRS BALANCE SHEET BASED. -REASON FOR REVALUATION AND INTANGIBLE ASSET DIFFERENCES

REASON FOR REVALUATION DIFFERENCE

-REGULATORY ISSUES-US TAX CODE ALLOWS FOR LIFO-N/A IN EVERY OTHER COUNTRY. INTERESTINGLY, LIFO HAS BEEN UNDER SCRUTINY SINCE ITS INCEPTION IN 1939 AND HAS SURVIVED.

# GOOD NEWS

SIMILARITIES ARE PREVALENT BETWEEN THE 2 REGIMINES

DIFFERENCES ARE FEW

RESULT; CONVERGENCE EFFORTS ARE BEING REALIZED—ALBEIT “UNOFFICIALLY

# CRYSTAL BALL

US WILL CONVERGE TO IFRS WHEN US HAS LOWER POLITICAL AND ECONOMIC IMPORTANCE IN THE WORLD ECONOMY.

THIS MAY TAKE 2 TO 3 DECADES

BY THEN—EXPECT CONVERGENCE TO BE REALIZED

THANK YOU



THANK YOU AND QUESTIONS