

# Comparison between U.S. GAAP and IFRS<sup>®</sup> Standards

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# Preface

Over 120 countries currently require or permit the use of International Financial Reporting Standards, or IFRS® Standards. Although public entities in the United States are required to apply U.S. GAAP, certain foreign private issuers apply IFRS Standards to their financial information filed with the Securities and Exchange Commission (SEC).

While the SEC accepts the financial statements of foreign private issuers prepared using IFRS Standards as issued by the International Accounting Standards Board (Board), a difference in reporting requirements with domestic issuers remains, and there is currently no plan for bridging this gap. Standard setters and regulators continue to emphasize the value of converged accounting standards, citing the revenue recognition and leasing standards issued in the past few years as an example of convergence at work. However, consistency and comparability of published financial results for domestic versus foreign private issuers remains a topic of discussion.

Thus, it is incumbent on preparers, auditors, and regulators to be aware of the differences that currently exist between IFRS Standards and U.S. GAAP.

We have prepared the *Comparison between U.S. GAAP and IFRS® Standards* (Comparison) to help readers grasp some of the major similarities and differences between IFRS Standards and U.S. GAAP. More emphasis is placed on recognition, measurement, and presentation guidelines, and less emphasis is placed on disclosure requirements. As more fully explained in Section 1, “Introduction,” this Comparison covers only those differences that we believe are most commonly encountered in practice.

**The Comparison includes standards issued as of December 31, 2018. Recently issued guidance included in this Comparison but that is not yet effective has been shaded in the tables below for those entities that may wish to early adopt the guidance, if permitted.** We have included Appendices that list the titles of all IFRS Standards and U.S. GAAP standards, as well as SEC rules, regulations, and practices, that are referred to in this document.

The Comparison is written by the Accounting Principles Group of Grant Thornton LLP. The contributors are Sheri Fabian, Partner and Carolyn Warger, Senior Manager.

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# 1. Introduction

## 1.1 International standards and the Board

The International Accounting Standards Board (the Board) is responsible for the preparation and issuance of IFRS Standards. Upon its inception in 2001, the Board adopted the body of International Accounting Standards (IAS<sup>®</sup>) issued by its predecessor, the International Accounting Standards Committee (IASC).

The IFRS Interpretations Committee assists the Board in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers, and auditors of financial statements. The IFRS Interpretations Committee was established in 2002 when it replaced its predecessor, the Standing Interpretations Committee (SIC<sup>®</sup>).

Under IFRS Standards, when a standard or an interpretation specifically applies to a transaction, other event, or condition, an entity would apply that guidance as well as any relevant implementation guidance issued by the Board. In this document, the term “IFRS Standards” refers collectively to standards issued by the Board, IAS<sup>®</sup> Standards issued by the IASC, and IFRIC<sup>®</sup> Interpretations issued by the IFRS Interpretations Committee and the SIC. A summary of each type of authoritative standard and its issuing body is provided in the table below

Name of standard	Abbreviation	Issuing body
International Financial Reporting Standard	IFRS	International Accounting Standards Board
International Accounting Standards	IAS	International Accounting Standards Committee
IFRIC Interpretation	IFRIC	International Financial Reporting Interpretations Committee
SIC Interpretation	SIC	Standing Interpretations Committee

The Board uses the guidance in the *Conceptual Framework for Financial Reporting* to develop or revise IFRS Standards as it establishes the underlying concepts for the preparation and presentation of financial statements and the recognition and measurement requirements in IFRS Standards.

In March 2018, the Board issued a revised version of *Conceptual Framework for Financial Reporting*, which includes a new chapter on measurement, guidance on reporting financial performance, improved definitions (including the definition of a *liability*) and guidance, and clarifications in other areas. At the same time, the Board issued *Amendments to References to the Conceptual Framework in IFRS Standards* to update references in IFRS Standards that currently apply to the previous version of the Conceptual Framework.

In September 2017, the Board issued Practice Statement 2, *Making Materiality Judgements* to provide non-mandatory guidance to assist management in applying the concept of materiality to general purpose financial statements prepared in accordance with IFRS Standards. The Statement discusses a four step model to apply to materiality judgments and provides guidance for application of materiality concepts in specific situations, such as prior period information, errors, and interim financial reporting.

In October 2018 the Board issued *Definition of Material (Amendments to IAS 1 and IAS 8)*, which amends IAS 1 and IAS 8 to clarify the definition of “material” that entities should apply when making judgments about materiality. The amendments define “material” as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” In contrast, existing guidance states that “Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements.” Entities should apply the amendments prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted, with disclosure required. Differences remain between the Board’s definition of materiality and the definition for U.S. GAAP issued by the FASB in August (see discussion in next Section).

## **1.2 Financial accounting and reporting in the United States**

The Financial Accounting Standards Board (FASB) is the designated private-sector body responsible for establishing and improving standards of financial accounting and reporting in the United States for nongovernmental public and private enterprises, including small businesses and not-for-profit organizations. Those standards, collectively referred to as U.S. GAAP, govern the preparation of financial reports and are provided for the guidance and education of the public, including issuers, auditors, and users of financial information. The *FASB Accounting Standards Codification<sup>TM</sup>* is the sole source of authoritative nongovernmental GAAP, except SEC guidance.

SEC registrants must also comply with the Commission’s financial reporting requirements, including those promulgated in SEC Regulations S-X and S-K, Financial Reporting Releases (FRR), and Staff Accounting Bulletins (SAB). The SABs represent practices followed by the staff in administering SEC disclosure requirements.

In 1984, the FASB formed the Emerging Issues Task Force (EITF) to assist the FASB in timely identification, discussion, and resolution of financial accounting issues within the framework of U.S. GAAP. The EITF was designed to minimize the need for the FASB to spend time and effort addressing narrow implementation, application, or other emerging issues that can be analyzed within existing U.S. GAAP. Items discussed by the EITF that cannot be resolved within the existing standards are referred to the FASB for discussion and potential rulemaking activity.

In 2012, the Financial Accounting Foundation established the Private Company Council (PCC) to improve the standard setting process in the U.S. for private companies. The PCC is responsible for working with the FASB to establish criteria to decide whether and when to make exceptions or modifications to U.S. GAAP for private companies, and serves as the primary advisory body on private companies to the FASB.

The final Accounting Standards Updates (ASUs) related to changes to U.S. GAAP for private companies are listed in Appendix C.

In December 2013, the FASB issued ASU 2013-12, *Definition of a Public Business Entity*, which adds a definition of a *public business entity* to the Master Glossary. The definition is used by the FASB, the EITF, and the PCC in setting the scope of future financial accounting and reporting guidance in U.S. GAAP. The amendments, however, do not impact GAAP that existed prior to the effective date of ASU 2013-12. The definition of a public business entity is different than the definitions of small and medium-sized entities used by the Board in providing financial accounting and reporting alternatives for those entities. The definition of small and medium-sized entities under IFRS for SMEs<sup>®</sup> focuses on whether an entity has public accountability rather than on a cost-benefit basis as used by the FASB in setting accounting and reporting guidance for private entities.

The FASB uses the guidance in the *Conceptual Framework* (or “Concept Statements”) in selecting transactions, events, and circumstances to be accounted for, how they should be recognized, and how they should be summarized and reported under U.S. GAAP. The Concept Statements provide a framework that the FASB uses in creating new accounting standards or changing existing U.S. GAAP.

In August 2018 the FASB issued two updates to Concept Statements. The first is *Concepts Statement 8, Conceptual Framework for Financial Reporting—Chapter 8, Notes to Financial Statements*, which discusses the information that the FASB should consider when determining items to include in the notes to financial statements. This new chapter describes the purpose of the notes to financial statements, limitations on the information in the notes to financial statements, and the general types of information to be included in the notes to financial statements. It also considers disclosures in financial statements for interim periods, as well as disclosures in annual financial statements. The second is an amendment to *Concepts Statement 8, Conceptual Framework for Financial Reporting—Chapter 3, Qualitative Characteristics of Useful Financial Information*, which reinstates the definition of materiality from in *Concepts Statement 2, Qualitative Characteristics of Accounting Information*, and adds language similar to that in Concepts Statement 2 discussing

- How materiality differs from relevance
- That materiality assessments can be properly made only by those with an understanding of the reporting entity’s pertinent facts and circumstances

The FASB’s updates bring the definition of materiality in the Concept Statements in line with the definition of materiality used by the U.S. Securities and Exchange Commission (SEC), the auditing standards of the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA), and the United States judicial system. Differences remain between the FASB’s definition of materiality and the definition for IFRS issued by the Board in October (see discussion in previous Section).

The FASB’s agenda includes projects to build on existing concepts in the Conceptual Framework in the areas of measurement, financial statement elements, and presentation. The FASB is developing concepts to establish standards for determining measurements, including the definitions of key terms and what the objectives and qualitative characteristic imply for measurement, identifying appropriate types of

measurement, and determining which measurements to use in specific circumstances. As a result of this project, an additional project to revisit the definitions of financial statement elements was started. Both of these projects remain in the initial deliberations phase. In August 2016, the FASB issued proposed *Concepts Statement 8, Conceptual Framework for Financial Reporting—Chapter 7, Presentation*, on how recognized items are to be presented in a financial statement. The proposed ASU includes guidance on how to group information in the financial statements, updates to the association between changes in assets, liabilities and equity instruments, and related financial presentation.

### **1.3 IFRS Standards and U.S. GAAP comparison**

This Comparison highlights some significant U.S. GAAP and IFRS Standards requirements, as well as the major similarities and differences between the two sets of standards. While not an exhaustive listing, this document highlights some of the more significant differences between U.S. GAAP and IFRS Standards that we believe are most commonly encountered in practice. The Comparison may be helpful to individuals that are new to IFRS Standards who are trying to gain an appreciation of the more significant requirements of IFRS Standards and how these requirements differ from those in the United States. Disclosure requirements are not addressed, except in some exceptional cases where those requirements constitute major differences between U.S. GAAP and IFRS Standards. **This Comparison has been updated for standards issued as of December 31, 2018. Effective dates for standards vary and are generally noted where relevant.**

Companies reporting under requirements established for the European Union must comply with IFRS Standards as adopted by the European Commission (EC). Those standards may differ from IFRS Standards as issued by the Board because of the timing or scope of endorsement by the EC. Other jurisdictions may have similar endorsement-related differences. Such differences are not addressed in this document.

This Comparison does not address industry-specific requirements for banks, other financial institutions, insurance companies, not-for-profit organizations, retirement benefit plans, extractive industries, rate regulated activities, or agriculture. In particular, the following IFRS Standards have not been included in the document due to their specialized nature:

- IFRS 4, *Insurance Contracts*
- IFRS 6, *Exploration for and Evaluation of Mineral Resources*
- IFRS 14, *Regulatory Deferral Accounts*
- IFRS 17, *Insurance*
- IAS 26, *Accounting and Reporting by Retirement Benefit Plans*
- IAS 41, *Agriculture*
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

In addition, the Comparison does not include IFRS 1, *First-time Adoption of International Financial Reporting Standards*, as well as *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. IFRS 1 covers the requirements for applying IFRS Standards in a company's first financial statements prepared using IFRS Standards. It starts with the basic premise that an entity applies IFRS Standards for the first time on a fully retrospective basis. However, acknowledging the cost and complexity of that approach, the standard then establishes various exemptions for topics where retrospective application would be too burdensome or impractical (for example, business combinations and pension liabilities). The Board has undertaken a project titled *Subsidiary as a First-time Adopter (IFRS 1)* that tentatively proposes to require a subsidiary applying IFRS for the first time to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS standards. The next step is expected to be the issuance of an exposure draft of the proposed amendment.

IFRS 14, *Regulatory Deferral Accounts* permits a first-time adopter of IFRS Standards who recognized regulatory deferral account balances in their financial statements to continue to account for regulatory deferral account balances under its previous GAAP. IFRS 14 is an interim standard enacted while the Board continues to consider the development of guidance for rate-regulated entities, as none currently exists. Guidance on accounting for rate-regulated entities under U.S. GAAP is found in ASC 980 *Regulated operations*.

*IFRS for SMEs* is designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. The term "small and medium-sized entities" is not associated with any size criteria. The standard has essentially been designed to work as a stand-alone document, with no mandatory cross-references to full IFRS Standards. *IFRS for SMEs* often permits simplified recognition and measurement requirements and reduces the amount of disclosures compared to full IFRS Standards. In May 2015, the Board issued amendments to the *IFRS for SMEs*, based on the results of an initial comprehensive review of the guidance. The most significant changes to the guidance are to:

- Allow an option to use the revaluation model for property, plant and equipment
- Align the recognition and measurement requirements for deferred income tax with IAS 12
- Align the recognition and measurement requirements for exploration and evaluation assets with IFRS 6

The amendments to the *IFRS for SMEs* became effective for annual periods beginning on or after January 1, 2017.

This Comparison is only a guide; it is not all-encompassing. For the complete details of IFRS Standards and U.S. GAAP requirements, as well as SEC rules, regulations, and practices, readers should refer to the complete text of the standards, rules, regulations, and practices themselves.

## 2. Overall financial statement presentation

### 2.1 General

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1	<b>Relevant guidance:</b> ASC 205 and 505; SEC Regulation S-X, Article 3
An entity applies IAS 1 in preparing and presenting general purpose financial statements in accordance with IFRS Standards (IAS 1.2).	The guidance on the presentation of financial statements is primarily included in the FASB Codification (ASC 205 through 280). SEC registrants are also required to follow the guidance in SEC Regulations, such as Regulation S-X and S-K.
<p>Financial statements comprise (IAS 1.10):</p> <ul style="list-style-type: none"> <li>• Statement of financial position as at the end of the period</li> <li>• Statement of profit or loss and other comprehensive income for the period</li> <li>• Statement of changes in equity for the period</li> <li>• Statement of cash flows for the period</li> <li>• Notes, comprising a summary of significant accounting policies and other explanatory information</li> <li>• Comparative information for the preceding period as specified in IAS 1.38 and .38A</li> <li>• An additional statement of financial position at beginning of preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or reclassifies items in its financial statements in accordance with IAS 1.40A through .40D</li> </ul>	<p>Financial statements comprise (ASC 205-10-45-1A):</p> <ul style="list-style-type: none"> <li>• Statement of financial position / balance sheet</li> <li>• Income statement</li> <li>• Statement that displays total comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements (ASC 220-10-45-1).</li> <li>• Statement of changes in stockholders' equity. Alternatively, disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) could be made in the notes to financial statements (ASC 505-10-50-2).</li> <li>• Statement of cash flows (limited exemptions; see Section 2.5, "Statement of cash flows")</li> <li>• Notes to financial statements</li> <li>• Unlike IFRS Standards, no similar requirement for a third balance sheet</li> </ul>
<p>Except when IFRS Standards permit or require otherwise, present comparative information for the preceding period for all amounts reported in current period's financial statements. Include comparative information for narrative and descriptive information if relevant to understanding current period's financial statements (IAS 1.38 and .38B).</p> <p>Present, at a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows, two statements of changes in equity, and related notes (IAS 1.38A).</p>	<p>Unlike IFRS Standards, there is no specific requirement to provide comparative statements but it is desirable to do so (ASC 205-10-45-2).</p> <p>SEC rules require balance sheets for the two most recent fiscal years and three years of statements of income and cash flows (SEC Regulation S-X; Rule 3-01(a) and Rule 3-02(a)).</p>
When financial statements comply with IFRS Standards, make an explicit and unreserved statement of such in the notes. An entity does not describe financial statements as	No similar requirement.

IFRS Standards	U.S. GAAP
<p>complying with IFRS Standards unless they comply with all the requirements of IFRS Standards (IAS 1.16).</p>	
<p>An entity may present comparative information in addition to minimum comparative financial statements noted above as long as information prepared in accordance with IFRS Standards. The comparative information may consist of one or more statements referred to in IAS 1.10, but need not be a complete set of financial statements. Include related note information for those additional financial statements (IAS1.38C and D).</p>	<p>In any one year it is ordinarily desirable that the statement of financial position, income statement, and statement of changes in equity be presented for one or more preceding years, as well as for the current year (ASC 205-10-45-2).</p>
<p>An entity cannot rectify inappropriate accounting policies by disclosure of the accounting policies used or by notes or explanatory material (IAS 1.18).</p>	<p>Similar to IFRS Standards.</p>
<p>Clearly identify each financial statement and the notes. Display the following prominently, and repeat when necessary for information presented to be understandable (IAS 1.51):</p> <ul style="list-style-type: none"> <li>• Name of reporting entity or other means of identification, and any change in information from the end of the preceding reporting period</li> <li>• Whether financial statements are of an individual entity or a group of entities</li> <li>• Date of end of reporting period or period covered by the set of financial statements or notes</li> <li>• Presentation currency; as defined in IAS 21</li> <li>• Level of rounding used in presenting amounts in financial statements</li> </ul>	<p>Similar to IFRS Standards.</p>

## 2.2 Statement of financial position / balance sheet

The Board has undertaken a research project on targeted improvements to the structure and content of the primary financial statements, with a focus on the statement of financial performance.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1	<b>Relevant guidance:</b> ASC 210, 470, 505, and 740; SEC Regulation S-X, Rule 5-02
<b>Introduction</b>	
IAS 1.54 specifies the line items that are to be presented on the face of the statement of financial position.	Unlike IFRS Standards, U.S. GAAP does not prescribe a standard format. However, SEC Regulation S-X, Rule 5-02 does require specific line items to appear on the face of the balance sheet, where applicable.
<b>Classification</b>	
<p>Present current and non-current assets, and current and non-current liabilities, as separate classifications in statement of financial position in accordance with IAS 1.66-76, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, present all assets and liabilities in order of liquidity (IAS 1.60).</p> <p><b>Note:</b> In February 2015, the Board issued an Exposure Draft, <i>Classification of Liabilities - Proposed amendments to IAS 1</i>. The proposed amendments clarify that the classification of liabilities as current or non-current is based on the rights in existence at the end of the reporting period. The proposals also clarify the link between the settlement of the liability and the outflow of resources from the entity by indicating that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. A final amendment is expected during 2019.</p>	<p>The balance sheets of most entities show separate classifications of current assets and liabilities (ASC 210-10-05-4). In certain specialized industries an unclassified balance sheet is used when the distinction between current and noncurrent assets and liabilities is deemed to have little or no relevance.</p> <p><b>Note:</b> In January 2017, the FASB issued proposed ASU, Debt (Topic 470): <i>Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)</i>. The proposed principle requires an entity to classify an instrument as noncurrent if either</p> <ul style="list-style-type: none"> <li>• The liability is contractually due to be settled more than one year after the balance-sheet date</li> <li>• The entity has a contractual right to defer settlement of the liability for at least one year after the balance-sheet date</li> </ul> <p>Similar to existing guidance, the proposed guidance includes an exception requiring an entity to classify, and present separately, debt as noncurrent when there has been a debt covenant violation at the balance-sheet date and the entity receives a waiver of that violation after the balance-sheet date, but before the financial statements are issued.</p> <p>When a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period for the borrower to cure the violation, which makes the debt no longer callable at the balance sheet date, the borrower should classify the debt as a noncurrent liability.</p> <p>Certain amendments in the proposal would supersede existing classification guidance, which could change how certain debt arrangements are</p>

IFRS Standards	U.S. GAAP
	<p>classified, including short term debt that is refinanced and debt that contains subjective acceleration clauses.</p> <p>Entities would also be required to make certain disclosures related to any events of default, such as violations of a loan covenant or triggers of a subjective acceleration clause.</p> <p>The FASB completed deliberations on the exposure draft of the ASU, and will conduct additional research on a potential alternative considering the contractual link between certain debt arrangements and unused long-term financing arrangements in place at the balance sheet date.</p>
<p>Except when deemed relevant to an understanding of the entity's financial position, no subtotals are specified as requirements in IAS 1 (IAS 1.55 and .55A).</p>	<p>Unlike IFRS Standards, non-SEC reporting entities are required to present a total of current liabilities if they present a classified balance sheet. In practice, these entities also present a subtotal for current assets (ASC 210-10-45-5).</p> <p>SEC rules explicitly require subtotals for current assets and current liabilities (Regulation S-X, Rule 5-02).</p>
<p>When an entity presents current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position, it does not classify deferred tax assets (liabilities) as current assets (liabilities) (IAS 1.56).</p>	<p>Similar to IFRS standards, deferred tax assets (liabilities) are presented as noncurrent assets (liabilities). (ASC 740-10-45-4). (See Section 5.3, "Taxation")</p>
<p>An entity classifies an asset as current when any of the following apply (IAS 1.66):</p> <ul style="list-style-type: none"> <li>• It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. The normal operating cycle where not clearly identifiable is assumed to be 12 months (IAS 1.68)</li> <li>• It holds the asset primarily for the purpose of trading</li> <li>• It expects to realize the asset within 12 months after the reporting period</li> <li>• The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period</li> </ul>	<p>Current assets are cash and other assets or resources commonly identified as those reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business (ASC Master Glossary, "Current Assets").</p> <p>In businesses where the period of the operating cycle is more than 12 months, the longer period is required to be used. Where a particular business has no clearly defined operating cycle, the one-year rule governs (ASC 210-10-45-3).</p>
<p>An entity classifies a liability as current when any of the following apply (IAS 1.69):</p> <ul style="list-style-type: none"> <li>• It expects to settle the liability in its normal operating cycle. The normal operating cycle where not clearly identifiable is assumed to be 12 months (IAS 1.70).</li> <li>• It holds the liability primarily for the purpose of trading</li> </ul>	<p>Current liabilities are obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities (ASC Master Glossary, "Current Liabilities").</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>The liability is due to be settled within 12 months after the reporting period</li> <li>The entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period</li> </ul>	
<p>Classify financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if (IAS 1.72):</p> <ul style="list-style-type: none"> <li>The original term was for a period longer than 12 months, and</li> <li>An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue</li> </ul> <p>If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as noncurrent, even if it would otherwise be due within a shorter period. If refinancing or rolling over the obligation is not at the discretion of the entity, the entity does not consider the potential to refinance the obligation and classifies the obligation as current (IAS 1.73).</p>	<p>Short-term obligations, are excluded from current liabilities if the entity intends to refinance the obligation on a long-term basis and (ASC 470-10-45-14):</p> <ul style="list-style-type: none"> <li>Before the balance sheet is issued or available to be issued there is a post-balance sheet issuance of a long-term obligation or equity securities for the purpose of refinancing the short-term obligation on a long-term basis; or</li> <li>Before the balance sheet is issued or available to be issued the entity has entered into a financing agreement that permits it to refinance the short-term obligation on a long-term basis and certain conditions are met</li> </ul>
<p>An entity classifies a liability as current at the end of the reporting period if it does not have an unconditional right to defer its settlement for at least 12 months after that date. When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender has agreed, after the reporting period and before authorization of the financial statements for issue, not to demand payment as a consequence of the breach (IAS 1.74).</p>	<p>An entity classifies as current a long-term obligation that is or will be callable by a creditor because of the entity's violation of a provision of the debt agreement at the balance sheet date or because the violation, if not cured within a specified grace period, will make the obligation callable unless (ASC 470-10-45-11):</p> <ul style="list-style-type: none"> <li>The creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date; or</li> <li>For long-term obligations containing a grace period within which the entity may cure the violation, it is probable that the violation will be cured within that period</li> </ul> <p>Unlike IFRS Standards, the debt would be classified as noncurrent if the lender has agreed, after the reporting period and before the financial statements are issued or are available to be issued, not to demand payment as a consequence of the violation (ASC 470-10-45-14).</p>
<b>Offsetting</b>	
<p>An entity does not offset assets and liabilities or income and expenses, unless required or permitted by IFRS Standards (IAS 1.32). See Section 7, "Financial instruments" for further information on offsetting.</p>	<p>Unlike IFRS Standards, offsetting is permitted only when a right of set-off exists. A right of set-off exists when (ASC 210-20-45-1):</p>

IFRS Standards	U.S. GAAP
	<ul style="list-style-type: none"> <li>• The parties owe each other determinable amounts</li> <li>• There is a right and intention to set-off</li> <li>• The right of set-off is enforceable by law</li> </ul> <p>See Section 7, “Financial instruments” for further information on offsetting.</p>
<b>Disclosure</b>	
<p>An entity discloses, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity’s operations (IAS 1.77).</p>	<p>Similar to IFRS Standards.</p>
<p>An entity discloses the following information, either in the statement of financial position or the statement of changes in equity, or in the notes (IAS 1.79):</p> <ul style="list-style-type: none"> <li>• For each class of share capital: <ul style="list-style-type: none"> <li>– The number of shares authorized</li> <li>– The number of shares issued and fully paid, and issued but not fully paid</li> <li>– Par value per share, or that the shares have no par value</li> <li>– A reconciliation of the number of shares outstanding at the beginning and at the end of the period</li> <li>– The rights, preferences, and restrictions attaching to that class including restrictions on the distributions of dividends and the repayment of capital</li> <li>– Shares in the entity held by the entity or by its subsidiaries or associates</li> <li>– Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts</li> </ul> </li> <li>• A description of the nature and purpose of each reserve within equity</li> </ul>	<p>Disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) and the changes in the number of shares of equity securities is required. These disclosures may be made in the notes to the financial statements or through a separate financial statement (ASC 505-10-50-2).</p> <p>An explanation of the pertinent rights and privileges of the various securities outstanding is disclosed. Disclosure of the number of shares issued upon conversion, exercise, or satisfaction of required conditions during at least the most recent annual fiscal period and any subsequent interim period presented is also required (ASC 505-10-50-3).</p>

## 2.3 Statement of comprehensive income / income statement

IFRS 9, *Financial Instruments* was effective for annual periods beginning on or after January 1, 2018, and sets out requirements for recognizing and measuring financial instruments, replacing IAS 39. The impact of adopting IFRS 9 on the statement of comprehensive income/income statement has been incorporated into the following section. For more information about the standard, refer to Section 7.

The guidance in ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, codified in ASC 326 *Financial Instruments - Credit Losses* supersedes certain areas of presentation for the statement of comprehensive income / income statement. The areas that will be superseded upon the effective date of that guidance are noted below. For more information about the standard and the effective date, refer to Section 7.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1	<b>Relevant guidance:</b> ASC 220, 225, 320, 715, and 810; SEC Regulation S-X, Rule 5-03
<b>Statement format and presentation</b>	
An entity may present either a single statement of profit or loss and other comprehensive income or two separate statements (IAS 1.10A).	Similar to IFRS Standards, an entity may report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements (ASC 220-10-45-1).
<p><i>Single statement of comprehensive income</i></p> <p>If a single statement of profit or loss and other comprehensive income (statement of comprehensive income) is presented, profit or loss and other comprehensive income are presented in two sections with the profit or loss section presented first followed directly by the other comprehensive income section (IAS 1.10A).</p> <p>In addition to the profit or loss and other comprehensive income sections, the statement of comprehensive income presents (IAS 1.81A):</p> <ul style="list-style-type: none"> <li>• Profit or loss</li> <li>• Total other comprehensive income</li> <li>• Comprehensive income for the period, being the total of profit or loss and other comprehensive income</li> </ul> <p>An entity also presents the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period (IAS 1.81B):</p> <ul style="list-style-type: none"> <li>• Profit or loss for the period attributable to:                             <ul style="list-style-type: none"> <li>– Non-controlling interests</li> <li>– Owners of the parent</li> </ul> </li> <li>• Comprehensive income for the period attributable to:                             <ul style="list-style-type: none"> <li>– Non-controlling interests</li> <li>– Owners of the parent</li> </ul> </li> </ul>	<p><i>Single statement of comprehensive income</i></p> <p>Similar to IFRS Standards (ASC 220-10-45-1A and 45-5).</p>
<i>Two separate statements</i>	<i>Two separate statements</i>

IFRS Standards	U.S. GAAP
<p>If an entity presents two separate statements, the separate statement of profit or loss immediately precedes the statement presenting comprehensive income, which begins with profit or loss (IAS 1.10A).</p> <p>The separate statement of profit or loss includes the following as allocation of profit or loss for the period (IAS 1.81B):</p> <ul style="list-style-type: none"> <li>• Profit or loss for the period attributable to: <ul style="list-style-type: none"> <li>– Non-controlling interests</li> <li>– Owners of the parent</li> </ul> </li> </ul> <p>The separate statement presenting comprehensive income includes the following as allocation of other comprehensive income for the period:</p> <ul style="list-style-type: none"> <li>• Comprehensive income for the period attributable to: <ul style="list-style-type: none"> <li>– Non-controlling interests</li> <li>– Owners of the parent</li> </ul> </li> </ul>	<p>Similar to IFRS Standards (ASC 220-10-45-1B and 45-5).</p>
<p><i>General</i></p> <p>IAS 1 does not require a specific format for the statement of comprehensive income; however, it does require certain minimum line items to be presented for the period in addition to those required by other IFRS Standards (IAS 1.82).</p> <p>Expenses recognized in profit or loss are presented based on either their nature or function within the entity depending on which is reliable and more relevant (IAS1.99). If an entity classifies expenses by function, it discloses additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense (IAS 1.104).</p> <p>The other comprehensive income section presents line items for the amounts for the period of (IAS 1.82A):</p> <ul style="list-style-type: none"> <li>• Items of other comprehensive income, including amounts below, classified by nature and grouped into those that <ul style="list-style-type: none"> <li>– Will not be reclassified subsequently to profit or loss</li> <li>– Will be reclassified subsequently to profit or loss when specific conditions are met</li> </ul> </li> <li>• The share of the other comprehensive income of associates and joint ventures accounted for using the equity method separated into the share of items that <ul style="list-style-type: none"> <li>– Will not be reclassified subsequently to profit or loss</li> </ul> </li> </ul>	<p><i>General</i></p> <p>U.S. GAAP does not prescribe a standard format for the income statement. Either the single-step format (expenses are classified by function) or multiple-step format (operating and nonoperating items are displayed separately) is acceptable. However, SEC Regulation S-X, Rule 5-03 requires specific line items to appear on the face of the income statement, where applicable.</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>– Will be reclassified subsequently to profit or loss when specific conditions are met</li> </ul>	
<p data-bbox="228 310 542 338"><i>Other comprehensive income</i></p> <p data-bbox="228 352 846 506">Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by IFRS Standards. Examples of items in other comprehensive income (OCI) include (IAS 1.7):</p> <ul style="list-style-type: none"> <li>• Changes in revaluation surplus (IAS 16 and IAS 38)</li> <li>• Remeasurements of defined benefit pension plans (IAS 19)</li> <li>• Exchange differences on translating foreign operations (IAS 21)</li> <li>• Gains and losses from investments in equity instruments measured at fair value through other comprehensive income (IFRS 9.5.7.5)</li> <li>• Gains and losses on financial assets measured at fair value through other comprehensive income (IFRS 9.4.1.2A)</li> <li>• Effective portion of gains and losses on hedging instruments in cash flow hedges and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income (IFRS 9.5.7.5)</li> <li>• For particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (IFRS 9.5.7.7)</li> <li>• Changes in value of the time value of options when separating intrinsic value and time value of an option contract and designating as hedging instrument only the changes in intrinsic value (IFRS 9.6.2.4(a))</li> <li>• Changes in value of forward elements of forward contracts when separating forward and spot elements and designating as hedging instrument only changes in spot elements and changes in value of foreign currency basis spread of financial instrument, excluding it as a hedging instrument (IFRS 9.6.2.4(b))</li> </ul>	<p data-bbox="878 310 1192 338"><i>Other comprehensive income</i></p> <p data-bbox="878 352 1479 569">Other comprehensive income comprises revenues, expenses, gains, and losses that are included in comprehensive income but excluded from net income (see Master Glossary, "Other Comprehensive Income"). Examples of items that are required to be reported as other comprehensive income include (ASC 220-10-45-10A through 10B):</p> <ul style="list-style-type: none"> <li>• Foreign currency translation adjustments (ASC 830-30-45-12)</li> <li>• Gains and losses on foreign currency transactions designated as and effective as, economic hedges of a net investment in a foreign entity (ASC 830-20-35-3(a))</li> <li>• Gains and losses on intra-entity foreign currency transactions that are of a long-term investment nature when the entities to the transaction are consolidated, combined or accounted for by the equity method (ASC 830-20-35-3(b))</li> <li>• Gains or losses associated with pension or other postretirement benefits (ASC 715-20-50-1(j))</li> <li>• Prior service costs or credits associated with pension or other postretirement benefits (ASC 715-20-50-1(j))</li> <li>• Transition assets or obligations associated with pension or other postretirement benefits (ASC 715-20-50-1(j))</li> <li>• Unrealized holding gains and losses on available-for-sale securities (ASC 320-10-45-1, ASC 326-30-25-2)</li> <li>• Unrealized holding gains and losses from a debt security transferred into the available-for-sale category from the held-to-maturity category (ASC 320-10-35-10(c))</li> <li>• Amounts recognized in OCI for debt securities classified as available-for-sale and held-to-maturity related to an other-than-temporary impairment (ASC 320-10-35) <b>Note:</b> This guidance is superseded with the effective date of ASU 2016-13, <i>Financial Instruments-Credit Losses, Measurement of Credit Losses on Financial Instruments</i>.</li> <li>• Subsequent decreases (if not other-than-temporary impairment) or increases in the fair value of available-for-sale securities previously written down as impaired (ASC 320-10-35-18) <b>Note:</b> This guidance is superseded with the effective date of</li> </ul>

IFRS Standards	U.S. GAAP
	<p>ASU 2016-13. Some of the guidance was moved to ASC 326.</p> <ul style="list-style-type: none"> <li>Effective portion of gains and losses on derivative instruments in cash flow hedges (ASC 815-20-35-1(c))</li> </ul>
<p><i>Other comprehensive income – reclassification adjustments</i></p> <p>Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in OCI in the current or previous periods (IAS 1.7).</p> <p>Reclassification adjustments may be presented either in the statement(s) of profit or loss and other comprehensive income or in the notes (IAS 1.94 and .112-.138).</p> <p>An entity discloses reclassification adjustments relating to components of OCI (IAS 1.92).</p> <p>Other IFRS Standards specify whether and when amounts previously recognized in OCI are reclassified to profit or loss. Such reclassifications are referred to in IAS 1 as reclassification adjustments. A reclassification adjustment is included with the related component of OCI in the period that the adjustment is reclassified to profit or loss. These amounts may have been recognized in OCI as unrealized gains in the current or previous periods. Those unrealized gains are deducted from OCI in the period the realized gains are reclassified to profit or loss to avoid including them in total comprehensive income twice (IAS 1.93).</p> <p>Entities using IFRS Standards report fewer amounts in OCI, and they are not required to subsequently reclassify all amounts of accumulated OCI to net income (profit or loss). However, the disclosure requirements under IAS 1 do not include the specific presentation requirements of ASC 220-10-45.</p>	<p><i>Other comprehensive income – reclassification adjustments</i></p> <p>Reclassification adjustments are made to avoid double counting in comprehensive income items displayed as part of net income for a period that also have been displayed as part of OCI in that period or earlier periods (ASC Master Glossary, “Reclassification adjustments”). An entity presents reclassification adjustments out of accumulated OCI either on the face of the statement where OCI is presented or in the notes (ASC 220-10-45-17).</p> <p>Nonpublic entities are required to (1) comply with the requirements for annual reporting periods and (2) report information about the amounts reclassified out of accumulated OCI by component for each reporting period. However, nonpublic entities are not required to report the effects of reclassifications on net income in interim reporting periods (ASC 220-10-45-18B). Not-for-profit entities that report under ASC 958-205 are excluded from the scope of these requirements (ASC 220-10-15-3).</p>
<p><i>Other comprehensive income – income tax</i></p> <p>An entity may present components of other comprehensive income either (a) net of related tax effects, or (b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those components. If an entity elects alternative (b), it allocates the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section (IAS 1.91).</p>	<p><i>Other comprehensive income – income tax</i></p> <p>Similar to IFRS Standards (ASC 220-10-45-11).</p>
<b>Presentation and disclosure</b>	
<p>An entity does not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income or in the notes (IAS 1.87).</p>	<p>Similar to IFRS Standards, under U.S. GAAP an entity does not present any items of income or expense as extraordinary items in the statements(s) presenting profit or loss and other comprehensive income or in the notes (ASC 225-20-45).</p>

IFRS Standards	U.S. GAAP
When items of income or expense are material, an entity discloses their nature and amount separately (IAS 1.97).	A material event or transaction that an entity considers to be of an unusual nature or of a type that indicates infrequency of occurrence or both is reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction is presented as a separate component of income from continuing operations or, alternatively, disclosed in notes to the financial statements (ASC 225-20-45-16).

## 2.4 Statement of changes in equity

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1	<b>Relevant guidance:</b> ASC 505 and 810
<b>Introduction</b>	
<p>An entity presents a statement of changes in equity that displays (IAS 1.106):</p> <ul style="list-style-type: none"> <li>• Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests</li> <li>• For each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8</li> <li>• For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from (This paragraph is amended by IFRS 9, effective for annual reporting periods beginning on or after Jan 1, 2018. The amended text reads as follows: for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately (as a minimum) disclosing changes resulting from):                         <ul style="list-style-type: none"> <li>– Profit or loss</li> <li>– Each item of OCI</li> <li>– Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.</li> </ul> </li> </ul> <p>An entity presents, either in the statement of changes in equity or in the notes:</p> <ul style="list-style-type: none"> <li>• The amount of dividends recognized as distributions to owners during the period and the amount per share (IAS 1.107)</li> <li>• For each component of equity, an analysis of OCI by item (IAS 1.106A)</li> </ul>	<p>If both financial position and results of operations are presented, an entity discloses changes in the separate accounts comprising shareholder's equity (in addition to retained earnings) and changes in the number of shares of equity securities in either a statement of changes in stockholders' equity, the basic statements, or in the notes to financial statements (ASC 505-10-50-2).</p> <p>A parent with one or more less-than-wholly-owned subsidiaries discloses for each reporting period either in the consolidated statement of changes in equity, if presented, or in the notes to consolidated financial statements, a reconciliation at the beginning and the end of the period of the carrying amount of total equity, equity attributable to the parent, and equity attributable to the noncontrolling interest. That reconciliation separately discloses (ASC 810-10-50-1A):</p> <ul style="list-style-type: none"> <li>• Net income</li> <li>• Each component of OCI</li> <li>• Transactions with owners acting in their capacity as owners, showing separately contributions from and distributions to owners</li> </ul>

## 2.5 Statement of cash flows

The FASB has a research project on its agenda *Targeted Improvements to the Statement of Cash Flows*, with an objective of reducing diversity in how certain cash receipts and cash payments are presented in the statement of cash flows.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 7; IFRS 5	<b>Relevant guidance:</b> ASC 230 and 830
<b>Introduction</b>	
All entities are required to present a statement of cash flows that provides information about its historical changes in cash and cash equivalents (IAS 7.1 and .4).	Similar to IFRS Standards, except a statement of cash flows is not required to be provided by (ASC 230-10-15-4): <ul style="list-style-type: none"> <li>• Defined benefit pension plans and certain other employee benefit plans that present financial information in accordance with ASC 960</li> <li>• Certain investment companies that meet specified criteria</li> </ul>
<b>Cash and cash equivalents</b>	
<p><i>Cash</i> comprises cash on hand and demand deposits (IAS 7.6).</p> <p><i>Cash equivalents</i> are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (IAS 7.6). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition (IAS 7.7).</p>	Similar to IFRS Standards (ASC Master Glossary, “Cash” and “Cash Equivalents”).
In some countries, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. Those bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. Bank borrowings are generally considered to be financing activities (IAS 7.8).	Unlike IFRS Standards, bank overdrafts are included in liabilities and excluded from cash equivalents. Changes in overdraft balances are financing activities. (ASC 230-10 and 305-10)
<b>Presentation and disclosure</b>	
<p>The statement of cash flows reports cash flows during the period classified by the following (IAS 7.10):</p> <ul style="list-style-type: none"> <li>• Operating activities</li> <li>• Investing activities</li> <li>• Financing activities</li> </ul> <p>Cash flows from operating activities are reported using either the direct or the indirect method (IAS 7.18).</p>	<p>Similar to IFRS Standards (ASC 230-10-45-10, 45-25, and 45-28).</p> <p>Unlike IFRS standards, an entity is required to include restricted cash and cash equivalents with cash and cash equivalents when reconciling changes to cash flows. (ASC 230-10-50-7 and 50-8).</p> <p>U.S. GAAP provides specific guidance about the cash flow classification of certain types of transactions for</p>

IFRS Standards	U.S. GAAP
<p>An entity provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (IAS 7.44A).</p> <p>An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group. (IAS 7.48)</p>	<p>which no specific guidance exists in IFRS Standards. These transactions include</p> <ul style="list-style-type: none"> <li>• Debt prepayment or debt extinguishment costs</li> <li>• Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing</li> <li>• Contingent consideration payments made after a business combination</li> <li>• Proceeds from the settlement of insurance claims</li> <li>• Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies</li> <li>• Distributions received from equity method investees</li> <li>• Beneficial interests in securitization transactions</li> <li>• Separately identifiable cash flows and application of the predominance principle</li> </ul>
<p>Cash flows arising from the following operating, investing, or financing activities may be reported on a net basis (IAS 7.22):</p> <ul style="list-style-type: none"> <li>• Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity</li> <li>• Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short</li> </ul>	<p>Receipts and payments are generally shown gross. Certain items may be presented net because their turnover is quick, the amounts are large, and the maturities are short. Items that qualify for net reporting are cash flows pertaining to (a) investments (other than cash equivalents), (b) loans receivable, and (c) debt, provided that the original maturity of the asset or liability is three months or less (ASC 230-10-45-7 through 45-9).</p>
<p>Interest and dividends received and paid are classified in a consistent manner from period to period as operating, investing, or financing activities (IAS 7.31 and .33).</p> <p>Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution (IAS 7.33).</p>	<p>Interest and dividends received and interest paid (and expensed) are classified as operating activities (ASC 230-10-45-25b and 45-25e).</p> <p>Dividends paid are classified as financing activities (ASC 230-10-45-15).</p>
<p>Taxes paid are classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities (IAS 7.35-.36).</p>	<p>Taxes are generally classified as operating activities (ASC 230-10-45-17c).</p>
<p>Disclose in the notes or in the financial statements the amount of the net cash flows attributable to the operating, investing, and financing activities of discontinued operations (IFRS 5.33(c)).</p>	<p>Unlike IFRS Standards, separate disclosure of cash flows related to discontinued operations is not required to be presented in net cash provided or used by operating, investing, and financing activities and the net effect of those cash flows on cash and cash equivalents. An entity that nevertheless chooses to report separately operating cash flows of discontinued operations does so consistently for all periods affected, which may include periods long after sale or liquidation of the operation. (ASC 230-10-45-24).</p>

IFRS Standards	U.S. GAAP
	<p>Disclose either on the face of the cash flows statement or in the notes to the financial statements, related to discontinued operations on the statement of cash flows (ASC 230-10-45-24 and 205-20-50-5B(c)):</p> <ul style="list-style-type: none"> <li>• Total operating and investing cash flows of the discontinued operation for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported</li> <li>• Depreciation, amortization, capital expenditures, and significant operating and investing noncash items of the discontinued operation for the periods where the results of operations of the discontinued operation are presented in statement where net income is reported</li> </ul>
<p>An entity discloses the components of cash and cash equivalents and presents a reconciliation of the amounts in its statement of cash flows with the equivalent items in the statement of financial position (IAS 7.45).</p>	<p>An entity discloses its policy for determining which items are treated as cash equivalents (ASC 230-10-50-1). Total cash and cash equivalents at the beginning and end of the period shown in the statement of cash flows are to be the same as similarly titled line items or subtotals in the balance sheet (ASC 230-10-45-4).</p>

## 2.6 Non-current assets held for sale and discontinued operations

IFRS Standards	U.S. GAAP
Relevant guidance: IFRS 5 and 13	Relevant guidance: ASC 205, 230, 360, and 810
<b>Introduction</b>	
<p>A <i>discontinued operation</i> is a component of an entity that either has been disposed of, or is classified as held for sale, and (IFRS 5.32):</p> <ul style="list-style-type: none"> <li>• Represents a separate major line of business or geographical area of operations</li> <li>• Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or</li> <li>• Is a subsidiary acquired exclusively with a view to resale</li> </ul> <p>A <i>component of an entity</i> comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use (IFRS 5.31).</p> <p>A <i>cash-generating unit</i> is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (IFRS 5, Appendix A).</p>	<p>A <i>discontinued operation</i> may include a component of an entity or group of components of an entity, or a business or nonprofit activity (ASC 205-20-45-1A).</p> <p>A <i>component of an entity</i> or a group of components of an entity is reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results when any of the following occur (ASC 205-20-45-1B):</p> <ul style="list-style-type: none"> <li>• The component or group of components of an entity meets the criteria in ASC 205-20-45-1E as held for sale</li> <li>• The component or group of components of an entity is disposed of by sale</li> <li>• The component or group of components of an entity is disposed of other than by sale (by abandonment or in a distribution to owners in a spinoff) (ASC 360-10-45-15)</li> </ul> <p>A strategic shift that has, or will have a major effect on an entity's operations and financial results could include a disposal of a major geographical area, major line of business, major equity method investment or other major parts of an entity (ASC 205-20-45-1C).</p> <p>A <i>component of an entity</i> comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Unlike IFRS Standards, a component of an entity may be a reportable segment or an operating segment; a reporting unit; a subsidiary; or an asset group (all as defined in the ASC Master Glossary) (ASC Master Glossary, "Component of an Entity").</p>
<b>Held for sale</b>	
<p>Classify a non-current asset (disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use (IFRS 5.6).</p> <p>The asset (disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups) and its sale must be <i>highly probable</i> (IFRS 5.7).</p> <p>For the sale to be highly probable (IFRS 5.8):</p>	<p>An entity classifies a component or group of components of an entity or a long lived asset (disposal group) as held for sale when it satisfies the criteria listed below that demonstrate that the entity is sufficiently committed to a plan to sell (ASC 205-20-45-1E and 360-10-45-9 through 45-14):</p> <ul style="list-style-type: none"> <li>• Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group)</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• The appropriate level of management must be committed to a plan to sell the asset (disposal group)</li> <li>• An active program to locate a buyer and complete the plan must have been initiated</li> <li>• The asset (disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value</li> <li>• The sale is expected to qualify for recognition as a completed sale within one year from the date of classification (the one year limit is extended if conditions in IFRS 5, Appendix B apply)</li> <li>• Actions required to complete the plan are required to indicate that it is unlikely that significant changes to the plan will be made or that it will be withdrawn</li> </ul> <p>The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable (IFRS 5.8).</p> <p>A <i>disposal group</i> is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction (IFRS 5, Appendix A).</p> <p>An entity that is committed to a sale plan involving loss of control of a subsidiary classifies all the assets and liabilities of that subsidiary as held for sale when the criteria in IFRS 5.6-.8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale (IFRS 5.8A).</p>	<ul style="list-style-type: none"> <li>• The asset (disposal group/entity) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups)</li> <li>• An active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) has been initiated</li> <li>• The sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year except as permitted by ASC 360-10-45-11</li> <li>• The asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value</li> <li>• Actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made or that it will be withdrawn</li> </ul> <p>A <i>disposal group</i> for long-lived asset(s) to be disposed of by sale or otherwise represents assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction. A disposal group may include a discontinued operation along with other assets and liabilities that are not part of the discontinued operation (ASC Master Glossary, "Disposal group").</p>
<b>Measurement</b>	
<p><i>Measurement of non-current assets (disposal groups) classified as held for sale</i></p> <p>An entity measures a non-current asset (disposal group) classified as held for sale (held for distribution) at the lower of its carrying amount and fair value less costs to sell (distribute) (IFRS 5.15 and .15A).</p> <p><i>Recognition of impairment losses and reversals</i></p> <p>An impairment loss is recognized for any initial or subsequent write-down of the asset (disposal group) to fair value less costs to sell, to the extent that it has not been recognized in accordance with IFRS 5.19 (IFRS 5.20).</p> <p>A gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized either in accordance with IFRS 5 or previously in accordance with IAS 36 (IFRS 5.21).</p>	<p><i>Measurement of long-lived assets (disposal groups) classified as held for sale</i></p> <p>Similar to IFRS Standards (ASC 360-10-35-38 through 35-43).</p>

IFRS Standards	U.S. GAAP
<p>A gain is recognized for any subsequent increase in fair value less costs to sell of a disposal group (IFRS 5.22):</p> <ul style="list-style-type: none"> <li>To the extent that it has not been recognized in accordance with IFRS 5.19, but</li> <li>Not in excess of the cumulative impairment loss that has been recognized, either in accordance with IFRS 5 or previously in accordance with IAS 36, on the non-current assets that are within the scope of the measurement requirements of IFRS 5</li> </ul> <p>An entity does not depreciate (or amortize) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized (IFRS 5.25).</p>	
<p><i>Changes to a plan of sale</i></p> <p>For situations where assets or disposal groups previously classified as held for sale no longer meet those criteria, the asset or disposal group is no longer classified as held for sale and disclosure of the circumstances surrounding the change is required (IFRS 5.26-.29 and .42).</p> <p>After the change, the assets are remeasured at the lower of their carrying amount prior to the classification as held for sale, adjusted for any depreciation, amortization or revaluations, or their recoverable amount at the date of the subsequent decision not to sell (IAS 36), at the amounts that would have been recognized had the asset (or disposal group) not been classified as held for sale (IFRS 5.27).</p> <p>If an entity reclassifies an asset or disposal group directly from being held for sale to being held for distribution to owners or vice versa, then the change in classification is considered a continuation of the original plan of disposal (IFRS 5.26A and 44L).</p>	<p><i>Changes to a plan of sale</i></p> <p>Similar to IFRS Standards (ASC 360-10-35-44 through 35-45; ASC 360-10-45-7).</p>
<p><i>Non-current assets to be abandoned</i></p> <p>An entity does not classify as held for sale a non-current asset (disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in IFRS 5.32(a)-(c), the entity presents the results and cash flows of the disposal group as discontinued operations in accordance with IFRS 5.33-.34 at the date it ceases to be used (IFRS 5.13).</p>	<p><i>Long-lived assets to be abandoned</i></p> <p>Similar to IFRS Standards, except long-lived assets to be abandoned continue to be classified as long-lived assets to be held and used. Report those long-lived assets as discontinued operations if they meet the conditions in ASC 205-20-45-1A through 45-1C (ASC 360-10-45-15, ASC 360-10-35-47 through 35-48).</p>
<b>Timing considerations</b>	
<p>If the held for sale criteria in IFRS 5.7-.8 are met after the reporting period, an entity does not classify a non-current asset (disposal group) as held for sale in those financial</p>	<p>Similar to IFRS Standards, except for those situations where the criteria are met after the balance sheet date but before issuance of the financial statements,</p>

IFRS Standards	U.S. GAAP
<p>statements when issued. However, when those criteria are met after the reporting period but before the authorization of the financial statements for issue, the entity discloses the information specified in IFRS 5.41(a), (b), and (d) in the notes (IFRS 5.12).</p>	<p>disclosure is required of the carrying amounts of the major classes of assets and liabilities included as part of a disposal group if not separately presented on the face of the balance sheet (ASC 360-10-45-13 and ASC 205-20-50-1(a)).</p>
<b>Presentation – discontinued operations</b>	
<p>The key disclosures required for discontinued operations are (IFRS 5.33):</p> <ul style="list-style-type: none"> <li>• A single amount in the statement of comprehensive income comprising the total of: <ul style="list-style-type: none"> <li>– The post-tax profit or loss of discontinued operations; and</li> <li>– The post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation</li> </ul> </li> <li>• An analysis of the above single amount (in the statement of comprehensive income or in the notes) into: <ul style="list-style-type: none"> <li>– The revenue, expenses, and pre-tax profit or loss of discontinued operations</li> <li>– The related income tax expense as required by IAS 12.81(h)</li> <li>– The gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation</li> </ul> <p>If the analysis is shown in the statement of comprehensive income it is presented in a section identified as relating to discontinued operations.</p> </li> <li>• Net cash flows attributable to the operating, investing, and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements.</li> <li>• The amount of income from continuing operations and from discontinued operations attributable to owners of the parent, presented either in the notes or in the statement of comprehensive income.</li> </ul> <p>If an entity presents items of profit or loss in a separate statement, a section identified as relating to discontinued operations is presented in that statement (IFRS 5.33A).</p>	<p>The following is reported (net of income taxes (benefit)) separately on the face of the income statement for discontinued operations for current and prior periods in the period a discontinued operation has been disposed of or classified as held for sale (ASC 205-20-45-3 and 45-3A):</p> <ul style="list-style-type: none"> <li>• Results of operations of the component</li> <li>• Gain or loss recognized in accordance with ASC 205-20-45-3C</li> </ul> <p>A gain or loss on disposal or a loss recognized on classification as held for sale, is presented separately on the face of the income statement where net income is reported or disclosed in the notes (ASC 205-20-45-3B).</p> <p>Adjustments to amounts previously reported in discontinued operations (See ASC 205-20-45-5 for examples) in a prior period are presented separately in discontinued operations in the current period (ASC 205-20-45-4).</p> <p>Similar to IFRS Standards, an entity discloses either in the notes or on the face of the consolidated income statement, amounts attributable to the parent for the following, if reported in the consolidated financial statements (ASC 810-10-50-1A(b)):</p> <ul style="list-style-type: none"> <li>• Income from continuing operations</li> <li>• Discontinued operations</li> </ul> <p>Unlike IFRS Standards, the separate disclosure of cash flows related to discontinued operations is not required to be presented. However, if an entity chooses to separately report cash flows from discontinued operations, then it does not aggregate operating, investing, and financing cash flows from discontinued operations into a single line item but displays them separately (ASC 230-10-45-24).</p>
<p>Disclosure of major classes of assets and liabilities is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition, (IFRS 5.39).</p>	<p>Unlike IFRS Standards, there is no similar requirement for a disclosure exemption for a disposal group that is a newly acquired subsidiary.</p>

## Overall financial statement presentation – Non-current assets held for sale and discontinued operations

IFRS Standards	U.S. GAAP
<p>For prior periods presented in the financial statements an entity re-presents the statement of comprehensive income and cash flow disclosures that are set out in IFRS 5.33 so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented (IFRS 5.34).</p> <p>An entity does not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented (IFRS 5.40).</p>	<p>Similar to IFRS Standards (ASC 205-20-45-3 and 45-4).</p>
<b>Presentation – held for sale assets or disposal group</b>	
<p>Where a non-current asset or a disposal group qualifies as held for sale, the assets and liabilities are presented separately from other assets and liabilities (both as separate single lines). The assets and liabilities are not offset in the statement of financial position (IFRS 5.38).</p> <p>The major classes of assets and liabilities classified as held for sale are separately disclosed either in the statement of financial position or in the notes (except where the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition). An entity presents separately any cumulative income or expense recognized in OCI relating to a non-current asset (disposal group) classified as held for sale (IFRS 5.38-.39).</p>	<p>Similar to IFRS Standards (ASC 205-20-45-1D, 45-10 and 45-11).</p> <p>Additional disclosures are required related to a long-lived asset or disposal group which includes an individually significant component of an entity that either has been disposed of or is classified as held for sale but does not qualify for presentation and disclosure as a discontinued operation (ASC 360-10-45-14 and 50-3A).</p>

## 3. General accounting policies

### 3.1 Accounting policies

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1, 8, and 10	<b>Relevant guidance:</b> ASC 105, 235, and 275; SEC Regulation S-K, Item 303
<b>Disclosure of accounting policies</b>	
<p>An entity discloses both of the following in the summary of significant accounting policies (IAS 1.117):</p> <ul style="list-style-type: none"> <li>• The measurement basis (or bases) used in preparing the financial statements</li> <li>• The other accounting policies used that are relevant to an understanding of the financial statements</li> </ul>	<p>Similar to IFRS Standards, a description of all significant accounting policies is included as an integral part of the financial statements when those financial statements purport to present fairly financial position, cash flows, and results of operations (ASC 235-10-50-1). These disclosures identify and describe the accounting principles followed by the entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, or results of operations (ASC 235-10-50-3).</p>
<p>An entity whose financial statements comply with IFRS Standards makes an explicit and unreserved statement of such compliance in the notes. Financial statements are not described as complying with IFRS Standards unless they comply with all the requirements of IFRS Standards (IAS 1.16).</p>	<p>No similar requirement.</p>
<p>An entity discloses, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations that management has made in the process of applying the entity's accounting policies and that have the most significant effect on amounts recognized in the financial statements (IAS 1.122).</p>	<p>An entity discloses that the preparation of financial statements requires the use of management's estimates (ASC 275-10-50-4). Other ASC Topics require entities to disclose information regarding estimates used in determining the carrying amounts of assets and liabilities or in disclosure of gain or loss contingencies (ASC 275-10-50-7).</p> <p>SEC registrants disclose critical accounting policies in management's discussion and analysis of financial condition and results of operations; however, that information is outside of the financial statements. There is no similar requirement for non-SEC reporting entities (SEC Regulation S-K, Item 303).</p>
<p>An entity discloses information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The notes include details of the nature and carrying amount as at the end of the reporting period of those assets and liabilities (IAS 1.125).</p>	<p>An entity discloses information about a material change in the amount of an estimate if it is at least reasonably possible (more than remote but less than likely) that a change in the estimate will occur in the near term (ASC 275-10-50-8 through 50-9).</p>

IFRS Standards	U.S. GAAP
<p>An entity discloses information that will enable users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital (IAS 1.134).</p>	<p>No similar requirement.</p>
<b>Selection and application of accounting policies</b>	
<p>When an IFRS Standard specifically applies to a transaction, other event, or condition, the accounting policy or policies applied to that item is determined by applying the IFRS Standards (IAS 8.7).</p> <p>In a situation in which no specific IFRS Standard applies to a transaction, other event, or condition, management uses its judgment in developing and applying an accounting policy that results in information that is both (IAS 8.10):</p> <ul style="list-style-type: none"> <li>• Relevant to the economic decision-making needs of users</li> <li>• Reliable, i.e. represents faithfully; reflects the economic substance; and is neutral, prudent, and complete in all material respects</li> </ul> <p>In making the judgment described in IAS 8.10, management refers to, and considers the applicability of the following in this order (IAS 8.11 and .12):</p> <ul style="list-style-type: none"> <li>• IFRS Standards dealing with similar and related issues</li> <li>• IASB Conceptual Framework definitions, recognition criteria, and measurement concepts for assets, liabilities, income, and expenses</li> <li>• Most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices (to the extent that these do not conflict with the first two bullets above)</li> </ul>	<p>The FASB Codification is the source of authoritative generally accepted accounting principles for nongovernmental entities. The SEC also provides authoritative generally accepted accounting principles for SEC registrants (ASC 105-10-05-1).</p> <p>If guidance for a transaction or event is not specified within a source of authoritative GAAP for that entity, an entity first considers accounting principles for similar transactions or events within a source of authoritative GAAP for that entity and then considers nonauthoritative guidance from other sources. An entity does not follow the accounting treatment specified in accounting guidance for similar transactions or events in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or event or indicate that the accounting treatment is not to be applied by analogy (ASC 105-10-05-2).</p> <p>ASC 105-10-05-3 provides examples of non-authoritative guidance and literature.</p>
<p>An entity may depart from a requirement in an IFRS Standard only in extremely rare circumstances where management concludes that compliance with that requirement would be so misleading that it would conflict with the objective of financial statements set out in the IASB Conceptual Framework, if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure (IAS 1.19).</p> <p>In the extremely rare circumstances in which compliance with a requirement in an IFRS Standard would be so misleading, but departing from the IFRS Standard is prohibited by the relevant regulatory framework, certain disclosures are required (IAS 1.23).</p>	<p>Unlike IFRS Standards, an entity is not permitted to depart from generally accepted accounting principles.</p>

IFRS Standards	U.S. GAAP
<b>Going concern</b>	
<p>Management makes an assessment of an entity's ability to continue as a going concern, when preparing the entity's financial statements. An entity prepares financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so (even if management did not determine this until after the reporting period). When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the entity discloses those uncertainties (IAS 1.25-.26 and IAS 10.14-.16).</p>	<p>Management has a responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and any related disclosure requirements. In connection with preparing financial statements for each annual and interim reporting period, an entity's management evaluates whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued or within one year after the date that the financial statements are available to be issued. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (ASC 205-40-05 and 205-40-50). Under IFRS, the assessment period is at least one year from the financial statement date (balance sheet date) with no upper time limit.</p> <p>Under IFRS, disclosures are required when management is aware of material uncertainties related to events and conditions that may cast significant doubt about an entity's ability to continue as a going concern. Under U.S. GAAP, disclosures are required when there is substantial doubt about an entity's ability to continue as a going concern or, unlike IFRS Standards, when substantial doubt is alleviated as a result of consideration of management's plans.</p>
<b>Liquidation basis of accounting</b>	
<p>IFRS Standards state that an entity prepares financial statements on the going concern basis of accounting "unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so" (IAS 1.25). However, unlike U.S. GAAP, IFRS Standards currently do not provide explicit guidance on when or how to apply the liquidation basis of accounting.</p>	<p>An entity prepares its financial statements using the liquidation basis of accounting in ASC 205-30 when liquidation is imminent unless the liquidation follows a plan for liquidation that was specified in the entity's governing documents at the entity's inception (ASC 205-30-25-1).</p>

### 3.2 Changes in accounting policies and correction of errors

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1, 8 and 33	<b>Relevant guidance:</b> ASC 250, 260; SEC SAB Topic 11.M
<b>Introduction</b>	
The objective of IAS 8 is to prescribe the criteria for selecting and changing accounting policies along with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and correction of errors (IAS 8.1).	Similar to IFRS Standards (ASC 250-10-05-1).
<b>Change in accounting policy / accounting principle</b>	
<p>A change in accounting policy is made only if the change (a) is required by an IFRS Standard, or (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, or conditions on the entity's financial position, financial performance, or cash flows (IAS 8.14).</p> <p>The initial application of a policy to revalue assets in accordance with IAS 16 or IAS 38 is a change in an accounting policy. However, that change is accounted for as a revaluation under IAS 16 or IAS 38 rather than in accordance with IAS 8 (IAS 8.17).</p> <p>Unless included in the specific transitional provisions, a change in accounting policy upon initial application of an IFRS Standard is applied retrospectively. This change is accounted for by adjusting the relevant opening equity balance and prior-period comparative amounts presented (IAS 8.19 and .22). When retrospective application is required by IAS 8.19(a) or (b), a change in accounting policy is applied retrospectively except to the extent that it is impracticable to determine either the period-specific or cumulative effects of the change (IAS 8.23).</p> <p>When it is impracticable to determine the period-specific effects on comparative information, the entity applies the new accounting policy from the earliest date practicable (IAS 8.24-.27). IAS 8.5 contains a definition of impracticable and IAS 8.50-.53 contains further guidance on impracticability in respect of retrospective application and retrospective restatement.</p> <p>IAS 8.30 requires disclosure of a new IFRS Standard that has been issued but is not yet effective, together with the known or reasonably estimable information relevant to assessing the possible impact the application of the new IFRS Standard will have on the entity's financial statements in the period of initial application.</p>	<p>Similar to IFRS Standards, a change in accounting principle is made only if (a) the change is required by a newly issued Codification update or (b) the entity can justify the use of an allowable alternative accounting principle on the basis that it is preferable (ASC 250-10-45-2).</p> <p>Unlike IFRS Standards, fixed assets and intangibles are not revalued in a manner similar to that provided by IAS 16 or IAS 38.</p> <p>Similar to IAS 8 (ASC 250-10-45-5 through 45-8). However, retrospective application includes only the direct effects of a change in accounting principle. IAS 8 does not include specific guidance on this area. Similar to IAS 8, except that the accounting for and disclosure of the indirect effects of a change in accounting principle is specifically addressed (ASC 250-10-45-5 and 45-8).</p> <p>ASC 250-10-45-9 through 45-10 lists the conditions that must be met before an entity can conclude that it is impracticable to apply the effects of a change in accounting principle retrospectively.</p> <p>SEC SAB Topic 11.M contains similar disclosure requirements for SEC registrants.</p>

IFRS Standards	U.S. GAAP
<b>Correction of errors</b>	
<p>Prior period errors (IAS 8.41) are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by (IAS 8.42):</p> <ul style="list-style-type: none"> <li>• Restating the comparative amounts for prior periods in which the error occurred</li> <li>• If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities, and equity for the earliest prior period presented</li> </ul> <p>A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period specific effects, an entity shall restate the opening balances of assets, liabilities, and equity for the earliest period for which retrospective restatement is practicable (which may be the current period). (IAS 8.43-.48).</p> <p><b>Note:</b> In March 2018, the Board issued an Exposure Draft, <i>Accounting Policy Changes – Proposed amendments to IAS 8</i>. The proposed amendments would lower the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the costs and benefits of applying such changes retrospectively.</p>	<p>A correction of an error in previously issued financial statements is reported as a prior-period adjustment by restating the prior-period financial statements (ASC 250-10-45-23). Restatement requires:</p> <ul style="list-style-type: none"> <li>• The cumulative effect of the error on periods prior to those presented is reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented</li> <li>• An offsetting adjustment, if any, is made to the opening balance of retained earnings for that period</li> <li>• Financial statements for each individual prior period presented are adjusted to reflect correction of the period-specific effects of the change</li> </ul> <p>In determining materiality for the purpose of reporting the correction of an error, amounts are related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings are separately disclosed in the interim period (ASC 250-10-45-27).</p> <p>Unlike IFRS Standards, there is no similar requirement for an impracticability exception with respect to a correction of an error.</p>
<b>Change in estimates</b>	
<p>Changes in estimates are accounted for prospectively other than for a change to which IAS 8.37 applies (IAS 8.34-.38).</p> <p>To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it is recognized by adjusting the carrying amount of the related asset, liability, or equity item in the period of the change (IAS 8.37).</p> <p><b>Note:</b> In September 2017, the Board issued Exposure Draft, <i>Accounting Policies and Accounting Estimates – Proposed amendments to IAS 8</i>. The proposed amendments explain that accounting estimates are used in applying accounting policies and make the definition of accounting policies more clear and concise, as well as clarifying further situations that constitute making an accounting estimate or that represent an accounting policy.</p>	<p>Changes in accounting estimate are accounted for in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both.</p> <p>Changes in accounting estimate are not accounted for by restating or retrospectively applying the change to prior periods or by reporting pro forma amounts for prior periods. (ASC 250-10-45-17).</p>

IFRS Standards	U.S. GAAP
<b>Presentation</b>	
<p>Basic and diluted earnings per share of all periods presented are adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively (IAS 33.64).</p> <p>When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, and those changes have a material effect on the information in the statement of financial position at the beginning of the preceding period, it is required to present a third statement of financial position as of the beginning of the preceding period in addition to the minimum comparative financial statements (IAS 1.40A through .40D).</p> <p>When an additional statement of financial position is required to be presented, an entity discloses the information required by IAS 1.41-.44 and IAS 8. However, the related notes to the opening statement of financial position at the beginning of the preceding period are not required (IAS 1.40C).</p>	<p>If prior period results of operations are restated, then earnings per share data for the prior period are restated (ASC 260-10-55-15 through 55-16).</p> <p>Unlike IFRS Standards, there is no similar requirement for a third balance sheet as of the beginning of the preceding period.</p>

## 4. Assets

### 4.1 Property, plant and equipment

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 16, 23, and 36; IFRS 13	<b>Relevant guidance:</b> ASC 360, 410, 820, 835, 845, and 908; Concepts Statement 5; SEC SAB Topic 5:CC
<b>Introduction</b>	
The objective of IAS 16 is to prescribe the accounting treatment for property, plant and equipment, including bearer plants, so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them (IAS 16.1).	Similar to IFRS Standards (ASC 360-10-05-2). The accounting for development costs for land, orchards, groves, vineyards, intermediate-life plants, trees and vines, breeding and production animals and field or row crops is in ASC 905-360 and is similar to the guidance under IFRS Standards except the revaluation approach is not permitted.
<i>Property, plant and equipment</i> are tangible items that are (IAS 16.6): <ul style="list-style-type: none"> <li>• Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are</li> <li>• Expected to be used during more than one period</li> </ul>	Similar to IFRS Standards (ASC 360-10-05-3).
<b>Initial recognition</b>	
The cost of an item of property, plant and equipment is recognized as an asset if, and only if (IAS 16.7): <ul style="list-style-type: none"> <li>• It is probable that future economic benefits associated with the item will flow to the entity; and</li> <li>• The cost of the item can be measured reliably</li> </ul> IAS 16.16-.22 contains detailed rules on the elements of cost. IAS 23 establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant and equipment (IAS 16.22). <b>Note:</b> In June 2017, the Board issued Exposure Draft, <i>Property, Plant and Equipment – Proceeds before Intended Use (Proposed amendments to IAS 16)</i> . IAS 16 establishes principles for recognizing and measuring items of property, plant and equipment as assets. The proposed amendments would prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by	Similar to IFRS Standards. Historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset (ASC 360-10-30-1 and 835-20-05-1). An interest in the residual value of a leased asset shall be measured initially at the amount of cash disbursed, the fair value of other consideration given, and the present value of liabilities assumed. (ASC 360-10-30-3) Refer to ASC 805 and 845 for guidance on accounting for other assets in a business combination or nonmonetary transaction respectively.

IFRS Standards	U.S. GAAP
management. Instead, an entity would recognize those sales proceeds in profit or loss.	
The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is capitalized in accordance with IAS 23 (IAS 16.23).	Historical cost is the amount of cash, or its equivalent, paid to acquire an asset, commonly adjusted after acquisition for amortization or other allocations (Concepts Statement 5.67a).
IAS 16.16(c) requires the initial recognition to include an estimate of the costs of dismantling and removing the item and site restoration. This applies when the entity has an obligation as a consequence of using the item for a purpose other than production of inventory.	Upon initial recognition of a liability for an asset retirement obligation, an entity capitalizes an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability (ASC 410-20-25-5).
<b>Asset exchanges</b>	
IAS 16.24-.26 deal with assets acquired in an exchange for non-monetary asset(s), or a combination of monetary and non-monetary assets (and whether the new asset is recognized at its fair value or the carrying amount of the asset given up – the emphasis is on substance over form).	Exchanges of nonmonetary assets are generally recorded at fair value. However, if the exchange lacks commercial substance, fair value is not determinable, or it's an exchange transaction to facilitate sales to customers, the exchange is recorded using a carryover basis (ASC 845-10-30-1 through 30-3).
<b>Subsequent costs</b>	
IAS 16.13 requires that subsequent expenditure on components is added to cost (and the replaced element derecognized) (IAS 16.67-.72). Day-to-day servicing costs are expensed (IAS 16.12). Costs of major periodic inspections are capitalized (IAS 16.14) and any remaining carrying amount of the previous inspection cost is derecognized.	Cost of routine maintenance is expensed as incurred. Major inspections and overhauls may be expensed as incurred ( <i>direct expensing method</i> ) or capitalized and amortized to the next major inspection or overhaul ( <i>built-in overhaul and deferral methods</i> ) (ASC 908-720-25-3; ASC 908-360-35-4 through 35-6).
<b>Revaluations</b>	
<p>Revaluations are permitted (as an alternative to the cost model), but not required, but if revalued are done on a class-by-class basis (IAS 16.29):</p> <ul style="list-style-type: none"> <li>• Revalue to fair value (usually market value) if fair value can be measured reliably (IAS 16.31)</li> <li>• Revaluations are to be sufficiently regular that the carrying amount does not differ materially from fair value at the end of the reporting period (IAS 16.31 and .34)</li> </ul> <p>If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued (IAS 16.36).</p> <p>When property, plant and equipment is revalued, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated by either:</p>	<p>Unlike IFRS Standards, revaluation is not permitted except for impairment (see Section 4.4, "Impairment"). Reversals of impairment losses are not permitted (ASC 350-20-35-13, ASC 350-30-35-20, and ASC 360-10-35-20).</p> <p>Property, plant and equipment is not written up by an entity to reflect appraisal, market, or current values which are above cost to the entity, except in special cases such as quasi-reorganizations (ASC 852-740-45-3).</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Adjusting gross carrying amount, consistent with the revaluation of the carrying amount of the asset, or</li> <li>Eliminating the accumulated depreciation against the gross carrying amount of the asset</li> </ul> <p>The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount in IAS 16.39 and .40, noted below (IAS 16.35).</p>	
<p>If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in OCI and accumulated in equity under the heading of revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss (IAS 16.39).</p>	<p>Unlike IFRS Standards, revaluation is not permitted except for impairment (see Section 4.4, "Impairment"). Reversals of impairment losses are not permitted (ASC 350-20-35-13, ASC 350-30-35-20, and ASC 360-10-35-20).</p>
<p>If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in OCI reduces the amount accumulated in equity under the heading of revaluation surplus (IAS 16.40).</p>	<p>Unlike IFRS Standards, revaluation is not permitted except for impairment (see Section 4.4, "Impairment"). Reversals of impairment losses are not permitted (ASC 350-20-35-13, ASC 350-30-35-20, and ASC 360-10-35-20).</p>
<p>The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole amount of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss (IAS 16.41).</p>	<p>Unlike IFRS Standards, revaluation is not permitted except for impairment (see Section 4.4, "Impairment"). Reversals of impairment losses are not permitted (ASC 350-20-35-13, ASC 350-30-35-20, and ASC 360-10-35-20).</p>
<b>Depreciation</b>	
<p>Depreciation is recognized as long as the asset's residual value does not exceed its carrying amount in which case the depreciation charge is zero unless its residual value subsequently decreases to an amount below the asset's carrying amount (IAS 16.52-.54). Land is generally not depreciated (IAS 16.58).</p> <p>A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the assets (IAS 16.62A).</p>	<p>Property, plant and equipment (less estimated salvage value) are depreciated over their expected useful lives. (ASC 360-10-35-4). Land is not depreciated.</p> <p>ASC 360-10-35 addresses acceptable methods of depreciation.</p>

IFRS Standards	U.S. GAAP
<p>The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with IAS 8 (IAS 16.51).</p>	<p>Unlike IFRS Standards, there is no requirement that residual values and useful life be reviewed annually.</p> <p>However, for SEC registrants, there is an expectation of a continual evaluation of the appropriateness of useful lives of long-lived assets and to changes to estimated residual values (SEC SAB Topic 5: CC).</p>
<p>The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets (IAS 16.57).</p>	<p>ASC 360-10-35-4 requires depreciation over the expected useful life of the facility in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of the facility.</p>
<p>Component depreciation is required whereby each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately (IAS 16.43).</p> <p>The carrying amounts of parts or components that are replaced are derecognized (IAS 16.70).</p>	<p>Unlike IFRS Standards, component depreciation is not required but is allowed. Depreciation method is to be systematic and rational (ASC 360-10-35-4).</p>
<p>Depreciation ceases in accordance with IFRS 5 if the asset qualifies as held for sale (see Section 2.6, “Non-current assets held for sale and discontinued operations”) (IAS 16.3).</p>	<p>Similar to IFRS Standards (ASC 360-10-35-43).</p>
<p><b>Borrowing costs</b></p>	
<p>Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense (IAS 23.1).</p> <p>IAS 23 applies to a <i>qualifying asset</i> which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (IAS 23.5).</p> <p>Financial assets, and inventories that are manufactured, or otherwise produced, over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets (IAS 23.7).</p>	<p>Unlike IFRS Standards, the definition of a qualifying asset does not include the term substantial (ASC 835-20-15-5 through 15-6).</p>
<p><i>Borrowing costs</i> are interest and other costs that an entity incurs in connection with the borrowing of funds (IAS 23.5). Borrowing costs may be interpreted more broadly than interest costs (e.g. exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) (IAS 23.6(e)).</p>	<p>Unlike IFRS Standards, borrowing costs are generally limited to interest cost (ASC 835-20-05-1). Interest cost includes interest recognized on obligations having explicit interest rates, interest imputed on certain types of payables in accordance with ASC 835-30, and interest related to a capital lease determined in accordance with ASC 840-30. With respect to obligations having explicit interest rates, interest cost includes amounts resulting from periodic amortization of discount or premium and</p>

IFRS Standards	U.S. GAAP
	issue costs on debt (ASC Master Glossary, "Interest Cost").
An entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity recognizes other borrowing costs as an expense in the period in which it incurs them (IAS 23.8).	Interest costs are capitalized as part of the historical cost of qualifying assets when those assets require a period of time (e.g. a construction period) to get them ready for their intended use (ASC 835-20-05-1 and ASC 360-10-30-1).
When an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings (IAS 23.12).	When an entity borrows funds specifically for the purpose of obtaining a qualifying asset, an entity may use the rate of that borrowing (ASC 835-20-30-3).  Unlike IFRS Standards, a deduction for income earned is generally not permitted, unless particular tax-exempt borrowings are involved (ASC 835-20-30-10).
When an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalizes during a period cannot exceed the amount of borrowing costs it incurred during that period (IAS 23.14).	In identifying the borrowings to be included in the weighted average rate, the objective is a reasonable measure of the cost of financing acquisition of the asset in terms of the interest cost incurred that otherwise could have been avoided. Judgment is required to make a selection of borrowings that best accomplishes that objective in the circumstances. However, the use of judgment in determining capitalization rates does not circumvent the requirement that a capitalization rate be applied to all capitalized expenditures for a qualifying asset to the extent that interest cost has been incurred during an accounting period (ASC 835-20-30-4).
IAS 23 begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the entity first meets all of these conditions (IAS 23.17-19): <ul style="list-style-type: none"> <li>• Incurs expenditures for the asset</li> <li>• Incurs borrowing costs</li> <li>• Undertakes activities necessary to prepare the asset for its intended use or sale</li> </ul>	Interest cost capitalization is required when activities to get the asset ready for intended use are in progress, expenditures have been made, and interest cost is being incurred (ASC 835-20-25-3).  In cases involving qualifying assets financed with the proceeds of tax-exempt borrowings that are externally restricted, the capitalization begins at the date of the borrowing (ASC 835-20-25-8).
An entity suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset (IAS 23.20).  An entity ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete (IAS 23.22).	Similar to IFRS Standards, an entity suspends capitalization of borrowing costs during extended delays in construction (ASC 835-20-25-4) and ceases capitalization of borrowing costs once the asset is ready for use (ASC 835-20-25-5).
When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realizable value, the carrying amount is written down	Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset is an indicator that the

IFRS Standards	U.S. GAAP
<p>or written off in accordance with the requirements of other standards. In certain circumstances, the amount of the write down or write-off is written back in accordance with those other standards (IAS 23.16).</p>	<p>asset is to be tested for impairment (ASC 360-10-35-21(d)).</p>
<b>Impairment</b>	
<p>There is no requirement for annual impairment reviews of property, plant and equipment. However, IAS 36 contains rules on impairment and may require an impairment review if an indication of impairment exists (IAS 16.63).</p>	<p>Similar to IFRS Standards, there is no requirement for annual impairment reviews of property, plant and equipment. However, ASC 360-10, <i>Impairment or Disposal of Long-Lived Assets</i>, subsections contain rules on impairment and may require an impairment review if an indication of impairment exists (ASC 360-10-35-21).</p>

## 4.2 Investment property

IFRS Standards	U.S. GAAP
<p><b>Relevant guidance:</b> IAS 40 and 16; IFRS 5 and 13</p>	<p><b>Relevant guidance:</b> See Section 4.1, “Property, plant and equipment” and ASC 360, 845, 970, and 976</p>
<p><b>Introduction</b></p>	
<p><i>Investment property</i> is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for (IAS 40.5):</p> <ul style="list-style-type: none"> <li>• Use in the production or supply of goods or services or for administrative purposes; or</li> <li>• Sale in the ordinary course of business</li> </ul> <p>Also, see IAS 40.7-.15, which supplements the basic definition.</p> <p>In February 2016, the Board issued IFRS 16, <i>Leases</i>, which requires all lessees to classify all leases as finance leases and reflect them on the balance sheet. IFRS 16 amends and supersedes portions of IAS 40, and those areas have been noted with shaded text below. For more information on IFRS 16, refer to Section 5.1 and 5.2.</p>	<p>Unlike IFRS Standards, there is no equivalent requirement. Property held for investment purposes is treated the same as other property, plant and equipment (see Section 4.1, “Property, plant and equipment”). Real estate guidance is included in ASC 970, and ASC 976.</p> <p><b>Note:</b> In May 2014, the Board and the FASB issued, <i>Revenue from Contracts with Customers</i> (IFRS 15 and ASC 606). The guidance establishes principles that entities would apply to provide financial statement users with useful information about the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. Upon adoption of the new guidance on revenue recognition, the guidance in ASC 360-20 will relate only to guidance on sale-leaseback accounting.</p> <p>In February 2016, the FASB issued ASU 2016-02, <i>Leases</i>, which supersedes the guidance in ASC 360-20 upon its effective date, for public business entities in fiscal years beginning after December 15, 2018 and for most other entities fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities.</p>
<p>Examples of investment property are (IAS 40.8):</p> <ul style="list-style-type: none"> <li>• Land held for long-term capital appreciation rather than short-term sale in the ordinary course of business</li> <li>• Land held for a currently undetermined future use. (If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)</li> <li>• A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases</li> <li>• A building that is vacant but is held to be leased out under one or more operating leases</li> <li>• Property that is being constructed or developed for future use as investment property</li> </ul> <p>IAS 40 excludes owner-occupied property from being investment property (IAS 40.7 and .9(c)). IAS 16 applies to owner-occupied property. (Upon adoption of IFRS 16, this guidance is amended.)</p>	<p>No similar requirement.</p>

IFRS Standards	U.S. GAAP
<p>A <i>property interest</i> that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in IAS 40.33-.55 for the asset recognized (IAS 40.6).</p> <p>This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property is accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by IAS 40.74-.78 (IAS 40.6). (Upon adoption of IFRS 16, this guidance is superseded.)</p>	<p>Unlike IFRS Standards, any property held under an operating lease is not capitalized. Rent is expensed as incurred.</p> <p><b>Note:</b> In February 2016, the FASB issued ASU 2016-02, <i>Leases</i>, which requires lessees to recognize most leases on the balance sheet. The Board issued IFRS 16, <i>Leases</i>, in which lessees will treat all leases as finance leases, which will be recorded on the balance sheet. The standard is effective for public business entities for fiscal years beginning after December 15, 2018. For most other entities, the standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities.</p>
<p>Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes (IAS 40.10).</p> <p>IAS 40.11-.14 contains guidance where other services provided to property – particularly relevant for situations like a hotel-owning company that subcontracts hotel management elsewhere.</p> <p>Judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset or group of assets or a business combination within the scope of IFRS 3. The guidance in IFRS 3, not IAS 40.7-.14, would be applied to determine if the acquisition qualifies as a business combination (IFRS 40.14A).</p>	<p>No similar requirement.</p>
<p>In some cases, an entity owns property that is leased to, and occupied by, its parent or another subsidiary. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the group. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition in IAS 40.5. Therefore, the lessor treats the property as investment property in its individual financial statements (IAS 40.15).</p>	<p>No similar requirement.</p>

IFRS Standards	U.S. GAAP
<b>Measurement at recognition</b>	
<p>An investment property is measured initially at its cost. Transaction costs are included in the initial measurement (IAS 40.20). (Upon adoption of IFRS 16, this guidance is amended.)</p> <p>The initial cost of a property interest held under a lease and classified as an investment property is the same as that for a finance lease (IAS 17.20), i.e. the asset is recognized at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognized as a liability (IAS 40.25). (Upon adoption of IFRS 16 Leases, this guidance is superseded.)</p>	No similar requirement.
<p>IAS 40.27-.29 contains guidance where the asset is acquired in exchange for a non-monetary asset(s), or a combination of monetary and non-monetary assets (similar to IAS 16).</p> <p>An investment property held by a lessee as a right-of-use asset shall be initially measured at its cost in accordance with IFRS 16 (40.29A, effective upon the adoption of IFRS 16).</p>	Exchanges of nonmonetary assets are covered by ASC 845.
<b>Measurement after recognition</b>	
<p>Except for IAS 40.32A, IAS 40 permits two recognition approaches. An entity chooses as its accounting policy one of the following models and applies that policy to all of its investment property (IAS 40.30):</p> <ul style="list-style-type: none"> <li>• Fair value model, with annual remeasurement where movements are recognized in profit or loss (IAS 40.33-.55)</li> <li>• Cost model, i.e. carry at cost less depreciation (measure under IAS 16 after initial recognition). Investment property that meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) is measured in accordance with IFRS 5 (IAS 40.56). (Upon adoption of IFRS 16, this guidance is amended.)</li> </ul> <p>Change from one model to the other is permitted only if it results in more appropriate presentation. This is considered highly unlikely in the case of moving from fair value model to cost model (IAS 40.31).</p> <p>If the cost model is adopted, certain fair value disclosures are still required (IAS 40.79(e)). (Upon adoption of IFRS 16, this guidance is amended.)</p>	No similar requirement. Investment property measurement is similar to the IFRS Standards cost model (but fair value disclosure is not required).
<b>Fair value model</b>	
Where the fair value model is adopted, a gain or loss from a change in the fair value of investment property is	Fair value model is not permitted (except at impairment).

IFRS Standards	U.S. GAAP
<p>recognized in profit or loss for the period in which it arises (IAS 40.35).</p>	
<p>IAS 40.40-.41, .48, and .50 provides guidance on determining fair value, which is determined in accordance with IFRS 13. (Upon adoption of IFRS 16, this guidance is amended.)</p>	<p>Fair value model is not permitted (except at impairment).</p>
<p>An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued (IAS 40.32).</p>	<p>Fair value model is not permitted (except at impairment).</p>
<p>There may be an inability for an entity to determine fair value reliably, such as when the market for comparable properties is inactive (for example, few recent transactions, price quotes are not current or observed transaction prices indicate seller was forced to sell) and alternative reliable measurements of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably measurable on a continuing basis, the entity measures that investment property using the cost model in IAS 16 (IAS 40.53). (Upon adoption of IFRS 16, this guidance is amended.)</p>	<p>Fair value model is not permitted (except at impairment).</p>
<b>Transfers</b>	
<p>Transfers to, or from, investment property are made when, and only when, there is a change in use. A change in use occurs when a property meets or ceases to meet, the definition of an investment property and there is evidence of the change of use. In isolation, management's intentions for the use of a property does not provide evidence of a change in use. A change in use may be evidenced by (IAS 40.57):</p> <ul style="list-style-type: none"> <li>• Commencement of owner-occupation, for a transfer from investment property</li> <li>• Commencement of development with a view to sale, for a transfer from investment property to inventories</li> <li>• End of owner-occupation, for a transfer from owner-occupied property to investment property; or</li> </ul>	<p>No similar requirement.</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Commencement of an operating lease to another party, for a transfer from inventories to investment property</li> </ul> <p>For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2 is its fair value at the date of change in use (IAS 40.60).</p> <p>If an owner-occupied property becomes an investment property that will be carried at fair value, an entity applies IAS 16 up to the date of change in use. The entity treats any difference at that date between the carrying amount of the property and its fair value in accordance with the revaluation provisions of IAS 16 (IAS 40.61).</p> <p>(Upon adoption of IFRS 16, this guidance is amended.)</p> <p>For a transfer from inventories to investment property that will be carried at fair value, any difference between fair value of the property at that date and its previous carrying amount is recognized in profit or loss (IAS 40.63).</p> <p>When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss (IAS 40.65).</p>	
<b>Disposals</b>	
<p>An investment property is derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal (IAS 40.66).</p> <p>The disposal of an investment property may be achieved by sale or by entering into a finance lease (IAS 40.67). (Upon adoption of IFRS 16, this guidance is amended.)</p> <p>Gains or losses arising from retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss (unless IAS 17 requires otherwise on a sale and leaseback) in the period of the retirement or disposal (IAS 40.69). (Upon adoption of IFRS 16, this guidance is amended.)</p>	<p>No similar requirement.</p>
<b>Held for sale</b>	
<p>See Section 2.6, "Non-current assets held for sale and discontinued operations." IFRS 5 only applies where the cost model is used. Other investment properties are out of the scope of IFRS 5 (IFRS 5.5(d)).</p>	<p>For public entities, investment property held for sale is carried at fair value less cost to sell pursuant to ASC 360-10-S55 and S99 subsections on impairment or disposal of long-lived assets.</p>

### 4.3 Intangible assets

**Note:** This section does not cover goodwill – see Section 9, “Business combinations” for a discussion of goodwill.

In August 2018 the FASB issued ASU 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*, to address how a customer should account for the costs of implementing a cloud computing service arrangement (also referred to as a “hosting arrangement”).

Under ASU 2018-15, entities should account for costs associated with implementing a cloud computing arrangement that is considered a service contract in the same way as accounting for implementation costs incurred to develop or obtain software for internal use using the guidance in ASC 350-40. The amendments address when costs should be capitalized rather than expensed, the term to use when amortizing capitalized costs, and how to evaluate the unamortized portion of these capitalized implementation costs for impairment. The ASU also includes guidance on how to present implementation costs in the financial statements and creates additional disclosure requirements.

There is no similar guidance in IFRS Standards.

The amendments are effective for public business entities in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and for all other entities in fiscal years beginning after December 15, 2020 and in interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for all entities in any annual or interim period if the financial statements have not been issued or made available for issuance.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 36 and 38; IFRS 3, 5, and 13; SIC 32	<b>Relevant guidance:</b> ASC 340, 350, 360, 720, 730, 805, and 985; Concepts Statement 5
<b>Introduction</b>	
<p>The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. IAS 38 requires an entity to recognize an intangible asset if specified criteria are met. IAS 38 also specifies how to measure the carrying amount of intangible assets (IAS 38.1).</p> <p>An intangible asset is an identifiable non-monetary asset without physical substance (IAS 38.8).</p> <p>An asset is identifiable if it either is (IAS 38.12):</p> <ul style="list-style-type: none"> <li>• Separable – capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so, or</li> <li>• Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations</li> </ul>	<p>Similar to IFRS Standards (ASC 350-30-05-1).</p> <p>Intangible assets are defined as assets (not including financial assets) that lack physical substance (ASC Master Glossary, “Intangible Assets”).</p>
If intangible assets qualify as <i>held for sale</i> then IFRS 5 measurement and presentation rules apply (IAS 38.3(h)).	If intangible assets qualify as <i>held for sale</i> then ASC 360-10-35-15 through 35-49, <i>Impairment or Disposal of Long-Lived Assets</i> , subsections on measurement and presentation rules apply.

IFRS Standards	U.S. GAAP
<p>Intangible assets arising from contracts with customers are accounted for in accordance with IFRS 15 (IAS 38.3 (i)), with an effective date of January 1, 2018.</p>	<p>The guidance on the transfer or sale of intangible assets, upon the adoption of ASC 606 is addressed in ASC 350-10-40.</p>
<b>Recognition and measurement</b>	
<p>If an item meets the definition of an intangible asset, it is recognized if:</p> <ul style="list-style-type: none"> <li>• The cost of the asset can be measured reliably (IAS 38.21) or acquired in a business combination (IAS 38.33)</li> <li>• It is probable that the expected future economic benefits (IAS 38.17) will flow to the entity (IAS 38.21) – this criterion is always considered to be satisfied if the intangible asset is separately acquired (IAS 38.25)</li> </ul>	<p>An intangible asset that is acquired individually or with a group of other assets (other than those acquired in a business combination) is recognized if it meets the asset-recognition criteria in Concepts Statement 5. It does not have to meet the contractual-legal criterion or the separability criterion (ASC 350-30-25-4).</p>
<p>The cost of separately acquired intangible assets (not as part of a business combination) includes (IAS 38.27):</p> <ul style="list-style-type: none"> <li>• Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates</li> <li>• Directly attributable costs of preparing the asset for its intended use</li> </ul>	<p>An intangible asset that is acquired individually or with a group of other assets (but not those acquired in a business combination) is measured based on the guidance included in ASC 805-50-15-3 and ASC 805-50-30-1 through 30-4. The cost of a group of assets acquired in a transaction (other than those acquired in a business combination) is allocated to the individual assets based on their relative fair values and does not give rise to goodwill (ASC 805-50-30-3).</p>
<b>Research and development (internally generated intangible assets)</b>	
<p>No intangible asset arising from research (or from the research phase of an internal project) is recognized. Expenditure on research (or on the research phase of an internal project) is recognized as an expense when incurred (IAS 38.54).</p> <p>An intangible asset arising from development (or from the development phase of an internal project) is recognized if an entity can demonstrate all of the following (IAS 38.57):</p> <ul style="list-style-type: none"> <li>• Technical feasibility of completing the intangible asset so it will be available for use or sale</li> <li>• Intention to complete the intangible asset and use or sell it</li> <li>• Ability to use or sell the intangible asset</li> <li>• How the intangible asset will generate probable future economic benefits</li> <li>• Availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset</li> <li>• Ability to reliably measure the expenditure attributable to the intangible asset during its development</li> </ul>	<p>Expenditures related to research and development activities are expensed as incurred (ASC 730-10-25-1).</p> <p>Costs related to computer software are discussed below.</p> <p>Costs of internally developing, maintaining, or restoring intangible assets (including goodwill) that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business and related to an entity as a whole, are expensed when incurred (ASC 350-20-25-3).</p>

IFRS Standards	U.S. GAAP
<p>Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognized as intangible assets (IAS 38.63).</p> <p>The cost of an internally generated intangible asset is the sum of all expenditures incurred from the date the recognition criteria in IAS 38.21, .22, and .57 are first met (IAS 38.65).</p> <p>IAS 38.66-.67 provides examples of costs of internally generated intangible assets that are and are not capitalizable – for instance, identified inefficiencies, initial operating losses, and training costs are all specifically excluded from capitalization.</p>	
<b>Acquisition as part of a business combination</b>	
<p>IAS 38.33-.37 provides guidance for the initial measurement and recognition of an intangible asset acquired in a business combination:</p> <ul style="list-style-type: none"> <li>• In accordance with IFRS 3, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. Both the probability recognition criterion and the reliable measurement criterion in IAS 38.21 are always considered to be satisfied for intangible assets acquired in a business combination.</li> <li>• In accordance with IFRS 3 and IAS 38, an acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination. The in-process research and development project of the acquiree must meet the definition of an intangible asset and be identifiable.</li> </ul>	<p>Similar to IFRS Standards, an intangible asset acquired in a business combination is recognized at fair value separately from goodwill if it is separable or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable (ASC 805-20-25-10 and ASC Master Glossary, “Identifiable”).</p> <p>An acquired in-process research and development project is recognized as an indefinite-lived intangible asset at its acquisition-date fair value (ASC 350-30-35-17A, 18B and ASC 730-10-15-4).</p>
<b>Recognition of an expense</b>	
<p>An expenditure on an intangible item is not capitalized unless it forms part of the cost of an intangible asset that meets the recognition criteria in IAS 38 or is acquired in a business combination and cannot be recognized as an intangible asset, in which case it is recognized as part of the goodwill (IAS 38.68).</p> <p>Some expenditures may be incurred to provide a future economic benefit, but an intangible asset or other asset is not created or acquired that can be recognized (IAS 38.69). In these situations, the expenditure is recognized as an expense when it is incurred. Examples of such expenditures include:</p> <ul style="list-style-type: none"> <li>• Start-up activities unless the expenditure is included in the cost of property, plant and equipment under IAS 16</li> </ul>	<p>Similar to IFRS Standards, except for certain advertising expenditures, which are expensed as incurred (similar to IFRS Standards) or the first time the advertising takes place (unlike IFRS Standards), except as noted below (ASC 720-35-25-1).</p> <p>When an entity assumes an obligation to reimburse customers for some of all of the customers’ advertising costs (cooperative advertising), the revenue related to the transactions creating those obligations is recognized before the expenditures are made, those obligations are accrued and the related advertising costs are expensed when the related revenues are recognized (ASC 720-35-25-1A).</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• Training activities</li> <li>• Advertising and promotional activities</li> <li>• Relocation or reorganization activities</li> </ul> <p>Expenditure on an intangible item that was initially recognized as an expense is not recognized as part of the cost of an intangible asset at a later date (IAS 38.71).</p>	
<b>Measurement after recognition</b>	
<p>An entity chooses either the cost model in IAS 38.74 or the revaluation model in IAS 38.75 as its accounting policy (IAS 38.72).</p> <p>If the revaluation model is selected, all the other assets in that class are also accounted for using the same model, unless there is no active market for those assets (IAS 38.72).</p>	<p>Revaluation is not permitted (ASC 350-30-35-14).</p>
<p>Cost model: After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any impairment losses (IAS 38.74).</p> <p>Revaluation model: After initial recognition, an intangible asset is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. Fair value is measured by reference to an active market for the purpose of revaluations under IAS 38. Revaluations are made with such regularity that at the end of the reporting period, the carrying amount of the asset does not differ materially from its fair value (IAS 38.75).</p> <p>When an intangible asset is revaluated, the carrying amount of the asset is adjusted to the revalued amount. At the date of the revaluation, either:</p> <ul style="list-style-type: none"> <li>• The gross carrying amount is adjusted consistent with the revaluation of the carrying amount of the assets, or</li> <li>• The accumulated amortization is eliminated against the gross carrying amount of the asset</li> </ul> <p>The amount of the adjustment of accumulated amortization forms part of the increase or decrease in the carrying amount that is accounted for in IAS 38.85 or .86 (IAS 38.80).</p>	<p>Similar to IFRS Standards (ASC 350-30-35).</p> <p>Revaluation is not permitted (ASC 350-30-35-14).</p>
<b>Useful life and amortization</b>	
<p>An entity assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to</p>	<p>Similar to IFRS Standards, intangible assets are amortized over their useful life unless that life is determined to be indefinite (ASC 350-30-35-6 through 35-7).</p>

IFRS Standards	U.S. GAAP
<p>the period over which the asset is expected to generate net cash inflows for the entity (IAS 38.88).</p> <p>The term indefinite does not mean infinite (IAS 38.91).</p> <p>Intangible assets are amortized over their useful life unless that life is determined to be indefinite (IAS 38.97).</p>	<p>Indefinite does not mean infinite (ASC 350-30-35-4).</p> <p>Intangible assets subject to amortization are reviewed for impairment in accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets," subsections (ASC 350-30-35-14).</p>
<b>Impairment</b>	
<p>An intangible asset with a finite useful life is amortized and then tested for impairment in accordance with IAS 36.7-17. An entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset (IAS 36.9).</p> <p>An intangible asset with an indefinite useful life is not amortized (IAS 38.107). Irrespective of whether there is any indication of impairment, an entity also tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired (IAS 36.10(a) and IAS 38.108).</p> <p>See Section 4.4, "Impairment" for a detailed discussion of the IFRS guidance on the analysis for impairment.</p>	<p>An intangible asset that is amortized and other long-lived assets (a long-lived asset or asset group) are tested for impairment using a two-step process. If the carrying amount of the asset or group is not recoverable and it is greater than its fair value, an impairment loss is recognized (ASC 360-10-35-17).</p> <p>An intangible asset with an indefinite useful life is not amortized. It is tested for impairment annually and, more frequently, if events or changes in circumstances indicate that it is more likely than not that the asset is impaired (ASC 350-30-35-18).</p> <p>See Section 4.4, "Impairment" for a discussion of the U.S. GAAP guidance on the analysis for impairment.</p>
<b>Other matters</b>	
<p>Computer software is an intangible asset subject to the guidance in IAS 38 unless it is an integral part of related hardware in which case IAS 16 would apply (IAS 38.4).</p>	<p>Computer software costs may be capitalized as an intangible asset in certain specific circumstances. Separate guidelines are provided for internal-use software (ASC 350-40) and software to be sold, leased, or marketed (ASC 985-20).</p>
<p>A website developed for internal or external access is an internally generated intangible asset that is subject to the guidance in IAS 38. SIC 32 provides interpretive guidance on the application of IAS 38 for website development costs. For example, SIC 32 discusses the different stages in the development of a website and the accounting for the costs incurred in those stages.</p>	<p>Similar to IFRS Standards, website development costs are capitalized as an intangible asset in certain specific circumstances. Generally, ASC 350-50 discusses the different stages in the development of a website and the accounting for the costs incurred in those stages. For example, ASC 350-50 refers to ASC 350-40 for internal-use software and ASC 985-20 for software to be marketed externally (ASC 350-50-25-4).</p>

## 4.4 Impairment

### Accounting for goodwill impairment

The Board has undertaken a research project on goodwill and impairment with an objective to consider how to address certain areas of focus identified in the Post-implementation Review of IFRS 3.

The FASB has undertaken a research project to consider whether to make changes to the subsequent accounting for goodwill other than the changes to the guidance on impairment noted below.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 36; IFRS 13	<b>Relevant guidance:</b> ASC 350, 360, and 820
<b>Introduction</b>	
The objective of IAS 36 is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and IAS 36 requires the entity to recognize an impairment loss. IAS 36 also specifies when an entity reverses an impairment loss (IAS 36.1).	Similar to IFRS Standards (ASC 360-10-35-15).
<b>Identifying an asset that may be impaired</b>	
An entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset (IAS 36.9).	Similar to IFRS Standards (ASC 360-10-35-21).
<p>Irrespective of whether there is any indication of impairment, an entity (IAS 36.10):</p> <ul style="list-style-type: none"> <li>• Tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount</li> <li>• Tests goodwill acquired in a business combination for impairment annually in accordance with IAS 36.80-99</li> </ul> <p>If a cash generating unit includes goodwill, it is subject to annual impairment testing and whenever there is an indication that the unit may be impaired the carrying amount of the unit, including the goodwill, is compared to the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss in accordance with IAS 36.104 (IAS 36.90).</p>	<p>Similar to IFRS Standards, except an intangible asset not yet available for use is reviewed for impairment when an indicator of impairment exists. There are also some differences in the indicators of impairment. For example, under IAS 36 a change in market interest rates or other market rates of return is an indicator of impairment (ASC 350-30-35-18 through 35-20).</p> <p>Similar to IFRS Standards, goodwill of a reporting unit is tested for impairment on an annual basis and between annual tests in certain circumstances. The annual goodwill impairment test may be performed any time during the fiscal year provided the test is performed at same time every year. Different reporting units may be tested for impairment at different times (ASC 350-20-35-28 and 35-30).</p>
The impairment test is a one-step process. If the recoverable amount is below the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized (IAS 36.59).	In general, an impairment loss is recognized if the carrying amount exceeds fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

IFRS Standards	U.S. GAAP
<p><i>Recoverable amount</i> is the higher of its fair value less costs of disposal and its value in use (IAS 36.6).</p> <p><i>Value in use</i> is the present value of the future cash flows expected to be derived from an asset or cash-generating unit (CGU) (IAS 36.6).</p>	<p>between market participants at the measurement date (ASC Master Glossary, “Fair Value”).</p> <p>The impairment test for goodwill (ASC 350-20-35) and the impairment test for long-lived assets other than indefinite-lived intangible assets (ASC 360-10-35) is a two-step process. The first step is used to identify potential impairment.</p>
<b>Impairment testing – goodwill</b>	
<p>Goodwill acquired in a business combination is allocated to the acquirer’s cash-generating units (CGU) pursuant to the guidance in IAS 36.80-90. Each unit or group of units that goodwill is allocated to represent the lowest level within the entity that goodwill is monitored for internal management purposes and are not larger than an operating segment as defined by IFRS 8.5, before aggregation (IAS 36.80).</p> <p>A <i>CGU</i> is the smallest identifiable group of assets that generate cash flows that are largely independent of the cash inflows from other assets or group of assets (IAS 36.6).</p> <p>Goodwill is tested for impairment at the CGU level using a one-step approach. If the recoverable amount of the unit is less than the carrying amount of the unit, an impairment loss is recognized and allocated as follows (IAS 36.104):</p> <ul style="list-style-type: none"> <li>• First, reduce the carrying amount of any goodwill allocated to the CGU</li> <li>• Then, reduce the carrying amount of the other assets of the group on a pro rata basis of the carrying amount of each asset in the unit</li> </ul> <p>These reductions in carrying amounts are treated as impairment losses on individual assets and recognized in accordance with IAS 36.60.</p>	<p>Goodwill acquired in a business combination is assigned to one or more reporting units at the acquisition date (ASC 350-20-35-41). A reporting unit is an operating segment or one level below an operating segment (a component) (ASC 350-20-35-33 through 35-38).</p> <p>Unlike IFRS Standards, goodwill is tested for impairment at the reporting unit level using a two-step process (ASC 350-20-35-4 through 35-19). An entity may first assess qualitative factors, as described in ASC 350-20-35-3A through 35-3G, to determine whether it is necessary to perform the two-step goodwill impairment test (ASC 350-20-35-3 through 35-3E).</p> <p>If, after assessing the totality of events or circumstances such as those described in ASC 350-20-35-3C, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity performs the first step of the two-step goodwill impairment test (ASC 350-20-35-3E).</p> <p><i>First step</i></p> <p>The first step of the impairment test compares the carrying amount of the reporting unit to its fair value. If the carrying amount exceeds fair value, the second step is performed to measure the amount of impairment loss, if any. If the carrying amount of a reporting unit is zero or negative, the second step of the impairment test is performed to measure the amount of impairment loss, if any, when it is more likely than not (that is, a likelihood of more than 50 percent) that a goodwill impairment exists. In considering whether it is more likely than not that a goodwill impairment exists, an entity evaluates, using the process described in ASC 350-20-35-3F through 35-3G, whether there are adverse qualitative factors, including the examples of events and circumstances provided in ASC 350-20-35-3C (ASC 350-20-35-4 through 35-8A).</p> <p><i>Second step</i></p> <p>In the second step, the implied fair value of reporting unit goodwill is compared to its carrying amount. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment is recognized. The implied fair value of goodwill is determined in the same</p>

IFRS Standards	U.S. GAAP
	<p>manner as amount of goodwill recognized in a business combination (ASC 350-20-35-14 through 35-19).</p> <p><b>Note:</b> In January 2017, the FASB issued ASU 2017-04, <i>Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</i>. The guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test whereby an entity performs its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity considers income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.</p> <p>The amendments are effective for a public business entity that is an SEC filer for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. A public business entity that is not an SEC filer would adopt the amendments for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other entities, the amendments are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.</p> <p>This guidance causes the impairment tests under U.S. GAAP and IFRS to be more closely aligned, however, under IFRS, the impairment test is at the cash-generating unit or group and compares the carrying amount of that unit with its recoverable amount.</p>
<b>Impairment testing – intangible assets other than goodwill</b>	
<p><i>Intangible assets other than goodwill</i></p> <p>Intangible assets with finite useful lives are tested for impairment in accordance with IAS 36.7-.17. Using a one-</p>	<p><i>Indefinite-lived intangible assets</i></p> <p>Intangible assets not subject to amortization are tested for impairment annually and, more frequently, if events or</p>

IFRS Standards	U.S. GAAP
<p>step approach, an entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset (IAS 36.9).</p> <p>Irrespective of whether there is any indication of impairment an entity also tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired (IAS 36.10(a) and IAS 38.108).</p> <p>If it is not possible to estimate the recoverable amount of an individual asset, an entity determines the recoverable amount of the CGU to which it belongs (IAS 36.66).</p> <p>If the recoverable amount of the unit is less than the carrying amount of the unit, an impairment loss is recognized and allocated in accordance with IAS 36.104.</p>	<p>changes in circumstances indicate that it is more likely than not that the asset is impaired (ASC 350-30-35-18).</p> <p>Unlike IFRS Standards, an entity may first perform a qualitative assessment to determine whether it is necessary to perform the quantitative impairment test as described in paragraph ASC 350-30-35-19. An entity has an unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test as described in paragraph ASC 350-30-35-19. An entity may resume performing the qualitative assessment in any subsequent period. If an entity elects to perform a qualitative assessment, it first assesses qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired (ASC 350-30-35-18A through 35-18F).</p> <p>If after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination an entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired, then the entity calculates the fair value of the intangible asset and performs the quantitative impairment test in accordance with the following paragraph (ASC 350-30-35-18F).</p> <p>The quantitative impairment test for an indefinite-lived intangible asset consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an entity recognizes an impairment loss in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset is its new accounting basis (ASC 350-30-35-19).</p> <p>Subsequent reversal of a previously recognized impairment loss is prohibited (ASC 350-30-35-20).</p> <p><i>Intangible assets that are amortized and other long-lived assets (a long-lived asset or asset group)</i></p> <p>Intangible assets that are amortized and other long-lived assets (a long-lived asset or asset group) are tested for impairment using a two-step process. If the carrying amount of the asset or group is not recoverable and it is greater than its fair value, an impairment loss is recognized. The first step determines if the asset or group is recoverable. If the carrying amount of the asset or group exceeds the sum of the undiscounted cash flows expected from the use and eventual disposition of the asset or group, it is not recoverable. The second step measures the impairment loss as the difference between the fair value of the asset or group and its carrying amount (ASC 360-10-35-17).</p>

IFRS Standards	U.S. GAAP
<b>Reversing an impairment loss</b>	
An impairment loss for assets other than goodwill is reversed provided certain conditions are met (IAS 36.109-.125).	Reversals of impairment losses are not permitted (ASC 350-20-35-13, ASC 350-30-35-20, and ASC 360-10-35-20).

## 4.5 Inventories

### Accounting for inventory and cost of sales

The FASB has undertaken a research project to improve the accounting for inventory and cost of sales. The FASB is considering the objective of inventory costing, multiple inventory costing and impairment models, and other areas in which the current guidance is lacking.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 2 and 23; IFRS 13	<b>Relevant guidance:</b> ASC 330, 820 and 835
<b>Introduction</b>	
<p>The objective of IAS 2 is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. IAS 2 provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories (IAS 2.1).</p>	<p>Similar to IFRS Standards (ASC 330-10-05-1 through 05-3 and 330-10-10-1).</p>
<p><i>Inventories</i> are assets (IAS 2.6):</p> <ul style="list-style-type: none"> <li>• Held for sale in the ordinary course of business</li> <li>• In the process of production for such sale; or</li> <li>• In the form of materials or supplies to be consumed in the production process or in the rendering of services</li> </ul> <p>IAS 2 applies to all inventories except (IAS 2.2):</p> <ul style="list-style-type: none"> <li>• Financial instruments (see IAS 32, and IFRS 9)</li> <li>• Biological assets related to agricultural activity and agricultural produce at point of harvest (see IAS 41)</li> </ul>	<p>Similar to IFRS Standards, the term <i>inventory</i> is used to designate the aggregate of those items of tangible personal property which are (ASC Master Glossary, "Inventory"):</p> <ul style="list-style-type: none"> <li>• Held for sale in the ordinary course of business</li> <li>• In process of production for such sale</li> <li>• To be currently consumed in the production of goods or services to be available for sale</li> </ul>
<b>Measurement of inventories</b>	
<p>Inventories are measured at the lower of cost and net realizable value (IAS 2.9). <i>Net realizable value</i> is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale (IAS 2.6).</p> <p>IAS 2 does not apply to the measurement of inventories held by (IAS 2.3):</p> <ul style="list-style-type: none"> <li>• Producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realizable value in accordance with well-established practices in those industries</li> <li>• Commodity broker-dealers who measure their inventories at fair value less costs to sell</li> </ul>	<p>Similar to IFRS Standards, inventory measured using a method other than last-in, first-out (LIFO) or the retail cost method is measured at the lower of cost or net realizable value. Unlike IFRS Standards, inventories measured using LIFO or the retail inventory method are subsequently measured at the lower of cost or <i>market</i> (but with a ceiling of net realizable value and a floor of net realizable value less normal profit margin) (ASC Master Glossary, "Market"). and ASC 330-10-35-1A</p> <p>Similar to IFRS Standards, <i>net realizable value</i> is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation (ASC Master Glossary, "Net realizable value").</p>

IFRS Standards	U.S. GAAP
<b>Cost of inventories</b>	
The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition (IAS 2.10).	Similar to IFRS Standards (ASC 330-10-30-1).
<p>Abnormal amounts of wasted materials, labor, or other production costs are excluded from the cost of inventories and recognized as expenses in the period in which they are incurred (IAS 2.16).</p> <p>The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities (IAS 2.13).</p>	Similar to IFRS Standards (ASC 330-10-30-3 through 30-7).
<p><i>Borrowing costs</i></p> <p>IAS 23 identifies limited circumstances where borrowing costs are included in the cost of inventories (IAS 2.17). Depending on the circumstances, inventories may be <i>qualifying assets</i> if it takes a substantial period of time to get them ready for their intended use or sale (IAS 23.5 and .7).</p> <p>An entity may purchase inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognized as interest expense over the period of the financing (IAS 2.18).</p>	<p><i>Interest costs</i></p> <p>Interest costs are not capitalized for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis (ASC 835-20-15-6g).</p>
<b>Cost formulas</b>	
The cost of inventories is assigned by using the first-in, first-out (FIFO) or weighted average cost formula. Specific identification may be used in certain situations. The LIFO method is not permitted (IAS 2.23-.27 and BC9-BC21).	<p>The cost-flow assumption must be the one which, under the circumstances, most clearly reflects periodic income. FIFO and weighted average are permitted and unlike IFRS Standards, LIFO is a permitted costing method (ASC 330-10-30-9).</p> <p>The U.S. income tax rules require that LIFO be used for book purposes if it is used for tax purposes.</p>
An entity uses the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified (IAS 2.25).	Unlike IFRS Standards, the same cost formula need not be applied to all inventories having a similar nature and use (ASC 330-10-30-13 through 30-14).
<b>Net realizable value</b>	
<p>Inventories are usually written down to net realizable value item by item. In some circumstances; however, it may be appropriate to group similar or related items (IAS 2.29).</p> <p>A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an</p>	Unlike IFRS Standards, a reversal of a write-down for an increase in market value is not permitted (ASC 330-10-35-14).

IFRS Standards	U.S. GAAP
<p>increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value (IAS 2.33).</p>	
<b>Recognition as an expense</b>	
<p>When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized (IAS 2.34).</p>	<p>Similar to IFRS Standards.</p>
<p>The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs (IAS 2.34).</p>	<p>Unlike IFRS Standards, a reversal of a write-down for an increase in market value is not permitted (ASC 330-10-35-14).</p>

## 5. Liabilities

### 5.1 Leases (IAS 17 and ASC 840)

#### New guidance on leases

The Board and the FASB each issued new leasing guidance in 2016, the result of a joint project between the two standard setting entities. We have included a summary of the effective dates and transition requirements below, and included Section 5.2 comparing the two new standards, which will be effective beginning in 2019.

#### FASB's ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU codifies ASC 842, *Leases*, which will replace the leasing guidance in ASC 840. The new guidance is effective for public business entities in fiscal years beginning after December 15, 2018. The effective date for most other entities is deferred for one year, meaning that most calendar-year private companies will be required to adopt the new standard in 2020. Early adoption is permitted for all entities.

Entities should be aware of the following key points about the new FASB standard:

- Lessees will be required to recognize most leases “on balance sheet”
- The new guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as “capital” and “operating” leases for lessees
- Lessors will focus on whether control of the underlying asset has transferred to the lessee to assess lease classification
- A new definition of a “lease” could cause some contracts formerly accounted for under ASC 840 to fall outside the scope of ASC 842, and vice versa
- A modified retrospective transition will be required, although there are significant elective transition reliefs available for both lessors and lessees

The FASB has issued a number of ASU's amending the guidance in ASC 842. Each ASU is summarized below, and the guidance has been incorporated into the discussion of ASC 842 in Section 5.2.

- In January 2018, the FASB issued ASU 2018-01 *Leases (Topic 842): Land Easements Practical Expedient for Transition to Topic 842*, which provides transition relief to entities that are a party to a land easement. The guidance is effective at the same time as ASC 842.
- In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases (ASC 842, Leases)*, which clarifies the codification and corrects potential unintended application of the guidance in ASC 842 across sixteen areas identified for improvement. The guidance is effective at the same time as ASC 842.
- In July 2018, the FASB issued ASU 2018-11 *Targeted Improvements (ASC 842, Leases)*, which provides two updates to ASC 842. The first is that it provides entities with a new optional method for transitioning to ASC 842, in addition to the modified retrospective transition method that was included in ASU 2016-02. This optional method allows entities to apply the new guidance at the adoption date by recognizing a cumulative-effect adjustment to the opening balance of retained earnings, and to not restate the comparative periods presented. The second update is that it provides lessors with a practical expedient to combine qualifying lease and nonlease components into a single component. A lessor then determines if the nonlease component is predominant, and if so accounts for the combined component under ASC 606. If the nonlease component is not the predominant component an entity would apply ASC 842. The guidance is effective at the same time as ASC 842.
- In December the FASB issued ASU 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, to simplify how lessors implement the new leasing guidance in ASC 842. The amendments in ASU 2018-20
  - Permit lessors to elect not to evaluate if certain sales taxes and other similar taxes are costs of the lessor or the lessee, but instead to account for those amounts as if they were costs of the lessee and to exclude them from lease revenue.

- Require lessors to exclude certain lessor costs paid directly by the lessee to a third party on the lessor's behalf from variable payments (and from variable lease revenue) if the lessor cannot readily determine the amount of those costs.
- Require lessors to allocate (rather than recognize, as currently required) certain variable payments to the lease and nonlease components of a contract when the changes in facts and circumstances that trigger the variable payments occur.

Entities that have not adopted ASC 842 will adopt ASU 2018-20 using the same effective date. For entities that have adopted ASC 842, an entity may apply these amendments as of the original effective date of ASC 842 or in either the first reporting period ending after the issuance of the ASU or the first reporting period beginning after the issuance of the ASU. No similar exceptions exist or are being contemplated by the Board under IFRS 16.

- In December 2018, the FASB issued a proposed ASU, *Leases (Topic 842) Codification Improvements for Lessors* to provide a few additional improvements to lessor accounting. The proposed amendments cover two areas of lessor accounting
  - Allow a lessor that is not a manufacturer or dealer to determine fair value at commencement of the lease of the underlying asset by using its cost, rather than by using the fair value guidance in ASC 842, which is the same as that in ASC 820. This option is similar to an exception that existed for these same lessors under ASC 840.
  - Clarifies that depository or lending lessors with sales-type or direct financing leases should continue to present cash receipts from leases within investing activities in the statement of cash flows as required under ASC 942, rather than in operating activities as required in ASC 842.

For additional information on ASC 842, please refer to Grant Thornton's accounting guide [Leases: Navigating the guidance in ASC 842](#).

#### The Board's IFRS 16

In January 2016, the Board issued IFRS 16, *Leases*, requiring leases to be reflected on an entity's balance sheet and for lessees, treats all leases as finance leases. Entities can elect to exempt short-term leases and leases of low value assets from the requirements of IFRS 16.

The new lease guidance is expected to provide greater transparency of leasing activities and improved comparability between entities that lease and entities that purchase assets. The guidance for lessor accounting contains much of the guidance in IAS 17.

IFRS 16 is effective for annual reporting periods beginning on or after January 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

As a practical expedient, an entity is not required to reassess whether a contract is or contains a lease at the date of initial application but is permitted to:

- Apply IFRS 16 to contracts that were previously identified as a lease under IAS 17 and IFRIC 4 and apply the transition requirements in paragraphs C5-C18
- Not apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 or IFRIC 4

Lessees will apply IFRS 16 to leases either:

- Retrospectively to each reporting period presented in accordance with IAS 8, or
- Retrospectively with the cumulative effect of initially applying IFRS 16, recognized at the date of initial application

Lessors, except under certain circumstances, are not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying IFRS 16 from the date of initial application.

An entity will not reassess sale and leaseback transactions entered into before the date of initial application to determine if the transfer of underlying assets meets the requirements in IFRS 15 to be accounted for as a sale. If a sale and leaseback transaction was accounted for as a sale and a finance lease under IAS 17, the seller-lessee:

- Accounts for the leaseback in the same way as it accounts for any other finance lease that exists at the date of initial application, and

- Continues to amortize any gain on sale over the lease term

If a sale and leaseback transaction was accounted for as a sale and an operating lease under IAS 17, the seller-lessee:

- Accounts for the leaseback in the same way as it accounts for any other operating lease that exists at the date of initial application, and
- Adjusts the leaseback right-of-use assets for any deferred gains or losses that relate to off-market terms recognized in the statement of financial position immediately before the date of initial application

IFRS 16 supersedes the guidance in IAS 17, IFRIC 4, SIC 15, and SIC 27.

### Comparing the two standards

Although the lease project was a joint project between the Board and the FASB with the goal of creating a converged standard, the final amendments vary. The Board's model is a single lessee model which requires all leases to be recognized on a lessee's balance sheet as finance leases, with income statement recognition of interest expense and amortization. The FASB's model is a dual model that retains the current distinction between finance and operating leases. The new guidance under IFRS Standards and U.S. GAAP for leases is converged in the following areas:

- Requiring a lessee to recognize assets and liabilities for its leases, initially measured in the same manner
- Having the same requirements and application guidance on the definition of a lease, and
- Having both substantially carry forward previous lessor accounting guidance

The differences between the Board and FASB lease models include:

- IFRS 16 requires an intermediate lessor to classify a sublease as either operating or financing based on the right-of-use asset under the head lease while the FASB requires classification to be based on the underlying asset
- For sale and leaseback transactions, IFRS Standards requires the seller-lessee to recognize only the amount of any gain or loss on the sale that relates to the rights transferred to the buyer-lessor while the FASB accounts for any gain or loss on sale similar to how such transactions are accounted for related to any asset
- The FASB has not provided an exemption from lease accounting for leases of low value assets
- The FASB has not included any requirement for a lessee to reassess variable lease payments that depend on an index or rate when there is a change in future lease payments from a change in the reference index or rate

### Fair value measurement

IAS 17 uses the term "fair value" in a way that differs in some respects from the definition of fair value in IFRS 13. Therefore, when applying IAS 17 an entity measures fair value in accordance with IAS 17, not IFRS 13. Under U.S. GAAP, ASC 840 contains similar guidance.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 17 and 40; SIC 15 and 27; IFRIC 4	<b>Relevant guidance:</b> ASC 840
<b>Introduction</b>	
<p>A lease is an agreement in which the lessor conveys the right to use an asset to the lessee for an agreed period of time in return for payments (IAS 17.4). An arrangement is or contains a lease if based on the substance of the arrangement both exist (IFRIC 4.6):</p> <ul style="list-style-type: none"> <li>• Fulfillment of the arrangement depends on the use of a specific asset or assets</li> <li>• The arrangement conveys a right to use the asset</li> </ul>	<p>Similar to IFRS Standards except that U.S. GAAP refers to a right to use property, plant, and equipment (ASC Master Glossary, "Lease"). Therefore, IFRS Standards covers a broader range of leases including, for example, leases of intangible assets.</p>

IFRS Standards	U.S. GAAP
<p>A lease is classified as either an operating or a finance lease at the inception of the lease (IAS 17.8 and .13). The inception of the lease is the earlier of the lease agreement date and the date the parties commit to the principal provisions of the lease (IAS 17.4).</p>	<p>Similar to IFRS Standards (ASC 840-10-10-1). Lease inception is the date of the lease agreement or commitment, if earlier. The commitment is in writing, includes the principal provisions, and is signed by the interested parties (ASC Master Glossary, "Lease Inception").</p>
<p>A <i>finance lease</i> is one that transfers substantially all the risks and rewards of ownership of an asset to the lessee. An <i>operating lease</i> does not (IAS 17.8).</p>	<p>A <i>capital lease (finance lease)</i> is one that transfers substantially all the benefits and risks of ownership of an asset to the lessee, in accordance with specific criteria. All other leases are <i>operating leases</i> (ASC 840-10-10-1).</p>
<b>Lease classification</b>	
<p>Lease classification may differ for lessor and lessee, such as when a third party unrelated to the lessee guarantees residual value (IAS 17.9).</p>	<p>Lease classification may differ for lessor and lessee, depending upon whether criteria in ASC 840-10-25-1 and 25-42 are met. Usually this occurs because the lessor uses the implicit rate (ASC 840-10-25-41) and the lessee uses the incremental borrowing rate (ASC 840-10-25-31). However, this situation is less frequent under IFRS Standards because the lessee is presumed to use the implicit rate.</p>
<p>The criteria for lessors and lessees to consider that normally indicate a finance lease classification include any of the following (IAS 17.10):</p> <ul style="list-style-type: none"> <li>• Transfer of ownership of the asset to the lessee by end of lease term</li> <li>• Lessee has option to purchase asset at a price that is expected to be sufficiently lower than fair value at date option becomes exercisable such that option exercise is reasonably certain at inception</li> <li>• Lease term is for a major part of asset's life, even if title is not transferred</li> <li>• Leased assets are specialized such that only the lessee can use them without major modification</li> <li>• Present value of minimum lease payments at inception amounts to at least substantially all of the fair value of the leased asset</li> </ul>	<p>In general, the criteria in ASC 840 for lessors and lessees to consider a capital (finance) lease classification are similar to the IFRS Standards factors; however, there are more detailed (bright line) requirements. A capital lease is one that meets one or more of the following criteria (ASC 840-10-25-1):</p> <ul style="list-style-type: none"> <li>• Lease transfers ownership of the property to the lessee by the end of the lease term</li> <li>• Lease contains a bargain purchase option</li> <li>• Lease term is equal to 75 percent or more of the estimated economic life of the leased property. This criterion does not apply if lease inception is within the last 25 percent of the property's economic life.</li> <li>• Present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor. This criterion does not apply if lease inception is within the last 25 percent of the property's economic life.</li> </ul>
<p>IAS 17 also lists other potential indicators of a finance lease (individually or in combination) including (IAS 17.11):</p> <ul style="list-style-type: none"> <li>• Lessor's losses borne by lessee if lessee has option to cancel</li> </ul>	<p>ASC 840 does not have other potential indicators for capital lease treatment; however, some of the concepts are reflected in minimum lease payments or the lease term.</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Gains or losses in fair value of residual accrue to lessee</li> <li>Lessee has ability to continue lease for secondary term at substantially below -market rent</li> </ul>	
<p>No additional classification criteria are required to be considered by lessors.</p>	<p>Unlike IFRS Standards, ASC 840 requires that the lessor also meet the following criteria to classify a lease as a capital lease (direct financing or sales-type lease) in addition to the criteria in ASC 840-10-25-1 (ASC 840-10-25-42):</p> <ul style="list-style-type: none"> <li>Collectibility of the minimum lease payments is reasonably predictable</li> <li>No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease</li> </ul>
<b>Accounting treatment</b>	
<p><i>Operating leases (lessee/lessor)</i></p> <p>Lease rentals are expensed and lease revenue is recognized on a straight-line basis over lease term unless another systematic basis is representative of the time pattern of the user's benefits (IAS 17.33 and .50).</p> <p>Incentives are recognized as a reduction of rent expense (lessee) or rental income (lessor) on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefits (SIC 15.3-.5).</p>	<p><i>Operating leases (lessee/lessor)</i></p> <p>Similar to IFRS Standards (ASC 840-20-25-1).</p> <p>Similar to IFRS Standards (ASC 840-20-25-6 and 25-7).</p>
<p><i>Finance leases (lessee)</i></p> <p>At commencement of lease term, initial recognition at fair value of the leased asset or, if lower, present value of minimum lease payments (each determined at inception of lease) (IAS 17.20).</p> <p>Rate implicit in lease is generally used to calculate present value. If not practicable to determine, incremental borrowing rate is used (IAS 17.20).</p> <p>Capitalize assets held under finance leases – depreciate on same basis as for owned assets. If no reasonable certainty that lessee will obtain ownership, depreciate over shorter of lease term and useful life (IAS 17.27).</p> <p>Minimum lease payments are allocated between finance costs and the reduction of the outstanding liability. Finance costs are allocated to each period to produce a constant rate on outstanding obligation. Contingent rents are expensed as incurred (IAS 17.25).</p>	<p><i>Capital leases (lessee)</i></p> <p>Initial recognition at present value of minimum lease payments or, if lower, fair value of leased property (ASC 840-30-30-1 through 30-4).</p> <p>Incremental borrowing rate generally used to calculate present value. However, if it is practicable to learn rate implicit in lease and that rate is lower than the incremental borrowing rate, the implicit rate is used (ASC 840-10-25-31).</p> <p>Capitalize assets held under capital leases. If lease contains a bargain purchase option or transfers ownership to lessee, depreciate over useful life. Otherwise, depreciate over lease term (ASC 840-30-35-1).</p> <p>Similar to IFRS Standards, Minimum lease payments (ASC 840-30-35-6) and contingent rents (ASC 840-30-25-2).</p>
<p><i>Finance leases (lessor)</i></p>	<p><i>Capital leases (lessor)</i></p>

IFRS Standards	U.S. GAAP
<p>Recognize asset held under a finance lease as a receivable in the statement of financial position in the amount of the net investment in the lease (IAS 17.36), which is the gross investment in the lease discounted at the interest rate implicit in the lease (IAS 17.4). Gross investment in the lease is the sum of the minimum lease payments and the unguaranteed residual value accruing to lessor (IAS 17.4).</p> <p>Finance income is recognized in a manner that reflects a constant periodic rate of return on the lessors' net investment (IAS 17.39).</p> <p>Manufacturer or dealer lessors recognize selling profit or loss in the period in accordance with the policy followed by the entity for outright sales. Costs incurred to negotiate and arrange a lease are recognized as an expense when selling profit is recognized (IAS 17.42).</p> <p>IFRS Standards do not have a leveraged lease classification.</p>	<p>Recognize asset for net investment in lease:</p> <ul style="list-style-type: none"> <li>• Sales-type lease: Net investment consists of gross investment less unearned income (ASC 840-30-30-8). Gross investment is minimum lease payments, net of executory costs, plus unguaranteed residual value accruable to the benefit of the lessor (ASC 840-30-30-6). Unearned income is the difference between the gross investment and the present value of the gross investment using the interest rate implicit in the lease (ASC 840-30-30-9).</li> <li>• The manufacturer's/dealer's profit on sales-type leases is the difference between (a) the fair value of the leased property at lease inception and (b) the leased asset's cost or carrying amount. Special rules exist for sales-type leases involving real estate (ASC 840-10-25-43).</li> <li>• Direct financing lease: Net investment is gross investment plus any unamortized initial direct costs less unearned income (ASC 840-30-30-11). Gross investment is minimum lease payments, net of executory costs, plus unguaranteed residual value accruable to the benefit of the lessor (ASC 840-30-30-6). The difference between the gross investment and the cost or carrying amount of the leased property is recorded by the lessor as unearned income (ASC 840-30-30-13).</li> <li>• Lessor's income under a direct financing lease is calculated using a rate that will produce a constant periodic rate of return on the net investment in the lease (ASC 840-30-35-23).</li> <li>• Leveraged lease: a lease that meets the criteria in ASC 840-10-25-43(c).</li> </ul>
<p><i>Leases involving land and buildings</i></p> <p>The classification of the land and building elements of a lease are assessed as a finance or operating lease separately in accordance with IAS 17.7-.13. An important consideration in determining whether the land element is an operating or a finance lease is that land normally has an indefinite economic life. The land and building components of a lease may be treated as a single unit for purposes of lease classification if the land element is not material (IAS 17.15A and .17).</p> <p>The minimum lease payments are allocated between land and buildings in proportion to their relative fair values at inception of lease. If the lease payments cannot be allocated reliably then the entire lease is treated as a finance lease, unless it is clear that both elements are operating leases (IAS 17.16).</p>	<p><i>Leases involving land and buildings</i></p> <p>For capital leases in which the lease transfers ownership of the property to the lessee by the end of the lease term or contains a bargain purchase option, the lessee's capitalized amount is apportioned between land and building based on their relative fair values at lease inception (ASC 840-10-25-38). Detailed guidance on the lessor's accounting is included in ASC 840-10-25-60 through 25-68.</p> <p>For leases that do not meet the ownership transfer or bargain purchase option criteria noted above, the land and buildings are considered separately if the fair value of the land is 25 percent or more of the value of the leased property at the inception of the lease. Detailed guidance on the lessee and lessor accounting is included</p>

IFRS Standards	U.S. GAAP
<p>If lessee's interest in land and buildings is classified as investment property (IAS 40) and carried under fair value model, it is not necessary to split the land and buildings (IAS 17.18).</p>	<p>in ASC 840-10-25-38 and 25-63 through 25-68.</p> <p>U.S. GAAP does not permit leases of land and buildings to be recorded at fair value.</p>
<p><i>Sale and leaseback</i></p> <p>For sale and finance leaseback transactions considered a finance lease, gain is deferred and amortized over the lease term (IAS 17.59).</p> <p>For sale and operating leaseback transactions considered an operating lease (IAS 17.61):</p> <ul style="list-style-type: none"> <li>• If sales price is at fair value, profit/loss is recognized immediately</li> <li>• If sales price is below fair value, profit/loss is recognized immediately, except if a loss is compensated by future lease payments at below market price, then the loss is deferred and amortized in proportion to the lease payments, over the period the asset is expected to be used</li> <li>• If sales price is above fair value, the excess is deferred and amortized over the period the asset is expected to be used</li> </ul> <p>For operating leases, if fair value is below carrying amount, immediately recognize a loss calculated as carrying amount minus fair value (IAS 17.63).</p>	<p><i>Sale and leaseback</i></p> <p>For sale and leaseback transactions, profit or loss is generally deferred and amortized unless (ASC 840-40-25-3 and 840-40-35-1):</p> <ul style="list-style-type: none"> <li>• The leaseback is minor as defined in ASC 840, the sale and leaseback is accounted for as separate transactions based on their respective terms.</li> <li>• The leaseback is more than a minor part but less than substantially all of the use of the asset as defined in ASC 840, a gain on sale of the asset in excess of the present value of the minimum lease payments (operating lease) or the recorded amount (capital lease) is recognized at the date of sale.</li> </ul> <p>If fair value of the property at the time of the transaction is less than its undepreciated cost, a loss is immediately recognized (ASC 840-40-25-3(c)).</p> <p>If, through the leaseback, the seller-lessee retains substantially all of the benefits and risks incident to ownership of the property sold, the transaction is a financing (ASC 840-40-25-4).</p> <p>Unlike IFRS Standards, special rules exist for sale-leaseback transactions involving real estate (ASC 840-40, "Real Estate" subsections).</p> <p>Unlike IFRS Standards, there are special rules for when lessees are involved in the construction of an asset that will be leased to the lessee when construction of the asset is complete (ASC 840-40-05-5 and 40-55-2 through 55-6).</p>

## 5.2 Leases (IFRS 16 and ASC 842)

**Note:** This section represents the new guidance on leases under IFRS 16 as compared with U.S. GAAP (ASC 842). Since the new lease guidance is not yet effective, the guidance below has been shaded. Comparison of the legacy leasing guidance is made in Section 5.1.

IFRS Standards	U.S. GAAP
Relevant guidance: IFRS 16	Relevant guidance: ASC 842 and 606
<b>Objective</b>	
To ensure lessees and lessors provide relevant information that faithfully represents the recognition, measurement, presentation, and disclosure of leases to allow users of financial statements to assess the effect that leases have on the financial position, financial performance, and cash flows of an entity (IFRS 16.1).	To establish the principles that lessees and lessors use to report information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease (ASC 842-10-10-2).
<b>Scope</b>	
<p>Apply to all leases, including leases of right-of-use assets in a sublease, except (IFRS 16.3):</p> <ul style="list-style-type: none"> <li>• Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources</li> <li>• Leases of biological assets within IAS 41</li> <li>• Service concession arrangements under IFRIC 12</li> <li>• Licenses of intellectual property granted by lessor within IFRS 15</li> <li>• Rights held by lessee under licensing agreements under IAS 38 for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights</li> </ul>	<p>Applies to all leases, including subleases, except (ASC 842-10-15-1):</p> <ul style="list-style-type: none"> <li>• Leases to explore for or use minerals, oil, natural gas, and similar nonregenerative resources</li> <li>• Leases of biological assets, including timber</li> <li>• Leases of intangible assets. Under IFRS Standards lessee may but is not required to apply IFRS 16 to leases of intangible assets other than rights under licensing agreements (IFRS 16.4).</li> <li>• Leases of inventory</li> <li>• Leases of assets under construction</li> </ul>
Lessee may elect to not apply the requirements in paragraph 22-49 of IFRS 16 to short-term leases (by class of underlying asset to which the right of use relates (IFRS 16.8) and leases for which the underlying asset is of low value as described in paragraphs 16.B3-.B8 (IFRS 16.5). For those leases for which the election is made, recognize lease payments associated with those leases as expenses on a straight-line basis over the lease term or another systematic basis if more representative of the pattern of a lessee's benefit (IFRS 16.6).	<p>A lessee may elect, by class of underlying asset, not to apply the recognition requirements in ASC 842 to short-term leases but recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period the obligation for those payments is incurred (ASC 842-20-25-2).</p> <p>U.S. GAAP does not have a similar exemption for leases where the underlying asset is of low value.</p>
<b>Identifying a lease</b>	
At inception of contract assess whether contract is or contains a lease, which is when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration (IFRS 16.9).	Similar to IFRS Standards, except U.S. GAAP considers an identified asset to be property, plant and equipment (ASC 842-10-15-2 and 15-3).
Reassess whether contract is or contains a lease only if the terms and conditions of the contract are changed (IFRS 16.11).	Similar to IFRS Standards (ASC 842-10-15-6).

IFRS Standards	U.S. GAAP
<b>Separating components of a contract</b>	
For a contract that is or contains a lease, account for each lease component within the contract as a lease separately from non-lease components unless the practical expedient in paragraph 16.15 is applied (IFRS 16.12).	For contracts that contain a lease, identify the separate lease components. The right to use an underlying asset is a separate lease component if both (ASC 842-10-15-28): <ul style="list-style-type: none"> <li>• Lessee can benefit from the right to use either on its own or together with other resources that are readily available to lessee, and</li> <li>• The right of use is neither highly dependent on or highly interrelated (each right of use significantly affects the other) with the other rights to use the underlying assets in the contract</li> </ul> The practical expedient to account for lease and nonlease components together, is also available under U.S. GAAP (ASC 842-10-15-37).
Lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components (IFRS 16.13). Relative stand-alone price of lease and non-lease components based on the price the lessor, or a similar supplier would charge an entity for that component or a similar component, separately. If such a price is not available, a lessee estimates the stand-alone price, maximizing the use of observable information (IFRS 16.14).	Similar to IFRS Standards (ASC 842-10-15-33).
Lessees may elect, by class of underlying asset, not to separate non-lease components from lease components and account for all components as a single lease component, except to embedded derivatives under IFRS 9 (IFRS 16.15).	Similar to IFRS Standards (ASC 842-10-15-37 and 15-43).
Lessors allocate the consideration in the contract by applying paragraphs 73-90 of IFRS 15 (IFRS 16.16).	Similar to IFRS Standards, based on the guidance in ASC 606-10-32-28 through 41 (ASC 842-10-15-38). <b>Note:</b> In December 2018, the FASB issued ASU 2018-20, <i>Narrow-Scope Improvements for Lessors (Topic 842)</i> . The amendments <ul style="list-style-type: none"> <li>• Provide lessors with an accounting policy election to not evaluate whether certain sales taxes and other similar taxes are costs of the lessee or lessor</li> <li>• Require lessors to exclude from variable payments certain costs paid directly to third parties on behalf of the lessor that cannot be readily determined</li> <li>• Require lessors to allocate certain variable payments to the lease and nonlease components of a contract when the changes in facts and circumstances that trigger the variable payment occur</li> </ul>

IFRS Standards	U.S. GAAP
	The effective date and transition requirements would be the same as ASC 842 for entities that have not adopted ASC 842.
No similar practical expedient exists under IFRS Standards.	<p>Lessors may elect, by class of underlying asset, to combine a nonlease component that would otherwise be accounted for under ASC 606 with the related lease component(s) if both (ASC 842-10-15-42A):</p> <ul style="list-style-type: none"> <li>• The lease component, if accounted for separately, would meet the criteria to be classified as an operating lease</li> <li>• The timing and pattern of transfer of the lease and nonlease component(s) to the customer would be the same</li> </ul> <p>The lessor must determine if the nonlease component is the predominant element of the combined component. If so, the combined component is accounted for under ASC 606. If not, the combined component is accounted for under ASC 842 (ASC 842-10-15-42B).</p>
<b>Lease term</b>	
<p>Lease term is non-cancellable period of lease with both:</p> <ul style="list-style-type: none"> <li>• Periods covered by option to extend the lease if lessee is reasonably certain to exercise the option, and</li> <li>• Periods covered by option to terminate the lease if lessee is reasonably certain not to exercise that option (IFRS 16.18).</li> </ul>	<p>Lease term is noncancellable period that lessee has right to use underlying asset, including (ASC 842-10-30-1 and Master Glossary “Lease term”):</p> <ul style="list-style-type: none"> <li>• Periods covered by option to extend lease if lessee is reasonably certain to exercise</li> <li>• Periods covered by option to terminate lease if lessee is reasonably certain not to exercise</li> <li>• Periods covered by option to extend (or not terminate) lease where exercise of option controlled by lessor</li> </ul>
Revise the lease term if there is a change in the non-cancellable period of a lease (IFRS 16.21).	Similar to IFRS Standards (ASC 842-10-35-1)
<b>Lessee</b>	
<b>Lease classification</b>	
Under IFRS Standards there is no need for a lessee to classify leases as all leases are classified as finance leases.	<p>Lessee classifies a lease as a finance lease and a lessor classifies a lease as a sales-type lease if any of following are met (ASC 842-10-25-2):</p> <ul style="list-style-type: none"> <li>• Lease transfers ownership of underlying asset to lessee by end of lease term</li> <li>• Lease grants lessee option to purchase the underlying asset that lessee is reasonably certain to exercise</li> <li>• Lease term is for major part of remaining economic life of underlying asset</li> <li>• Present value of sum of lease payments and any residual value guaranteed by lessee that is not</li> </ul>

IFRS Standards	U.S. GAAP
	<p>already reflected in lease payments equals or exceeds substantially all the fair value of the underlying asset</p> <ul style="list-style-type: none"> <li>Underlying asset is of such specialized nature that it is expected to have no alternative use to lessor at end of lease term</li> </ul> <p>If none of above criteria are met, lessee classifies lease as operating and lessor determines if lease is a direct financing lease or operating lease (ASC 842-10-25-3).</p>
<b>Recognition</b>	
<p>At commencement date, lessee recognizes a right-of-use asset and a lease liability (IFRS 16.22).</p>	<p>Similar to IFRS Standards (ASC 842-10-30-2).</p>
<b>Measurement</b>	
<p>At commencement date, a lessee measures right-of-use asset at cost, which includes (IFRS 16.23-.24):</p> <ul style="list-style-type: none"> <li>Amount of initial measurement of lease liability</li> <li>Any lease payments made at or before commencement date, less any lease incentives received</li> <li>Any initial direct costs incurred by lessee, and</li> <li>Estimate of costs to be incurred by lessee in dismantling and removing underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories</li> </ul> <p><b>Note:</b> The Board will propose an amendment to remove the illustration of the reimbursement of leasehold improvements by the lessor from Illustrative Example 13 accompanying IFRS 16 to avoid potential confusion about how lease incentives should be treated.</p>	<p>Similar to IFRS Standards (ASC 842-20-30-5).</p>
<p>At commencement date, lessee measures lease liability at the present value of the lease payments that are not paid at that date. Discount the lease payments using the interest rate implicit in the lease or if not readily determined, the lessee's incremental borrowing rate (IFRS 16.26).</p>	<p>Similar to IFRS Standards, except that a lessee that is not a public business entity is permitted to use a risk-free discount rate (ASC 842-20-30-3).</p>
<p>At commencement date, lease payments included in measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that are not paid at commencement (IFRS 16.27):</p> <ul style="list-style-type: none"> <li>Fixed payments including in-substance fixed payments</li> <li>Variable lease payments that depend on an index or rate, initially measured using the index or rate at the</li> </ul>	<p>Similar to IFRS Standards (ASC 842-10-30-5). There is no similar requirement under U.S. GAAP to remeasure the lease liability for changes in future lease payments from a change in an index or rate unless a lessee is required for other reasons to remeasure the lease payments (ASC 842-10-35-5).</p>

IFRS Standards	U.S. GAAP
<p>commencement date. IFRS requires a lessee to remeasure the lease liability if there is a change in future lease payments from a change in an index or rate (IFRS 16.42(b))</p> <ul style="list-style-type: none"> <li>• Exercise price of purchase option if lessee is reasonably certain to exercise that option</li> <li>• Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate lease</li> <li>• Amounts expected to be payable by lessee under residual value guarantees</li> </ul>	
<p>After commencement date, lessee measures right-of-use asset under the cost model (cost less accumulated depreciation (IAS 16) and impairment losses (IAS 36), adjusted for remeasurement of lease liability (IFRS 16.30) unless the measurement models in paragraphs 34 and 35 are applied (IFRS 16.29).</p>	<p>Similar to IFRS Standards for a finance lease (ASC 842-20-35-1).</p> <p>For an operating lease, after commencement date, measure the right-of-use asset at amount of lease liability, adjusted for (ASC 842-20-35-3):</p> <ul style="list-style-type: none"> <li>• Prepaid or accrued lease payments</li> <li>• Remaining balance of any lease incentives received</li> <li>• Unamortized initial direct costs</li> <li>• Impairment of right-of-use asset</li> </ul> <p>IFRS Standards allow certain right-of-use assets to be measured as investment property under IAS 40 or the revaluation model for property, plant and equipment under IAS 16. There is no similar guidance in U.S. GAAP.</p>
<p>After the commencement date, lessee measures the lease liability by (IFRS 16.36):</p> <ul style="list-style-type: none"> <li>• Increasing carrying amount to reflect interest on lease liability</li> <li>• Reducing carrying amount to reflect lease payments made, and</li> <li>• Remeasuring carrying amount to reflect any reassessment or lease modifications or reflect revised in-substance fixed lease payments</li> </ul>	<p>Similar to IFRS Standards for a finance lease (ASC 842-20-35-1).</p> <p>For an operating lease, after commencement date, measure the lease liability at the present value of the lease payments not yet paid discounted using the discount rate for the lease determined at commencement (ASC 842-20-35-3).</p>
<p>After commencement date, lessee remeasures (see IFRS 16.40-.43) the lease liability to reflect changes to lease payments and recognize the amount of the remeasurement as an adjustment to the right-of-use asset (IFRS 16.39).</p>	<p>Similar to IFRS Standards (ASC 842-20-35-4).</p>
<b>Lease modifications - lessees</b>	
<p>Lessee accounts for lease modification as a separate lease if both the (IFRS 16.44):</p> <ul style="list-style-type: none"> <li>• Modification increases the scope of the lease by adding the right to use one or more underlying assets, and</li> </ul>	<p>Similar to IFRS Standards (ASC 842-10-25-8).</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to the stand-alone price to reflect the circumstances of the particular contract</li> </ul>	
<p>If modification not accounted for as a separate lease, at effective date of lease modification, lessee (IFRS 16.45):</p> <ul style="list-style-type: none"> <li>Allocates consideration in modified contract by applying IFRS 16.13-.16</li> <li>Determines lease term by applying IFRS 16.18-.19</li> <li>Remeasure lease liability by discounting revised lease payments using revised discount rate</li> </ul>	<p>If lease modified and modification is not accounted for as a separate contract, lessee reassesses classification of lease as of effective date of the modification based on modified terms and conditions and facts and circumstances at that date (ASC 842-10-25-9).</p>
<b>Lessor</b>	
<b>Lessor classification</b>	
<p>Lessor classifies each lease as either an operating or a finance lease (IFRS 16.61). Classification made at inception date is only reassessed if there is a lease modification (IFRS 16.66).</p>	<p>Lessor classifies lease as a sales-type lease, direct financing lease, or operating lease (ASC 842-10-25-2 and 25-3). Lease classification is not reassessed unless contract modified and not accounted for as a separate contract or when there is a change in the lease terms or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset (ASC 842-10-25-1).</p>
<p>A finance lease transfers substantially all of the risks and rewards of ownership of an underlying asset. Otherwise the lease is an operating lease (IFRS 16.62).</p>	<p>Similar to IFRS Standards except the lessor classifies the lease as a sales-type lease, direct-financing lease, or an operating lease (ASC 842-10-25-2 and 25-3).</p>
<p>Examples of situations that represent finance leases include (IFRS 16.63):</p> <ul style="list-style-type: none"> <li>Lease transfers ownership of underlying asset to lessee by end of lease term</li> <li>Lessee has option to purchase underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised</li> <li>Lease term is for major part of economic life of underlying asset even if title is not transferred</li> <li>At inception date, the present value of lease payments is at least substantially all of the fair value of the underlying assets, and</li> <li>The underlying asset is of such a specialized nature that only the lessee can use it without major modifications</li> </ul>	<p>Similar to IFRS Standards (ASC 842-10-25-2).</p>
<p>Indicators of a finance lease include (IFRS 16.64):</p> <ul style="list-style-type: none"> <li>If lessee can cancel lease, lessor's losses borne by lessee</li> </ul>	<p>No similar requirements under U.S. GAAP.</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Gain or losses from fluctuation in fair value of residual accrue to lessee, and</li> <li>Lessee has ability to continue lease for secondary period at rent that is substantially lower than market rent</li> </ul>	
<b>Lessor recognition and measurement</b>	
<b>Finance leases - lessors</b>	
<p>At commencement date, lessor recognizes assets held under finance lease in statement of financial position as a receivable at an amount equal to the net investment in the lease (IFRS 16.67).</p>	<p>For a sales-type lease, measure net investment in the lease to include both (ASC 842-30-30-1):</p> <ul style="list-style-type: none"> <li>Lease receivable</li> <li>Unguaranteed residual asset at present value of amount lessor expects to derive from underlying asset following end of lease term, that is not guaranteed by lessee or any third party unrelated to lessor, discounted using rate implicit in lease</li> </ul> <p>The net investment in the lease for a direct financing lease includes the amounts above less any selling profit (ASC 842-30-30-2).</p> <p>As IFRS Standards doesn't distinguish between different types of finance leases, IFRS Standards permits recognition of selling profit at lease commencement.</p> <p>If collectibility of the lease payments, plus any amount under a residual value guaranteed provided by the lessee, is not probable at commencement date, lessor does not derecognize the underlying asset and recognizes lease payments received, including variable lease payments, as a deposit liability until certain conditions are met (ASC 842-30-25-3). IFRS Standards does not include similar guidance.</p>
<p>At commencement date, lease payments included in measurement of net investment in lease include (IFRS 16.70):</p> <ul style="list-style-type: none"> <li>Fixed payments including in-substance fixed payments</li> <li>Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date</li> <li>Exercise price of purchase option if lessee reasonably certain to exercise option</li> <li>Payments of penalties for terminating the lease, if lease term reflects the lessee exercising an option to terminate the lease</li> <li>Any residual value guarantees provided to lessor by lessee, party related to lessee, or third party</li> </ul>	<p>Similar to IFRS Standards except residual value guarantees are not included (ASC 842-10-30-5).</p>

IFRS Standards	U.S. GAAP
<p>At commencement date, manufacturer or dealer lessor recognizes for each finance lease (IFRS 16.71):</p> <ul style="list-style-type: none"> <li>• Revenue which is the fair value of the underlying asset, or if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest</li> <li>• Cost of sale, which is the cost, or carrying amount, if different, of the underlying asset less the present value of the unguaranteed residual value, and</li> <li>• Difference between revenue and cost of sale as selling profit or loss based on guidance on outright sale under IFRS 15</li> </ul>	<p>Under U.S. GAAP, lessors would follow the guidance for lessor accounting.</p>
<p>Lessor recognizes finance income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease (IFRS 16.75). Apply derecognition and impairment requirements in IFRS 9 to net investment in lease (IFRS 16.77).</p>	<p>Similar to IFRS Standards (ASC 842-30-35-1). Impairment of net investment in lease is based on ASC 310 (ASC 842-30-35-3). On the adoption of ASU 2016-13, credit losses related to the net investment in a lease will be recognized based on the guidance in ASC 326-20.</p>
<p>Account for lease modification to a finance lease as a separate lease if both (IFRS 16.79):</p> <ul style="list-style-type: none"> <li>• Modification increases scope of lease by adding right to use one or more underlying assets, and</li> <li>• Consideration for lease increases by amount commensurate with stand-alone price for the increase in scope and any appropriate adjustment to the stand-alone price to reflect the circumstances of the particular contract</li> </ul>	<p>Lessor accounts for lease modification of a sales-type lease, when the modification is not a separate contract as (ASC 842-10-25-17):</p> <ul style="list-style-type: none"> <li>• If modified lease is a sales-type or direct financing lease, adjust the discount rate for the modified lease so that the initial net investment in the modified lease equals the carrying amount of the net investment in the original lease immediately before the effective date of the modification</li> <li>• If modified lease is an operating lease, as noted below</li> </ul> <p>If a direct financing lease is modified and the modification is not accounted for as a separate contract, account for the modified lease as (ASC 842-10-25-16):</p> <ul style="list-style-type: none"> <li>• If modified lease is a direct financing lease, adjust the discount rate for the modified lease so that the initial net investment in the modified lease equals the carrying amount of the net investment in the original lease immediately before the effective date of the modification</li> <li>• If modified lease is classified as a sales-type lease, in accordance with ASC 842-30</li> <li>• If modified lease is classified as an operating lease, the carrying amount of the underlying asset equals the net investment in the original lease immediately before effective date of modification</li> </ul>

IFRS Standards	U.S. GAAP
<b>Operating leases - lessors</b>	
Lessor recognizes lease payments from operating lease as income on either a straight-line basis or another systematic basis. (IFRS 16.81).	Similar to IFRS Standards (ASC 842-30-25-11). Lessor continues to measure the underlying asset subject to an operating lease (ASC 842-30-35-6).
Lessor recognizes costs, including depreciation, incurred in earning the lease income as an expense (IFRS 16.82). Lessor adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income (IFRS 16.83). Calculate depreciation on underlying asset based on IAS 16 and IAS 38 (IFRS 16.84) and impairment based on IAS 36 (IFRS 16.85).	Lessor recognizes variable lease payments as income in profit or loss in period changes in facts and circumstances on which variable lease payments are based occur and initial direct costs as an expense over the lease term on the same basis as lease income (ASC 842-30-25-11).  If collectibility of lease payments including any amount necessary to satisfy residual value guarantee is not probable at commencement date, lease income is limited to lesser of income that would be recognized above related to lease payments and variable lease payments, or the lease payments, including variable lease payments that have been collected from lessee (ASC 842-30-25-12). IFRS Standards does not include similar guidance.
Lessor accounts for a modification of an operating lease as a new lease from the effective date of the modifications, considering any prepaid or accrued lease payments relating to original lease as part of the lease payments for the new lease (IFRS 16.87).	If operating lease modified and modification is not accounted for as a separate contract, lessor accounts for modification as if it were a termination of the existing lease and the creation of a new lease that commences on effective date of modification (ASC 842-10-25-15).
<b>Sale and leaseback transactions</b>	
An entity that transfers an asset to another entity and leases that asset back from the buyer-lessor, determines if the transfer of the asset is accounted for as a sale based on the guidance for satisfaction of a performance obligation in IFRS 15 (IFRS 16.99).	Similar to IFRS Standards, apply ASC 606-10-25-1 through 25-8 on existence of a contract and ASC 606-10-25-30 if entity satisfies performance obligation by transferring control of an asset (ASC 842-40-25-1).
If transfer of an asset is a sale (IFRS 16.100): <ul style="list-style-type: none"> <li>• Seller-lessee measures right-of-use asset from leaseback at proportion of previous carrying amount of the asset that relates to the right of use retained by seller-lessee and only recognizes the amount of any gain or loss that relates to the rights transferred to the buyer-lessor</li> <li>• Buyer-lessor accounts for the purchase of the asset by applying applicable IFRS Standards and applying IFRS 16 to the lease</li> </ul>	If transfer is a sale (ASC 842-40-25-4): <ul style="list-style-type: none"> <li>• Seller-lessee recognizes transaction price for sale when buyer-lessor obtains control based on the guidance in ASC 606-10-25-30 and 32-2 through 32-27, derecognizes the carrying amount of the underlying asset, and accounts for the lease under ASC 842</li> <li>• Similar to IFRS Standards</li> </ul>
If fair value of consideration for sale of asset is not equal to fair value of asset or the payments for the lease are not at market rates, an entity adjusts the measurement of the sale proceeds at fair value by (IFRS 16.101): <ul style="list-style-type: none"> <li>• Any below-market terms as a prepayment of lease payments, and</li> </ul>	Similar to IFRS Standards (ASC 842-40-30-2).

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• Any above-market terms as additional financing provided by buyer-lessor to seller-lessee</li> </ul> <p>Such adjustment is measured based on the more readily determinable of (IFRS 16.102):</p> <ul style="list-style-type: none"> <li>• Difference between fair value of consideration for sale and fair value of asset, and</li> <li>• Difference between present value of contractual payments for lease and present value of payments for lease at market rates</li> </ul>	
<p>If transfer of asset by seller-lessee does not qualify as a sale (IFRS 16.103):</p> <ul style="list-style-type: none"> <li>• Seller-lessee continues to recognize transferred asset and recognizes a financial liability for the transfer proceeds</li> <li>• Buyer-lessor does not recognize transferred asset and recognizes financial asset for amount of transfer proceeds</li> </ul>	<p>Similar to IFRS Standards (ASC 842-40-25-5).</p>

### 5.3 Provisions, contingent liabilities, and contingent assets

IFRS Standards	U.S. GAAP
<p><b>Relevant guidance:</b> IAS 37; IFRIC 1 and 21</p>	<p><b>Relevant guidance:</b> ASC 410, 420, and 450</p>
<p><b>Introduction</b></p>	
<p>A <i>provision</i> is defined as a liability of uncertain timing or amount (IAS 37.10).</p> <ul style="list-style-type: none"> <li>• Recognition: when there is a present obligation (legal or constructive) as a result of a past event, transfer of economic benefits is probable, and a reliable estimate can be made. Probable means <i>more likely than not</i> (IAS 37.14 and .23).</li> <li>• Measurement: at the best estimate of the amount required to settle the present obligation at the end of the reporting period. The best estimate is the amount that an entity would rationally pay to settle the obligation or transfer it to a third party. Uncertainties about the amount to recognize are considered based on the circumstances. For example (IAS 37.36-.40): <ul style="list-style-type: none"> <li>– For a large population of items, a provision is estimated by weighing all associated outcomes by their probabilities (expected value method)</li> <li>– Where there is a continuous range of possible outcomes and each point in the range is as likely as any other, the mid-point of the range is used</li> <li>– For a single item being measured, the best estimate may be the most likely outcome. However, other possible outcomes are considered</li> </ul> </li> <li>• Discounting: Where the effect of the time value of money is material, the provision is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability (IAS 37.45-.47).</li> </ul>	<p>Unlike IFRS Standards, the guidance for provisions, contingent liabilities, and contingent assets is included in several ASC topics and that guidance is not always consistent. ASC 450-20 on loss contingencies is similar to IFRS Standards; however, there are some differences.</p> <ul style="list-style-type: none"> <li>• Recognition: Under ASC 450-20, a loss contingency is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated (ASC 450-20-25-2). The ASC Master Glossary defines <i>probable</i> as “the future event or events are likely to occur,” a higher threshold than <i>more likely than not</i> under IFRS Standards.</li> <li>• Measurement: ASC 450-20 requires that the amount of the loss be reasonably estimated (best estimate). However, when the reasonable estimate of the loss is a range and some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount is accrued. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued (ASC 450-20-30-1).</li> <li>• Discounting: Accruals for loss contingencies are not discounted unless the timing of the related cash flows is fixed or reliably determinable</li> </ul>
<p>A <i>contingent liability (asset)</i> is a possible obligation (asset) that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity (IAS 37.10).</p> <p>A contingent liability may also be a present obligation that arises from past events but is not recognized because either a transfer of economic benefits is not probable or a reliable estimate cannot be made (IAS 37.10).</p> <p>Contingent liabilities are not recognized; however, disclosures are required unless the possibility of any outflow is remote (IAS 37.27-.28 and .86).</p>	<p>A <i>contingency</i> is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur (ASC Master Glossary, “Contingency”).</p> <p>Disclosure of the contingency is required if there is at least a reasonable possibility that a loss or an additional loss may have been incurred and either of the following conditions exists (ASC 450-20-50-3):</p> <ul style="list-style-type: none"> <li>• An accrual is not made for a loss contingency because any of the conditions in ASC 450-20-25-2 are not met</li> </ul>

IFRS Standards	U.S. GAAP
	<ul style="list-style-type: none"> <li>An exposure to loss exists in excess of the amount accrued pursuant to ASC 450-20-30-1</li> </ul>
A contingent asset is not recognized (IAS 37.31). When an inflow of benefits is probable, a contingent asset would be disclosed (IAS 37.89).	Gain contingencies are not reflected in financial statements (ASC 450-30-25-1).
Disclosures regarding provisions and contingent assets and liabilities may be omitted if they can be expected to seriously prejudice the position of the entity in a dispute with other parties on the subject matter of the related provision, contingent asset, or contingent liability. Such instances are expected to be extremely rare. However, the entity discloses the general nature of the dispute as well as the fact that, and the reason why, the information has not been disclosed (IAS 37.92).	A similar exception does not exist.
<b>Asset retirement obligations – recognition and measurement</b>	
Provisions for the estimated cost of dismantling and removing an asset and restoring a site are recognized and measured in accordance with the provisions in IAS 37 as noted in the Introduction section above. According to IAS 16, the cost of an item of property, plant, and equipment includes the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located, the obligation for which an entity incurs either when the entity acquires the item or as a consequence of using the item (IFRIC 1.1).	<p>A liability for an asset retirement obligation (ARO) is recognized at fair value in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of the fair value of the liability cannot be made in the period the obligation is incurred, a liability is recognized when a reasonable estimate of fair value can be made (ASC 410-20-25-4).</p> <p>If the fair value of an ARO is estimated using the expected cash flow approach, the cash flows are initially discounted using the current credit-adjusted risk-free rate (ASC 410-20-30-1). Unlike IFRS Standards, the obligation is not adjusted to reflect the effect of a change in the current market-based discount rate in subsequent periods (ASC 410-20-35-3).</p>
<b>Asset retirement obligations – changes in measurement</b>	
Changes in the measurement of existing decommissioning, restoration, and similar liabilities are accounted for under IFRIC 1. If the cost model is used for the asset, changes in measurement of decommissioning, restoration, or similar liability as a result of (a) changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation or (b) a change in the discount rate (other than through unwinding of discount rate) is added or deducted against the asset (subject to certain restrictions) (IFRIC 1.4 and .5).	Like IFRS Standards, changes in the liability for the ARO that are due to changes in the timing or amount of the original estimated cash flows are added to or deducted from the liability and the cost of the asset. Downward revisions in the amount of undiscounted cash flows are discounted using the credit-adjusted risk-free rate used on initial recognition. Upward revisions in the amount of undiscounted cash flows are discounted using the current credit-adjusted risk-free rate (ASC 410-20-35-8).
Unwinding of discount is charged against profit and not capitalized as a borrowing cost (IFRIC 1.8).	Changes in the liability for the asset retirement obligation (ASC 410-20-35-3 through 35-6) that are due to the passage of time are treated as accretion expense.
If the revaluation method is used for the asset, additional guidance is provided in IFRIC 1.6.	U.S. GAAP does not provide a similar revaluation model.

IFRS Standards	U.S. GAAP
<b>Environmental obligations</b>	
The general provisions for the recognition of a provision in IAS 37.14, as noted in the Introduction section above, apply to an environmental obligation (IAS 37.19 and .21).	The general provisions for the recognition of a contingency in ASC 450-20-25-2, as noted in the Introduction section above, apply to an environmental obligation (ASC 410-30-25-1 to 25-3).
No similar requirement.	An environmental obligation usually becomes determinable and estimable over a continuum of events. The following conditions are to be met for an environmental obligation to be probable of occurrence (ASC 410-30-25-4): <ul style="list-style-type: none"> <li>• Litigation has commenced or claim or assessment has been asserted, or based on available information, commencement of litigation or assertion of a claim or an assessment is probable</li> <li>• Based on available information, it is probable that the outcome of such litigation, claim or assessment will be unfavorable</li> </ul>
An environmental liability is measured based on the general measurement provisions in IAS 37 (IAS 37.36-.41).	An environmental liability is measured based on the guidance in ASC 450-20. Additional guidance on measuring an environmental liability is also provided (ASC 410-30-25-7 through 25-13).
<b>Restructuring costs</b>	
A provision for restructuring costs is recognized when the general recognition criteria for provisions in IAS 37.14, as noted in the Introduction section above, are met (IAS 37.71). One of those criteria is that an entity has a present obligation (legal or <i>constructive</i> ) as a result of a past event. A <i>constructive obligation</i> to restructure arises only when an entity (IAS 37.72): <ul style="list-style-type: none"> <li>• Has a detailed formal plan for the restructuring; and</li> <li>• Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it</li> </ul>	In general, a liability for a cost associated with an exit or disposal activity is recognized when the definition of a liability is met. Therefore, unlike IFRS Standards, an entity's commitment to an exit or disposal plan is not by itself the requisite past transaction or event for recognition of a liability (ASC 420-10-25-2).
<b>Onerous contracts</b>	
IAS 37.10 defines an <i>onerous contract</i> as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits. If an entity has an onerous contract, the present obligation is recognized and measured as a provision (IAS 37.66).  <b>Note:</b> In December 2018 the Board issued an exposure draft of an amendment to IAS 37 to make narrow -scope clarifications of the meaning of the term 'unavoidable costs' in the definition of an onerous contract.	Unless specific U.S. GAAP applies, obligations for onerous contracts are not recognized.

IFRS Standards	U.S. GAAP
<b>Levies</b>	
<p>IFRIC 21 provides guidance on accounting for a liability to pay a levy if the liability is within the scope of IAS 37 and for a liability to pay a levy whose timing and amount is certain (IFRIC 21.2).</p> <p>A levy is an outflow of resources embodying economic benefits imposed by governments on entities under legislation (IFRIC 21.4).</p> <p>The obligating event that gives rise to a liability to pay a levy is the activity that triggers payment of the levy, as identified by the legislation (IFRIC 21.8).</p> <p>No constructive obligation to pay a levy is triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period (IFRIC 21.9).</p> <p>The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time (IFRIC 21.11).</p> <p>If an obligation to pay a levy is triggered when a minimum threshold is reached, the liability is recognized when the minimum activity threshold is reached (IFRIC 21.12).</p> <p>A prepaid asset is recognized if the levy has been paid but no present obligation exists (IFRIC 21.14).</p>	<p>No similar requirement.</p>

## 5.4 Taxation

In February 2018, the FASB issued ASU 2018-02 *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update was issued in response to the enactment into federal law on December 22, 2017 of the tax bill *H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018* (“Tax Cuts and Jobs Act”). The update allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The update is effective for all entities for fiscal years beginning after December 15, 2018 and interim periods within those years and early adoption is permitted. The amendments should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized.

The FASB has two research projects on its technical agenda related to income taxes. The first, *Simplification to Accounting for Income Taxes*, has an objective of making narrow -scope improvements to reduce complexity and enhance clarity in accounting for income taxes. The second, *Income Taxes—Backwards Tracing* has an objective to consider whether changes should be made to the prohibition on backwards tracing in accounting for income taxes.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 12 and 32, IFRIC 23	<b>Relevant guidance:</b> ASC 740, 718-740, 805-740, and 845
<b>Introduction</b>	
The objective in accounting for income taxes is to recognize the amount of taxes currently payable or refundable and deferred taxes. Income tax expense is equal to the current tax expense (or recovery) plus the change in deferred taxes during the period, net of tax arising from a business combination or recorded outside profit or loss.	Similar to IFRS Standards (ASC 740-10-10-1).
Taxes for current and prior periods are, to the extent unpaid, recognized as a liability. If the amount already paid exceeds the amount due for those periods, the excess is recognized as an asset. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is also recognized as an asset (IAS 12.12-.13).	The approach to calculating current taxes is similar to IFRS Standards with some exceptions, such as the treatment of taxes on the elimination of intercompany profits which is discussed below .
In general, deferred taxes are recognized using an asset and liability approach which focuses on temporary differences arising between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred taxes are recognized for the future tax consequences of events that have been recognized in an entity’s financial statements or tax returns (IAS 12.15-.33).	Although U.S. GAAP also follows an asset and liability approach to calculating deferred taxes, there are some differences in the application of the approach from IFRS Standards (ASC 740-10-25-2 and 25-3).
Deferred taxes are not recognized for: <ul style="list-style-type: none"> <li>• The initial recognition of goodwill (IAS 12.15 and .32A)</li> <li>• The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction neither accounting profit</li> </ul>	Deferred taxes are not recognized for: <ul style="list-style-type: none"> <li>• Goodwill for which amortization is not deductible for tax purposes (ASC 740-10-25-3(d))</li> </ul>

IFRS Standards	U.S. GAAP
nor taxable profit (tax loss) is affected (IAS 12.15 and .24)	
<ul style="list-style-type: none"> <li>• Taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures in which both of the following conditions exist (IAS 12.39): <ul style="list-style-type: none"> <li>– The parent, investor, joint venturer, or joint operator is able to control the timing of the reversal of the temporary difference; and</li> <li>– It is probable that the temporary difference will not reverse in the foreseeable future</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Unlike IFRS Standards, U.S. GAAP does not have a similar exception. An excess of the amount for financial reporting over the tax basis of an investment in a foreign subsidiary or a foreign corporate joint venture that is essentially permanent in duration, unless it becomes apparent that those temporary differences will reverse in the foreseeable future (ASC 740-30-25-18 through 25-19). Unlike IFRS Standards, this exception does not apply to domestic subsidiaries and corporate joint ventures and investments in equity investees.</li> </ul>
Deferred taxes are recognized for temporary differences that arise when an entity's taxable profit or tax loss (and thus the tax basis of its nonmonetary assets and liabilities) are measured in a currency different than its functional currency. Changes in the exchange rate result in a deferred tax asset or liability which is charged to profit or loss (IAS 12.41).	Unlike IFRS Standards, recognition of deferred taxes is prohibited for differences related to assets and liabilities that are remeasured from the local currency into the functional currency using historical exchange rates and that result from changes in exchange rates or indexing for tax purposes (ASC 740-10-25-3(f)).
Income tax related to distributions to holders of an equity instrument and to transaction costs of an equity transaction are accounted for in accordance with IAS 12 (IAS 32.35A).	Income tax related to nonmonetary transactions, including nonreciprocal transfers with owners is accounted for in accordance with ASC 740-10 (ASC 845-10-30-9).
<b>Recognition and measurement</b>	
<p>Current tax liabilities and assets for the current and prior periods are measured at amounts expected to be paid to (recovered from) the taxation authorities based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period (IAS 12.46).</p> <p>Deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities (IAS 12.51).</p> <p>When there is uncertainty over income tax positions, IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12.</p> <p>In assessing whether and how uncertain tax treatment affects the determination of taxable profit or loss, an entity assumes that a taxation authority will examine the amounts it has the right to examine with full knowledge of all related information (IFRIC 23.8).</p> <p>An entity considers if it is probable that a taxation authority will accept an uncertain tax treatment (IFRIC 23.9). If it is considered probable that the taxing authority will accept an uncertain treatment, the entity determines that position</p>	<p>Unlike IFRS Standards, a two-step process is used to recognize and measure financial statement effects of a tax position (uncertain tax positions). An enterprise initially recognizes the financial statement effects of a tax position when it is more likely than not (likelihood of more than 50 percent), based on the technical merits, that the position will be sustained on examination (ASC 740-10-25-6).</p> <p>A tax position that meets the more likely than not threshold is then initially and subsequently measured as the largest amount that is greater than 50 percent likely of being realized on settlement with a taxing authority (ASC 740-10-30-7).</p> <p>This guidance applies to all entities including tax-exempt not-for-profit entities, pass-through entities, and entities that are taxed in a manner similar to pass-through entities such as real estate investment trusts and registered investment companies (ASC 740-10-15-2AA).</p> <p>Measurement of current and deferred tax assets and liabilities is based on enacted tax law (ASC 740-10-30-2).</p>

IFRS Standards	U.S. GAAP
<p>consistent with the treatment in its income tax filings (IFRIC 23.10). If it is not probable that the taxing authority will accept the uncertain treatment, the entity reflects the impact of that uncertainty by using whichever of the following methods is expected to best predict the uncertainty (IFRIC 23.11)</p> <ul style="list-style-type: none"> <li>• The most likely amount</li> <li>• The expected value</li> </ul> <p><b>Note:</b> The guidance above reflects the adoption of IFRIC 23, <i>Uncertainty over Income Tax Treatments</i>, which became effective for all entities starting January 1, 2019. Prior to adoption of this guidance, there was no guidance for entities in accounting for uncertainty in income tax treatments under IAS 12.</p>	
<p>Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period (IAS 12.47).</p>	<p>Deferred taxes are measured using enacted tax rate(s) expected to apply to taxable income in periods in which deferred tax is expected to be settled or realized (ASC 740-10-30-8). Unlike IFRS, tax rates that have been substantially enacted by the balance sheet date are not to be used.</p>
<p>If a deferred tax asset or a deferred tax liability arises from a non-depreciable asset measured under the revaluation model in IAS 16, the measurement of deferred taxes reflects the tax consequences of recovering the carrying amount of that asset through sale. If the tax law specifies a tax rate applicable to the taxable amount derived from the sale of an asset that differs from the tax rate applicable to the taxable amount derived from using an asset, the rate applicable based on the sale of the asset is applied (IAS 12.51B). If deferred taxes arise from an investment property valued at fair value under IAS 40, there is a rebuttable presumption that the carrying amount is recovered through sale. The presumption is rebutted if the investment property is depreciable and the objective of the entity's business model related to that investment property is to consume substantially all of the economic benefits in the investment property over time, rather than through sale (IAS 12.51C).</p>	<p>No similar requirement as assets are not permitted to be measured under a revaluation model nor is investment property permitted to be measured at fair value.</p>
<p>Deferred tax assets are recognized to the extent that it is probable (more likely than not) that taxable profit will be available against which deductible temporary differences and unused tax losses and unused tax credits carried forward can be utilized. At the end of each reporting period the deferred tax assets are reviewed and the carrying amount reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it</p>	<p>Unlike IFRS Standards, deferred tax assets are recognized in full and reduced by a valuation allowance if it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized (ASC 740-10-30-5(e)).</p>

IFRS Standards	U.S. GAAP
becomes probable that sufficient taxable profit will be available (IAS 12.24, .34, and .56).	
<p>An entity considers whether there is a restriction on the source of taxable profits against which an entity may deduct a temporary difference when determining if a temporary difference should be recorded (IAS 12.27A).</p> <p>An entity's estimate of future taxable profit may include the recovery of assets for more than their carrying amount, such as a fixed-rate debt instrument held at fair value, if there is sufficient evidence to indicate that it will do so (IAS 12.29A)</p>	<p>Unlike IFRS Standards, deferred tax assets are recognized in full and reduced by a valuation allowance if it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized (ASC 740-10-30-5(e)). However, similar considerations are made by entities in making the assessment of whether a valuation allowance should be recognized under U.S. GAAP and whether deferred tax assets are recognized under IFRS.</p>
Deferred taxes on elimination of intragroup profits are calculated with reference to the tax rate of the buyer (the entity that holds the inventory) at the end of the reporting period. Taxes paid by the seller are recorded as a current tax expense (IFRS 10.B86(c)).	<p>Unlike IFRS Standards, deferred taxes are not recognized on elimination of intercompany profits on inventory. Income taxes paid on intra-entity profits on inventory remaining within the consolidated group are accounted for under ASC 810-10 (ASC 740-10-25-3(e)).</p> <p>The difference between the tax basis of an asset by the buyer and the carrying amount of that asset in the consolidated financial statements for the transfer of assets other than inventory between entities in the same consolidated group may occur and will result in a taxable or deductible amount when the asset is recovered (ASC 740-10-25-20(i)).</p> <p><b>Note:</b> The guidance above reflects the adoption of ASU 2016-16, which became effective for public entities for periods beginning after December 15, 2017 and for all other entities for periods beginning after December 15, 2018. Prior to this ASU, the guidance in ASC 740 prohibited recognition of deferred taxes on all intercompany profits.</p>
Current and deferred tax are recognized outside profit or loss if the tax relates to items that are recognized, in the same or a different period, in OCI, or directly to equity (IAS 12.61A).	Similar to IFRS Standards, the tax effects of certain items occurring during the year are charged or credited directly to OCI or to related components of shareholders' equity (ASC 740-20-45-11).
Deferred tax assets and liabilities are not discounted (IAS 12.53).	Similar to IFRS Standards (ASC 740-10-30-8).
Income tax consequences of dividends are recognized when an entity recognizes a liability to pay a dividend (IAS 12.57A).	No similar guidance.
<b>Intraperiod tax allocation</b>	
Subsequent changes in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items previously recognized outside profit or loss (IAS 12.60).	Similar to IFRS Standards, except that certain subsequent changes in deferred tax assets and liabilities (such as those related to changes in tax rates and tax laws) are recognized in income regardless of whether the

IFRS Standards	U.S. GAAP
	deferred tax was initially recorded in income, equity, or a business combination (ASC 740-10-45-15).
<b>Business combinations</b>	
<p>At the acquisition date, a deferred tax liability or asset (to the extent it meets the recognition criteria discussed above) is recognized for an acquired entity's temporary differences (with certain exceptions) or income tax loss carryforwards. If not recognized at the acquisition date, an entity recognizes acquired deferred tax benefits that it realizes after the business combination as follows (IAS 12.68):</p> <ul style="list-style-type: none"> <li>• In goodwill if the change occurs (1) during the measurement period and (2) as a result of new information about facts and circumstances that existed as of the acquisition date. If goodwill is reduced to zero, any remaining deferred tax benefits are recognized in profit or loss.</li> <li>• All other deferred tax benefits realized are recognized in profit or loss (or outside of profit or loss if required by IAS 12).</li> </ul>	<p>At the acquisition date, a deferred tax liability or asset is recognized for an acquired entity's temporary differences (with certain exceptions) or operating loss or tax credit carryforwards. If necessary, a valuation allowance for an acquired entity's deferred tax asset is also recognized. A change in the valuation allowance is recognized as follows (ASC 805-740-25-3 and 45-2):</p> <ul style="list-style-type: none"> <li>• In goodwill if the change occurs (1) during the measurement period and (2) as a result of new information about facts and circumstances that existed as of the acquisition date. If goodwill is reduced to zero, any additional decrease in the valuation allowance is recognized as a gain on a bargain purchase.</li> <li>• All other changes are adjustments to income tax expense or contributed capital, as appropriate, and are not recognized as adjustments to the acquisition-date accounting for the business combination.</li> </ul>
<p>A change in the acquirer's deferred tax asset as a result of a business combination is not accounted for as part of the business combination and therefore, is not accounted for as an adjustment to goodwill (IAS 12.67).</p>	<p>Similar to IFRS Standards, a change in the acquirer's valuation allowance on its previously existing deferred tax asset as a result of a business combination is not accounted for as part of the business combination and therefore, is not accounted for as an adjustment to goodwill. Such change is recognized as an income tax benefit or credited directly to contributed capital (ASC 805-740-30-3).</p>
<b>Share-based payment</b>	
<p>Deferred taxes are recorded for the difference between the amount of the tax deduction (or future tax deduction) and cumulative remuneration expense related to share-based payment awards. Deferred tax assets are adjusted each period to the amount of tax deduction that the entity would receive if the award was tax deductible as of the reporting date based on the current market price of the shares (IAS 12.68B).</p> <p>The amount of the tax deduction or estimated future tax deduction measured above may differ from the related cumulative remuneration expense. Current and deferred tax is recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from a) a transaction or event that is recognized, in the same or a different period, outside of profit or loss, or b) a business combination (IAS 12.58). If the amount of the tax deduction or estimated future tax deduction exceeds the amount of the related cumulative</p>	<p>Deferred tax assets are based on the amount of compensation cost recorded. Unlike IFRS Standards, the deferred tax adjustment for current share price is recorded on settlement (ASC 718-740-25-2 through 25-3).</p> <p>Actual tax deductions for share-based payment arrangements may be different than compensation cost recognized for book purposes. The tax effect of that the difference between the cumulative compensation cost of an award recorded in the financial statements and the deduction for tax purposes is recognized as income tax expense or benefit in the income statement in the period in which the tax deduction arises, or in the period in which an award expires (ASC 718-740-35-2).</p>

IFRS Standards	U.S. GAAP
<p>remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. The excess of the associated current or deferred tax is recognized directly in equity (IAS 12.68C).</p>	
<b>Presentation and disclosure</b>	
<p>Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxing authority on either:</p> <ul style="list-style-type: none"> <li>• The same taxable entity; or</li> <li>• Different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously (IAS 12.74-.76)</li> </ul>	<p>All deferred taxes are offset and presented as a single noncurrent amount for a particular tax paying component of an entity and within a particular jurisdiction. An entity shall not offset deferred tax liabilities and assets attributable to different tax-paying components of the entity or different tax jurisdictions (ASC 740-10-45-6).</p>
<p>Deferred tax assets and liabilities are presented as separate line items in the statement of financial position. If a classified statement of financial position is used, deferred taxes are classified as noncurrent (IAS 1.56).</p> <p>IFRS Standards do not have similar guidance on the presentation of unrecognized tax benefits.</p>	<p>Similar to IFRS Standards (ASC 740-10-45-4 through 45-10).</p> <p>An unrecognized tax benefit or a portion of one is presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit is presented in the financial statements as a liability and is not combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and is made presuming disallowance of the tax position at the reporting date is permitted (ASC 740-10-45-10A through 45-10B).</p>
<p>All entities must disclose an explanation of the relationship between tax expense and accounting profit using either or both of the following formats (IAS 12.81c):</p> <ul style="list-style-type: none"> <li>• A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s) including disclosure of the basis on which the applicable tax rate is computed</li> </ul>	<p>Public companies must disclose a reconciliation using percentages or dollar amounts of the reported amount of income tax expense attributable to continuing operations for the year to that amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations.</p> <p>Nonpublic enterprises must disclose the nature of significant reconciling items but may omit a numerical reconciliation (ASC 740-10-50-12 through 50-13).</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"><li>A numerical reconciliation between the average effective tax rate and the applicable tax rate, including disclosure of the basis on which the applicable tax rate is computed</li></ul>	

## 6. Income and expenditure

### 6.1 Revenue (IFRS 15 and ASC 606)

IFRS 15 and ASC 606 *Revenue from Contracts with Customers* were issued in May 2014. IFRS 15 is now effective for all entities reporting under IFRS, and ASC 606 is effective for most entities reporting under U.S. GAAP. The standards were essentially converged as issued, although subsequent updates have created some differences under the two reporting standards.

Section 6.1 of this Guide compares IFRS 15 and ASC 606. We have included Section 6.2, which compares legacy revenue guidance under IFRS Standards and U.S. GAAP.

#### Converged revenue guidance issued

In May 2014, the Board and the FASB issued *Revenue from Contracts with Customers* (IFRS 15 and ASC 606), as part of a joint project to develop a common revenue recognition standard for IFRS Standards and U.S. GAAP. The new guidance supersedes the guidance in IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31, and most existing guidance in ASC 605. The guidance establishes principles to provide financial statement users with useful information about the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers.

The guidance applies to most contracts with customers to provide goods or services. It does not apply to certain contracts that are within the scope of other generally accepted accounting standards, such as lease contracts, insurance contracts, financial instruments, and nonmonetary exchanges between entities in the same line of business to facilitate sales to third party customers.

The core principle requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. To apply this principle, an entity would apply the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue as the entity satisfies a performance obligation

The revenue recognition guidance as originally issued under IFRS Standards and U.S. GAAP was essentially converged with the exception of the following:

- The collectability threshold for recognizing revenue requires it to be probable that an entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. The term probable means more likely than not under IFRS Standards and likely to occur under U.S. GAAP.
- The Board amended IAS 34 to specifically require the disclosure of disaggregated information of revenue from contracts with customers, contracts balances and remaining performance obligations in interim financial reports. Those requirements only apply to public entities under U.S. GAAP.
- Early application is permitted under IFRS Standards and in certain circumstances under U.S. GAAP
- The reversal of an impairment loss on an asset that is recognized as costs to obtain or fulfill a contract is not permitted under U.S. GAAP but required by IFRS Standards under IAS 36
- U.S. GAAP includes specific relief for nonpublic entities related to disclosure, transition, and the effective date, while IFRS Standards do not include such guidance

#### Effective dates and transition

IFRS 15 became effective for annual periods beginning on or after January 1, 2018.

ASC 606 became effective for public entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and for all other entities in annual reporting periods beginning after December 15, 2018 and to interim periods within the following year.

Entities were permitted to apply the guidance in ASC 606 and IFRS 15 using one of the following two methods:

- Retrospectively to each prior period presented in accordance with ASC 250 or IAS 8, subject to certain practical expedients
- Retrospectively with a cumulative effect adjustment to opening retained earnings in the period of initial adoption. If applying this transition method, an entity would apply the new revenue recognition guidance only to contracts not completed under existing U.S. GAAP or IFRS Standards at the date of adoption.

An entity that elected to apply the cumulative effect transition method did not restate comparative years; however, it was required to provide the following additional disclosures in the initial year of adoption:

- By financial statement line item, the current-year impact of applying the new revenue standard
- An explanation of the significant changes between the reported results under legacy U.S. GAAP or IFRS Standards and the new revenue standard

### **FASB and Board clarifications to the revenue recognition guidance**

The FASB and the Board formed the Joint Transition Group for Revenue Recognition (TRG) to address issues that have arisen from implementation of the new revenue recognition standard and to inform the FASB and Board about those issues and suggestions for actions to be taken to address those implementation issues. The TRG discussed issues related to a variety of issues including gross versus net revenue, sales-based and usage-based royalties, customer options for additional goods and services, presentation of contract assets and contract liabilities, distinct in the context of the contract, identifying promised goods or services, incremental costs to obtain a contract, contract modifications, noncash considerations, completed contracts at transition, and accounting for licenses. Many of these issues have been addressed without a recommendation to propose a change to the revenue recognition guidance. The Boards addressed issues related to identifying performance obligations; principal versus agent considerations; licensing; collectibility; measuring non-cash consideration and certain practical expedients by issuing updates to the standards, as discussed below.

The FASB and the Board have evaluated the issues addressed by the TRG. Although many continue to believe that any changes made to the revenue recognition guidance should maintain the convergence of the standards, the FASB and Board have issued separate clarifications to their revenue recognition guidance. All updates from the Board and the FASB have been incorporated into the comparison discussion in this section.

The Board has issued the following updates to IFRS 15:

- *Clarifications to IFRS 15, Revenue from Contracts with Customers.*

The FASB has issued the following updates to ASC 606:

- ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*,
- ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*,
- ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*
- ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*
- ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*
- ASU 2017-13 *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*

- ASU 2017-14 *Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to the Staff Accounting Bulletin No. 116 and SEC Release No.33-10403*

For additional information on ASC 606, please refer to Grant Thornton's [Revenue from Contracts with Customers— Navigating the Guidance in ASC 606 and ASC 340-40](#).

**Note:** This Section presents the revenue guidance under IFRS 15 and ASC 606. The legacy revenue guidance is presented in Section 6.2.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 15	<b>Relevant guidance:</b> ASC 606, 340-40, and 853
<b>Objective</b>	
To establish principles to report information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer (IFRS 15.1).	Similar to IFRS Standards (ASC 606-10-10-1).
Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (IFRS 15.2).	<p>Similar to IFRS Standards (ASC 606-10-10-2).</p> <p><b>Note:</b> In May 2017, the FASB issued ASU 2017-10, <i>Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force)</i>, to address diversity in practice in how an operating entity determines the customer of the operation services for transactions that are within the scope of ASC 853. Existing guidance does not address how an operating entity should determine the customer of the operation services for these transactions.</p> <p>In a service concession arrangement (SCA), a grantor (typically a government or public-sector entity) and an operating entity enter into a contract for the operating entity to operate the grantor's infrastructure (for example, a toll road) for a specified period of time. An SCA is within the scope of ASC 853 when both</p> <ul style="list-style-type: none"> <li>The grantor controls or has the ability to modify or approve (1) the services that the operating entity must provide using the grantor's infrastructure, (2) to whom the operating entity must provide the services, and (3) at what price</li> <li>The grantor controls, through ownership, beneficial entitlement, or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement</li> </ul> <p>The ASU clarifies that the grantor is the customer in all cases for SCAs within the scope of ASC 853, because the operating entity does not own or lease the infrastructure and does not control the services provided to the third-party users.</p> <p>The effective date of the new guidance aligns with the guidance in ASC 606 and entities are allowed to early</p>

IFRS Standards	U.S. GAAP
	adopt the new guidance irrespective of their decision to early adopt ASC 606. However, the transition approaches and practical expedients that may be available depend upon whether the entity adopts ASC 606 before or after the issuance of ASU 2017-10.
<b>Scope</b>	
<p>Apply to all contracts with customers except (IFRS 15.5):</p> <ul style="list-style-type: none"> <li>• Lease contracts</li> <li>• Insurance contracts</li> <li>• Financial instruments and other contractual rights or obligations</li> <li>• Nonmonetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers</li> </ul>	<p>Similar to IFRS Standards (ASC 606-10-15-2).</p> <p>Loan guarantee fees (in which an entity lends its creditworthiness to another party for a fee) are specifically scoped out of ASC 606 and accounted for under ASC 460 <i>Guarantees</i> Or ASC 815 for those guarantees accounted for as a derivative (ASC 310-10-60-4).</p> <p><b>Note:</b> In November 2018 the FASB issued ASU 2018-18, <i>Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606</i>. Refer to section 8.2 for more discussion of this ASU, and for discussion of collaborative arrangements.</p>
<p>Apply to a contract only if the counterparty to the contract is a customer. A customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration (IFRS 15.6).</p>	<p>Similar to IFRS Standards (ASC 606-10-15-3).</p> <p>In November 2018 the FASB issued</p>
<b>Recognition</b>	
<b>Step 1: Identify contract</b>	
<p>Account for a contract with a customer within the scope only when all of the following are met (IFRS 15.9):</p> <ul style="list-style-type: none"> <li>• Parties to the contract have approved the contract (in writing, orally or under other customary business practices) and are committed to perform their respective obligations</li> <li>• Entity can identify each party's rights regarding the goods or services to be transferred</li> <li>• Entity can identify the payment terms for the goods or services to be transferred</li> <li>• Contract has commercial substance (risk, timing or amount of entity's future cash flows are expected to change as a result of the contract)</li> <li>• Probable that entity will collect the consideration to which it will be entitled in exchange of the goods or services that will be transferred to the customer</li> </ul>	<p>Similar to IFRS Standards (ASC 606-10-25-1).</p>
<p>A contract is an agreement between two or more parties that creates enforceable rights and obligations (IFRS 15.10). A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (IFRS 15.12). The initial determination is not</p>	<p>Similar to IFRS Standards (ASC 606-10-25-4 and 25-5).</p>

IFRS Standards	U.S. GAAP
<p>revisited unless there is an indication of a significant change in facts and circumstances (IFRS 15.13).</p>	
<p>When the contract does not meet the criteria in IFRS 15.9 and an entity receives consideration from the customer, the entity recognizes the consideration received as revenue only when either has occurred (IFRS 15.15):</p> <ul style="list-style-type: none"> <li>• The entity has no remaining performance obligations to transfers goods or services and all or substantially all of the consideration promised has been received and is non-refundable</li> <li>• The contract is terminated and consideration received is non-refundable</li> </ul> <p>Otherwise recognize the consideration received as a liability (IFRS 15.16).</p>	<p>Similar to IFRS Standards, except that an entity also recognizes revenue when it has transferred control of the goods or services to which the consideration that has been received relates, the entity has stopped transferring goods or services to the customer and has no obligation under the contract to transfer additional goods or services, and the consideration received from the customer is nonrefundable (ASC 606-10-25-7 and 25-8).</p>
<p>A contract modification is a change in the scope, price or both, that is approved by the parties to the contract. It either creates new or changes existing enforceable rights and obligations of the parties to the contract (IFRS 15.18).</p> <p>Account for a contract modification as a separate contract if both conditions exist (IFRS 15.20):</p> <ul style="list-style-type: none"> <li>• Scope of the contract increases because of the addition of promised goods or services that are distinct</li> <li>• Price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract</li> </ul> <p>If a contract modification is not a separate contract an entity accounts for the promised goods or services not yet transferred at the date of the contract modification in accordance with IFRS 15.21.</p>	<p>Similar to IFRS Standards (ASC 606-10-25-10, 25-12 and 25-13).</p>
<b>Step 2: Identify performance obligations</b>	
<p>At contract inception, assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer either (IFRS 15.22):</p> <ul style="list-style-type: none"> <li>• A good or service that is distinct (IFRS 15.27-.30)</li> <li>• A series of distinct goods or services that are substantially the same and that have same pattern of transfer to customer</li> </ul> <p>Performance obligations do not include activities an entity performs to fulfill a contract unless those activities transfer a good or service to the customer (IFRS 15.25).</p>	<p>Similar to IFRS Standards (ASC 606-10-25-14 and 25-17).</p>

IFRS Standards	U.S. GAAP
No similar specific guidance exists in IFRS 15.	Shipping and handling activities that are performed before the customer obtains control of the good are not a promised service to the customer, but instead are activities to fulfil the entity's promise to transfer the good. (ASC 606-10-25-18A). If shipping and handling activities are performed after a customer obtains control of the good, then the entity may elect to account for shipping and handling as activities to fulfil the promise to transfer the good (ASC 606-10-25-18B). A similar accounting policy election is not available under IFRS 15.
No similar specific guidance exists in IFRS 15.	An entity is not required to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract. If revenue is recognized related to a performance obligation that includes immaterial goods or services is recognized before they are transferred to the customer, then the related costs to transfer those goods or services shall be accrued (ASC 606-10-25-16A). This guidance does not apply to the determination of whether a customer option to acquire additional goods or services is a material right (ASC 606-10-25-16B).
<b>Step 3: Determine the transaction price</b>	
When or as a performance obligation is satisfied, recognize revenue at the amount of the transaction price (excluding estimates of variable consideration that are constrained) allocated to that performance obligation (IFRS 15.46).	Similar to IFRS Standards (ASC 606-10-32-1).
Consider terms of the contract and entity's customary business practices to determine transaction price. The transaction price is the amount of consideration an entity expects to be entitled to in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both (IFRS 15.47).	Similar to IFRS Standards (ASC 606-10-32-2).  Under U.S. GAAP an entity is permitted to make an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (ASC 606-10-32-2A)
If consideration promised in contract includes variable amounts, estimate the amount of consideration entity will be entitled to in exchange for transferring promised goods or services to a customer. The amount of consideration may vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event (IFRS 15.50-.51).	Similar to IFRS Standards (ASC 606-10-32-5 through 32-6).
Estimate amount of variable consideration by using either the expected value or the most likely amount, depending on which method the entity expects to better predict the	Similar to IFRS Standards (ASC 606-10-32-8 and 32-9).

IFRS Standards	U.S. GAAP
<p>amount of consideration to which it will be entitled (IFRS 15.53). Apply that method consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration. Consider all information reasonably available to the entity and identify a reasonable number of possible consideration amounts (IFRS 15.54).</p>	
<p>Recognize refund liability if entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. Measure refund liability at amount of consideration received (or receivable) for which entity does not expect to be entitled and update amount at the end of each reporting period for changes in circumstances (IFRS 15.55).</p>	<p>Similar to IFRS Standards (ASC 606-10-32-10).</p>
<p>Include in transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, considering both the likelihood and the magnitude of the revenue reversal (IFRS 15.56-.57).</p>	<p>Similar to IFRS Standards (ASC 606-10-32-11 through 32-12). Probable under U.S. GAAP means “likely to occur” while it means “more likely than not” under IFRS Standards.</p>
<p>Recognize revenue on sales-based or usage-based royalties promised in exchange for a license of intellectual property only when (or as) the later event occurs (IFRS 15.58, .B63):</p> <ul style="list-style-type: none"> <li>• Subsequent sale or usage occurs</li> <li>• Performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied</li> </ul>	<p>Similar to IFRS Standards (ASC 606-10-32-13 and 606-10-55-65).</p>
<p>In determining transaction price, adjust promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer (IFRS 15.60).</p>	<p>Similar to IFRS Standards (ASC 606-10-32-15).</p>
<p>Present the effect of financing (interest revenue or interest expense) separately from revenue from contracts with customers. Interest revenue or interest expense is only recognized to the extent that a contract asset (or receivable) or a contract liability is recognized in accounting for a contract with a customer (IFRS 15.65).</p>	<p>Similar to IFRS Standards (ASC 606-10-32-20).</p>
<p>To determine transaction price for contracts where the consideration is other than cash, measure non-cash consideration or promise of at fair value or indirectly by reference to the stand-alone selling price of the goods or services promised, if entity can't reasonably estimate fair value (IFRS 15.66-.67).</p>	<p>Similar to IFRS Standards, except that under U.S. GAAP the fair value of noncash consideration is measured at contract inception. Changes in the fair value after contract inception that are due to the form of the consideration are not included in the transaction price. An entity would apply the variable consideration in ASC 606-10-32-5 through</p>

IFRS Standards	U.S. GAAP
	32-14 for changes in the fair value for other than the form of the consideration (ASC 606-10-32-21 through 32-23).
Account for consideration payable to customer as a reduction of the transaction price and of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. Apply the guidance on variable consideration in IFRS 15.50 - .58 if the consideration payable to a customer is variable (IFRS 15.70).	Similar to IFRS Standards (ASC 606-10-32-25).
<b>Step 4: Allocating the transaction price to performance obligations</b>	
The objective is to allocate the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer (IFRS 15.73).	Similar to IFRS Standards (ASC 606-10-32-28).
Allocate transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis, with certain exceptions related to discounts and consideration that includes variable amounts (IFRS 15.74).  Determine the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices (IFRS 15.76).  The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer. The best evidence of stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers (IFRS 15.77).	Similar to IFRS Standards (ASC 606-10-32-29).  Similar to IFRS Standards (ASC 606-10-32-31).  Similar to IFRS Standards (ASC 606-10-32-32).
Except when an entity has observable evidence that an entire discount relates to only one or more, but not all performance obligations in a contract, allocate a discount proportionately to all performance obligations in the contract similar to the allocation of the transaction price to each performance obligation (IFRS 15.81).	Similar to IFRS Standards (ASC 606-10-32-36).
Allocate variable amount and subsequent change to that amount entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation when certain conditions are met (IFRS 15.85).	Similar to IFRS Standards (ASC 606-10-32-40).
Allocate to the performance obligations in the contract any subsequent changes in the transaction price on the same basis as at contract inception. Do not reallocate the transaction price to reflect changes in stand-alone selling prices after contract inception. Amount allocated to satisfied performance obligations are recognized as	Similar to IFRS Standards (ASC 606-10-32-43).

IFRS Standards	U.S. GAAP
revenue or as a reduction of revenue in the period the transaction price changes (IFRS 15.88).	
<b>Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation</b>	
Recognize revenue when or as the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred as the customer obtains control (IFRS 15.31).	Similar to IFRS Standards (ASC 606-10-25-23).
Determine whether each performance obligation is satisfied over time or if not, at a point in time based on the guidance in IFRS 15.35-.38 (IFRS 15.32).	Similar to IFRS Standards (ASC 606-10-25-24).
Control of an asset is the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset and includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset (IFRS 15.33).	Similar to IFRS Standards (ASC 606-10-25-25).
For performance obligations satisfied over time, recognize revenue over time by measuring the progress towards complete satisfaction of each performance obligation by depicting an entity's performance in transferring control of goods or services promised to a customer (IFRS 15.39).  For a performance obligation satisfied over time, revenue is not recognized if the entity is unable to reasonably measure its progress towards complete satisfaction of the performance obligation (IFRS 15.44). If the entity expects to recover the costs incurred in satisfying the performance obligation, recognize revenue to the extent of the costs incurred until the entity can reasonably measure the outcome of the performance obligation (IFRS 15.45).	Similar to IFRS Standards (ASC 606-10-25-31, 25-36 and 25-37).
<b>Intellectual property licenses</b>	
<p>A license that qualifies as a separate performance obligation and represents the right to access the entity's intellectual property as it exists throughout the license period is recognized over time (IFRS 15.B60). The nature of an entity's promise in granting a license is a promise to provide a right to access the entity's intellectual property if all of the following criteria are met (IFRS 15.B58)</p> <ul style="list-style-type: none"> <li>• the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights</li> <li>• the rights granted by the license directly expose the customer to any positive or negative effects of the entity's activities; and</li> <li>• those activities do not result in the transfer of a good or a service to the customer as those activities occur.</li> </ul> <p>A license that qualifies as a separate performance obligation and represents a right to use the entity's</p>	<p>An entity must determine whether the promise to provide a right to access intellectual property is for functional or symbolic intellectual property. Functional intellectual property has significant standalone functionality, and is recognized at a point in time. Symbolic intellectual property does not have significant standalone functionality and is recognized over time (ASC 606-10-55-59 and 55-60). IFRS does not use the concepts of functional versus symbolic intellectual property. Judgements of over time versus point in time recognition in IFRS are made based on the criteria in IFRS 15.B58.</p> <p>An entity may not recognize revenue before both providing the intellectual property to the customer and the beginning of the period during which the customer is able to use and benefit from its right to access the intellectual property. An entity would recognize revenue from a license renewal no earlier than the beginning of the renewal period (ASC 606-10-55-58C). No similar specific</p>

IFRS Standards	U.S. GAAP
<p>intellectual property as it exists at the point in time at which the license is granted, is recognized at a point in time (IFRS 15.B61).</p>	<p>guidance about recognizing revenue for the renewal of a license exists under IFRS.</p>
<b>Principal versus agent considerations</b>	
<p>An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer (IFRS 15.B35).</p> <p>When another party is involved in providing goods or services to a customer, an entity that is a principal obtains control of any one of the following (IFRS 15.B35A)</p> <ul style="list-style-type: none"> <li>• a good or another asset from the other party that it then transfers to the customer.</li> <li>• a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.</li> <li>• a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.</li> </ul> <p>Indicators that an entity controls the specified good or service before it is transferred to a the customer (and is therefore a principal) include, but are not limited to (IFRS 15.B37)</p> <ul style="list-style-type: none"> <li>• the entity is primarily responsible for fulfilling the promise to provide the specified good or service</li> <li>• the entity has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to the customer (for example, if the customer has a right of return)</li> <li>• the entity has discretion in establishing the price for the specified good or service</li> </ul>	<p>Similar to IFRS Standards (ASC 606-10-55-36 to 55-40).</p>
<b>Contract costs</b>	
<p>Recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs (IFRS 15.91).</p> <p>As a practical expedient an entity may recognize the incremental costs as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less (IFRS 15.94).</p>	<p>Similar to IFRS Standards (ASC 340-40-25-1).</p> <p>Similar to IFRS Standards (ASC 340-40-25-4).</p>
<p>If the costs incurred in fulfilling a contract with a customer are not within the scope of other guidance, recognize an asset from the costs incurred to fulfill a contract if certain conditions are met (IFRS 15.95).</p>	<p>Similar to IFRS Standards (ASC 340-40-25-5 and 25-6).</p>
<p>Amortize the asset from the costs of obtaining a contract or incurred in fulfilling a contract on a systematic basis</p>	<p>Similar to IFRS Standards (ASC 340-40-35-1).</p>

IFRS Standards	U.S. GAAP
consistent with the transfer to the customer of the goods or services to which the asset relates (IFRS 15.99).	
Recognize an impairment loss on the asset from the costs of obtaining a contract or incurred in fulfilling a contract if certain conditions are met (IFRS 15.101).	Similar to IFRS Standards, with the clarification that an entity should include both the amount of consideration the entity expects to receive in the future and the amount of consideration it has already received but not recognized as revenue (ASC 340-40-35-3). An entity should consider expected contract renewals and extensions with the same customer (ASC 340-40-35-4). No such clarification exists in IFRS.
Some or all of an impairment loss is reversed when the impairment conditions no longer exist or have improved (IFRS 15.104).	An entity would not recognize the reversal of an impairment loss previously recognized (ASC 340-40-35-6).

## 6.2 Legacy revenue guidance (IAS 18 and ASC 605)

This section provides comparison of the legacy revenue guidance for IFRS Standards and U.S. GAAP. The current standards, IFRS 15 and ASC 606, are discussed in Section 6.1

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 13; IAS 18; IFRIC 13, 15, and 18; SIC 31	<b>Relevant guidance:</b> ASC 605, 820, 845, and industry topics; SFAC 5 and 6; SEC SAB Topic 13
<b>Introduction</b>	
<p>The term <i>revenue</i> encompasses the gross inflow of economic benefits during the period arising in the course of ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants (IAS 18.7).</p>	<p>SFAC 6.78 defines <i>revenues</i> as inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.</p>
<p>IAS 18 is a general standard on revenue recognition, it applies to revenue from (IAS 18.1):</p> <ul style="list-style-type: none"> <li>• The sale of goods</li> <li>• The rendering of services</li> <li>• The use by others of entity assets yielding interest, royalties, and dividends</li> </ul> <p>The standard does not deal with revenue from leases, dividends from investments accounted for under the equity method, insurance contracts, changes in the fair value of financial assets and liabilities or their disposal, changes in the value of other current assets, extraction of mineral ores, or agriculture (IAS 18.6).</p> <p>Revenue from services directly related to construction contracts is addressed in IAS 11 rather than IAS 18 (IAS 18.4). (See Section 6.2, "Revenue – long-term contracts/construction contracts")</p> <p>An agreement for the construction of real estate may be within the scope of IAS 11 or 18. The determination is a matter of judgment that depends on the terms of the agreement and the specific facts and circumstances of the arrangement. IFRIC 15 provides guidance to assess whether an agreement for the construction of real estate is within the scope of IAS 11 or 18 and when revenue from the construction of real estate is recognized (IFRIC 15.6).</p> <p>IFRIC 18 applies to accounting for transfers of items of property, plant and equipment by entities from customers. An example is an agreement in which an entity receives an item of property, plant, and equipment from a customer that the entity uses either to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services, or both (IFRIC 18.1 and .4-.5).</p>	<p>Revenue recognition guidance is extensive and is included in several topics in the Codification, as well as SEC guidance, such as SAB Topic 13 that address specific revenue recognition issues. The content in this section is more general and is derived primarily from ASC 605-10, 605-15, 605-20, 605-25, and 605-45. Industry specific guidance, such as software and real estate is included in other ASC topics.</p>
<p>Revenue is measured at the fair value of the consideration received or receivable (IAS 18.9).</p>	<p>Revenues and gains are generally measured by the exchange values of the assets (goods or services) or</p>

IFRS Standards	U.S. GAAP
	<p>liabilities involved (SFAC 5.83). In many cases, the specific literature that applies to a particular revenue transaction includes measurement guidance.</p>
<p>Although IAS 18 does not have specific criteria to separate identifiable components of a single transaction, in certain situations separation is required in order to reflect the substance of the transaction (IAS 18.13).</p> <p>IAS 18 does not provide guidance on allocating consideration received to the elements of the arrangement.</p>	<p>ASC 605-25 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to measure and allocate arrangement consideration to the separate units of accounting. Other ASC topics may also address multiple-element arrangements. ASC 605-25-15-3 and ASC 605-25-15-3A address the interaction of ASC 605-25 with other Codification topics.</p> <p>ASC 605-25 does not address the recognition of revenue. Once elements have been separated and consideration has been allocated using the guidance in ASC 605-25, other accounting literature is used to evaluate revenue recognition (ASC 605-25-15-4).</p> <p>If ASC 605-25 applies, the delivered item(s) are considered a separate unit of accounting if (ASC 605-25-25-5):</p> <ul style="list-style-type: none"> <li>• The delivered item(s) has value to the customer on a standalone basis</li> <li>• If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the vendor</li> </ul> <p>Unlike IFRS Standards, ASC 605-25 includes specific guidance on allocating arrangement consideration to the elements in the arrangement. The consideration is allocated to the elements based on their relative selling price, with some exceptions, such as for contingent consideration or when other guidance addresses the accounting for the separate element. The selling price is determined for the separate elements based on a hierarchy of evidence (ASC 605-25-30-2):</p> <ul style="list-style-type: none"> <li>• Vendor-specific objective evidence (VSOE) of selling price is used</li> <li>• If VSOE does not exist, third-party evidence (TPE) is used</li> <li>• If neither VSOE nor TPE exists, the entity uses its best estimate of selling price for that element</li> </ul> <p>The residual method of allocating arrangement consideration among units of accounting is no longer permitted except as specified under software revenue recognition guidance (ASC 985-605-25).</p> <p>ASC Topic 605-28 provides guidance for the milestone method, which applies to arrangements in which a vendor satisfies its performance obligations over time</p>

IFRS Standards	U.S. GAAP
	<p>(such as R&amp;D activities), with all or a portion of the consideration contingent on future events, referred to as <i>milestones</i> (ASC 605-28-15-2).</p> <p>A vendor may adopt an accounting policy to recognize all of the arrangement consideration that is contingent on the achievement of a substantive milestone in the period the milestone is achieved. Although the milestone method is not the only acceptable revenue attribution model for milestone consideration, other methods that result in the recognition of all of the milestone consideration in the period the milestone is achieved are precluded (ASC 605-28-25-1).</p> <p>Certain revenue arrangements that include both tangible products and software elements or related deliverables are excluded from the scope of ASC 985-605, and are instead evaluated for segmentation using the guidance in ASC 605-25 (ASC 985-605-15-4 and 4A).</p>
<p>Where two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the recognition criteria is applied to all transactions together (IAS 18.13).</p>	<p>Separate contracts entered into at or near the same time with the same entity or related parties are presumed to have been negotiated as a package and are therefore evaluated as a single arrangement in considering whether there are one or more units of accounting (ASC 605-25-25-3).</p>
<p>In an agency relationship, the amounts collected on behalf of the principal are not revenue of the agent. Revenue is the amount of commission (IAS 18.8).</p> <p>An entity is acting as a principal if it has exposure to the significant risks and rewards associated with the sale of goods or services. IFRS Standards includes a list of features that indicate an entity is acting as a principal in a transaction. These features are similar to some of those included in ASC 605-45 (IAS 18.IE.21).</p>	<p>The concept for recording revenues gross as a principal or net as an agent is similar to IFRS Standards. Entities must consider the indicators of gross and net reporting in ASC 605-45 in determining whether to recognize revenue at the full amount billed to a customer or the net amount retained.</p>
<b>Sale of goods</b>	
<p>Revenue from the sale of goods is recognized when all of the following conditions have been met (IAS 18.14):</p> <ul style="list-style-type: none"> <li>• The significant risks and rewards of ownership of the goods have been transferred to the buyer</li> <li>• The seller retains neither continuing managerial involvement to the degree normally associated with ownership nor effective control of the goods sold</li> <li>• The amount of revenue can be measured reliably</li> <li>• It is probable that economic benefits associated with the transaction will flow to the seller</li> <li>• The costs incurred or to be incurred can be measured reliably</li> </ul>	<p>ASC 605-10-25-1 and SEC SAB Topic 13 outline the general principles of revenue recognition for the sale of goods and other items. Under ASC 605-10-25-1, revenue is recognized when it is earned and realized or realizable. According to SAB Topic 13, revenue generally is earned and realized or realizable when all of the following criteria are met:</p> <ul style="list-style-type: none"> <li>• Persuasive evidence of an arrangement exists</li> <li>• Collectibility is reasonably assured</li> <li>• Delivery has occurred or services have been rendered</li> <li>• The seller's price to the buyer is fixed or determinable</li> </ul>

IFRS Standards	U.S. GAAP
<b>Services</b>	
<p>Revenue from services is recognized by reference to the stage of completion at the end of the reporting period when the outcome can be reliably estimated. The outcome can be reliably estimated when all of the following are met (IAS 18.20):</p> <ul style="list-style-type: none"> <li>• The amount of revenue can be measured reliably</li> <li>• It is probable that economic benefits will flow to the entity</li> <li>• The stage of completion can be measured reliably</li> <li>• The costs incurred for the transaction and the costs to complete the transaction can be measured reliably</li> </ul> <p>When the outcome of the transaction involving the rendering of services cannot be reliably estimated, revenue is recognized only to the extent of the expenses recognized that are recoverable (IAS 18.26).</p>	<p>U.S. GAAP does not specifically address accounting for service revenue. However, SFAC 5 and SEC SAB Topic 13 refer to revenue from both goods and services. Consequently, the aforementioned general revenue recognition principles for the sale of goods also apply to services. Three common methods that are used to recognize service revenue are:</p> <ul style="list-style-type: none"> <li>• <i>Specific performance method</i> – used when service revenue is earned by the performance of a single act</li> <li>• <i>Proportional performance method</i> – used when service revenue is earned by the performance of more than one act. However, cost-to-cost input measures cannot be used to measure progress toward completion.</li> <li>• <i>Completed performance method</i> – used when service revenue is earned by the performance of more than one similar or dissimilar acts but the final act is so critical to the entire transaction that revenue cannot be considered earned until the final act is performed.</li> </ul> <p>Contract accounting (for example, the percentage-of-completion method), is not applied to service contracts that are outside the scope of ASC 605-35.</p>
<b>Restrictions on recognition of revenues</b>	
<p>If the seller retains significant risks of ownership, revenue from the sale of goods is not recognized, such as when (IAS 18.16):</p> <ul style="list-style-type: none"> <li>• There is an obligation for unsatisfactory performance beyond normal warranty provisions</li> <li>• Sale is contingent on the buyer selling the goods</li> <li>• Goods are shipped subject to installation that is significant to the contract and not complete</li> <li>• The buyer has the right to rescind and the seller is uncertain about the probability of return</li> </ul> <p>Where a seller retains only an insignificant risk of ownership, such as a retail sale where a refund is offered to the customer, revenue is recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors (IAS 18.17).</p>	<p>In general, there are similar restrictions on the recognition of revenue. ASC 605-15 includes specific guidance on the recognition of revenue when the right of return exists. According to ASC 605-15-25-1, revenue from a sales transaction in which the buyer has the right of return is recognized at the time of sale only if all of the following are met:</p> <ul style="list-style-type: none"> <li>• The seller's price to the buyer is substantially fixed or determinable at the date of sale</li> <li>• The buyer has paid the seller, or the buyer is obligated to pay the seller and the obligation is not contingent on resale of the product</li> <li>• The buyer's obligation to the seller would not be changed in the event of theft or physical destruction or damage of the product</li> <li>• The buyer acquiring the product for resale has economic substance apart from that provided by the seller</li> <li>• The seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer</li> </ul>

IFRS Standards	U.S. GAAP
	<ul style="list-style-type: none"> <li>The amount of future returns can be reasonably estimated</li> </ul>
<b>Bill-and-hold transactions</b>	
<p>Revenue is recognized for a bill-and-hold sale when the buyer requests that delivery be delayed but takes title and accepts billing provided the following are met (IAS 18.IE.1):</p> <ul style="list-style-type: none"> <li>It is probable that delivery will be made</li> <li>The item is on hand, identified, and ready for delivery to the buyer at the time the sale is recognized</li> <li>The buyer specifically acknowledges the deferred delivery instructions</li> <li>The usual payment terms apply</li> </ul>	<p>SEC SAB Topic 13 sets forth a significant number of restrictive conditions that are to be met in order to recognize revenue on a bill-and-hold sale. The criteria in SAB Topic 13 are more stringent than those in IAS 18. Consequently, situations in which revenue is recognized on bill and hold transactions are rare.</p>
<b>Barter transactions</b>	
<p>An exchange of goods or services that qualifies for revenue recognition is measured at the fair value of the goods or services received. If the fair value of the goods or services received cannot be measured reliably, revenue is measured at the fair value of the goods or services given up (IAS 18.12).</p>	<p>An exchange of nonmonetary assets that qualifies for revenue recognition is generally measured at fair value of the goods or services given up. However, the fair value of the goods or services received can be used if it is more clearly evident (ASC 845-10-30-1).</p>
<p>SIC 31 provides guidance on the measurement of revenues from barter transactions involving advertising. Revenue cannot be measured reliably at the fair value of advertising services received in a barter transaction involving advertising. A seller can reliably measure the fair value of advertising services supplied in a barter transaction only by reference to non-barter transactions that (SIC 31.5):</p> <ul style="list-style-type: none"> <li>Involve advertising similar to the advertising in the barter transaction</li> <li>Occur frequently</li> <li>Represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction</li> <li>Involve cash and/or another form of consideration (e.g. marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and</li> <li>Do not involve the same counterparty as in the barter transaction</li> </ul>	<p>Similar to IFRS Standards (ASC 605-20-25-14 through 25-18).</p>
<b>Customer loyalty programs</b>	
<p>Award credits are accounted for as a separately identifiable component of a sales transaction. The fair value of the consideration received is allocated between</p>	<p>There is no specific guidance that addresses customer loyalty programs. The facts and circumstances of the</p>

IFRS Standards	U.S. GAAP
<p>the award credits and the other components of the sale (IFRIC 13.5). The consideration allocated to the award credits are measured by reference to their fair value (IFRIC 13.6).</p> <p>The consideration allocated to the award credits is recognized as follows:</p> <ul style="list-style-type: none"> <li>• If the entity supplies the award, revenue is recognized when the credits are redeemed and the entity fulfills its obligations to supply awards (IFRIC 13.7)</li> <li>• If a third party supplies the award, the entity evaluates whether it is collecting the award credits as the principal or agent in the transaction (IFRIC 13.8): <ul style="list-style-type: none"> <li>– If the entity is acting as an agent in the transaction, revenue is measured at the net amount and recognized when the third party becomes obliged to supply the awards and entitled to receive consideration</li> <li>– If the entity is acting as the principal in the transaction, revenue is measured gross and recognized when it fulfills its obligations for the awards</li> </ul> </li> </ul>	<p>program are considered to determine the appropriate accounting (ASC 605-25-15-2A).</p>
<b>Long-term contracts/construction contracts</b>	
<b>Relevant guidance:</b> IAS 11; IFRIC 15	<b>Relevant guidance:</b> ASC 605-35
<b>Introduction</b>	
<p>IAS 11 applies to the accounting for construction contracts for a single asset (such as a building, bridge, ship, or tunnel) or combination of related assets (such as the construction of refineries and other complex pieces of plant or equipment) in the financial statements of contractors. Contracts are classified as fixed-price contracts and cost-plus contracts (IAS 11.1-.6).</p> <p>A <i>construction contract</i> is defined as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. (IAS 11.3).</p> <p>According to IAS 11:</p> <ul style="list-style-type: none"> <li>• If the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized by reference to the stage of completion (IAS 11.22). If the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of recoverable contract costs and contract costs are recognized as an expense in the period incurred (IAS 11.32).</li> </ul>	<p>As noted in Section 6.1, “Revenue – general”, revenue recognition guidance is included in ASC 605 and other topics in the Codification, as well as SEC guidance. Industry specific guidance, such as for real estate, is included in other ASC topics.</p> <p>ASC 605-35 applies to construction-type and production-type contracts. The guidance in ASC 605-35 applies to performance contracts where a customer provides specifications for the construction of a facility, production of goods, or provision of certain related services (ASC 605-35-15-2 through 15-6).</p> <p>According to ASC 605-35:</p> <ul style="list-style-type: none"> <li>• Percentage-of-completion is the preferred method in situations in which reasonably dependable estimates can be made and the conditions in ASC 605-35-25-57 exist (ASC 605-35-25-56 and 25-57).</li> <li>• If a precise estimate is not practical and the contract is not expected to result in a loss, the percentage-of-completion method based on a zero profit margin is recommended until results can be estimated more precisely (ASC 605-35-25-67 through 25-69).</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Unlike U.S. GAAP, the completed-contract method is not permitted.</li> <li>Probable losses are recognized as an expense immediately (IAS 11.36).</li> </ul>	<ul style="list-style-type: none"> <li>If reasonable estimates cannot be made, completed-contract method is used (ASC 605-35-25-61).</li> <li>If a loss is anticipated on a contract, the entire loss is recognized as soon as it becomes evident (ASC 605-35-25-45 and 25-50).</li> </ul>
<p>IFRIC 15 provides guidance to assess whether an agreement for the construction of real estate is within the scope of IAS 11 or 18 and when revenue from the construction of real estate is recognized. The determination is a matter of judgment that depends on the terms of the agreement and the specific facts and circumstances of the arrangement (IFRIC 15.6).</p>	<p>Entities do not apply the guidance in ASC 605-35 to service contracts that are not within its scope (ASC 605-35-15-6).</p>
<p>IAS 11 applies to each construction contract separately. However, in some situations IAS 11 is applied to separate components of a single contract or to a group of contracts together (IAS 11.7).</p> <p>Contracts are combined when they are negotiated as a single package, they are closely interrelated and they are performed concurrently or in a continuous sequence (IAS 11.9).</p> <p>Contracts are segmented when separate proposals have been submitted for each asset, each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset, and costs and revenues of each asset can be identified (IAS 11.8).</p>	<p>ASC 605-35 permits, but does not require, the combining and segmenting of contracts provided certain criteria are met (ASC 605-35-25-5 through 25-14).</p>
<b>Recognition guidance</b>	
<p>When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognized by reference to the stage of completion of the contract at the end of the reporting period (IAS 11.22). IAS 11.23 and .24 list the conditions that are to be met for the outcome of a fixed price or cost plus contract, respectively, to be reliably estimated. An expected loss on a contract is recognized as an expense immediately (IAS 11.22 and .36).</p> <p>If the outcome of a contract cannot be estimated reliably, contract revenue and contract costs are recognized as follows (IAS 11.32):</p> <ul style="list-style-type: none"> <li>Revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable</li> <li>Contract costs are recognized as an expense in the period incurred</li> </ul> <p>During the early stages of a contract it is possible that the outcome of the contract cannot be estimated reliably; however, it may be probable that the entity will recover contract costs. In this situation, contract revenue is</p>	<p>The ability to produce reasonably reliable estimates is essential for the use of the percentage-of-completion method. In a situation in which a precise estimate is not practical and the contract is not expected to result in a loss, the percentage-of-completion method based on a zero profit margin is recommended until results can be estimated more precisely (ASC 605-35-25-56 and 25-67 through 25-69). If reasonable estimates cannot be made, the completed contract method is used (ASC 605-35-25-61 and 25-94).</p>

IFRS Standards	U.S. GAAP
<p>recognized only to the extent of costs incurred that are expected to be recoverable (IAS 11.33).</p>	
<p>Contract revenue includes (IAS 11.11):</p> <ul style="list-style-type: none"> <li>• Initial amount of revenue agreed in the contract</li> <li>• Contract variations and claims to the extent that they are probable of resulting in revenue and capable of being reliably measured</li> </ul> <p>The amount of claims that can be included in contract revenues is subject to a high level of uncertainty. Claims are included in contract revenue only when both of the following conditions are met (IAS 11.14):</p> <ul style="list-style-type: none"> <li>• Customer negotiations have reached an advanced stage such that it is probable that the customer will accept the claim</li> <li>• The probable amount acceptable to the customer can be measured reliably</li> </ul>	<p>Similar to IFRS Standards, contract revenues include the basic contract amount and other contract variations and claims if certain criteria are met. For example:</p> <ul style="list-style-type: none"> <li>• Contract revenue and costs are adjusted to reflect change orders when their scope and price have been approved by the customer and contractor. ASC 605-35-25-28 includes guidance for unpriced change orders (ASC 605-35-25-25 through 25-28).</li> <li>• Generally, recognition of additional contract revenue resulting from claims is appropriate only if it is probable that the claim will result in additional revenue and the amount can be reliably estimated, which generally requires specific criteria to be met. Revenue is recognized only to the extent that contract costs relating to the claim have been incurred (ASC 605-35-25-30 through 25-31).</li> </ul>

### 6.3 Employee benefits

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 19; IFRS 13; IFRIC 14	<b>Relevant guidance:</b> ASC 420, 450, 710, 712, 715, and 820
<b>Introduction</b>	
<p>IAS 19 applies to employee benefits provided through (IAS 19.4):</p> <ul style="list-style-type: none"> <li>• Formal plans or other formal agreements between an entity and individual employees, groups of employees, or their representatives</li> <li>• Legislative requirements or industry arrangements that require entities to contribute to national, state, industry, or other multiemployer plans</li> <li>• Informal practices that give rise to a constructive obligation</li> </ul> <p><i>Employee benefits</i> include (IAS 19.5):</p> <ul style="list-style-type: none"> <li>• Short-term employee benefits, such as the following, if expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services: <ul style="list-style-type: none"> <li>– Wages, salaries, and social security contributions</li> <li>– Paid annual leave and paid sick leave</li> <li>– Profit-sharing and bonuses</li> <li>– Non-monetary benefits (such as medical care, housing, cars, and free or subsidized goods or services) for current employees</li> </ul> </li> <li>• Post-employment benefits, such as: <ul style="list-style-type: none"> <li>– Retirement benefits (e.g. pensions and lump sum payments on retirement)</li> <li>– Other post-employment benefits, such as post-employment life insurance and post-employment medical care</li> </ul> </li> <li>• Other long-term employee benefits, such as: <ul style="list-style-type: none"> <li>– Long-term paid absences such as long-service leave or sabbatical leave</li> <li>– Jubilee or other long-service benefits</li> <li>– Long-term disability benefits</li> </ul> </li> <li>• Termination benefits</li> </ul> <p><b>Note 1:</b> Share-based payments are addressed in IFRS 2. See Section 6.4, “Share-based payments.”</p> <p><b>Note 2:</b> In June 2015, the Board issued Exposure Draft, <i>Remeasurement on a Plan Amendment, Curtailment or</i></p>	<p>Unlike IFRS Standards, the accounting for employee benefits is covered in several Codification topics. Some of the more significant areas are listed below:</p> <ul style="list-style-type: none"> <li>• Compensation – General (ASC 710) <ul style="list-style-type: none"> <li>– Compensated absences</li> <li>– Deferred compensation arrangements</li> <li>– Lump-sum payments under union contracts</li> </ul> </li> <li>• Compensation – Retirement benefits (ASC 715) <ul style="list-style-type: none"> <li>– Defined benefit plans – general</li> <li>– Defined benefit plans – pension</li> <li>– Defined benefit plans – other postretirement</li> <li>– Defined contribution plans</li> <li>– Multiemployer plans</li> </ul> </li> <li>• Compensation – Nonretirement postemployment benefits (ASC 712) <ul style="list-style-type: none"> <li>– Termination benefits</li> <li>– Other postemployment benefits</li> </ul> </li> </ul> <p><b>Note:</b> Share-based payments are addressed in ASC 718. See Section 6.4, “Share-based payments.”</p>

IFRS Standards	U.S. GAAP
<p><i>Settlement / Availability of a Refund from a Defined Benefit Plan (Proposed Amendments to IAS 19 and IFRIC 14).</i> The proposed amendments to IAS 19 were finalized in February 2018. The proposed amendments to IFRIC 14 address how the powers of other parties, such as trustees of the plan, affect an entity's right to a refund of a surplus from the plan, and remain an item on the Board's work plan.</p>	
<b>Short-term employee benefits</b>	
<p>When an employee has rendered service to an entity during an accounting period, the entity recognizes the undiscounted amount of short-term benefits expected to be paid in exchange for that service (IAS 19.11):</p> <ul style="list-style-type: none"> <li>• As a liability (accrued expense) after deducting any amount already paid</li> <li>• As an expense, unless another IFRS Standards requires or permits the inclusion of the benefits in the cost of an asset (see IAS 2.10-.22 and IAS 16.15-.28)</li> </ul>	<p>With a few exceptions, such as ASC 710 on deferred compensation contracts and compensated absences, and ASC 712 on postemployment preretirement benefits, U.S. GAAP does not specifically address short-term benefits. However, similar to IFRS Standards the accrual basis of accounting is used to account for short-term benefits.</p>
<p><i>Short-term paid absences</i></p> <p>Accumulating paid absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. An obligation arises as employees render service that increases their entitlement to future paid absences. The obligation exists, and is recognized, even if the paid absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement affects the measurement of that obligation. (IAS 19.15).</p> <p>Non-accumulating paid absences are those that do not carry forward; they lapse. An entity recognizes no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit (IAS 19.18).</p>	<p><i>Compensated absences</i></p> <p>Employers accrue a liability for employees' compensation for future absences if all of the following conditions are met (ASC 710-10-25-1):</p> <ul style="list-style-type: none"> <li>• The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered</li> <li>• The obligation relates to rights that vest or accumulate</li> <li>• Payment of the compensation is probable</li> <li>• The amount can be reasonably estimated</li> </ul> <p>An employer is not required to accrue a liability for nonvesting accumulating rights to receive sick pay benefits (ASC 710-10-25-6 and 25-7).</p>
<p><i>Profit-sharing and bonus plans</i></p> <p>The expected cost of profit-sharing and bonus plans is recognized when (IAS 19.19):</p> <ul style="list-style-type: none"> <li>• There is a present legal or constructive obligation to make payments as a result of past events, and</li> <li>• A reliable estimate of the obligation can be made</li> </ul> <p>A present obligation exists when an entity has no realistic alternative but to make the payments.</p>	<p><i>Bonus and profit-sharing – ASC 710-10</i></p> <p>A bonus that is not formula-based is accrued if it is probable that it will be paid. A bonus based on attaining a specific goal over a period of time is accrued based on the results achieved to date.</p>
<b>Post-employment benefits</b>	
<p><i>Postemployment benefits</i></p> <p>Postemployment benefits are employee benefits (other than termination benefits and short-term employee</p>	<p><i>Postemployment preretirement benefits</i></p> <p>Employers accrue a liability for postemployment preretirement benefits if all of the conditions in ASC 710-</p>

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<p>benefits) that are payable after the completion of employment (IAS 19.8).</p>	<p>10-25-1 (listed above) are met (ASC 712-10-25-4). Postemployment preretirement benefits that do not meet the conditions in ASC 710-10-25-1 are accounted for under ASC 450 (ASC 712-10-25-5). Therefore, if it is probable that a liability for the benefit has been incurred at the balance sheet date and the amount can be reasonably estimated, a liability is recognized (ASC 450-20-25-2).</p>
<b>Post-employment benefits – defined contribution plans</b>	
<p><i>Defined contribution plans</i> are post-employment benefit plans in which the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Actuarial risk and investment risk fall, in substance, on the employee not the entity (IAS 19.8 and .28).</p>	<p>A <i>defined contribution plan</i> is a plan that provides an individual account for each participant and provides benefits that are based on all of the following: (a) amounts contributed to the participant's account by the employer or employee, (b) investment experience, and (c) any forfeitures allocated to the account, less any administrative expenses charged to the plan. Actuarial risk and investment risk are borne by the employee, not the entity (ASC Master Glossary "Defined Contribution Plan").</p>
<p><i>Recognition and measurement</i></p> <p>An entity recognizes a contribution payable to a defined contribution plan when an employee has rendered service to the entity during a period in exchange for that service (IAS 19.51).</p> <p>When contributions are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, the amount of the contributions are discounted using the rate for high quality corporate bonds at the end of the reporting period. For currencies for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency is used. The currency and term of the corporate bonds or government bonds is consistent with the currency and estimated term of the post-employment benefit obligations (IAS 19.52 and .83).</p>	<p><i>Recognition and measurement</i></p> <p>If a plan's defined contributions to an individual's account are to be made for periods in which that individual renders services, the net pension cost for a period is the contribution required in that period. If contributions are required in periods after an individual retires or terminates, the estimated cost is accrued during the employee's service period (ASC 715-70-35-1).</p>
<b>Post-employment benefits – defined benefit plans</b>	
<p><i>Defined benefit plans</i> are post-employment plans other than defined contribution plans (IAS 19.8).</p> <p>Under defined benefit plans the entity's obligation is to provide the agreed benefits to current and former employees. Actuarial risk (that benefits will cost more than expected) and investment risk are, in substance, the responsibility of the entity (IAS 19.30).</p>	<p>A <i>defined benefit pension plan</i> is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. Actuarial risk and investment risk are the responsibility of the entity (ASC Master Glossary, "Defined Benefit Pension Plan").</p>
<p><i>Recognition and measurement – statement of financial position</i></p>	<p><i>Recognition and measurement – balance sheet</i></p> <p>An entity recognizes the funded status of a defined benefit plan in its balance sheet (ASC 715-30-25-1 and ASC 715-60-25-1). The funded status is the difference</p>

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<p>An entity recognizes the net defined benefit liability (asset) in the statement of financial position (IAS 19.63).</p> <p>When an entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of (IAS 19.64):</p> <ul style="list-style-type: none"> <li>• The surplus in the defined benefit plan; and</li> <li>• The asset ceiling, determined using the discount rate specified in IAS 19.83</li> </ul> <p>A net defined benefit asset may arise where a defined benefit plan has been overfunded or where actuarial gains have arisen. An entity recognizes a net defined benefit asset in such cases because (IAS 19.65):</p> <ul style="list-style-type: none"> <li>• The entity controls a resource, which is the ability to use the surplus to generate future benefits</li> <li>• That control is a result of past events (contributions paid by the entity and service rendered by the employee)</li> <li>• Future economic benefits are available to the entity in the form of a reduction in future contributions or a cash refund, either directly to the entity or indirectly to another plan in deficit. The asset ceiling is the present value of those future benefits.</li> </ul>	<p>between the fair value of plan assets and the benefit obligation. For a defined benefit pension plan the benefit obligation is the projected benefit obligation. For an other postretirement defined benefit plan, the benefit obligation is the accumulated postretirement benefit obligation. Unlike IFRS Standards, there is no limitation on the amount of the defined benefit asset that is recognized.</p>
<p><i>Recognition and measurement – components of defined benefit cost</i></p> <p>An entity recognizes the components of defined benefit cost, except to the extent another IFRS Standards requires or permits their inclusion in the cost of an asset, as follows (IAS 19.120):</p> <ul style="list-style-type: none"> <li>• Service cost in profit or loss (IAS 19.66-.112)</li> <li>• Net interest on the net defined benefit liability (asset) in profit or loss (IAS 19.123-.126)</li> <li>• Remeasurements of the net defined benefit liability (asset) in OCI (IAS 19.127-.130)</li> </ul> <p>Remeasurements of the net defined benefit liability (asset) recognized in OCI are not reclassified to profit or loss in a subsequent period. However, the entity may transfer those amounts recognized in OCI within equity (IAS 19.122).</p> <p>Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate specified in IAS 19.83 (IAS 19.123). To determine net interest, an entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the annual reporting period (IAS 19.123A).</p> <p>Net interest on the net defined benefit liability (asset) can be viewed as comprising interest income on plan assets,</p>	<p><i>Recognition and measurement – income statement</i></p> <p>Net periodic pension cost includes (ASC 715-30-35-4):</p> <ul style="list-style-type: none"> <li>• Service cost</li> <li>• Interest cost</li> <li>• Actual return on plan assets, if any (effectively it is the expected return, see gain or loss below)</li> <li>• Amortization of any prior service cost or credit included in accumulated OCI</li> <li>• Gain or loss (including the effects of changes in assumptions) which includes the difference between the actual and expected return on plan assets) and the amortization of the net gain or loss included in accumulated OCI, to the extent recognized</li> <li>• Amortization of any net transition asset or obligation remaining in accumulated OCI</li> <li>• Any recognized settlement or curtailment gains or losses (ASC 715-30-35-21)</li> </ul> <p>The expected long-term rate of return is applied to either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years (ASC Master Glossary, “Market-Related Value of Plan Assets”).</p> <p>The actuarial present value of contributions expected to be received from employees (active or retired) for the</p>

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<p>interest cost on the defined benefit obligation, and interest on the effect of the asset ceiling mentioned in IAS 19.64 (IAS 19.124).</p> <p>Interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate specified in IAS 19.123A. An entity shall determine the fair value of the plan assets at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with IAS 19.99, However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity determines interest income for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b). In applying paragraph 125, the entity also takes into account any changes in the plan assets held during the period resulting from contributions or benefit payments. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset) (IAS 19.125).</p>	<p>cost of postretirement benefits, is deducted from the actuarial present value of the benefits expected to be provided under the plan (ASC 715-60-35-57).</p>
<p><i>Actuarial valuation method</i></p> <p>An entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and where applicable, past service cost (IAS 19.67).</p> <p>IAS 19 encourages, but does not require, the involvement of a qualified actuary in the measurement of all material post-employment benefit obligations (IAS 19.59).</p>	<p><i>Actuarial valuation method</i></p> <p>Unlike IFRS Standards, the actuarial method used depends on the type of plan, such as a final-pay plan or a flat-benefit plan. Some methods that are used include the projected unit credit, unit credit with service prorate, and the unit credit methods (ASC 715-30-35-36 through 35-39). The assumed discount rate reflects the rate at which pension benefits could be effectively settled.</p> <p>An employer may look to rates implicit in annuity contracts or rates of return on high-quality fixed-income investments in estimating the assumed discount rates. In some situations, the assumed discount rates may need to incorporate reinvestment rates available in the future. Those rates are extrapolated from the existing yield curve at the measurement date. Consequently, the discount rate used may be lower than the rate used under IFRS Standards (ASC 715-30-35-43 through 35-46).</p>

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<p><i>Fair value of plan assets</i></p> <p>The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus (IAS 19.113).</p> <p>Plan assets exclude unpaid contributions due from the reporting entity to the fund, as well as any non-transferable financial instruments issued by the entity and held by the fund. Plan assets are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments (IAS 19.114).</p> <p>Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full) (IAS 19.115).</p>	<p><i>Asset valuation</i></p> <p>Similar to IFRS Standards, plan assets are measured at fair value as of the measurement date. However, unlike IFRS Standards, the fair value of a plan asset is reduced by brokerage commissions and other costs normally incurred in a sale if those costs are significant (similar to fair value less costs to sell) (ASC 715-30-35-50).</p>
<p><i>Measurement dates</i></p> <p>An entity determines the net defined benefit liability (asset) with sufficient regularity such that amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period (IAS 19.58).</p>	<p><i>Measurement dates</i></p> <p>Unlike IFRS Standards, the measurement of plan assets and benefit obligations are as of the date of the employer's fiscal year-end balance sheet unless the plan is sponsored by a consolidated subsidiary or equity method investee with a different fiscal period. In those situations, the subsidiary's plan assets and benefit obligations are measured as of the date used to consolidate the subsidiary's balance sheet and the investee's plan assets and benefit obligations are measured as of the date used to apply the equity method (ASC 715-30-35-62 through 35-63).</p> <p>An entity with a fiscal year-end that does not coincide with a month-end may measure defined benefit plan assets and obligations using the month-end that is closest to an entity's fiscal year-end as a practical expedient. This practical expedient must be applied consistently from year to year and to all defined benefit plans of the entity (ASC 715-35-63B).</p>
<p><i>Remeasurements of the net defined benefit liability (asset)</i></p> <p>Remeasurements of the net defined benefit liability (asset) comprise (IAS 19.127):</p> <ul style="list-style-type: none"> <li>• Actuarial gains and losses (IAS 19.128-.129)</li> <li>• Return on plan assets (IAS 19.130), excluding amounts included in net interest on the net defined benefit liability (asset) (IAS 19.125); and</li> <li>• Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset) (IAS 19.126).</li> </ul>	<p><i>Actuarial gains and losses</i></p> <p>Amortization of a net gain or loss included in accumulated OCI (excluding asset gains and losses not yet reflected in market-related value) is included as a component of net pension cost for a year if, as of the beginning of the year, that net gain or loss exceeds 10 percent of the greater of the projected benefit obligation (accumulated postretirement benefit obligation for an other postretirement defined benefit plan) or the market-related value of plan assets.</p>

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<p>Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments (IAS 19.128):</p> <ul style="list-style-type: none"> <li>Actuarial gains and losses do not include changes in the present value of the defined benefit obligation because of the introduction, amendment, curtailment, or settlement of the defined benefit plan, or changes to the benefits payable under the defined benefit plan. Such changes result in past service cost or gains or losses on settlement (IAS 19.129).</li> <li>In determining the return on plan assets, an entity deducts the costs of managing the plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation (IAS 19.76). Other administration costs are not deducted from the return on plan assets (IAS 19.130).</li> </ul>	<p>If amortization is required, the minimum amortization is that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants is used instead of the average remaining service (ASC 715-30-35-24).</p> <p>Actuarial gains and losses not recognized in income are recognized in OCI when they occur (ASC 715-30-35-21).</p> <p>An entity may adopt a systematic method of recognizing actuarial gains and losses in the period incurred if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>The minimum is used in any period in which the minimum amortization is greater</li> <li>The method is applied consistently</li> <li>The method is applied similarly to gains and losses (ASC 715-30-35-25).</li> </ul>
<p><i>Past service cost</i></p> <p>Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment (IAS 19.102).</p> <p>An entity recognizes past service cost as an expense at the earlier of the following dates (IAS 19.103):</p> <ul style="list-style-type: none"> <li>When the plan amendment or curtailment occurs</li> <li>When the entity recognizes related restructuring costs (see IAS 37.70-.83) or termination benefits (IAS 19.165)</li> </ul> <p>A plan amendment occurs when an entity introduces, or withdraws a defined benefit plan or changes the benefits payable under an existing defined benefit plan (IAS 19.104).</p> <p>Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases) (IAS 19.106).</p>	<p><i>Prior service costs</i></p> <p>Unlike IFRS Standards, prior service costs are recognized in OCI in the period incurred and then are amortized as a net periodic pension cost over the future service period of active employees. However, if all or almost all of the plan participants are inactive, prior service costs are amortized over the remaining life expectancy of those participants. A prior service credit is used first to reduce any remaining prior service cost included in accumulated OCI. Any remaining prior service credit is amortized as a component of net periodic pension cost (ASC 715-30-35-10 through 35-11 and 35-17).</p>
<p><i>Curtailments</i></p> <p>A curtailment occurs when an entity significantly reduces the number of employees covered by a plan. A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan (IAS 19.105).</p> <p>A curtailment is accounted for as a settlement (see section below).</p>	<p><i>Curtailments</i></p> <p>A curtailment is an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services (ASC Master Glossary, "Curtailment").</p> <p>The prior service cost or credit included in accumulated OCI associated with years of service no longer expected to be rendered as the result of a curtailment is a loss or gain. In addition, the projected benefit obligation may be</p>

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	<p>decreased (again) or increased (a loss) by a curtailment. To the extent that a loss exceeds any net gain included in accumulated OCI (or the entire loss, if a net loss exists), it is a curtailment loss.</p> <p>A curtailment loss is recognized when the curtailment is probable of occurring and the effects can be reasonably estimated. To the extent that a gain exceeds any net loss included in accumulated OCI (or the entire gain, if a net gain exists), it is a curtailment gain.</p> <p>A curtailment gain is recognized when the related employees terminate or the plan suspension or amendment is adopted. Any transition asset remaining in accumulated OCI from initial application of ASC 715 is treated as a net gain and is combined with the net gain or loss arising thereafter (ASC 715-30-35-92 through 35-94).</p>
<p><i>Settlements</i></p> <p>An entity recognizes a gain or loss on the settlement of a defined benefit plan when the settlement occurs (IAS 19.110).</p> <p>A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions) (IAS 19.111).</p> <p>The gain or loss on a settlement is the difference between (IAS 19.109):</p> <ul style="list-style-type: none"> <li>• The present value of the defined benefit obligation being settled, as determined on the date of settlement; and</li> <li>• The settlement price, including any plan assets transferred and payments made directly by the entity in connection with the settlement</li> </ul>	<p><i>Settlements</i></p> <p>Settlement gains or losses are recognized when the settlement occurs. The amount of the settlement gain or loss is the net gain or loss remaining in accumulated OCI plus any transition asset remaining in accumulated OCI from initial application of ASC 715 (ASC 715-30-35-79).</p>
<b>Presentation</b>	
<p><i>Classification of pension assets and liabilities</i></p> <p>IAS 19 does not specify whether an entity distinguishes current and non-current portions of assets and liabilities arising from post-employment benefits. However, some entities make that distinction (IAS 19.133 and IAS 1.60).</p>	<p><i>Classification of pension assets and liabilities</i></p> <p>If a classified balance sheet is presented, an employer classifies the liability for an underfunded plan as a current liability, a noncurrent liability, or a combination of both. The current portion (determined on a plan-by-plan basis) is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. The asset for an overfunded plan is classified as a noncurrent asset (ASC 715-20-45-3).</p>

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<p><i>Statement of profit or loss and other comprehensive income</i></p> <p>IAS 19.120 requires an entity to recognize service cost and net interest on the net defined benefit liability (asset) in profit or loss. IAS 19 does not specify how an entity presents service cost and net interest on the net defined benefit liability (asset). An entity presents those components in accordance with IAS 1.81A-.105 (IAS 19.134).</p>	<p><i>Income statement</i></p> <p>An employer shall report in the income statement</p> <p>Service cost is reported in the same line item as other compensation costs from the related employees on the statement of income, separate from other components of net benefit cost. Other components of net cost are presented outside of a subtotal of income from operations, if presented. Other components are defined in ASC 715-30-35-4 and ASC 715-60-35-9 (ASC 715-20-45-3A).</p>
<p><i>Capitalization</i></p> <p>Service costs, net interest of the net defined benefit liability or asset, and remeasurements of the net defined benefit liability or asset are capitalized in the appropriate proportion where required (IAS 19.121)</p>	<p><i>Capitalization</i></p> <p>Unlike IFRS, only the service cost component of net benefit cost is eligible for capitalization (ASC 715-30-35-7A).</p>
<b>Post-employment benefits – multi-employer and group plans</b>	
<p><i>Multi-employer plans</i></p> <p>An entity classifies a multi-employer plan as a defined benefit plan or a defined contribution plan based on the terms of the plan (including any constructive obligation that goes beyond the formal terms) (IAS 19.32).</p> <p>For a multi-employer defined benefit plan, an entity accounts for its proportionate share of the defined benefit obligation, plan assets, and costs the same way as for any other defined benefit plan (IAS 19.33).</p> <p>If information is not available to apply defined benefit accounting, an entity accounts for the plan as if it were a defined contribution plan (IAS 19.34).</p>	<p><i>Multi-employer plans</i></p> <p>Multi-employer plans are accounted for in a manner similar to a defined contribution plan by the individual companies (ASC 715-80-35-1). Some plans in which two or more unrelated employers contribute are not multi-employer plans. In substance, they are aggregations of single-employer plans that allow participating employers to pool their assets for investment purposes and to reduce administrative costs (ASC 715-30-35-70).</p>
<p><i>Defined benefit plans that share risks between entities under common control</i></p> <p>Defined benefit plans that share risks between entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans (IAS 19.40).</p> <p>An entity participating in such a plan obtains information about the plan as a whole measured in accordance with IAS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging to individual group entities the net defined benefit cost for the plan as a whole is measured in accordance with IAS 19, the entity, in its separate or individual financial statements, recognizes the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost is recognized in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities, in their separate or individual</p>	<p><i>Group plans</i></p> <p>Unlike IFRS Standards, group plans are not specifically addressed. Group plans are accounted for as multi-employer or multiple employer plans depending on the individual facts and circumstances. In such circumstances related party disclosures are appropriate. See Section 10.7, "Related party disclosures."</p>

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<p>financial statements, recognize a cost equal to their contribution payable for the period (IAS 19.41).</p>	
<b>Other long-term employee benefits</b>	
<p><i>Other long-term employee benefits</i> are all employee benefits other than short-term employee benefits, post-employment benefits, and termination benefits (IAS 19.8). IAS 19 applies a simplified method of accounting for other long-term employee benefits. Unlike the accounting for post-employment benefits, this method does not recognize remeasurements in OCI (IAS 19.154).</p> <p>In recognizing and measuring the surplus or deficit in an other long-term employee benefit plan, an entity applies IAS 19.56-.98 and .113-.115. An entity applies IAS 19.116-.119 in recognizing and measuring any reimbursement right (IAS 19.155).</p> <p>For other long-term employee benefits, an entity recognizes the net total of the following amounts in profit or loss, except to the extent that another IFRS Standards requires or permits their inclusion in the cost of the asset (IAS 19.156):</p> <ul style="list-style-type: none"> <li>• Service cost (IAS 19.66-.112)</li> <li>• Net interest on the net defined benefit liability (asset) (IAS 19.123-.126)</li> <li>• Remeasurements of the net defined benefit liability (asset) (IAS 19.127-.130)</li> </ul>	<p>U.S. GAAP addresses some, but not all, other long-term benefits as defined in IAS 19. An employer recognizes a liability for future benefits in accordance with ASC 715-60 if, in substance, the benefits constitute a postretirement plan. If the benefits are, in substance, individual deferred compensation contracts, ASC 715-10 applies. In general, the accounting for other long-term benefits is similar to that described above for short-term benefits.</p> <p>Unlike IFRS Standards, U.S. GAAP does not include a comparable simplified version of the accounting for long-term benefits.</p>
<b>Termination benefits</b>	
<p><i>Termination benefits</i> are employee benefits provided in exchange for the termination of an employee's employment as a result of either (IAS 19.8 and .159):</p> <ul style="list-style-type: none"> <li>• An entity's decision to terminate an employee's employment before the normal retirement date; or</li> <li>• An employee's decision to accept an offer of benefits in exchange for the termination of employment</li> </ul> <p>An entity recognizes a liability and expense for termination benefits at the earlier of the following dates (IAS 19.165):</p> <ul style="list-style-type: none"> <li>• When the entity can no longer withdraw the offer of those benefits</li> <li>• When the entity recognizes costs for a restructuring that is within the scope of IAS 37.70-.83 and involves the payment of termination benefits</li> </ul> <p>An entity measures termination benefits on initial recognition, and measures and recognizes subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity</p>	<p>There are different types of <i>termination benefits</i>.</p> <ul style="list-style-type: none"> <li>• Special termination benefits: A liability for these benefits is recognized when the employees accept the offer and the amount can be reasonably estimated (ASC 712-10-25-1).</li> <li>• Contractual termination benefits: A liability is recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated (ASC 712-10-25-2).</li> <li>• One-time termination benefits: A liability is recognized when the plan of termination is communicated to employees and certain criteria are met. However, if employees are required to render services beyond a minimum retention period the liability is recognized ratably over the future service period (ASC 420-10-25-4 through 25-10).</li> <li>• Benefits, other than special or contractual termination benefits, that are provided to former or inactive employees that meet the conditions in ASC 710-10-25-1 (see the section on short-term benefits above) are accounted for in accordance with ASC</li> </ul>

IFRS Standards	U.S. GAAP
<p>applies the requirements for post-employment benefits. Otherwise (IAS 19.169):</p> <ul style="list-style-type: none"><li>• If the termination benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which the termination benefit is recognized, the entity applies the requirements for short-term employee benefits.</li><li>• If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity applies the requirements for other long-term employee benefits.</li></ul>	<p>710-10. Such benefits that do not meet those conditions are recognized when it is probable that a liability for the benefit has been incurred and the amount can be reasonably estimated (ASC 712-10-25-5).</p>

## 6.4 Share-based payments

### Improvements to nonemployee share-based payment accounting

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*, as a part of its simplification initiative which is intended to reduce cost and complexity and to improve financial reporting for nonemployee share-based payments. The ASU expands the scope of ASC 718, *Compensation – Stock Compensation*, which currently applies to share-based payments to employees, to include share-based payments for goods and services to nonemployees. The amendments in this ASU supersede the guidance in ASC 505-50, *Equity-Based Payments to Non-Employees*. In its place, entities will apply the requirements in ASC 718 to nonemployee awards, except for specific guidance to be included within ASC 718 on inputs to an option pricing model and attribution cost.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 2020. Early adoption is permitted, but no earlier than an entity's adoption date of ASC 606. An entity would apply the amendments to beginning retained earnings in the year of adoption, with a cumulative-effect adjustment. Nonpublic entities that use calculated value for expected volatility when measuring share-based payment awards would apply the amendments prospectively to awards measured at fair value after the effective date.

For additional information on ASC 718, please refer to Grant Thornton's accounting guide, [Share-based payments: Navigating the guidance in ASC 718](#).

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 2	<b>Relevant guidance:</b> ASC 718 (for employees) and ASC 505-50 (for nonemployees)
<b>Introduction</b>	
<p>IFRS 2 requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees (IFRS 2.1).</p> <p>The scope of IFRS 2 includes all share-based payment transactions including (IFRS 2 IN4 and 2.2):</p> <ul style="list-style-type: none"> <li>• Equity-settled share-based payment transactions – the entity receives goods or services as consideration for its equity instruments</li> <li>• Cash-settled share-based payment transactions – the entity acquires goods or services by incurring liabilities that are based on the price of the entity's shares or other equity instruments</li> <li>• Equity-settled or cash-settled transactions – the entity receives or acquires goods or services and the entity or the supplier has a choice of whether the entity settles the transaction in cash or by issuing equity instruments</li> </ul>	<p>ASC 718 and ASC 505-50 apply to share-based payment transactions in which an entity acquires goods or services by issuing equity instruments or by incurring liabilities that either are (a) settled in an amount based, at least in part, on the price of the entity's shares or other equity instruments of the entity or (b) require or may require settlement by issuing the entity's shares or other equity instruments (ASC 718-10-15-3 and 505-50-15-2).</p> <p>Equity or liability classification of a share-based award (ASC 718-10-25-6 through 25-19) could differ from IFRS Standards which could result in significant differences in accounting for these awards under ASC 718 and IFRS 2.</p>
All employee share purchase plans are considered compensatory arrangements and are within the scope of IFRS 2 except for transactions to which other Standards apply (IFRS 2 IN3 and IFRS 2.2-.6).	Unlike IFRS Standards, an employee share purchase plan that satisfies certain explicit criteria is not considered compensatory (ASC 718-50-25-1).

IFRS Standards	U.S. GAAP
<p>In IFRS 2, any reference to employees also includes others providing similar services (IFRS 2.11 footnote 3).</p>	
<p>Share based payment transactions may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving or acquiring the goods or services. The guidance in IFRS 2.2 also applies to an entity that</p> <ul style="list-style-type: none"> <li>• Receives goods or services when another entity in the same group (or shareholder of any group entity) has the obligation to settle the share based payment transaction, or</li> <li>• Has an obligation to settle a share based payment transaction when another entity in the same group receives the goods or services</li> </ul> <p>unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them (IFRS 2.3A).</p>	<p>Share based payments awarded to an employee on behalf of an entity, by a related party or other holder of an economic interest in the entity as compensation for services provided to the entity are share based payment transactions and thus accounted for as such unless the transfer is clearly for a purpose other than compensation for services to the entity. The economic interest holder makes a capital contribution to the entity, who makes a share based payment to its employee in exchange for services rendered (ASC 718-10-15-4).</p>
<b>Recognition</b>	
<p>An entity recognizes the goods or services received or acquired when it obtains the goods or as the services are received. The entity recognizes a corresponding increase in equity for an equity-settled transaction, or an increase in a liability for a cash-settled transaction (IFRS 2.7).</p> <p>When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognized as expenses (IFRS 2.8).</p>	<p>Similar to IFRS Standards (ASC 718-10-25-2 through 25-4).</p>
<p><i>Equity-settled transactions</i></p> <p>For equity instruments granted that vest immediately, the expense is recognized on the grant date with a corresponding increase in equity (IFRS 2.14).</p> <p>If the equity instruments granted do not vest until the counterparty completes a specified period of service, an expense is recognized during the vesting period with a corresponding increase in equity (IFRS 2.15).</p> <p>Vesting conditions, other than market conditions are not taken into account when estimating the fair value of the shares or share options at the measurement date. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for goods or services received as consideration for the equity instruments granted are based on the number of equity instruments that eventually vest (IFRS 2.19).</p>	<p><i>Equity-settled transactions</i></p> <p>The measured compensation cost for share-based awards to employees is recognized as those employee services are received. The corresponding credit is an increase in equity (ASC 718-10-35-2). Similar to IFRS Standards, vesting conditions, other than market conditions, affect the timing of expense recognition (service or performance-based) and the number of equity instruments included in the measurement of the transaction amount (forfeitures). Market conditions are taken into account when estimating the fair value of the equity instruments (ASC 718-10-25-20 and 25-21, ASC 718-10-30-14 and 30-25 through 30-27; ASC 718-10-35-2 through 35-7).</p> <p>An entity is permitted to make an accounting policy decision to use a straight-line or accelerated attribution method for awards that have graded service requirements regardless of the method used to value the award (ASC 718-10-35-8). Unlike U.S. GAAP, IFRS Standards does not permit the use of a straight-line attribution method.</p>

IFRS Standards	U.S. GAAP
<p>Market conditions are taken into account when estimating the fair value of the equity instruments granted (IFRS 2.21).</p> <p>Unlike U.S. GAAP, terms of an award that affect vesting and could be achieved after an employee completes the requisite service period would not be a performance condition under IFRS 2. The period of achieving the performance target would not extend beyond the end of the service period (IFRS 2, Appendix A). As such those conditions would not meet the definition of a vesting condition in IFRS 2, Appendix A. Non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted (IFRS 2.21A).</p>	<p>The terms of some awards provide that a performance target that affects vesting could be achieved after an employee completes the requisite service period. Such a performance target is accounted for as a performance condition and thus is not reflected in estimating the fair value of the award at grant date. Compensation cost is recognized in the period it becomes probable the performance target will be met and represents the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost for which requisite service has not been rendered is recognized prospectively over the remaining requisite service period (ASC 718-10-30-28).</p> <p>Under IFRS Standards, a performance target that could be achieved after the requisite service period would not meet the definition of a performance condition and thus are accounted for as nonvesting conditions that are reflected in the grant-date fair value of the award.</p>
<p><i>Cash-settled transactions</i></p> <p>The entity recognizes an expense for the services received and a liability to pay for those services, as the service is rendered (IFRS 2.32).</p>	<p><i>Liability-classified transactions</i></p> <p>Similar to IFRS Standards.</p>
<p><i>Equity-settled transactions with nonemployees</i></p> <p>The entity recognizes an expense when the entity obtains the goods or as the services are received (IFRS 2.13).</p>	<p><i>Equity-settled transactions with nonemployees</i></p> <p>Similar to IFRS Standards (ASC 505-50-25-6).</p>
Measurement	
<p><i>Equity-settled transactions with employees</i></p> <p>Fair value – the fair value of services received is measured by reference to the fair value of the equity instruments granted because typically it is not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments is measured at grant date (IFRS 2.11). The fair value of equity instruments granted is based on market prices, if available, at the measurement date. If market prices are not available, a valuation technique is used to estimate fair value (IFRS 2.16-.17). Having recognized the goods or services received in accordance with IFRS 2.10-.22, and a corresponding increase in equity, the entity does not make any subsequent adjustment to total equity after vesting date (IFRS 2.23).</p> <p>Grant date – the date at which an entity and another party (including an employee) agree to a share-based payment arrangement being when the entity and the counterparty</p>	<p><i>Equity-settled transactions with employees</i></p> <p>Fair value – similar to IFRS Standards, the fair value of services received from employees is determined based on an estimate of the fair value of the share-based instruments that will be issued rather than on a direct measure of the fair value of the employee services the entity will receive in exchange for the share-based instruments (ASC 718-10-30-2 through 30-4).</p> <p>An entity may make an entity-wide accounting policy election to estimate the expected number of forfeitures of awards, or recognize forfeitures as they occur (ASC 718-10-35-3). Unlike U.S. GAAP, IFRS Standards does not permit an accounting policy election for accounting for forfeiture of awards. Under IFRS Standards, an entity estimates the number of awards expected to vest and revises the estimate if subsequent information indicates actual forfeitures will likely differ from estimates.</p> <p>Unlike IFRS, a nonpublic entity may use a practical expedient to estimate the expected term for all awards</p>

IFRS Standards	U.S. GAAP
<p>have a similar understanding of the terms and conditions of the arrangement (IFRS 2, Appendix A).</p> <p>Intrinsic value – in rare cases in which the fair value of equity instruments cannot be reliably estimated at the measurement date, the intrinsic value is used with subsequent remeasurement, at the end of each reporting period, until final settlement (IFRS 2.24).</p>	<p>with performance or service vesting conditions that meet certain criteria (ASC 718-10-30-20A).</p> <p>Grant date – similar to IFRS Standards, the grant date is the date on which the fair value of the employee awards is measured. Unlike IFRS Standards, it is the date the employer and the employee have a shared understanding of the terms and conditions of the arrangement and the employee is affected by subsequent changes in the share price (ASC Master Glossary, “Grant Date”).</p> <p>Intrinsic value – similar to IFRS Standards (ASC 718-10-30-4, 30-21 and 30-22).</p> <p>Calculated value – unlike IFRS Standards, nonpublic companies may measure awards based on a calculated value (using historical volatility of an industry index) if the company is unable to reasonably estimate its expected volatility (ASC 718-10-30-4 and 30-20).</p>
<p><i>Cash-settled transactions with employees</i></p> <p>The goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period (IFRS 2.30-.33).</p> <p>Vesting conditions other than market conditions are not taken into account when estimating the value of the cash-settled share-based payment at the measurement date (IFRS 2.33A).</p> <p>If a share based payment arrangement has a net-settlement feature for withholding tax obligations, the transaction may be classified as an equity-settled if it would have been classified as such without the net settlement feature (IFRS 2.33F). Any excess shares withheld under a net settlement feature that exceeds the monetary value of the employee’s tax obligation would be accounted for as a cash-settled share-based payment when the amount is paid in cash (or other assets) to the employee (IFRS 2.33H(b)).</p>	<p><i>Liability-classified transactions with employees</i></p> <p>Share-based payment awards classified as liabilities are accounted for under ASC 718’s measurement and recognition provisions for liabilities, which require variable accounting until the award is settled or expires unexercised (ASC 718-30-35-1). ASC 718-10-25-6 through 25-19 provides guidance on whether share-based payment awards are classified as liabilities.</p> <p>Unlike IFRS Standards, U.S. nonpublic entities are permitted to make an accounting policy election to use intrinsic value for liability classified awards (ASC 718-30-30-2, 30-2A).</p> <p>Unlike IFRS, a nonpublic entity may use a practical expedient to estimate the expected term for all awards with performance or service vesting conditions that meet certain criteria (ASC 718-10-30-20A).</p> <p>A provision in a share-based payment arrangement with a direct or indirect (through a net-settlement feature) repurchase of shares issued upon exercise of option (or the vesting of nonvested shares) with any payment due employees withheld to meet the employer’s minimum statutory withholding requirements resulting from the exercise, does not, by itself, result in liability classification of instruments that otherwise would be classified as equity. Similar to IFRS, if an amount in excess of the maximum statutory tax rates in the employee’s jurisdiction is withheld, or may be withheld at the employee’s discretion, the entire award is classified and accounted for as a liability. To qualify for equity classification, the employer must have a statutory obligation to withhold taxes on an employee’s behalf, and the amount withheld cannot exceed maximum</p>

IFRS Standards	U.S. GAAP
<p><i>Equity-settled transactions with nonemployees</i></p> <p>Fair value – goods or services received are measured at the fair value of the goods or services received. There is a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. If fair value of the goods or services received cannot be estimated reliably, then the fair value is measured by reference to the fair value of the equity instruments granted (IFRS 2.13).</p> <p>Measurement date – the date the entity obtains the goods or the counterparty renders the services (IFRS 2, Appendix A).</p>	<p>statutory tax rates of the employee's jurisdiction (ASC 718-10-25-18).</p> <p><i>Equity-settled transactions with nonemployees</i></p> <p>Fair value – unlike IFRS Standards, the transaction is measured based on the fair value of the goods or services received or the fair value of the equity instruments issued, whichever is more reliably measurable (ASC 505-50-30-6). Under IFRS Standards, there is a presumption that goods or services received can be reliably measured.</p> <p>Measurement date – unlike IFRS Standards, the measurement date for awards to nonemployees is generally the earlier of the date at which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached (ASC 505-50-30-11 through 30-14).</p>
Modifications	
<p>If an equity instrument is modified, an entity recognizes the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, the entity recognizes the effects of modifications that increase the total value of the share-based payment arrangement or are otherwise beneficial to the employee (IFRS 2.27).</p> <p>If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are satisfied) (IFRS 2.26-28):</p> <ul style="list-style-type: none"> <li>• Account for the cancellation or settlement as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Recognize any payment made to the employee on the cancellation or settlement of the grant as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. An amount in excess of fair value is expensed.</li> <li>• If the share-based payment arrangement included liability components: <ul style="list-style-type: none"> <li>– Remeasure the fair value of the liability at the date of cancellation or settlement</li> <li>– Treat any payment made to settle the liability component as an extinguishment of the liability</li> </ul> </li> </ul>	<p>An entity accounts for the effects of a modification as described below, unless all of the following are true about the award immediately before and after the modification date (ASC 718-20-35-2A)</p> <ul style="list-style-type: none"> <li>• The fair value (or calculated or intrinsic value under the alternative measurement method) is the same</li> <li>• The vesting conditions are the same</li> <li>• The classification as equity or liability is the same</li> </ul> <p>If these conditions are not met, similar to IFRS Standards, an entity determines the fair value of the modified award on the modification date and compares that to the fair value of the original award determined immediately before the modification occurs. If the fair value of the modified award exceeds the fair value of the original award immediately before its terms are modified, the excess is additional compensation cost. Total compensation cost is generally the sum of the grant-date fair value of the award plus the additional compensation cost resulting from the modification. The cost is recognized prospectively over the remaining requisite service period or, if the modified award is fully vested, the incremental compensation cost is recognized on the modification date (ASC 718-20-35-3).</p> <p>U.S. GAAP differs from IFRS Standards in a situation in which a modification causes an award that was considered improbable of vesting to become probable of vesting. Under U.S. GAAP, compensation cost would be based on the updated fair value measurement at the modification date. Under IFRS Standards, the original fair value of the award would be used for measurement</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>If new equity instruments are granted to the employee and the entity identifies the new equity instruments granted as replacement equity instruments, the entity accounts for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments</li> </ul> <p>If the terms of a cash-settled share-based payment award are modified, resulting in it becoming an equity-settled share-based payment award, the transaction is accounted for as such from the date of the modification (IAS 2.B44A).</p>	<p>purposes. The only change would be in the number of options expected to vest (ASC 718-20-55-116 through 55-117 and 55-120 through 55-121).</p> <p>If an award is cancelled for no consideration and it is not accompanied by a concurrent grant of (or offer to grant) a replacement award, it is accounted for as a repurchase for no consideration. Any unrecognized compensation cost is recognized on the cancellation date. Cancellation of an award, accompanied by a concurrent grant of (or offer to grant) a replacement award, is accounted for as a modification of the cancelled award (ASC 718-20-35-8 through 35-9).</p> <p>Settlement accounting applies when an entity repurchases a share-based award. In general, if an entity settles an award by repurchasing it for cash or other consideration or by incurring a liability, any excess of the repurchase price over the fair value of the repurchased instrument is recognized as additional compensation cost (ASC 718-20-35-7).</p>
<b>Non-vesting conditions</b>	
<p>Non-vesting conditions are all conditions other than service and performance. All non-vesting conditions are taken into account when estimating the fair value of equity instruments granted. An entity recognizes the goods or services received from a counterparty that satisfies all vesting conditions that are not market conditions (e.g. services received from an employee who remains in service for the specified period of service), irrespective of whether those non-vesting conditions are satisfied. If the non-vesting condition is not met and neither the counterparty nor the entity can choose whether the condition is met, the entity continues to recognize expense over the remainder of the vesting period (IFRS 2.21A and IFRS 2, IG24).</p> <p>If either the entity or counterparty can choose whether to meet a non-vesting condition, failure to meet that non-vesting condition during the vesting period is to be treated as a cancellation (IFRS 2.28A and IFRS 2, IG15A). The cancellation is accounted for as an acceleration of vesting. The amount that would otherwise have been recognized for services received over the remainder of the vesting period is expensed (IFRS 2, IG24).</p>	<p>An award that includes a non-vesting condition is classified as a liability award. The impact of a non-vesting condition is taken into account when estimating the fair value of equity instruments granted (ASC 718-10-25-13).</p>

# 7. Financial instruments

## Introduction

### ASU 2016-01

In January 2016, the FASB issued, ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*, which changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main changes:

- Require equity investments, other than those accounted for under the equity method of accounting or where the investee is consolidated, to be measured at fair value with changes in fair value recognized in net income
- Require a qualitative impairment assessment for equity investments without readily determinable fair values
- Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value disclosed for financial instruments measured at amortized cost
- Require public business entities to use the exit price notion (ASC 820) when measuring the fair value of financial instruments for disclosure
- Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value under the fair value option
- Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, on the balance sheet or in the notes
- Clarify that an entity evaluates the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including not-for-profit entities and certain employee benefit plans the amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years after December 15, 2019. Entities, except public business entities, may apply the amendments earlier as of fiscal years beginning after December 15, 2017, including interim periods. Public business entities are permitted to early adopt certain of the amendments. The amendments are applied as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption except the amendments related to equity securities without readily determinable fair values, which are applied prospectively.

The following amendments are converged with IFRS Standards:

- Requiring an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value under the fair value option
- Requiring most equity investments to be measured at fair value with changes in fair value recognized in net income is generally consistent with guidance in IFRS 9. An entity is allowed, in IFRS 9 to make an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income for certain investments in equity instruments that would normally be measured at fair value through profit or loss.
- The requirement to evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with an entity's other deferred tax assets is similar to recent amendments by the Board to IAS 12.

In February 2018, the FASB issued ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides technical corrections and improvements related to ASU 2016-01. Clarification is provided on six limited scope issues, including measurement for equity securities without a readily determinable fair value, forward contracts and purchase options, and presentation and foreign currency considerations for fair value option liabilities. The

amendments in ASU 2018-03 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Public business entities with fiscal years beginning between December 15, 2017, and June 15, 2018, are not required to adopt the amendments until the interim period beginning after June 15, 2018, and public business entities with fiscal years beginning between June 15, 2018, and December 15, 2018, are not required to adopt the amendments before adopting the amendments in ASU 2016-01. For all other entities, the effective date is the same as the effective date in ASU 2016-01. All entities may early adopt the amendments for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, as long as they have adopted ASU 2016-01.

## IFRS 9

In July 2014, the Board completed the final phase of its project on financial instruments by issuing a comprehensive IFRS 9 that includes all phases of the project. IFRS 9 sets out the requirements for recognizing and measuring financial instruments and replaces IAS 39. The first phase of the project addressed the classification and measurement of financial instruments and resulted in the issuance of IFRS 9 on financial assets (2009) and later guidance on financial liabilities IFRS 9 (2010). Financial assets are to be classified based on the business model within which they are held and their contractual cash flow characteristics. The guidance also includes requirements for the classification and measurement of financial liabilities, most of which is unchanged from IAS 39. Changes were made to the guidance related to the fair value option for financial liabilities to address own credit risk. Certain debt instruments may also be accounted for as fair value through other comprehensive income. In November 2013, the Board issued amendments to IFRS 9 to add guidance for hedge accounting. Those new requirements align hedge accounting more closely with risk management. Entities have a choice to continue to apply the hedge accounting requirements in IAS 39 or to apply the new requirements in IFRS 9, until such time as the Board completes its project on accounting for macro hedge accounting. The final phase of the project addresses the accounting for impairment of financial instruments through the introduction of an expected credit loss impairment model. Expected credit losses will be accounted for when financial instruments are first recognized.

The changes from IFRS 9 and ASU 2016-13 have been added throughout this document and are to be applied when an entity applies IFRS 9 or ASU 2016-13. IFRS 9 also impacts numerous other IFRS Standards. Those changes are also noted herein.

IFRS 9 became effective for annual periods beginning on or after January 1, 2018. All amendments were applied retrospectively including the impairment requirements, with certain exceptions.

When an entity first applied IFRS 9, it elected to either continue to apply the hedge accounting requirements in IAS 39 or apply the new hedge accounting requirements in IFRS 9. The hedge accounting requirements were applied prospectively, with certain exceptions.

In April 2017 the Board added an item to its technical agenda titled *Fees in the '10 per cent' test for Derecognition (Amendments to IFRS 9)*. The Board tentatively decided to propose an amendment to IFRS 9 as a part of its next Annual Improvements Cycle that would clarify that an entity includes only fees paid or received between the entity and the lender when calculating the '10 per cent' test for assessing whether to derecognize a financial liability.

## ASU 2016-13

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. Although the FASB's model is also based on an expected credit loss model, the application of the model is different than under IFRS Standards. Financial assets measured at amortized cost are presented at the net amount expected to be collected through the use of a valuation allowance. The measurement of expected credit losses is based on information about historical information, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination, and measured at amortized cost, the determination of the allowance for credit losses is similar except that the initial allowance for credit losses is added to the purchase price. Only subsequent changes in the allowance represent a credit loss expense. Credit losses related to available-for-sale securities will now be recorded as an allowance which is limited to the amount by which fair value is below amortized cost.

The guidance in ASU 2016-13 is effective for "public business entities," as defined, that are SEC filers for fiscal years and for interim periods within those fiscal years beginning after December 15, 2019. For all other public business entities, the guidance is effective for fiscal years and for interim periods within those fiscal years beginning after

December 15, 2020. All other entities, including not-for-profit entities and employee benefit plans within the scope of ASC 960 through 965 on plan accounting, will be required to adopt the guidance in ASU 2016-13 for fiscal years beginning after December 15, 2020 (which was changed to December 15, 2021 by ASU 2018-19, see discussion below) and for interim periods within fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, which amends two areas of the guidance in ASC 326. The amendments require entities that are not public business entities to adopt ASU 2016-13 in fiscal years beginning after December 15, 2021 and in interim periods within those fiscal years. As originally issued, ASU 2016-13 required entities that are not public business entities to adopt this new guidance in fiscal years beginning after December 15, 2020 and in interim periods within fiscal years beginning after December 15, 2021. ASU 2018-19 does not impact the effective date requirements for public business entities. The amendments also exclude operating lease receivables from the scope of ASC 326-20. Instead, entities should account for the impairment of receivables resulting from operating leases under the guidance in ASC 842, *Leases*. Net investments in leases resulting from sales-type and direct financing leases remain within the scope of ASC 326-20. The effective date and transition requirements for the ASU are the same as those for ASU 2016-13.

Also in November 2018, The Board issued the proposed ASU, *Codification Improvements – Financial Instruments*, which includes proposed amendments to the guidance in

- ASU 2016-01
- ASU 2016-13
- ASU 2017-12The Codification improvements included in the proposed ASU are grouped as follows:
- Topic 1 – Improvements resulting from the June 11, 2018 Credit Losses Transition Resource Group (TRG) meeting
- Topic 2 – Improvements to ASU 2016-13
- Topic 3 – Improvements to ASU 2017-12 and other hedging items
- Topic 4 – Improvements to ASU 2016-01
- Topic 5 – Improvements resulting from the November 1, 2018 Credit Losses TRG meeting

There are various proposed adoption dates for entities that have and have not adopted the amendment in ASU 2016-01, 2016-13, and 2017-12.

### **Symmetric prepayment options**

The Board has undertaken a project to examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.

In October 2017, the Board issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*, which enables companies to measure certain prepayable financial assets at amortized cost. The amendments respond to comments received by the IFRS Interpretations Committee and are intended to improve the usefulness of information about these financial assets that IFRS 9 requires.

### **Hedge accounting**

The Board has undertaken a research project addressing the accounting for macro hedging. In April 2014, the Board issued a Discussion Paper, *Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging*, which proposed using a portfolio revaluation approach to account for entity risk management practices used for open portfolios. After receiving feedback from the discussion paper, the project remains on the Board's agenda, and a subsequent discussion paper is planned for 2019.

In August 2017 the FASB issued ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The objective of the ASU is to better portray the economic results of an organization's hedging activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018 and for all other entities for fiscal years beginning after December

15, 2019 and interim periods within the following year. Early adoption is permitted. Differences between U.S. GAAP and IFRS for hedge accounting remain.

### Financial instruments with characteristics of equity

The Board has undertaken a research project to examine whether improvements should be made to the existing requirements in IAS 32, *Financial Instruments: Presentation* for classifying financial instruments that have characteristics of both a liability and equity. The Board expects to publish a discussion paper as a next step.

## 7.1 Recognition and measurement of financial assets

**Note:** This section reflects the guidance in IFRS 9 regarding the recognition and measurement of financial instruments and hedge accounting. This section includes a comparison of IFRS 9 to U.S. GAAP for impairment both prior to and after the adoption of ASU 2016-13.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 9; IAS 32 and 39	<b>Relevant guidance:</b> ASC 210, 310, 320, 321, 326, 450, 505, 718, 815, 825, 835, and 860
<b>Introduction</b>	
<p>IFRS 9 addresses the classification and measurement of financial instruments, including financial assets. Financial assets include (IAS 32.11):</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Contractual rights to receive cash or another financial asset (i.e. receivables and loans made to others)</li> <li>• Contractual rights to exchange financial instruments with another entity on potentially favorable terms</li> <li>• Equity instruments of another entity</li> <li>• A contract that may or will be settled in entity's own equity instruments and is:                             <ul style="list-style-type: none"> <li>– A non-derivative to receive a variable number of the entity's own equity instruments</li> <li>– A derivative that will or may be settlement other than by an exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments</li> </ul> </li> </ul>	<p>A financial asset is defined as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following (ASC Master Glossary, "Financial Asset"):</p> <ul style="list-style-type: none"> <li>• Receive cash or another financial instrument from a second entity</li> <li>• Exchange other financial instruments on potentially favorable terms with the second entity</li> </ul> <p>A financial asset exists if and when two or more parties agree to payments terms and those payment terms are reduced to a contract. To be a financial asset, an asset must arise from a contractual agreement between two or more parties, not by an imposition of an obligation by one party on another.</p>
<b>Scope</b>	
<p>Applied by all entities to all types of financial instruments except (IFRS 9.2.1):</p> <ul style="list-style-type: none"> <li>• Interests in subsidiaries, associates and joint ventures accounted for under IFRS 10, IAS 27, or IAS 28, unless permitted by those Standards</li> <li>• Rights and obligations of leases under IAS 17 (or IFRS 16), with certain exceptions</li> <li>• Employers' rights and obligations of employee benefit plans under IAS 19</li> </ul>	<p>Guidance in ASC 310 applies to all entities and a variety of instruments and transactions but does not apply to mortgage banking activities or contracts accounted for as derivatives under ASC 815 (ASC 310-10-15-1 through 15-3).</p> <ul style="list-style-type: none"> <li>• Guidance in ASC 320 applies to all entities except brokers and dealers in securities, defined benefit pension and other postretirement plans and investment companies. The guidance on identifying and accounting for the impairment of certain</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Financial instruments issued by an entity that are an equity instrument under IAS 32 or are required to be classified as such</li> <li>Rights and obligations under insurance contracts accounted for under IFRS 4, with certain exceptions</li> <li>Any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that is a business combination under IFRS 3</li> <li>Certain loan commitments</li> <li>Financial instruments, contracts, and obligations under share-based payment transactions under IFRS 2, with certain exceptions</li> <li>Rights to payments to reimburse an entity for an expenditure that is required to settle a liability that is recognized as a provision under IAS 37</li> <li>Rights and obligations within IFRS 15 that are financial instruments, with certain exceptions</li> </ul>	<p>securities applies to not-for-profit entities (ASC 320-10-15-2 through 15-4).</p> <p><b>Note:</b> The guidance in ASC 320 does not apply to not-for-profit entities upon the effective date of ASU 2016-13, <i>Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments</i>.</p> <p>ASC 815 generally applies to all entities. Certain instruments are excluded from the scope (ASC 815-10-15).</p> <p>ASC 825 applies all entities (ASC 825-10-15-2). Certain instruments are not eligible for the fair value option (ASC 825-10-15-5).</p> <p>ASC 860 applies to all entities (ASC 860-10-15-2). Certain transactions and activities are exempt from the requirements in ASC 860 on accounting for transfers and servicing of financial assets (ASC 860-10-15-4).</p>
<b>Initial recognition and classification</b>	
<p>Recognize financial asset when and only when the entity becomes party to the contractual provisions of the instrument. Classify and measure a financial asset as noted below (IFRS 9.3.1.1).</p> <p>On subsequent measurement, most financial assets will be categorized at amortized cost, fair value through other comprehensive income, or fair value through profit or loss on the basis of both the (IFRS 9.4.1.1):</p> <ul style="list-style-type: none"> <li>Entity's business model for managing financial assets, and</li> <li>Contractual cash flow characteristics of the financial asset</li> </ul>	<p>No explicit categorization scheme for financial assets. They could be categorized as follows:</p> <ul style="list-style-type: none"> <li>Derivative financial instruments (see Section 7.3, "Recognition and measurement of derivatives")</li> <li>Hybrid financial instruments that would be required to be separated into a host and derivative component under ASC 815-15-25-1 which the entity has irrevocably elected to measure at fair value (ASC 815-15-25-4)</li> <li>Eligible financial assets that the entity elects to measure at fair value – fair value option (ASC 825-10-15-4)</li> <li>Loans and receivables</li> <li>Debt within the scope of ASC 320:                         <ul style="list-style-type: none"> <li>Trading</li> <li>Held-to-maturity – defined narrowly with strict conditions and covers only those debt securities that the enterprise has the positive intent and ability to hold to maturity</li> <li>Available-for-sale – debt securities not classified as trading or held-to-maturity securities (ASC 320-10-25-1)</li> </ul> </li> <li>Equity securities within the scope of ASC 321:                         <ul style="list-style-type: none"> <li>If it no longer qualifies to be accounted for under the equity method, the security's initial basis will be the previous carrying amount of the investment (ASC 321-10-30-1)</li> </ul> </li> </ul>

IFRS Standards	U.S. GAAP
<p>Financial assets measured at amortized cost include those where the (IFRS 9.4.1.2):</p> <ul style="list-style-type: none"> <li>Objective of entity's business model is to hold assets to collect contractual cash flows, and</li> <li>Contractual terms of the financial asset include cash flows that are solely payments of principal and interest on the principal amount outstanding</li> </ul>	<p>Carry held-to-maturity securities, loans held for investment, and trade receivables at amortized cost. Special rules apply for certain acquired loans with deterioration in credit quality (ASC 320-10-35-1, ASC 310-10-35-41 through 35-42, ASC 825-10-35-1 through 35-3, and ASC 310-30-35).</p> <p><b>Note:</b> The guidance in ASC 310-10-35-41 through 35-42, ASC 310-30 and ASC 825-10-35-1 through 35-3 is superseded with the effective date of ASU 2016-13, <i>Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments</i>. Some of the guidance was moved to ASC 326.</p>
<p>Financial assets are measured at fair value through other comprehensive income if both of the following are met (IFRS 9.4.1.2A):</p> <ul style="list-style-type: none"> <li>Objective of business model is both collecting contractual cash flows and selling financial assets, and</li> <li>Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding</li> </ul>	<p>No similar requirement.</p>
<p>If more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows and thus classification at amortized cost (IFRS 9.B4.1.3).</p>	<p>The length of the taint period under U.S. GAAP is not defined. The SEC uses a two year time frame.</p>
<b>Transition for financial assets</b>	
<p>At the date of initial application of IFRS 9, an entity would determine if the objective of its business model for managing its financial assets meets the conditions noted above based on the facts and circumstances that exist at the date of initial application or if the financial asset is eligible to be measured at fair value through profit or loss (IFRS 9.7.2.3).</p>	<p>No similar requirement.</p>
<p>At the date of initial application of IFRS 9, an entity may designate a financial asset at fair value through profit or loss or measure an investment in an equity instrument at fair value through other comprehensive income if the conditions below are met (IFRS 9.7.2.8).</p>	<p>No similar requirement.</p>
<p>At the date of initial application of IFRS 9, an entity is to revoke a previous designation of a financial asset at fair value through profit or loss if the conditions noted below are not met or may revoke a previous designation of a financial asset at fair value through profit or loss if the financial asset meets the conditions below, based on the</p>	<p>No similar requirement.</p>

IFRS Standards	U.S. GAAP
facts and circumstances at the date of initial application (IFRS 9.7.2.9).	
If an entity previously accounted for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument at cost, measure the instrument at fair value at the date of initial application of IFRS 9. The difference between the previous carrying value and the fair value is recognized in opening retained earnings (IFRS 9.7.2.12).	No similar requirement.
<b>Measurement on initial recognition</b>	
An entity may designate a financial asset at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that occurs when assets or liabilities are measured or when gains or losses on those financial assets and financial liabilities are recognized on different bases (IFRS 9.4.1.5).	An entity may elect to measure eligible financial assets at fair value – fair value option (ASC 825-10-15-4).
At initial recognition, an entity may make an irrevocable election to present in OCI, subsequent changes in the fair value of an investment in an equity instrument, not held for trading and not contingent consideration of an acquirer in a business combination under IFRS 3 (IFRS 9.5.7.5).  All investments in equity instruments and contracts on those instruments are measured at fair value. In limited circumstances, cost may be an appropriate estimate of fair value (IFRS 9.B5.4.14).	No similar requirement.  Liabilities and equity instruments are recorded initially at the fair value of the property, goods, services, or other consideration received or at the fair value of the financial instrument issued, whichever is more clearly determinable (ASC 835-30-25-10, ASC 505-50-30-6, and ASC 718-10-30-2).
When a financial asset is recognized initially, an entity measures it at fair value plus, for a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. (Upon adoption of IFRS 15, trade receivables within the scope of IFRS 9.5.1.3 are excluded.) (IFRS 9.5.1.1).  Upon adoption of IFRS 15, at initial recognition, measure trade receivable without a significant financing component at transaction price (IFRS 9.5.1.3).	Financial assets are recognized initially at fair value which may lead to the recognition of premiums and discounts on loans and debt securities acquired. Except for certain costs associated with certain lending activities and loan purchases, transaction costs that are directly attributable to the purchase of a financial asset are expensed as incurred (ASC 310-20-25-2 through 25-7).  Similar to IFRS Standards (ASC 310-10-30).
<b>Subsequent measurement</b>	
<ul style="list-style-type: none"> <li>After initial measurement, a financial asset is measured at fair value or amortized cost (IFRS 9.5.2.1).</li> <li>For financial assets measured at amortized cost, and not part of a hedging relationship, recognize the gain or loss when the financial asset is derecognized, impaired or reclassified (IFRS 9.5.7.2).</li> </ul>	Remeasure financial assets at fair value through earnings at fair value with gains and losses recognized in the income statement (derivatives see ASC 815-10-35-1 to 35-3; hybrid financial instruments see ASC 815-15-25-4; trading securities see ASC 320-10-35-1; equity securities previously accounted for under the equity method see ASC 321-10-35-1).

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• For financial assets that are hedged items, apply hedge accounting requirements in IFRS 9.6.5.8-.14 for fair value hedge accounting for a portfolio hedge of interest rate risk (IFRS 9.5.2.3).</li> <li>• The gain or loss on financial assets or financial liabilities that are hedged items in a hedging relationship are recognized under IFRS 9.6.5.8-.14 for the fair value hedge accounting for a portfolio hedge of interest rate risk (IFRS 9.5.7.3).</li> <li>• Interest revenue is calculated by using the effective interest method by applying the effective interest rate to the gross carrying amount of a financial asset except for (IFRS 9.5.4.1):</li> <li>• Purchased or originated credit-impaired financial assets where the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset from initial recognition</li> <li>• Financial asset that are not purchased or originated credit-impaired financial asset but subsequently have become such – apply effective interest rate to amortized cost of financial asset in subsequent periods</li> <li>• When the contractual cash flows of a financial asset are renegotiated or modified and it does not result in derecognition of the financial assets, recalculate the gross carrying amount and recognize a modification gain or loss in profit or loss (IFRS 9.5.4.3).</li> </ul>	<p>Carry held-to-maturity securities, loans held for investment, and trade receivables at amortized cost. Special rules apply for certain acquired loans with deterioration in credit quality (ASC 320-10-35-1, ASC 310-10-35-41 through 35-42, ASC 825-10-35-1 through 35-3, and ASC 310-30-35).</p> <p><b>Note:</b> The guidance in ASC 310-10-35-41 through 35-42 and ASC 310-30 is superseded with the effective date of ASU 2016-13, <i>Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments</i>. Except as noted below, U.S. GAAP does not address how a creditor recognizes, measures or displays interest income on a financial asset with a credit loss (ASC 310-10-35-53A):</p> <ul style="list-style-type: none"> <li>• When recognizing interest income on purchased financial assets with credit deterioration within the scope of ASC 326, do not recognize as interest income the discount embedded in the purchase price that is attributable to the acquirer's assessment of expected credit losses at the date of acquisition. Accrete or amortize as interest income the non-credit-related discount or premium of a purchased financial asset with credit deterioration based on the guidance in ASC 310-20-35 or ASC 325-40-35 (ASC 310-10-35-53B)</li> <li>• Recognition of income on purchased financial assets with credit deterioration is dependent on having a reasonable expectation about amount expected to be collected. Subsequent to purchase, an entity is not prohibited from placing financial assets on nonaccrual status, including use of cost recovery method or cash basis method of income recognition when appropriate (ASC 310-10-35-53C). Under U.S. GAAP, troubled debt restructurings are considered to be a continuation of the original lending agreement. The concept of troubled debt restructuring does not exist in IFRS Standards. Also, use of the nonaccrual method continues to be permitted under U.S. GAAP, but prohibited under IFRS Standards.</li> </ul> <p>Remeasure available-for-sale securities to fair value. Unrealized gains and losses are included (net of tax) in shareholder's equity in OCI. All or a portion of the unrealized holding gain and loss of an available-for-sale security that is designated as being hedged in a fair value hedge is recognized in earnings during the period of the hedge. Realized gains and losses are reported in earnings (ASC 320-10-35-1).</p>

IFRS Standards	U.S. GAAP
<b>Reclassification</b>	
<p>Financial assets are only reclassified when an entity changes its business model for managing those financial assets (IFRS 9.4.4.1).</p> <p>Reclassification of financial liabilities is prohibited (IFRS 9.4.4.2).</p>	<p>Transfers into or from the trading category are to be rare (ASC 320-10-35-12).</p>
<p>Reclassifications are applied prospectively from the reclassification date (IFRS 9.5.6.1).</p> <p>Reclassifications from amortized cost to fair value - determine fair value at reclassification date and any difference with previous carrying amount is recognized in profit or loss (IFRS 9.5.6.2).</p> <p>Reclassifications from fair value through profit or loss to amortized cost - the fair value at the reclassification date is the new carrying amount (IFRS 9.5.6.3).</p> <p>Reclassifications from amortized cost into fair value through other comprehensive income – measure fair value at reclassification date and gain or loss is recognized in OCI (IFRS 9.5.6.4).</p> <p>Reclassifications from fair value through OCI to amortized cost – measure fair value at reclassification date. Recognize cumulative gain or loss in OCI against the fair value (essentially as if the financial instrument was always measured at amortized cost) (IFRS 9.5.6.5).</p> <p>Reclassifications from fair value through profit or loss to fair value through OCI – measure financial asset at fair value (IFRS 9.5.6.6).</p> <p>Reclassifications from fair value through OCI to fair value through profit or loss – continue to measure financial asset at fair value (IFRS 9.5.6.7).</p> <p>The following are not considered reclassifications (IFRS 9.4.4.3):</p> <ul style="list-style-type: none"> <li>• A derivative previously a designated and effective hedging instrument in cash flow hedge or net investment hedge no longer qualifies as such</li> <li>• A derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge</li> <li>• Changes in measurement under IFRS 9.6.7</li> </ul>	<p>Transfers between categories are at fair value.</p> <p>Any gain or loss on transfer to trading is recognized in earnings.</p> <p>Any gain or loss on transfer to available-for-sale is included in OCI.</p> <p>Any gain or loss on transfer to held-to-maturity from available-for-sale is included in OCI (ASC 320-10-35-10).</p> <p>Transfers from held-to-maturity to available-for-sale, carry over the amortized cost basis (ASC 320-10-35-15).</p> <p>For a transfer from available-for-sale to held-to-maturity, the difference between par value and fair value at date of transfer is amortized as an adjustment to yield (ASC 320-10-35-16).</p>
<b>Derecognition</b>	
<p>IFRS 9 addresses derecognition specifically in relation to financial instruments. The derecognition of financial assets occurs at the consolidated level (IFRS 9.3.2.1).</p>	<p>ASC 860-10-40 sets forth the derecognition criteria for financial assets.</p>
<p>Before determining if a financial asset is to be derecognized, consideration is given to whether to apply</p>	<p>The derecognition rules apply to transferred financial assets which is any of the following:</p>

IFRS Standards	U.S. GAAP
<p>the derecognition criteria to part of a financial asset (or part of a group of similar financial assets) or a financial asset (or group of similar financial assets), in its entirety based on the criteria in IFRS 9.3.2.3–.9 (IFRS 9.3.2.2).</p>	<ul style="list-style-type: none"> <li>• An entire financial asset</li> <li>• A group of entire financial assets</li> <li>• A participating interest in an entire financial asset (ASC 860-10-40-4A and 40-4B)</li> </ul>
<p>Assets are derecognized when, and only when (IFRS 9.3.2.3):</p> <ul style="list-style-type: none"> <li>• Contractual rights to the cash flows from the financial asset expire, or</li> <li>• It transfers the financial asset as indicated below and the transfer qualifies for derecognition under IFRS 9</li> </ul> <p>An entity transfers a financial asset if and only if it either (IFRS 9.3.2.4):</p> <ul style="list-style-type: none"> <li>• Transfers the contractual rights to receive the cash flows of the financial asset, or</li> <li>• Retains contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the criteria below</li> <li>• When the entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the entity treats the transaction as a transfer of a financial asset, if and only if, all of the conditions in IFRS 9.3.2.5–.6 have been met.</li> </ul> <p>When an entity transfers financial assets, evaluate extent it retains risks and rewards of ownership of financial asset based on criteria in IFRS 9.3.2.6–.8.</p> <p>Whether an entity has retained control of the transferred assets depends on the transferee’s ability to sell the asset. When the transferee can sell the asset, the transferor has not retained control of the transferred assets (IFRS 9.3.2.9). A transferee has the practical ability to sell the transferred asset:</p> <ul style="list-style-type: none"> <li>• If it is traded in an active market because the transferee can repurchase the transferred asset in the market if it needs to return the asset to the entity (IFRS 9.B3.2.7)</li> <li>• If transferee can sell the transferred asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer (IFRS 9.B3.2.8)</li> </ul>	<p>A transfer of a financial asset in which the transferor surrenders control over those financial assets is accounted for as a sale if and only if all of the following conditions are met (ASC 860-10-40-4 through 40-5):</p> <ul style="list-style-type: none"> <li>• Transferred assets have been isolated from the transferor – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership</li> <li>• Transferee has the right to pledge or exchange the assets (or beneficial interests) received, without any constraints</li> <li>• Transferor does not maintain effective control over the transferred asset</li> </ul> <p>A repurchase-to-maturity transaction is accounted for as a secured borrowing as if the transferor maintains effective control (ASC 860-10-40-5A). This is similar to how these transactions are accounted for under IFRS Standards even though the emphasis under IFRS Standards is on the transfer of the risks and rewards of ownership related to the financial asset and the emphasis under U.S. GAAP is control.</p>
<p>When the transferor provides non-cash collateral to the transferee, account for the collateral based on guidance in IFRS 9.3.2.23.</p>	<p>Similar to IFRS Standards (ASC 860-30-25-5).</p>

IFRS Standards	U.S. GAAP
<b>Transfers that qualify for derecognition</b>	
When the entity retains the right to service the financial asset for a fee, recognize either a servicing asset or servicing liability for servicing contract (IFRS 9.3.2.10).	Similar to IFRS Standards (ASC 860-50-25-1).
The difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained or liability assumed) is recognized in profit or loss (IFRS 9.3.2.12-.13).	Similar to IFRS Standards (ASC 860-20-40).
<b>Transfers that do not qualify for derecognition</b>	
If the transfer doesn't qualify for derecognition, continue to recognize the transferred assets in their entirety and recognize a financial liability for the consideration received (IFRS 9.3.2.15).	Similar to IFRS Standards (ASC 860-30-25-2).
A financial asset that does not qualify for derecognition is not offset against the associated liability (IFRS 32.42 and IFRS 9.3.2.22).	Similar to IFRS Standards (ASC 210-20-45).
<b>Continuing involvement in transferred assets</b>	
When an entity neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset, recognize the transferred asset to extent of continuing involvement, which is the extent to which the entity is exposed to changes in the value of the transferred asset (IFRS 9.3.2.16). The transferred asset is measured at the basis that reflects the rights and obligations that the entity has retained (IFRS 9.3.2.17).	<p>The transferor and transferee account for a transfer as a secured borrowing with pledge of collateral in either of the following (ASC 860-30-25-2):</p> <ul style="list-style-type: none"> <li>• Transfer of entire financial asset, or group of entire financial assets, or a participating interest in entire financial asset does not meet condition for sale in ASC 860-10-40-5</li> <li>• Transfer of a portion of an entire financial asset does not meet the definition of a participating interest</li> </ul> <p>The transferor continues to report the transferred financial asset in its statement of financial position with no change in the asset's measurement.</p>
For assets recognized due to continuing involvement, also recognize the associated liability at the basis that reflects the rights and obligations that the entity has retained (IFRS 9.3.2.17).	See guidance above on accounting for secured borrowings.
Continue to recognize income on the transferred asset to extent of continuing involvement and recognize any expense related to the associated liability (IFRS 9.3.2.18).	See guidance above on accounting for secured borrowings.
<b>Impairment – Prior to the adoption of ASU 2016-13 (ASC 326)</b>	
<p>Apply impairment requirements in IFRS 9 Section 5.5 to financial assets measured at amortized cost or fair value through other comprehensive income (IFRS 9.5.2.2).</p> <p>Although the scope for applying the impairment requirements are similar under IFRS Standards to U.S. GAAP, there are some differences.</p>	<p>For available-for-sale and held-to-maturity debt securities, if an entity determines that a decline in fair value below the amortized cost basis is other than temporary (ASC 320-10-35-18):</p> <ul style="list-style-type: none"> <li>• The cost basis of the individual security is written down to fair value and the write-down is included in</li> </ul>

IFRS Standards	U.S. GAAP
<p>Recognize a loss allowance for expected credit losses on a financial asset measured at amortized cost or fair value through other comprehensive income, a lease receivable, a contract asset, or a loan commitment and a financial guarantee contract in accordance with IFRS 9.2.1(g), 9.4.2.1(c), or 9.4.2.1(d) (IFRS 9.5.5.1).</p> <p>For financial assets measured at fair value through other comprehensive income, recognize loss allowance in OCI rather than reducing the carrying amount of the financial asset (IFRS 9.5.5.2).</p> <p>Maximum period to consider when measuring expected credit losses is maximum contractual period (including extension options) over which entity is exposed to credit risk and not a longer period, even if longer period is consistent with business practice (IFRS 9.5.5.19).</p> <p>Measure expected credit losses of a financial instrument to reflect (IFRS 9.5.5.17):</p> <ul style="list-style-type: none"> <li>• An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes</li> <li>• The time value of money</li> </ul> <p>Reasonable and supportable information available without undue cost or effort about past events, current conditions, and forecasts of future economic conditions</p>	<p>earnings for debt securities for which the entity determines that it intends to sell the debt security or the entity determines that it is more likely than not will be required to sell the debt security before recovery of its amortized cost basis (ASC 320-10-35-30 through 35-33I and ASC 320-10-35-34 through 34B)</p> <ul style="list-style-type: none"> <li>• If the entity does not intend to sell the debt security, or it is not more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, then it separates the impairment into two components and recognizes any impairment related to credit loss in earnings while the other component is recognized in OCI, net of tax (ASC 320-10-35-34C through 35-34D)</li> </ul> <p><b>Note 1:</b> The amendments in ASU 2016-01 removed the inclusion of equity securities in this guidance. The guidance on investments in equity securities is included in ASC 321. Except for certain securities, equity securities will be subsequently measured at fair value with unrealized gains and losses reported in earnings.</p> <p><b>Note 2:</b> The guidance is superseded with the effective date of ASU 2016-13, <i>Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments</i>. Some of the guidance was moved to ASC 326.</p> <p>A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement (ASC 310-10-35-16).</p>
<p>IFRS 9 applies a single credit loss model to all financial assets.</p>	<p>Unlike IFRS, U.S. GAAP has a different approach for available for sale debt securities.</p>
<p><b>Impairment – After the adoption of ASU 2016-13 (ASC 326)</b></p>	
<p>Apply impairment requirements in IFRS 9 Section 5.5 to financial assets measured at amortized cost or fair value through other comprehensive income (IFRS 9.5.2.2).</p> <p>Although the scope for applying the impairment requirements are similar under IFRS Standards to U.S. GAAP, there are some differences.</p>	<p>Apply applicable impairment requirements to (ASC 326-20-15-2 and ASC 326-30-15-2):</p> <ul style="list-style-type: none"> <li>• Financial assets measured at amortized cost</li> <li>• Net investments in leases recognized by a lesser under ASC 842</li> <li>• Off balance sheet credit exposures not accounted for as insurance (Off balance sheet loan commitments, standby letters of credit, financial guarantees not accounted for as insurance and other similar instruments except for instruments with ASC 815)</li> <li>• Debt securities classified as available-for-sale securities, including loans classified as such</li> </ul>

IFRS Standards	U.S. GAAP
<p>Recognize a loss allowance for expected credit losses on a financial asset measured at amortized cost or fair value through other comprehensive income, a lease receivable, a contract asset, or a loan commitment and a financial guarantee contract in accordance with IFRS 9.2.1(g), 9.4.2.1(c), or 9.4.2.1(d) (IFRS 9.5.5.1).</p> <p>For financial assets measured at fair value through other comprehensive income, recognize loss allowance in OCI rather than reducing the carrying amount of the financial asset (IFRS 9.5.5.2).</p> <p>Maximum period to consider when measuring expected credit losses is maximum contractual period (including extension options) over which entity is exposed to credit risk and not a longer period, even if longer period is consistent with business practice (IFRS 9.5.5.19).</p> <p>Measure expected credit losses of a financial instrument to reflect (IFRS 9.5.5.17):</p> <ul style="list-style-type: none"> <li>• An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes</li> <li>• The time value of money</li> </ul> <p>Reasonable and supportable information available without undue cost or effort about past events, current conditions, and forecasts of future economic conditions</p>	<p>For financial assets noted above, except debt securities classified as available-for-sale:</p> <ul style="list-style-type: none"> <li>• Deduct the allowance for credit losses from the amortized cost and present the net amount expected to be collected (ASC 326-20-30-1)</li> <li>• Measure expected credit losses on a collective (pool) basis when similar risk characteristics exist otherwise evaluate expected credit losses on an individual basis, determined through various methods such as discounted cash flow, loss-rate, roll-rate, probability of default or methods that utilize an aging schedule (ASC 326-20-30-2 and 30-3)</li> <li>• When estimate of expected credit losses is based on a discounted cash flow method, discount the expected cash flows at the financial assets effective interest rate (ASC 326-20-30-4). If another method is used, allowance for credit losses reflects the entity's expected credit losses of the amortized cost basis of the financial asset as of the reporting date over the contractual term of the financial asset (ASC 326-20-30-5 and 30-6). Under IFRS Standards an entity is permitted to apply either the effective interest rate or an approximation of that rate when calculating expected credit losses.</li> <li>• Historical credit loss experience of financial assets with similar risk characteristics provides a basis for assessment, adjusted for current asset specific risk characteristics and extent management expects current conditions and reasonable and supportable forecasts to differ (ASC 326-20-30-8 and 30-9). Consider how credit enhancements mitigate expected credit losses, including consideration of financial condition of guarantor, willingness of guarantor to pay and whether any subordinated interests are expected to be capable of absorbing credit losses (ASC 326-20-30-12).</li> </ul> <p>For off-balance sheet credit exposures, estimate expected credit losses in a similar manner as noted above, over the contractual period the entity is exposed to credit risk via a present contractual obligation to extend credit, unless obligation is unconditionally cancellable by the issuer (ASC 326-20-30-11). Under IFRS Standards, a financial asset that contains both a loan and an undrawn commitment, expected credit losses are measured over the period an entity is exposed to credit risk and expected credit losses are not mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period (IFRS 9.5.5.20).</p>

IFRS Standards	U.S. GAAP
	<p>For purchased financial assets with credit deterioration (including purchased debt securities), add the allowance for credit losses at the date of acquisition to the purchase price to determine the initial amortized cost basis (ASC 326-20-30-13). Subsequent measurement of the allowance for credit losses is based on the guidance above (ASC 326-20-35-1).</p> <p>For available for sale debt securities, an investment is impaired if fair value of the investment is less than its amortized cost basis (ASC 326-30-35-1). See additional guidance below.</p> <p>Also, the time value of money is considered under U.S. GAAP in determining expected credit losses using amortized cost information but is not specifically required. The current expected credit loss (CECL) under U.S. GAAP requires the collative evaluation of credit losses for financial instruments, which is allowed under IFRS 9. However, IFRS 9 requires that an evaluation of credit losses also requires probability weighted outcomes to be considered.</p>
<p>At each reporting period, measure the loss allowance for a financial instrument at the lifetime expected credit losses if credit risk has increased significantly since initial recognition (IFRS 9.5.5.3). The assessment is made on either an individual or collective basis, considering all reasonable and supportable information, including forward-looking information (IFRS 9.5.5.4).</p> <p>If loss allowance based on lifetime expected credit losses in previous period but in the current reporting period, those conditions are no longer met, measure loss allowance at amount equal to 12 month expected credit losses (IFRS 9.5.5.7).</p> <p>For purchased or originated credit-impaired financial assets recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance, with certain exceptions (IFRS 9.5.5.13).</p> <p>In measuring expected credit losses, estimate of expected cash shortfalls reflects cash flows expected from collateral and other credit enhancements that are part of the contractual terms and not recognized separately. The estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it (IFRS 9.B5.5.55).</p> <p>IFRS 9 applies a single credit loss model to all financial assets while U.S. GAAP has a different approach for available for sale debt securities.</p>	<p>At each reporting date, record allowance for credit losses on financial assets, including purchased financial asset with credit deterioration by comparing the current estimate of expected credit losses with estimate previously recorded. Report in net income amount necessary to adjust the allowance for credit losses (ASC 326-20-35-1).</p> <p>Evaluate whether a financial asset in a pool continues to exhibit similar risk characteristics with other financial assets in the pool (ASC 326-20-35-2).</p> <p>Adjust at each reporting period estimate of expected credit losses on off-balance sheet credit exposures and report in net income the amount of the adjustment (ASC 326-20-35-3).</p> <p>Regardless of initial measurement method, measure expected credit losses based on the fair value of the collateral when foreclosure is probable. Consider any credit enhancements that meet criteria in ASC 326-20-30-12. (ASC 326-20-35-4).</p> <p>Entity may use fair value of collateral at reporting date for recording net carrying amount of asset and determining allowance for credit losses for financial asset for which repayment is expected to be substantially through operation or sale of collateral when the borrower is experience financial difficulty. Adjust the fair value of the collateral for estimated costs to sell unless repayment depends on the operation and not the sale of the collateral (ASC 326-20-35-5).</p>

IFRS Standards	U.S. GAAP
	<p>For loans transferred to held-for-sale, measure a valuation allowance equal to the amount by which the amortized cost basis, reduced by any previous write-offs but excluding the allowance for credit losses, exceeds the fair value (ASC 326-20-35-7).</p> <p>Full or partial write-offs are deducted from the allowance and recorded in the period financial assets are deemed uncollectible. Recoveries of amounts previously written off are recorded when received (ASC 326-20-35-8).</p> <p>For debt securities classified as available-for-sale, including loans classified as such (ASC 326-30-15-2):</p> <ul style="list-style-type: none"> <li>• Measure the allowance for credit losses for purchased financial assets with credit deterioration at the individual security level based on the guidance in ASC 326-30-30-3 through 30-10. The amortized cost is the purchase price and any allowance for credit losses. Estimated credit losses are discounted at the present value of the purchaser's estimate of the security's future cash flows with the purchase price of the asset. An holding gain or loss is included in OCI, net of tax (ASC 326-30-30-2 through 30-4)</li> <li>• Investment is impaired if the fair value is less than its amortized cost basis (ASC 326-30-35-1).</li> <li>• Determine if decline in fair value below amortized cost basis is the result of a credit loss or other factors. Record any impairment as an allowance for credit losses. The allowance is limited to the amount that fair value is less than the amortized cost basis. Impairment not included in the allowance for credit losses is included in OCI, net of tax (ASC 326-30-35-2).</li> <li>• If entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, allowance is written off and amortized cost basis is written down to fair value at reporting date with any incremental impairment reported in earnings (ASC 326-30-35-10). Subsequent recoveries in fair value are not recorded (ASC 326-30-35-14). For securities where impairment was written off, the difference between the new amortized cost basis and cash flows expected to be collected is accreted as interest income except for those securities accounting for under ASC 325-40. Significant increases in cash flows expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the changes are recorded as a prospective adjustment to yield. Subsequent</li> </ul>

IFRS Standards	U.S. GAAP
	increases in fair value after a write down are recorded in OCI (ASC 326-30-35-15).
For financial instruments where the credit risk has not increased significantly since initial recognition, measure loss allowance at an amount equal to the 12 month expected credit losses (IFRS 9.5.5.5).	See guidance above. Although both methods for estimating expected credit losses under IFRS Standards and U.S. use an expected loss model, U.S. GAAP only recognizes the full amount of expected credit losses rather than the dual measurement of credit losses based on the level of credit deterioration under IFRS Standards.
To measure significant increases in credit risk compare the risk of default occurring on the financial instrument at the reporting date with risk of default occurring as of the date of initial recognition and based on reasonable and supportable information available without undue cost or effort (IFRS 9.5.5.9).	See guidance above.
If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognized, assess whether there is a significant increase in the credit risk of the financial instrument (IFRS 9.5.5.12).	An entity does not extend the contractual term for expected extensions, renewals, and modifications unless it has reasonable expectations at the reporting date that it will execute a troubled debt restructuring with the borrower (ASC 326-20-30-6). The concept of a troubled debt restructuring is not contemplated under IFRS Standards.
Measure loss allowance at amount equal to lifetime expected credit losses for (IFRS 9.5.5.15): <ul style="list-style-type: none"> <li>• Trade receivables or contractual assets from transactions accounted for under IFRS 15, and that meet other criteria</li> <li>• Lease receivables from transactions accounted for under IAS 17 (or IFRS 16), under certain conditions</li> </ul>	See guidance above.

## 7.2 Recognition and measurement of financial liabilities and equity

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 9; IAS 32 and 39; IFRIC 17 and 19	<b>Relevant guidance:</b> ASC 210, 310, 405, 470, 480, 505, 718, 815, 825, 835, and 845
<b>Introduction</b>	
<p>Financial liabilities include (IAS 32.11):</p> <ul style="list-style-type: none"> <li>Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity</li> <li>A contract that will or may be settled in the entity's own equity instruments and meets certain other conditions</li> </ul>	<p>A financial liability is a contract that imposes on one entity an obligation to do either of the following:</p> <ul style="list-style-type: none"> <li>Deliver cash or another financial instrument to a second entity</li> <li>Exchange other financial instruments on potentially unfavorable terms with the second entity (ASC Master Glossary, "Financial liability")</li> </ul> <p>A financial instrument, other than an outstanding share, that embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and requires or may require the issuer to settle the obligation by transferring assets is classified as a liability (ASC 480-10-25-8).</p> <p>A financial instrument that embodies an unconditional obligation, or a financial instrument other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares is classified as a liability if, at inception, the monetary value of the obligation is based solely or predominantly on one of the following (ASC 480-10-25-14):</p> <ul style="list-style-type: none"> <li>A fixed monetary amount</li> <li>Variations in something other than the fair value of the issuer's equity</li> <li>Variations inversely related to changes in the fair value of the issuer's equity shares</li> </ul>
<b>Initial recognition, measurement and classification</b>	
Recognize a financial liability when and only when the entity becomes party to the contractual provisions of the instrument. Classify the financial liability on initial recognition as indicated below (IFRS 9.3.1.1).	Most financial liabilities are measured initially at fair value (ASC 480-10-25).
When a financial liability is recognized initially, an entity measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial liability (IFRS 9.5.1.1).	<p>Liabilities and equity instruments are recorded initially at the fair value of the property, goods, services, or other consideration received or at the fair value of the financial instrument issued, whichever is more clearly determinable (ASC 835-30-25-10, ASC 505-50-30-6, and ASC 718-10-30-2 and 30-3).</p> <p>Debt issuance costs are reported in the balance sheet as a direct deduction from the face amount of the note, consistent with IFRS. Amortization of discount or premium is reported as interest expense for liabilities or</p>

IFRS Standards	U.S. GAAP
	interest income for assets. Amortization of debt issuance costs are reported as interest expense (ASC 835-30-45-1A, 45-3 and S45-1). Public entities may continue to defer and present debt issuance costs as an asset and subsequently amortize those debt issuance costs ratably over the term of line-of-credit arrangements regardless of whether an amount is outstanding under the line-of-credit arrangement (ASC 835-30-S45-1).
At initial recognition, an entity may irrevocably designate to measure a financial liability at fair value through profit or loss if the criteria in IFRS 9 are met (IFRS 9.4.2.2).	An entity may elect to measure eligible financial liabilities at fair value – fair value option (ASC 825-10-15-4).
<b>Transition of financial liabilities</b>	
At the date of initial application of IFRS 9, an entity based on the facts and circumstances in existence at the date of initial application (IFRS 9.7.2.9): <ul style="list-style-type: none"> <li>• May designate a financial liability at fair value through profit or loss if the conditions below are met</li> <li>• Revokes its previous designation of a financial liability measured at fair value through profit or loss if the conditions above are no longer met</li> <li>• May revoke its previous designation of a financial liability at fair value through profit or loss if conditions above were met</li> </ul>	No similar requirement.
<b>Subsequent measurement of financial liabilities and equity</b>	
All financial liabilities are classified and measured subsequently at amortized cost using the effective interest method, except for (IFRS 9.4.2.1): <ul style="list-style-type: none"> <li>• Financial liabilities measured or designated at fair value through profit or loss</li> <li>• Financial liabilities from a transfer of a financial asset that does not qualify for derecognition or there is continuing involvement</li> <li>• Financial guarantee contracts as defined in IFRS 9</li> <li>• Commitments to provide a loan at below-market interest rate</li> <li>• Contingent consideration of an acquirer in a business combination to which IFRS 3 applies as it is subsequently measured at fair value</li> </ul> When a derivative financial instrument gives one party a choice over how it is settled (e.g. the issuer or the holder can choose settlement net in cash or by exchanging shares for cash), it is a financial asset or a financial liability unless all of the settlement alternatives would result in it being an equity instrument (IAS 32.26).	The following liabilities are subsequently accounted for at fair value through earnings: <ul style="list-style-type: none"> <li>• Derivatives classified as liabilities (see Section 7.3, “Recognition and measurement of derivatives”)</li> <li>• Financial liabilities that are hybrid financial instruments that would be required to be bifurcated into a host and derivative component (ASC 815-15-25-1) which the entity has irrevocably elected to measure at fair value (ASC 815-15-25-4)</li> <li>• Financial liabilities within the scope of ASC 480 that are not covered by the guidance in ASC 480-10-35-3</li> </ul> Forward contracts that require physical settlement by repurchase of a fixed number of the issuer’s equity shares in exchange for cash and mandatorily redeemable financial instruments are subsequently measured in one of the following two ways (ASC 480-10-35-3): <ul style="list-style-type: none"> <li>• If both the amount to be paid and the settlement date are fixed, at the present value of the amount to be paid at settlement, accruing interest cost using the rate implicit at inception</li> </ul>

IFRS Standards	U.S. GAAP
	<ul style="list-style-type: none"> <li>If either the amount to be paid or the settlement date varies based on specified conditions, at the amount of cash that would be paid under the conditions specified in the contract if settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest cost</li> </ul> <p>Any amounts paid or to be paid to holders of those contracts in excess of the initial measurement amount are reflected in interest cost (ASC 480-10-45-3).</p> <p>All other liabilities are subsequently carried at amortized cost.</p>
<p>Redeemable preference shares are generally accounted for as liabilities where they provide for mandatory redemption for a fixed or determinable amount or give the holder the right to require the issuer to redeem (IAS 32.18).</p>	<p>A mandatorily redeemable financial instrument is classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity (ASC 480-10-25-4).</p>
<p>Recognize the gain or loss on financial liability designated at fair value through profit or loss (IFRS 9.5.7.7) as follows:</p> <ul style="list-style-type: none"> <li>Amount of change in fair value of financial liability attributable to changes in own credit risk of that liability in OCI (unless it creates an accounting mismatch and then include in profit or loss (IFRS 9.5.7.8)</li> <li>The remaining amount of change in profit or loss</li> </ul> <p>If the accounting mismatch would be created or enlarged, present all changes in fair value, including the effects of changes in the credit risk of the liability in profit or loss. If the mismatch is not created or enlarged, present the effects of changes in the liability's credit risk in OCI (IFRS 9.B5.7.8).</p>	<p>Report unrealized gains and losses for items for which fair value option has been elected, in earnings (ASC 825-10-45-4).</p>
<p>Recognize gains and losses on loan commitments and financial guarantees designated at fair value through profit or loss, in profit or loss (IFRS 9.5.7.9).</p>	<p>Report unrealized gains and losses for items for which fair value option has been elected, in earnings (ASC 825-10-45-4).</p>
<p><i>Split accounting</i> is applied to compound instruments (such as convertible debt) that contain both a liability and an equity element. For convertible debt, the debt element is accounted for as a liability and the option to convert to equity is treated as an equity instrument (as long as option embedded is for a fixed number of shares) (IAS 32.28-32).</p>	<p>Generally, convertible debt with a nondetachable conversion feature is accounted for completely as debt. However, when convertible debt is issued at a substantial premium, the premium is treated as paid-in capital (ASC 470-20-25-3 and 25-13). In addition, when a nondetachable conversion feature is in the money at the commitment date, the embedded beneficial conversion feature is recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital (ASC 470-20-25-4 through 25-7).</p> <p>Also, the issuer accounts separately for the liability and equity components of convertible debt instruments that have stated terms permitting settlement on conversion</p>

IFRS Standards	U.S. GAAP
	<p>either wholly or partially in cash or other assets in a manner similar to IFRS Standards (ASC 470-20-25).</p> <p>When the nondetachable conversion feature meets the definitions of a derivative (ASC 815-10-15-83 through 15-139) and does not qualify for any exceptions (ASC 815-10-15-13 through 15-82) the embedded conversion feature is treated as a derivative liability (asset) (see Section 7.3, “Recognition and measurement of derivatives”).</p>
<p>Apply hedge accounting guidance in IFRS 9.6.5.8-.14 (or IAS 39.89-.94 for fair value hedge accounting for a portfolio hedge of interest rate risk) to a financial liability designated as a hedged item (IFRS 9.5.3.2). (See Section 7.4, “Hedge accounting” if IFRS 9 is applied or Section 7.5, “Hedge accounting” if IAS 39 is applied).</p>	<p>See Section 7.4 “Hedge accounting”.</p>
<b>Offsetting</b>	
<p>A financial asset is offset against a financial liability when and only when an entity (IAS 32.42):</p> <ul style="list-style-type: none"> <li>• Currently has a legally enforceable right to set off the recognized amounts, and</li> <li>• Intends either to settle on a net basis or realize the asset and settle the liability simultaneously</li> </ul>	<p>Offsetting of financial assets and financial liabilities is permitted only when (ASC 210-20-45-1 and 45-8 through 45-9):</p> <ul style="list-style-type: none"> <li>• The parties owe each other determinable amounts</li> <li>• There is a right and intention to set-off</li> <li>• The right of set-off is enforceable by law</li> </ul>
<b>Effective interest method and distributions</b>	
<p>The effective interest rate is based on estimated cash flows through the expected life of the instrument (IFRS 9 Appendix A).</p>	<p>Similar to IFRS Standards, however, the effective interest rate is typically based on contractual cash flows through the contractual life of the instrument (ASC Master Glossary “Effective interest rate”).</p>
<p>Interest, dividends, gains and losses relating to financial instruments or a component that is a financial liability are reported in profit or loss (IAS 32.35A).</p>	<p>Similar to IFRS Standards.</p>
<p>Distributions to holders of a financial instrument classified as an equity instrument are recognized directly to equity net of any income tax benefit (IAS 32.35).</p> <p>For distributions of assets other than cash as dividends to owners, an entity measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed and recognizes in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable. The carrying amount of the dividend payable is adjusted at the end of each reporting period and at settlement and recognized as a change in equity (IFRIC 17.11 and.14).</p>	<p>Similar to IFRS Standards. A distribution of nonmonetary assets to equity holders in a spin-off or other form of reorganization is based on the recorded amount of the nonmonetary assets distributed (ASC 845-10-30-10).</p> <p>A non-pro-rata split-off of a business segment is accounted for at fair value (ASC 845-10-30-12). Other non-reciprocal transfers of nonmonetary assets to owners is accounted for at fair value if fair value is objectively measureable and would be clearly realizable to the distributing entity in an outright sale at or near the time of the distribution (ASC 845-10-30-10).</p>

IFRS Standards	U.S. GAAP
<b>Subsequent measurement</b>	
<p>The gain or loss on a financial liability measured at fair value is recognized in profit or loss unless (IFRS 9.5.7.1):</p> <ul style="list-style-type: none"> <li>• It is part of a hedging relationship</li> <li>• It is an investment in an equity instrument for which entity has elected to present gains and losses in OCI</li> <li>• It is a financial liability measured at fair value through profit or loss and the entity is required to present the effects of changes in the liability's credit risk in OCI</li> <li>• It is a financial asset measured at fair value through OCI and the entity is required to recognize some changes in fair value in OCI based on the guidance in IFRS 9.5.7.10</li> </ul> <p>The gain or loss on a financial liability measured at amortized cost and not part of a hedging relationship is recognized in profit or loss when the financial liability is derecognized, impaired or reclassified under IFRS 9.5.6.2 and through the amortization process (IFRS 9.5.7.2).</p> <p>The gain or loss on financial assets or financial liabilities that are hedged items in a hedging relationship are recognized under IFRS 9.6.5.8-.14 or IAS 39.89-.94 for the fair value hedge accounting for a portfolio hedge of interest rate risk (IFRS 9.5.7.3).</p>	<p>The following liabilities are subsequently accounted for at fair value through earnings:</p> <ul style="list-style-type: none"> <li>• Derivatives classified as liabilities (see Section 7.3, "Recognition and measurement of derivatives")</li> <li>• Financial liabilities that are hybrid financial instruments that would be required to be bifurcated into a host and derivative component (ASC 815-15-25-1) which the entity has irrevocably elected to measure at fair value (ASC 815-15-25-4)</li> <li>• Financial liabilities within the scope of ASC 480 that are not covered by the guidance in ASC 480-10-35-3</li> </ul> <p>Forward contracts that require physical settlement by repurchase of a fixed number of the issuer's equity shares in exchange for cash and mandatorily redeemable financial instruments are subsequently measured in one of the following two ways (ASC 480-10-35-3):</p> <ul style="list-style-type: none"> <li>• If both the amount to be paid and the settlement date are fixed, at the present value of the amount to be paid at settlement, accruing interest cost using the rate implicit at inception</li> <li>• If either the amount to be paid or the settlement date varies based on specified conditions, at the amount of cash that would be paid under the conditions specified in the contract if settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest cost</li> </ul> <p>Any amounts paid or to be paid to holders of those contracts in excess of the initial measurement amount are reflected in interest cost (ASC 480-10-45-3).</p> <p>All other liabilities are subsequently carried at amortized cost.</p>
<b>Derecognition</b>	
<p>Financial liabilities (or part of a financial liability) are derecognized when the obligation is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires (IFRS 9.3.3.1).</p> <p>IFRIC 19 clarifies the requirements for extinguishing financial liabilities with equity (debt for equity swaps).</p>	<p>A debtor derecognizes a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met (ASC 405-20-40-1):</p> <ul style="list-style-type: none"> <li>• The debtor pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivery of cash, other financial assets, goods or services, or reacquisition by the debtor of its outstanding debt securities whether the securities are canceled or held as so-called treasury bonds.</li> </ul>

IFRS Standards	U.S. GAAP
	<ul style="list-style-type: none"> <li>The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.</li> </ul>
<p>No similar requirement.</p>	<p>Prepaid stored-value products are products in physical and digital forms with stored monetary values that are issued for the purpose of being commonly accepted as payment for goods or services (ASC 405-20-40-3). For liabilities related to certain prepaid stored-value products (405-20-40-4)</p> <ul style="list-style-type: none"> <li>If an entity expects to be entitled to a breakage amount, the entity derecognizes the amount related to the expected breakage in proportion to the expected pattern of exercise of the product holder's rights, limited to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur.</li> <li>If an entity does not expect to be entitled to a breakage amount, the entity derecognizes the amount related to breakage when the likelihood that the product holder will exercise its remaining rights becomes remote.</li> </ul>
<p>Both an exchange of debt instruments between an existing borrower and lender of debt instruments with substantially different terms and the substantial modification of the terms of an existing liability, whether or not attributed to the financial difficulty of the debtor, are accounted for as an extinguishment of the original liability and the recognition of a new liability (IFRS 9.3.3.2).</p>	<p>If the terms of the new loan resulting from a loan refinancing or restructuring in which the refinancing is not itself a troubled debt restructuring are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan with the lender, the refinanced loan is a new loan. This condition is met if the new loan's effective yield is at least equal to the effective yield for such loans and modifications of the original debt instrument are more than minor. Any unamortized net fees or costs and any prepayment penalties from the original loan are recognized in interest income when the new loan is granted (ASC 310-20-35-9).</p>
<p>The difference between the carrying amount of the liability extinguished and the amount of consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss (IFRS 9.3.3.3).</p>	<p>Similar to IFRS Standards (ASC 470-50-40-2).</p>
<p><b>Treasury shares</b></p>	
<p>Under IAS 32, treasury shares are presented in the statement of financial position as a deduction from equity. Acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in profit or loss on the sale, issuance, or cancellation of treasury shares. Consideration paid or received is presented as a change in equity (IAS 32.33).</p>	<p>Similar to IFRS Standards (ASC 505-30-45-1). However, any price paid in excess of the amount accounted for as the cost of treasury shares are attributed to the other elements of the transaction and accounted for according to their substance (ASC 505-30-30-7 through 30-10).</p>

### 7.3 Recognition and measurement of derivatives

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 9	<b>Relevant guidance:</b> ASC 815
<b>Characteristics of derivatives</b>	
<p>A derivative instrument is a financial instrument or other contract with all of the following characteristics (IFRS 9, Appendix A):</p> <ul style="list-style-type: none"> <li>• Its value changes in response to changes in a specified underlying</li> <li>• Requires no initial net investment or an initial investment that is smaller than would be required for other types of contracts with similar responses to changes in market factors</li> <li>• Settled at a future date (not required under U.S. GAAP)</li> </ul>	<p>A derivative instrument is a financial instrument or other contract with all of the following characteristics (ASC 815-10-15-83):</p> <ul style="list-style-type: none"> <li>• One or more underlyings and one or more notional amounts or payment provisions or both</li> <li>• Requires no initial net investment or an initial investment that is smaller than would be required for other types of contracts with similar responses to changes in market factors</li> <li>• The contract can be settled net (see below)</li> </ul>
<p>Under IFRS 9 the characteristics of a derivative do not require net settlement or notional amounts. Given the added U.S. GAAP requirements not found in IFRS 9, certain financial instruments may meet the definition of a derivative under IFRS Standards but not under U.S. GAAP.</p>	<p>Under U.S. GAAP, one of the characteristics of a derivative is net settlement; specifically that (ASC 815-10-15-83):</p> <ul style="list-style-type: none"> <li>• Its terms require or permit net settlement</li> <li>• It can readily be settled net by a means outside the contract, or</li> <li>• It provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement</li> </ul>
<b>Basic accounting requirements</b>	
<p>A financial asset is measured at fair value unless measured at amortized cost or fair value through other comprehensive income. Permitted to make irrevocable election at initial recognition to measure certain equity instruments to present changes in fair value in other comprehensive income (IFRS 9.4.1.4). Derivatives are classified at fair value through profit or loss.</p>	<p>Derivative instruments are classified as assets and liabilities at fair value, except those designated as hedging instruments (ASC 815-10-25-1).</p>
<p>One exception to measuring a financial liability at amortized cost is for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value (IFRS 9.4.2.1). (See Section 7.1, “Recognition and measurement of financial assets” and Section 7.2, “Recognition and measurement of financial liabilities and equity” for more on accounting for financial assets and liabilities at fair value through profit or loss.)</p>	<p>Similar to IFRS Standards (ASC 815-10-30-1, 35-1 and 35-2).</p>
<b>Embedded derivatives</b>	
<p>An embedded derivative is a hybrid contract that includes both a non-derivative host, with the effect that some of the</p>	<p>Similar to IFRS Standards (ASC 815-15-05-1 and ASC Master Glossary “Embedded Derivative”).</p>

IFRS Standards	U.S. GAAP
<p>cash flows of the combined instrument vary in a similar way to a stand-alone derivative (IFRS 9.4.3.1).</p>	
<p>If the hybrid contract includes a host contract that is not an asset within the scope of IFRS 9, separate the embedded derivative from the host contract and account for it as a derivative if (IFRS 9.4.3.3):</p> <ul style="list-style-type: none"> <li>• The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host</li> <li>• A separate instrument with the same terms would meet the definition of a derivative</li> <li>• The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss</li> </ul> <p>If a hybrid contract includes a host that is an asset within the scope of IFRS 9, the requirements for classification are applied to the entire contract (IFRS 9.4.3.2).</p> <p>If the embedded derivative is separated, the host contract is accounted for in accordance with other applicable IFRS Standards (IFRS 9.4.3.4).</p>	<p>An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following met (ASC 815-15-25-1):</p> <ul style="list-style-type: none"> <li>• The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract, and</li> <li>• A separate instrument with the same terms as the embedded derivative is a derivative instrument</li> <li>• The hybrid instrument is not remeasured at fair value under GAAP with changes in fair value reported in earnings</li> </ul> <p>Although the criteria to separate an embedded derivative from a host contract if the economic characteristics and risk of the embedded derivative feature are not closely related to the economic characteristics and risk of the host contracts are similar under IFRS Standards, IFRS Standards does not include descriptive guidance on the appropriate method to apply in determining whether that criteria applies. Also, under IFRS 9 there is no longer a requirement to separate embedded derivative features from financial assets.</p>
<p>If a contract includes one or more embedded derivatives and the host is not an asset within the scope of IFRS 9, an entity may designate the entire hybrid contract at fair value through profit or loss, except under certain conditions (IFRS 9.4.3.5).</p>	<p>Financial liabilities that are hybrid financial instruments that would be required to be bifurcated into a host and derivative component (ASC 815-15-25-1) that the entity has irrevocably elected to measure at fair value are accounted for at fair value through earnings (ASC 815-15-25-4).</p>
<p>When an embedded derivative is required to be separated from the host but the embedded derivative cannot be measured separately either at acquisition or the end of the subsequent financial reporting period, designate the entire hybrid contract at fair value through profit or loss (IFRS 9.4.3.6).</p>	<p>The guidance and examples in ASC 815 are considered in determining whether embedded derivatives need to be separated and carried at fair value through profit or loss.</p> <p>IFRS 9 and ASC 815 apply the criteria for determining whether a financial instrument contains an embedded derivative differently. IFRS 9 Appendix B contains authoritative application guidance and examples that are to be considered in determining whether embedded derivatives need to be separated and carried at fair value through profit or loss. The guidance and examples in ASC 815 are to be considered in determining whether embedded derivatives need to be separated and carried at fair value through profit or loss.</p> <p>Although the criteria to separate an embedded derivative from a host contract if the economic characteristics and risk of the embedded derivative feature are not closely related to the economic characteristics and risk of the host contracts are similar under IFRS Standards, IFRS Standards do not include descriptive guidance on the</p>

IFRS Standards	U.S. GAAP
	<p>appropriate method to apply in determining whether that criteria applies.</p> <p><b>Note:</b> In July 2017, the FASB issued ASU 2017-11, <i>Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815): I – Accounting for Certain Financial Instruments with Down Round Features, II – Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception</i>.</p> <p>Part I of the standard affects all entities that issue certain equity-linked instruments (or embedded features) that include down round features. An entity does not consider the down round feature when assessing whether the instrument is indexed to its own stock, but instead recognizes the effect of the feature on earnings per share, when it is triggered.</p> <p>The indefinite deferral in ASC 480-10 is changed to a scope exception. These previously deferred provisions relate to mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part I of the update are effective for public business entities for fiscal years, and interim periods in those fiscal years, beginning after December 15, 2018. For all other entities, the amendments of Part I are effective for fiscal years beginning after December 15, 2019 and interim periods within the following year. Early adoption is permitted.</p>

## 7.4 Hedge accounting

### Board project

In 2018, the Board added a research project to its agenda on the interbank offered rate (IBOR) reform and its effects on financial reporting. The project will prioritize the analysis of accounting issues impacting financial reporting leading up to and after IBOR reform is enacted.

### FASB Projects

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The objective of the ASU is to better portray the economic results of an organization's hedging activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. Differences between U.S. GAAP and IFRS for hedge accounting remain. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018. For all other entities the amendments are effective for fiscal years beginning after December 15, 2019 and interim periods within the following year. Early adoption is permitted.

In March 2018, the FASB added a narrow-scope project to its agenda to address issues raised by stakeholders related to the last-of-layer method added in ASU 2017-12.

In October 2018, the FASB issued ASU 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Overnight Index Swap (OIS) Rate based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes*. The amendments permit all entities that elect to apply hedge accounting to benchmark interest rate hedges under ASC 815, to use the OIS rate based on SOFR as a U.S. benchmark interest rate in addition to the four eligible U.S. benchmark interest rates. The amendments are effective for entities that have not yet adopted ASU 2017-12 at the same time as the amendments in ASU 2017-02 are required to be applied. For public business entities that have adopted ASU 2017-12 the guidance in ASU 2018-06 is effective, in fiscal years beginning after December 15, 2018 and in interim periods within those fiscal years. All other entities that have adopted ASU 2017-12 should adopt the amendments in ASU 2018-16 in fiscal years beginning after December 15, 2019 and in interim periods within those fiscal years. Early adoption is permitted in any interim period upon issuance of ASU 2018-16 if an entity already has adopted ASU 2017-12. Also in 2018, the FASB added a project to its agenda to consider changes to GAAP that might be necessary based on the market-wide transition away from LIBOR, including existing hedging relationships referencing LIBOR.

**Note:** IFRS 9 allows an entity to make an accounting policy election to either continue to apply the guidance in IAS 39 or to apply the new guidance in IFRS 9 for all of its hedge accounting. Therefore, we have included the guidance in IAS 39 as compared to ASC 815 in Section 7.5 for entities that have made the election to continue to apply this guidance.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 9 and IAS 39	<b>Relevant guidance:</b> ASC 815
<b>Objective</b>	
To present in the financial statements the effect of an entity's risk management activities that use financial instruments to manage exposures from particular risks that could affect profit or loss (or OCI for investments in equity instruments under the fair value option) (IFRS 9.6.1.1).	Special accounting for items designated as being hedged is provided only for qualifying items (ASC 815-20-10-1).
<b>Scope</b>	
Hedge accounting is purely optional but is only available to entities that have applied all of the requirements (IFRS 9.6.1.2).	Similar to IFRS Standards (ASC 815-20). <b>Note:</b> In August 2017, the FASB issued ASU 2017-12, <i>Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities</i> . The

IFRS Standards	U.S. GAAP
	<p>objective of the ASU is to better portray the economic results of an organization's hedging activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. Differences between U.S. GAAP and IFRS for hedge accounting remain. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018 and for all other entities for fiscal years beginning after December 15, 2019 and interim periods within the following year. Early adoption is permitted.</p>
<p>Entities may continue to apply the guidance in IAS 39 for a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities. If they do so, they would also apply the requirements for fair value hedge accounting for a portfolio hedge of interest rate risk and designate as the hedged item a portion that is a currency amount (IFRS 9.6.1.3).</p>	<p>Similar to IFRS Standards for a fair value hedge (ASC 815-25-35-1 through 35-4).</p>
<b>Hedging relationships</b>	
<p>Three types of hedge relationships exist (IFRS 9.6.5.2):</p> <ul style="list-style-type: none"> <li>• Fair value hedge – a hedge of exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment (including portions thereof), attributable to particular risk and could affect profit or loss</li> <li>• Cash flow hedge – a hedge of exposure to variability in cash flows associated with a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss</li> <li>• Hedge of a net investment in a foreign operation</li> </ul>	<p>Similar to IFRS Standards (ASC 815-10-05-01 and ASC Master Glossary "Fair Value Hedge" and "Cash Flow Hedge").</p>
<b>Hedging instruments</b>	
<p>Instruments eligible for hedging include (IFRS 9.6.2.1 –.3):</p> <ul style="list-style-type: none"> <li>• Derivative measured at fair value through profit or loss, with certain exceptions on written options</li> <li>• Non-derivative financial assets or liabilities measured at fair value through profit or loss except for certain financial liability hedges of foreign currency risk</li> <li>• Only contracts with external parties</li> </ul>	<p>Eligibility of hedging instruments under U.S. GAAP is different in certain respects from IFRS Standards (ASC 815-20-25-45 through 25-71).</p>
<p>Instruments are designated for hedging in their entirety, with certain exceptions (IFRS 9.6.2.4).</p>	<p>A proportion of a derivative instrument may be eligible for hedging under certain conditions (ASC 815-20-25-45 through 25-71).</p>
<b>Hedged items</b>	
<p>Hedged items include:</p> <ul style="list-style-type: none"> <li>• Recognized assets or liabilities, an unrecognized firm commitment, forecast transaction, or net investment</li> </ul>	<p>See ASC 815-20-25-4 through 25-44 for guidance on the eligibility of hedged items under U.S. GAAP.</p>

IFRS Standards	U.S. GAAP
<p>in a foreign operation and can be a single item or group of items or component of an item or group of items (IFRS 9.6.3.1)</p> <ul style="list-style-type: none"> <li>• Reliably measurable (IFRS 9.6.3.2)</li> <li>• If it is a forecasted transaction it is also highly probable (IFRS 9.6.3.3)</li> <li>• An aggregated exposure that is a combination of an exposure that could qualify as a hedged item and a derivative (IFRS 9.6.3.4)</li> <li>• Only assets, liabilities, firm commitments, or highly probable forecast transactions with a party external to the reporting entity, except in individual or separate financial statements of those entities or the consolidated financial statements of an investment entity (IFRS 9.6.3.5)</li> </ul>	
<b>Qualifying criteria</b>	
<p>A hedging relationship qualifies for hedge accounting only if all of the following are met (IFRS 9.6.4.1):</p> <ul style="list-style-type: none"> <li>• Hedging relationship includes only eligible hedging instruments and hedged items</li> <li>• At inception of hedging relationship there is formal designation and documentation of the hedging relationship and entity's risk management objective and strategy</li> <li>• All hedge effectiveness requirements are met</li> </ul>	<p>Similar to IFRS Standards (ASC 815-20-25). However, a <i>shortcut method</i> is permitted under which an entity is allowed to assume no ineffectiveness in a hedging relationship of interest rate risk involving a recognized interest-bearing asset or liability and an interest rate swap (or a compound hedging instrument composed of an interest rate swap and a mirror-image call or put option) if certain conditions are met (ASC 815-20-25-102 through 25-117).</p>
<p>Rebalance hedge relationship when it no longer meets hedge effectiveness requirements relating to hedge ratio and risk management objective is unchanged (IFRS 9.6.5.5).</p>	<p>Testing of hedge effectiveness is performed at least quarterly and thus the assessment is not based on when financial statements are issued. If the hedge fails the effectiveness test at any time, the hedge ceases to qualify for hedge accounting (ASC 815-20-35-2).</p>
<p>Discontinue hedge accounting prospectively when hedging relationship no longer meets qualifying criteria, after rebalancing. The following are not considered an expiration or termination of a hedging instrument (IFRS 9.6.5.6).</p> <ul style="list-style-type: none"> <li>• The rollover or replacement of a hedging instrument into another hedging instrument if it is part of and consistent with the entity's documented risk management objective</li> <li>• The replacement of one counterparty with a "clearing counterparty" as a result of laws or regulations</li> <li>• Other changes that are necessary to effect a replacement of counterparty, limited to those that are consistent with terms that would be expected if the hedging instrument were originally cleared with the clearing counterparty</li> </ul>	<p>If the hedge fails the effectiveness test at any time the hedge ceases to qualify for hedge accounting (ASC 815-20-35-2).</p> <p>Similar to IFRS Standards, however under U.S. GAAP, a hedging relationship may continue after any novation of the hedging instrument, provided that all other hedge accounting criteria (including ASC 815-20-35-14 through 35-18) continue to be met.</p> <p>Assess hedge effectiveness on a qualitative or quantitative basis (ASC 815-20-35-2). (Effective on the effective date of ASU 2017-12).</p>

IFRS Standards	U.S. GAAP
<b>Measurement</b>	
<p>If a fair value hedge meets the qualifying criteria in IFRS 9.6.4.1, then account for the gain or loss recognized on the hedging instrument in profit or loss or OCI if hedging instrument hedges an equity instrument and entity elects to present changes in fair value in OCI. The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in profit or loss or in OCI if the hedged item is an equity instrument and entity has made certain elections (IFRS 9.6.5.8).</p> <p>If a cash flow hedge meets the qualifying criteria in IFRS 9.6.4.1, then account for the hedge based on the guidance in IFRS 9.6.5.11.</p> <p>Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges (IFRS 9.6.5.13).</p>	<p>Similar to IFRS Standards for a fair value hedge (ASC 815-25-35-1 through 35-4).</p> <p>Similar to IFRS Standards for a cash flow hedge (ASC 815-30-35-3 through 35-4)</p> <p>Similar to IFRS Standards for a hedge of a net investment in a foreign operation, the accounting for the hedging instrument is consistent with the accounting for translation adjustments (ASC 815-35-35-1).</p>
<b>Hedges of group of items</b>	
<p>A group of items, including a group of items that are a net position are eligible hedged items only if the criteria in IFRS 9.6.6.1 are met.</p>	<p>The criteria for hedging groups of similar financial assets and similar financial liabilities are found in ASC 815-20-25.</p>

## 7.5 Hedge accounting (IAS 39 and ASC 815)

IFRS 9 allows an entity to make an accounting policy election to either continue to apply the guidance in IAS 39 or to apply the new guidance in IFRS 9 for all of its hedge accounting. Therefore, we have included the guidance in IAS 39 as compared to ASC 815 in this Section for entities that have made the election to continue to apply IAS 39 related to hedge accounting. The guidance on hedge accounting from IFRS 9 is included in Section 7.4.

IFRS Standards	U.S. GAAP
Relevant guidance: IAS 39	Relevant guidance: ASC 815
IAS 39 sets out requirements on hedge accounting. Hedge accounting is purely optional but is only available to entities that have applied all of the requirements (IAS 39.71-.102).	Similar to IFRS Standards (ASC 815-20).  <b>Note:</b> In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The objective of the ASU is to better portray the economic results of an organization's hedging activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. Differences between U.S. GAAP and IFRS for hedge accounting remain. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018 and for all other entities for fiscal years beginning after December 15, 2019 and interim periods within the following year. Early adoption is permitted.
Three types of hedge relationships exist (IAS 39.86):  Fair value hedge – a hedge of exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment (including portions thereof)  Cash flow hedge – a hedge of exposure to variability in cash flows associated with a recognized asset or liability or a forecasted transaction  Hedge of a net investment in a foreign operation	Similar to IFRS Standards (ASC 815-10-05-04 and 815-20-05-2 and ASC Master Glossary "Fair Value Hedge" and "Cash Flow Hedge").
IAS 39 hedge accounting is applied only if extensive conditions are met. These include requirements for (IAS 39.88):  Formal documentation, which must be in place at the inception of the hedge, setting out the hedging relationship and the enterprise's risk management strategy  The hedge itself is expected to be highly effective and its effectiveness is capable of reliable measurement  The types of items that qualify as hedging instruments or hedged items vary under IFRS Standards and U.S. GAAP and thus certain items that may qualify as such under IFRS Standards may not under U.S. GAAP or may qualify under U.S. GAAP but not under IFRS Standards.	Similar to IFRS Standards (ASC 815-20-25). However, U.S. GAAP permits a shortcut method under which an entity is allowed to assume no ineffectiveness in a hedging relationship of interest rate risk involving a recognized interest-bearing asset or liability and an interest rate swap (or a compound hedging instrument composed of an interest rate swap and a mirror-image call or put option) if certain conditions are met (ASC 815-20-25-102 through 25-117).
Where the conditions for hedge accounting are met:	Similar to IFRS Standards:

IFRS Standards	U.S. GAAP
<p>For a fair value hedge, the hedged item is remeasured with any gain or loss included in profit or loss (to offset the effect on profit or loss of the hedging instrument's change in fair value being carried in profit or loss). The hedge instrument is similarly remeasured (IAS 39.89-.94).</p> <p>For a cash flow hedge, the portion of the gain or loss on the hedging instrument that is an effective hedge is recognized in OCI and the ineffective portion is normally recognized in profit or loss. The gain or loss in OCI is then recycled to profit or loss when the hedged item is recognized in profit or loss (IAS 39.95-.101).</p> <p>For a hedge of a net investment in a foreign operation, the accounting is the same as for cash flow hedges (IAS 39.102)</p>	<p>For a fair value hedge (ASC 815-25-35-1 through 35-7)</p> <p>For a cash flow hedge (ASC 815-30-35-2 through 35-3)</p> <p>For a hedge of a net investment in a foreign operation, the accounting for the hedging instrument is consistent with the accounting for translation adjustments (ASC 815-35-35-1)</p> <p><b>Note:</b> ASU 2017-12 amends ASC 815-20-35 to add a qualitative test for subsequent evaluation of hedge effectiveness if (ASC 815-20-35-2A):</p> <p>An initial quantitative test performed on a prospective basis demonstrates a highly effective offset and</p> <p>At hedge inception, the entity can reasonably support an expectation of high effectiveness in subsequent periods on a qualitative basis.</p> <p>A similar qualitative test is not available under IFRS.</p>
<p>Testing of hedge effectiveness is performed throughout the financial reporting periods for which the hedge was designated (IAS 39.88(e)). At a minimum this means at the time the entity prepares its annual or interim financial statements (IAS 39.AG106).</p>	<p>Testing of hedge effectiveness is performed at least quarterly and thus the assessment is not based on when financial statements are issued (ASC 815-20-35-2).</p>
<p>Assumption of perfect hedge effectiveness not permitted even if the principal terms of the hedging instrument and the hedged item are the same as hedge ineffectiveness may arise because of other attributes such as liquidity of the instruments or their credit risk (IAS 39.AG109 and F.4.7)</p>	<p>If critical terms of the hedging instrument and the entire hedged asset or liability or hedged forecasted transaction are the same, the entity could conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis (critical terms match) (ASC 815-20-25-84 and 35-9).</p>
<p>An entity discontinues hedge accounting prospectively when certain conditions are met. Also, there is not an expiration or termination of a hedging instrument if as a result of laws or regulations, the original counterparty is replaced (IAS 39.91 and .101).</p>	<p>If the hedge fails the effectiveness test at any time the hedge ceases to qualify for hedge accounting (ASC 815-20-35-2).</p> <p>Similar to IFRS Standards, however under U.S. GAAP, a hedging relationship may continue after any novation of the hedging instrument, provided that all other hedge accounting criteria (including ASC 815-20-35-14 through 35-18) continue to be met.</p> <p>Assess hedge effectiveness on a qualitative or quantitative basis (ASC 815-20-35-2). (Effective on the effective date of ASU 2017-12).</p>

## 8. Group accounts, associates, equity method investees, and joint ventures

### 8.1 Basic requirements for group accounts

In September 2017 the FASB issued a proposed accounting standards update *Consolidation (Topic 812): Reorganization*. The amendments in the proposed Update reorganize the consolidation guidance currently in ASC 810 into a new Section, ASC 812 *Reorganization*, with separate Subtopics for variable interest entities (VIEs) and voting interest entities. The proposed amendments also make certain clarifications of the existing guidance, but are not intended to change analyses performed or outcomes reached by stakeholders.

In October 2018, the FASB issued ASU 2018-17, which amends the consolidation guidance by allowing private companies to make an accounting policy election not to apply the variable-interest entity (VIE) guidance when assessing whether a legal entity should be consolidated if all of the following criteria are met:

- Private company reporting entity and legal entity are under common control.
- Private company reporting entity and legal entity are not under common control of a public business entity.
- Legal entity is not a public business entity.
- Private company reporting entity does not directly or indirectly own a majority of the legal entity's voting interest.

When determining whether a common control arrangement exists for the purpose of applying this accounting policy alternative, the private company reporting entity should not consider the VIE subsections in ASC 810.

ASU 2018-17 also amends the guidance for all reporting entities on evaluating indirect interests held through related parties in common control arrangements when determining whether those indirect interests are variable interests. The amended guidance requires all reporting entities to consider indirect interests held through related parties in common control arrangements on a proportional basis when determining whether fees paid to decision-makers and service providers are variable interests.

The amendments are effective for private companies for fiscal years beginning after December 15, 2020 and for interim periods within fiscal years beginning after December 15, 2021.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 27; IFRS 10, 12, and 13	<b>Relevant guidance:</b> ASC 480, 805, 810-10; 946, and SEC Regulation S-X, Rule 5-04
<b>Introduction</b>	
<p>The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements for an entity that controls one or more entities (IFRS 10.1). To meet this objective, IFRS 10 (IFRS 10.2):</p> <ul style="list-style-type: none"> <li>• Requires a parent that controls one or more subsidiaries to present consolidated financial statements</li> <li>• Defines the principle of control and establishes control as the basis for consolidation</li> <li>• Explains how the control principle is applied to identify whether an investor controls an investee</li> <li>• Specifies the accounting requirements for the preparation of consolidated financial statements</li> </ul>	<p>The purpose of consolidated financial statements is to present the results of operations and the financial position of a parent and all of its subsidiaries as if the consolidated group were a single economic entity (ASC 810-10-10-1).</p> <p>A parent consolidates all entities in which it has a controlling financial interest unless control does not rest with the majority owner (for example, if the subsidiary is in legal reorganization or in bankruptcy) (ASC 810-10-15-8 and 15-10). Noncontrolling rights may prevent the owner of more than 50 percent of the voting shares or a limited partner with a majority of kick-out rights through voting interests from having a controlling financial interest (ASC 810-10-15-10; ASC 810-10-25-2 through 25-14).</p>

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<ul style="list-style-type: none"> <li>Defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity</li> </ul>	
<b>Scope</b>	
<p>An entity that is a parent presents consolidated financial statements, except as follows (IFRS 10.4):</p> <ul style="list-style-type: none"> <li>A parent is not required to present consolidated financial statements if it meets all of the following:                             <ul style="list-style-type: none"> <li>It is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about and do not object to the parent not presenting consolidated financial statements</li> <li>Its debt or equity is not traded in a public market</li> <li>It did not file, nor is it in the process of filing, its financial statements with a regulatory body for the purpose of issuing any class of instruments in a public market</li> <li>Its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with IFRS Standards</li> </ul> </li> <li>Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 applies (IFRS 10.4A)</li> <li>An investment entity that is required to measure all of its subsidiaries at fair value through profit or loss in accordance with IFRS 9 (IFRS 10.4B and .31).</li> </ul>	<p>There is a presumption that consolidated financial statements are more meaningful than separate financial statements (ASC 810-10-10-1). There is no exception for preparing consolidated financial statements when either a parent controls a subsidiary or a reporting entity is the primary beneficiary of a variable interest entity. However, U.S. GAAP provides limited exemptions from consolidation in certain specialized industries, including certain money market funds.</p>
<b>Consolidation model</b>	
<p>IFRS 10 uses a single control model that is applied irrespective of the nature of the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (IFRS 10.5 and .6).</p> <p>An investor controls an investee only if the investor has all of the following elements of control (IFRS 10.7):</p> <ul style="list-style-type: none"> <li>Power over the investee</li> <li>Exposure, or rights, to variable returns from its involvement with the investee</li> <li>Ability to use its power over the investee to affect the amount of the investor's returns</li> </ul>	<p>U.S. GAAP provides two consolidation models: one for variable interest entities and another for other entities, referred to as voting interest entities. A reporting entity that holds a direct or indirect (explicit or implicit) variable interest in a legal entity determines whether the guidance in the "Variable Interest Entities" subsections of ASC 810-10 applies to that legal entity before considering other consolidation guidance. If an entity is not a variable interest entity, the voting interest consolidation model would generally apply under U.S. GAAP. Both models focus on a controlling financial interest as opposed to the concept of control under IFRS Standards (ASC 810-10-15-10 and 15-14).</p> <p><i>Variable interest entity</i></p> <p>Application of the majority voting interest or kick-out rights model to certain entities may not identify the party</p>

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	<p>with a controlling financial interest because the controlling financial interest may be achieved through arrangements that do not involve voting interests or kick-out rights (ASC 810-10-05-8). These entities are referred to as variable interest entities (VIEs).</p> <p>Under ASC 810-10, “Variable Interest Entities” subsections, a legal entity is a variable interest entity if any of the following conditions exists (ASC 810-10-15-14):</p> <ul style="list-style-type: none"> <li>• The total equity investment at risk is not sufficient to allow it to finance its activities without additional subordinated financial support</li> <li>• The legal entity’s total equity investment at risk does not provide its holders, as a group, with all of the following characteristics                         <ul style="list-style-type: none"> <li>– The power through voting or similar rights to direct the activities that most significantly impact the legal entity’s economic performance</li> <li>– The obligation to absorb the expected losses of the legal entity</li> <li>– The right to receive expected residual returns of the legal entity</li> </ul> </li> <li>• Voting rights of some equity investors are not proportional to their obligation to absorb expected losses and/or their right to receive expected residual returns and substantially all the activities of the legal entity involve, or are conducted on behalf of, a single investor with disproportionately few voting rights</li> </ul> <p>Limited partnerships that are not VIEs apply the guidance in ASC 810-10.</p>
<p><i>Power over the investee</i></p> <p>An investor must have <i>power</i> over the investee. An investor has power over an investee if the investor has existing rights that give it the current ability to direct the activities that significantly affect the investee’s returns. Such activities are referred to as <i>relevant activities</i> (IFRS 10.B14). For the purpose of assessing power, only <i>substantive rights</i> are taken into account (IFRS 10.B22-.B25). To be a substantive right, the holder must have the practical ability to exercise that right. Rights that are purely protective do not contribute to power under IFRS 10. Protective rights are designed to protect the interests of their holder, but do not give that party power over the investee (IFRS 10.B26-.B28).</p> <p>An investor evaluates all of the following factors to determine if it has power over the investee (IFRS 10.B10):</p> <ul style="list-style-type: none"> <li>• The relevant activities</li> </ul>	<p><i>Variable interest entity model</i></p> <p>A reporting entity that holds a variable interest in a VIE assesses whether it has a controlling financial interest and therefore is the VIE’s primary beneficiary. A variable interest is a contractual, ownership, or other pecuniary interest that will absorb portions of a VIE’s expected losses or receive portions of the VIE’s expected residual returns. Variable interests in a VIE change with changes in the fair value of the VIE’s net assets exclusive of variable interests. (ASC 810-10-05, “Variable Interests” and ASC 810-10-55-16 through 55-41 and ASC Master Glossary, “Variable interests”).</p> <p>A reporting entity is deemed to have a controlling financial interest, and thus is the VIE’s primary beneficiary, if it has both of the following characteristics (ASC 810-10-25-38A):</p>

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<ul style="list-style-type: none"> <li>• The way decisions about the relevant activities are made</li> <li>• The rights that the investor and other parties have in relation to the investee</li> </ul> <p>An investor has to consider the purpose and design of the investee to evaluate these factors (IFRS 10.B5).</p> <p><i>Relevant activities</i></p> <p>An investor has power over an investee when the investor has the current ability to direct the activities that significantly affect the investee's returns (IFRS 10.10). Depending on an investee's purpose and design, relevant activities might include, but not be limited to, operating and financing activities (IFRS 10.B11).</p> <p>Examples of rights that, either individually or in combination, can give an investor power include (IFRS 10.B15):</p> <ul style="list-style-type: none"> <li>• Voting or potential voting rights</li> <li>• Rights to appoint, reassign, or remove key management personnel of the investee who have the ability to direct its relevant activities</li> <li>• Rights to appoint or remove another entity that directs the investee's relevant activities</li> <li>• Rights to direct the investee to enter into, or veto changes to, transactions for the benefit of the investor</li> <li>• Other rights that give the holder the ability to direct the investee's relevant activities, such as decision-making rights specified in a management contract</li> </ul> <p><i>Power without a majority of voting rights</i></p> <p>In the most straightforward cases control arises when an investor owns over 50 percent of the voting rights of an investee (IFRS 10.B35). However, if the voting rights are not substantive (in accordance with IFRS 10.B22-.B25) and the investor does not have the current ability to direct the relevant activities, holding a majority of the voting rights would not provide an investor with power over the investee. This could occur, for example, if legal or regulatory requirements prevent the holder from exercising its rights (IFRS 10.B36 and .B37). On the other hand, an entity may still have power over an investee with less than half of its voting rights. For example, an investor can have power over an investee through (IFRS 10.B38-.B50):</p> <ul style="list-style-type: none"> <li>• <i>A contractual arrangement between the investor and other vote holders:</i> A contractual agreement may, for example, enable an investor to direct enough other vote holders on how to vote to enable the investor to make decisions about the relevant activities.</li> <li>• <i>Rights arising from other contractual arrangements:</i> Other decision-making rights, in combination with</li> </ul>	<ul style="list-style-type: none"> <li>• The power to direct the activities of the VIE that most significantly affect the VIE's economic performance</li> <li>• The obligation to absorb losses, or the right to receive benefits that could potentially be significant to the VIE</li> </ul> <p>The primary beneficiary of a VIE consolidates the VIE. Regardless of whether a reporting entity consolidates a VIE, however, a reporting entity with a variable interest in a VIE provides disclosures about its involvement with the VIE (ASC 810-10-25-38).</p> <p>The recognition and measurement provisions in ASC 810-10 do not apply to an investment company, real estate funds for which it is industry practice to follow guidance in ASC 946, and entities with attributes like an investment company (ASC 810-10-65-2).</p> <p><i>Voting interest model</i></p> <p>Under the voting interest model, for legal entities other than a limited partnership, a controlling financial interest is ownership of a majority voting interest – ownership by one entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity (ASC 810-10-15-8). For limited partnerships, the usual condition for a controlling financial interest is ownership of a majority of the limited partnership's kick-out rights through voting interests (ASC 810-10-15-8A). Unlike IFRS Standards, the voting interest model does not require consideration of potential voting rights.</p> <p>The power to control may also exist with less than 50 percent ownership, for example, by contract or agreement with other stockholders (ASC 810-10-15-8).</p>

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<p>voting rights, can give an investor the current ability to direct the relevant activities of an entity.</p> <ul style="list-style-type: none"> <li>• <i>Voting rights:</i> The investor's voting rights might be sufficient to enable it to direct the relevant activities of the investee, even though the investor has less than 50 percent of the votes (for example, if the direction of relevant activities is determined by a majority vote where an investor with less than 50 percent of the vote holds significantly more voting rights than any other single or organized group of vote holders, and the other shareholdings are widely dispersed).</li> <li>• <i>Potential voting rights:</i> Potential voting rights are considered only if they are substantive (see IFRS 10.B22-.B25). For a right to be substantive, it must give the holder the current ability to direct the relevant activities of an investee when necessary, and the holder must have the practical ability to exercise that right. Judgment is applied in making this determination. An investor with potential voting rights may have power over an investee, even if those potential voting rights are not currently exercisable, if, for example, they will become exercisable before decisions must be made regarding relevant activities.</li> <li>• A combination of the above</li> </ul> <p>Generally when an investee has a range of operating and financing activities that significantly affect the investee's returns and when substantive decision-making with respect to these activities is required continuously, it will be voting or similar rights that give an investor power, either individually or in combination with other arrangements (IFRS10.B16).</p> <p><i>Power without voting or similar rights</i></p> <p>An investee may be designed so that voting or similar rights are not the dominant factor in deciding who controls the investee. For example, in some entities, voting rights relate to administrative tasks and relevant activities are directed by contractual arrangement. IFRS 12 refers to such entities as structured entities, and requires disclosures about the nature of risks for interests in unconsolidated structured entities. Factors to be considered to assess control include (IFRS 10.B51-.B54):</p> <ul style="list-style-type: none"> <li>• Investor's involvement in the purpose and design of the investee</li> <li>• Contractual arrangements between the investor and investee</li> <li>• Relevant activities may include activities that arise only in particular circumstances</li> <li>• Implicit and explicit commitments to support the investee</li> </ul>	

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<p><i>Exposure, or rights, to variable returns from its involvement with the investee</i></p> <p>An investor must have exposure, or rights, to variable returns from its involvement with the investee to control it. Variable returns vary as a result of the performance of the investee and can be positive, negative, or both (IFRS 10.B55-.B57).</p> <p>An investor must assess whether returns from an investee are variable based on the substance of the arrangement and regardless of the legal form of the returns. For example, an investor’s return on a bond with a fixed interest rate may be a variable return because it is subject to default risk and to the credit risk of the issuer of the bond (IFRS 10.B56).</p> <p><i>Ability to use its power over the investee to affect the amount of the investor’s returns</i></p> <p>An investor must have the ability to use its power over the investee to affect the amount of its returns. For an investor to control an investee, it must not only meet the first two conditions—that is, have power over the investee and exposure or rights to variable returns from the investee—but must also have the ability to use its power to affect the returns from its involvement with that investee (IFRS 10.17).</p>	
<p><i>Principal versus agent</i></p> <p>When an investor with decision-making rights (a decision maker) assesses whether it controls an investee, it determines whether it is a principal or an agent. An agent does not control an investee when the agent exercises decision-making rights delegated to it, and therefore does not consolidate the investee (IFRS 10.17 and .18). An investor also determines whether another entity is acting as an agent for the investor, in which case, the decision-making rights delegated to its agent are treated as if they were held by the investor directly (IFRS 10.B58 and .B59).</p> <p>A decision maker considers the overall relationship between itself, the investee being managed, and other parties involved with the investee in determining whether it is an agent, in particular all the factors below (Different weighting is applied to each factor on the basis of particular facts and circumstances.) (IFRS 10.B60):</p> <ul style="list-style-type: none"> <li>• The scope of its decision-making authority over the investee</li> <li>• Rights held by other parties</li> <li>• The remuneration to which it is entitled in accordance with the remuneration agreement</li> <li>• Its exposure to variability of returns from other interests that it holds in the investee</li> </ul>	<p><i>Principal versus agent</i></p> <p>Under the voting interest model, there is no explicit concept of principal versus agent in the consolidation guidance. The variable interest entity model provides guidance on assessing whether an arrangement for fees paid to a decision maker indicates that the decision maker is acting as a pure fiduciary.</p> <p>Substantive removal (kick-out) or participating rights are not considered unless they can be exercised by a single party, including related parties and de facto agents (ASC 810-10-25-38C).</p>

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<p>Determining whether a decision maker is acting as a principal or as an agent requires judgment. However, a decision maker is an agent if a single party holds substantive rights to remove the decision maker without cause (IFRS 10.B61).</p>	
<p><i>Relationships with other parties</i></p> <p>An investor is required to consider the nature of its relationship with other parties and to determine whether those other parties are acting on the investor's behalf (de facto agents) when assessing control. Examples of de facto agents include (IFRS 10.B73-.B75):</p> <ul style="list-style-type: none"> <li>• Related parties of the investor</li> <li>• A party that received its interest in the investee as a contribution or loan from the investor</li> <li>• A party that has agreed not to sell, transfer, or encumber its interests in the investee without the approval of the investor</li> <li>• A party that is unable to finance its operations without subordinated financial support from the investor</li> <li>• An investee in which a majority of its governing board members or key management personnel are the same as the investor</li> <li>• A party with a close business relationship with the investee</li> </ul> <p>When assessing control of an investee, an investor considers together with its own, its de facto agent's decision-making rights and indirect exposure or rights to variable returns (IFRS 10.B74).</p>	<p><i>Relationships with other parties</i></p> <p>For purposes of determining whether a reporting entity is the primary beneficiary of a VIE a single decision maker includes all direct variable interests in the entity and indirect interests in the entity held through related parties, on a proportionate basis. (ASC 810-10-25-42).</p> <p>The term related parties includes those parties identified in ASC 850 and certain other parties that are acting as de facto agents or de facto principals of the variable interest holder (ASC 810-10-25-43 and 25-44).</p>
<b>Control of specified assets</b>	
<p>Control is generally assessed at the investee level. IFRS 10 contains guidance on specific circumstances when it is appropriate to consolidate only a portion of an investee as a separate entity (often referred to as a <i>silo</i>). Generally, this guidance applies only when all assets, liabilities, and equity of the silo are ring-fenced from the overall investee. The decision to consolidate the silo is then determined by identifying the activities that significantly affect its returns, and evaluating how those activities are directed, in order to assess whether the investor has power over the silo (IFRS 10.B76-.B79).</p>	<p>A reporting entity with a variable interest in specified assets of a VIE treats a portion of the VIE as a separate VIE if the specified assets are essentially the only source of payment for specified liabilities or specified other interests (a silo) provided the legal entity has been determined to be a VIE (ASC 810-10-25-58).</p>
IFRS Standards	U.S. GAAP
<b>Continuous assessment</b>	
<p>An investor is required to reassess whether it controls an investee if the facts and circumstances indicate that there are changes to one or more of the elements of control or in</p>	<p>Under the variable interest model, a reporting entity involved with a VIE continually reassess whether it is the primary beneficiary of that entity, but a reporting entity reconsiders whether a legal entity is a VIE only when specified events occur (ASC 810-10-25-39 and</p>

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<p>the overall relationship between a principal and an agent (IFRS 10.B80-.B85).</p>	<p>25-40 and ASC 810-10-35-4). Typically, a voting interest entity would reassess whether it controls an investee when facts or circumstances change.</p>
<p><b>Investment entities</b></p>	
<p>An <i>investment entity</i> is an entity that meets all of the following criteria (IFRS 10.27-.30):</p> <ul style="list-style-type: none"> <li>• It obtains funds from one or more investors for the purpose of providing those investors with investment management services</li> <li>• It commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both</li> <li>• It measures and evaluates the performance of substantially all of its investments on a fair value basis</li> </ul> <p>An investment entity is not required to consolidate its subsidiaries, other than a subsidiary that provides services relating to the entity's investment activities. Instead, an investment entity is required to measure such entities at fair value through profit or loss under the guidance in IFRS 9 (IFRS 10.31-.32).</p> <p>The exemption from the consolidation requirements in IFRS 10 is not available to a noninvestment entity that is the parent of an investment entity. Therefore, the noninvestment entity parent is required to consolidate all entities it controls, including those it holds through subsidiaries that qualify as investment entities (IFRS 10.33).</p>	<p>An <i>investment company</i> is (ASC 946-10-15-4 through 15-9):</p> <ul style="list-style-type: none"> <li>• An entity regulated under the Investment Company Act of 1940</li> <li>• An entity that is not regulated under the Investment Company Act of 1940 that has the following characteristics (based on the purpose and design of the entity):             <ul style="list-style-type: none"> <li>– It both obtains funds from one or more investors and provides investors with investment management services and commits to its investors that its business purpose and only substantive activities are investing funds solely for returns from capital appreciation, investment income or both</li> <li>– The entity or its affiliates do not obtain or have the objective of obtaining returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests or that are other than capital appreciation or investment income</li> <li>– An entity that has the typical characteristics of an investment company as noted in ASC 946-10-15-7</li> </ul> </li> </ul> <p>Entities that meet certain criteria may account for their investments at fair value (ASC 946-10-35-1).</p> <p>The IFRS Standards definition of an investment company is not based on whether the entity qualifies as an investment company under local regulations. Also, under U.S. GAAP, a noninvestment company parent is required to retain the specialized accounting in ASC 946 for an investment company subsidiary in consolidation. IFRS Standards does not allow a noninvestment entity parent to retain the exception from consolidation for all entities it controls, including those it holds through subsidiaries that qualify as investment entities.</p>

IFRS Standards	U.S. GAAP
<b>Accounting requirements</b>	
<p><i>Consolidation procedures</i></p> <p>The financial statements of the parent and its subsidiaries are combined by adding together like items of assets, liabilities, equity, income, and expenses using uniform accounting policies for similar transactions and other events in similar circumstances (IFRS 10.19-.21 and IFRS 10.B86(a) and .B87).</p> <p>The carrying amount of the parent's investment in each subsidiary and its portion of equity of each subsidiary are eliminated. Intragroup balances, transactions, income, and expenses are also eliminated in full (IFRS 10.B86 (b) and (c)).</p>	<p><i>Consolidation procedures</i></p> <p>Similar to IFRS Standards, the financial statements of the parent and its subsidiaries are combined by adding together like items of assets, liabilities, equity, income and expense. Uniform accounting policies are generally used for similar transactions and other events in similar circumstances. However, in certain limited situations specialized industry accounting principles that are appropriate at a subsidiary level are retained in consolidation (ASC 810-10-25-15).</p> <p>Similar to IFRS Standards, intercompany investments, balances, and transactions are eliminated (ASC 810-10-45-1).</p>
<p><i>Reporting date of subsidiaries</i></p> <p>Parent and subsidiary financial statements used for consolidation are as of the same reporting date. If the reporting period of the parent is different from a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date of the parent unless impracticable (IFRS 10.B92).</p> <p>If impracticable, the parent consolidates the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of a subsidiary's financial statements and the date of the consolidated financial statements. In any case, the difference between reporting dates is not more than three months (IFRS 10.B93).</p>	<p><i>Reporting date of subsidiaries</i></p> <p>A parent and a subsidiary may have different fiscal periods. As long as the difference is not more than about three months, it is acceptable to use the subsidiary's financial statements for its fiscal year. If this is done, recognition is given by disclosure or otherwise to the effect of intervening events that materially affect the financial position or results of operations (ASC 810-10-45-12).</p>
<b>Noncontrolling interests</b>	
<p>Noncontrolling interests are presented in the consolidated statement of financial position within equity apart from the parent's equity. Profit and loss and each component of OCI are attributed to the parent and the noncontrolling interests even if the noncontrolling interests have a deficit balance (IFRS 10.22 and .B94 and .B95).</p>	<p>Similar to IFRS Standards (ASC 810-10-45-15 through 45-21).</p> <p>For views of the SEC staff on classification and measurement of redeemable securities, refer also to ASC 480-10-S99.</p>
<b>Change in ownership interest – no loss of control</b>	
<p>Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (IFRS 10.23).</p>	<p>U.S. GAAP includes guidance similar to IFRS Standards for events resulting in changes in a parent's ownership interest in a subsidiary that do not result in a loss of control. However, U.S. GAAP specifies that the guidance for a decrease in the parent's ownership interest without loss of control applies to a subsidiary that is not a business or nonprofit activity only if the substance of the transaction is not directly addressed in other U.S. GAAP (ASC 810-10-45-21A through 45-24).</p>

IFRS Standards	U.S. GAAP
	<p>The decrease in ownership provisions in ASC 810-10 do not apply if the transaction resulting in an entity's decreased ownership interest is either the conveyance of oil and gas mineral rights or a transfer of a good or service in a contract with a customer (ASC 810-10-45-21A).</p> <p>If the subsidiary in which a parent's interest changes but control is not lost has accumulated other comprehensive income (AOCI), the carrying amount of that AOCI is adjusted to reflect the change in the ownership interest in the subsidiary through a corresponding adjustment to the parent's equity (ASC 810-10-45-24).</p>
<b>Changes in ownership interest – loss of control</b>	
<p>If a parent loses control of a subsidiary, it (IFRS 10.B98):</p> <ul style="list-style-type: none"> <li>• Derecognizes (at carrying amount at date control lost) <ul style="list-style-type: none"> <li>– The assets (including goodwill) and liabilities of the former subsidiary</li> <li>– Any noncontrolling interests in the former subsidiary</li> </ul> </li> <li>• Recognizes <ul style="list-style-type: none"> <li>– The fair value of consideration received</li> <li>– A distribution of shares of the subsidiary to owners in their capacity as owners, if the transaction, event, or circumstance that resulted in the loss of control resulted in such a distribution</li> <li>– Any retained interest in the former subsidiary at fair value at date control lost</li> </ul> </li> <li>• Reclassify to profit or loss, or transfer directly to retained earnings if required by other IFRS Standards, the amounts identified in IFRS 10.B99</li> <li>• Recognize any resulting difference as gain or loss in profit or loss</li> </ul> <p><b>Note:</b> In September 2014, the Board issued <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i> which:</p> <ul style="list-style-type: none"> <li>• Amends IFRS 10 so that the gain or loss from the sale or contribution of a subsidiary that does not constitute a business in IFRS 3, between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. Thus a full gain or loss would be recognized on the loss of control of a subsidiary that constitutes a business, including where</li> </ul>	<p>U.S. GAAP includes guidance similar to IFRS Standards for events resulting in loss of control. However, U.S. GAAP specifies that the guidance for the loss of control applies to a subsidiary that is not a business or nonprofit activity only if the substance of the transaction is not directly addressed in other U.S. GAAP (ASC 810-10-40-3A through 40-5).</p> <p>The decrease in ownership provisions in ASC 810-10 do not apply if the transaction resulting in an entity's decreased ownership interest is either the conveyance of oil and gas mineral rights or a transfer of a good or service in a contract with a customer in the scope of ASC 606 (ASC 810-10-40-3A).</p> <p>If the subsidiary or group of assets being deconsolidated or derecognized is a foreign entity (or represents the complete or substantially complete liquidation of the foreign entity in which it resides), the amount of accumulated OCI that is reclassified and included in the calculation of gain or loss includes any foreign currency translation adjustment related to that foreign entity. Guidance on derecognizing foreign currency translation adjustments recorded in accumulated OCI is in ASC 830-30-40 (ASC 810-10-40-4A).</p> <p>On obtaining control of a foreign entity in a step acquisition, an acquirer would recognize in net income the cumulative translation adjustments associated with its equity method investment in the acquiree (ASC 805-10-25-10).</p> <p>Unlike U.S. GAAP, IAS 21 does not provide guidance on the reclassification of the cumulative amount of exchange differences either for the loss of a controlling financial interest in a group of assets (that is not a subsidiary) or for sales or transfers within a foreign entity.</p>

IFRS Standards	U.S. GAAP
<p>the investor retains joint control of, or significant influence over, the investee.</p> <ul style="list-style-type: none"> <li>Amends IAS 28 so that the current requirements for the partial gain or loss recognition for transactions between an investor and its associate or joint venture would only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business in IFRS 3.</li> </ul> <p>In December 2015, the Board issued, <i>Effective Date of Amendments to IFRS 10 and IAS 28</i>, to allow entities to defer indefinitely the effective date of these amendments until the Board is able to address additional issues that have arisen. Early adoption is permitted.</p> <p>An acquirer may obtain control of an acquiree in which the acquirer had an equity interest before the acquisition date. IFRS 3 requires that any equity interest in the acquiree held by the acquirer immediately before the acquisition date be remeasured to acquisition-date fair value. Any resulting gain or loss will be recognized in profit or loss or OCI, as appropriate. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in OCI. If so, the amount that was recognized in OCI is recognized on the same basis as would be required if the acquirer had directly disposed of the previously held equity interest (IFRS 3.41 and .42).</p>	
<b>Separate parent financial statements</b>	
<p>Separate financial statements are not required; however, an entity may elect to present them or they may be required by local regulations (IAS 27.2 and .3). Separate financial statements are prepared in accordance with all applicable IFRS Standards, except for investments in subsidiaries, joint ventures, and associates, which are accounted for at cost, in accordance with IFRS 9, or using the equity method in IAS 28 (IAS 27.9 and .10).</p>	<p>If parent-company financial statements are needed in addition to consolidated financial statements, consolidating statements in which one column is used for the parent and other columns for particular subsidiaries or groups of subsidiaries are an effective way of presenting the pertinent information (ASC 810-10-45-11). Public companies that meet certain requirements must provide condensed financial information of the registrant in a separate schedule (SEC Regulation S-X, Rule 5-04).</p>

## 8.2 Joint arrangements

In November 2018 the FASB issued ASU 2018-18 to provide guidance for determining whether certain transactions between collaborative arrangement participants under ASC 808 should be accounted for under the revenue recognition guidance in ASC 606. The amendments:

- Clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 if the collaborative arrangement participant is a customer with respect to the “unit of account” (identified as a promised good or service, or a bundle of goods or services, that is distinct within the collaborative arrangement under the related guidance in ASC 606). An entity that accounts for this type of transaction under ASC 606 should apply all of the guidance in ASC 606
- Add unit-of-account guidance to ASC 808 that aligns with the unit-of-account guidance related to a distinct good or service in ASC 606, which should be applied when an entity determines whether the collaborative arrangement or a part of the arrangement is within the scope of ASC 606
- Require that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, an entity should not present the transaction together with revenue recognized under ASC 606 if the collaborative arrangement participant is not a customer
- Revise the existing implementation guidance and illustrations in ASC 808 to incorporate the amendments

The amendments are effective for public business entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, and for all other entities beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 9, 10 and 11; IAS 16, 27 and 28	<b>Relevant guidance:</b> ASC 323, 605, 808, and 810-10
<b>Introduction</b>	
<p>A <i>joint arrangement</i> is an arrangement in which two or more parties have joint control. A joint arrangement has the following characteristics (IFRS 11.4 and .5):</p> <ul style="list-style-type: none"> <li>• The parties are bound by a contractual arrangement</li> <li>• The contractual arrangement gives two or more of those parties joint control of the arrangement</li> </ul> <p>A joint arrangement is either a (IFRS 11.6 and .15-.16):</p> <ul style="list-style-type: none"> <li>• Joint operation – where the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement (joint operators)</li> <li>• Joint venture – where the parties that have joint control have rights to the net assets of the arrangement (joint venturers)</li> </ul> <p>An entity that is party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for such based on the type of joint arrangement (IFRS 11.2). An entity assesses its rights and obligations by considering the structure of the arrangement and when it is structured through a separate vehicle (IFRS 11.17 and B15):</p> <ul style="list-style-type: none"> <li>• The legal form of the arrangement</li> </ul>	<p>A <i>corporate (joint) venture</i> is a corporation (entity) owned and operated by a small group of businesses (joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. The purpose usually is to share risks and rewards in developing a new market, product or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. It also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture (ASC Master Glossary, “Corporate Joint Venture” and “Joint Venture”).</p> <p>An investor first determines whether the joint venture is a VIE. If it is a VIE, then the ASC 810-10, “Variable Interest Entities” subsections are applied.</p> <p>A <i>collaborative arrangement</i> is defined in the ASC Master Glossary as a contractual arrangement that involves a joint operating activity. These arrangements involve two (or more) parties that meet both of the following requirements:</p> <ul style="list-style-type: none"> <li>• They are active participants in the activity</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>The terms agreed by the parties in the contractual arrangement</li> <li>When relevant, other facts and circumstances</li> </ul> <p>The terms agreed to by the parties in the contractual arrangement and when applicable, other facts and circumstances, may override the assessment of the rights and obligations based on the legal form of the separate vehicle (IFRS 11.B23).</p> <p>A joint arrangement structured through a separate vehicle is either a joint operation or a joint venture (IFRS 11.B19).</p> <p>A <i>separate vehicle</i> is a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality (IFRS 11, Appendix A).</p> <p>The guidance for accounting for interests in arrangements outside the scope of IFRS 11 is likely found in IFRS 10, IAS 28 or IFRS 9 (IFRS 11.B11).</p>	<ul style="list-style-type: none"> <li>They are exposed to significant risks and rewards dependent on the commercial success of the activity</li> </ul> <p>A collaborative arrangement in the scope of ASC 808-10 is not primarily conducted through a separate legal entity. The part of an arrangement conducted in a legal entity is accounted for under ASC 810-10, ASC 323-10, or other related accounting literature (ASC 808-10-15-4).</p>
<b>Joint control</b>	
<p><i>Joint control</i> is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control (IFRS 11.7).</p> <p>An entity that is party to an arrangement first assesses whether the contractual arrangement gives all the parties or a group of the parties, control of the arrangement collectively. This occurs when the parties must act together to direct the activities that significantly affect the returns of the arrangement (relevant activities). Control is defined in IFRS 10 (IFRS 11.8 and .B5). See Section 8.1, “Basic requirements for group accounts” for the definition of control.</p> <p>If all the parties or a group of parties control the arrangement collectively, joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively (IFRS 11.9 and B6).</p>	<p><i>Joint control</i> applies only to real estate ventures and occurs if decisions regarding the financing, development, sale or operations require the approval of two or more of the owners (ASC Master Glossary, “Joint control”).</p>
<b>Contractual arrangement</b>	
<p>Contractual arrangements are typically in writing and usually in the form of a contract or documented discussions between the parties (IFRS 11.B2). When the joint arrangement is structured through a separate vehicle, the contractual arrangement or some parts of it may be incorporated in the articles, charter or by-laws of that vehicle (IFRS.B3).</p>	<p>The classification of a joint arrangement is based on the structure of an arrangement.</p> <p>Arrangements established through a separate legal entity are accounted for under the equity method.</p>

IFRS Standards	U.S. GAAP
<p>The contractual arrangement sets out how the parties participate in the activity that is the subject of the arrangement and typically defines (IFRS 11.B4):</p> <ul style="list-style-type: none"> <li>• The purpose, activity and duration of the joint arrangement</li> <li>• How members of the board or equivalent body are appointed</li> <li>• The decision-making process</li> <li>• The capital or other contributions required of the parties</li> <li>• How the parties share assets, liabilities, revenues, expenses or profit or loss</li> </ul>	
<b>Joint operations / collaborative arrangement</b>	
<p>A joint arrangement not structured through a separate vehicle is a joint operation (IFRS 11.B16).</p> <p>A joint operator recognizes in relation to its interest in a joint operation (including in its separate financial statements) (IFRS 11.20 and .26):</p> <ul style="list-style-type: none"> <li>• Its assets, including its share of any assets held jointly</li> <li>• Its liabilities, including its share of any liabilities incurred jointly</li> <li>• Its revenue from the sale of its share of the output arising from the joint operation</li> <li>• Its share of the revenue from the sale of output by the joint operation, and</li> <li>• Its expenses, including its share of any expenses incurred jointly</li> </ul> <p>A joint operator accounts for the assets, liabilities, revenues, and expenses related to its interest in a joint operation based on the applicable IFRS Standards (IFRS 11.21).</p> <p>For the acquisition of an interest in a joint operation where the activity of the joint operation meets the definition of a business in IFRS 3, an entity applies to the extent of its share in accordance with IFRS 11.20, the guidance on business combinations in IFRS 3, to the extent it does not conflict with the guidance in IFRS 11. This guidance applies to the acquisition of an initial interest and additional interests in a joint operation that constitutes a business (IFRS 11.21A).</p>	<p>Participants in a collaborative arrangement within the scope of ASC 808-10 report costs incurred and revenue generated:</p> <ul style="list-style-type: none"> <li>• Transactions with third parties – a participant in a collaborative arrangement reports the costs incurred and revenues generated on sales to third parties at gross or net amounts, depending on whether the participant is the principal or the agent in the transaction, pursuant to ASC 606-10-55-36 through 55-40. Accordingly, the participant deemed to be the principal for a particular transaction reports that transaction on a gross basis in its income statement. The equity method of accounting is not applied to the activities of collaborative arrangements (ASC 808-10-45-1 through 45-2).</li> <li>• Payments between participants – the income statement presentation of payments between participants pursuant to a collaborative agreement is determined as follows (ASC 808-10-45-3 through 45-4):             <ul style="list-style-type: none"> <li>– If the payments are within the scope of other authoritative accounting literature on income statement presentation, the participant applies the relevant provisions of that literature</li> <li>– If the payments are not within the scope of other authoritative accounting literature, the participant bases its income statement classification by analogy to authoritative literature</li> <li>– If the payments are not within the scope of other authoritative accounting literature and there is no appropriate analogy, the participant bases its income statement presentation of the</li> </ul> </li> </ul>

IFRS Standards	U.S. GAAP
	payment on a reasonable, rational, and consistently applied accounting policy
<b>Transition from equity method to accounting for assets and liabilities</b>	
At the beginning of the immediately preceding period, derecognize investment previously recognized and other items in net investment (see IAS 28.38) and recognize share of assets and liabilities in joint operation, including any goodwill (IFRS 11.C7).	Section 8.3, “Associates and equity method investees” discusses the equity method of accounting.
<b>Joint venture</b>	
<p>A joint venturer recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method (IAS 28) unless the entity is exempt from applying the equity method as specified in IAS 28 (IFRS 11.24).</p> <p>In its separate financial statements, a joint venturer accounts for its interest in accordance with IAS 27.10 (IFRS 11.26).</p> <p>After initial recognition, an investment in a joint venture is accounted under the equity method in IAS 28 (IFRS 11.C6).</p>	<p>An investor first determines whether the joint venture is a VIE. If it is a VIE, then ASC 810-10, “Variable Interest Entities” subsections are applied. If the joint venture is not a VIE, the investor applies:</p> <ul style="list-style-type: none"> <li>• The equity method except in the limited situations when proportionate consolidation is permitted or the fair value option is elected in accordance with the requirements of ASC 825-10, when it is applicable. Under the equity method, an investor measures an investment in the common stock of an investee initially at cost in accordance with ASC 805-50-30 (ASC 323-10-30-2). Section 8.3, “Associates, joint ventures, and equity method investees – equity method” discusses the equity method of accounting.</li> <li>• Proportionate consolidation is only appropriate for unincorporated entities in either the construction or extractive industries (ASC 810-10-45-14).</li> </ul>
<b>Transition from proportionate consolidation to equity method</b>	
<p>To account for the change in accounting for a joint venture under proportionate consolidation to the equity method, an entity recognizes its investment as at the beginning of the immediately preceding period, measured as the aggregate of the carrying amounts of the assets and liabilities the entity had previously proportionately consolidated, including any goodwill (IFRS 11.C2).</p> <p>The amount of the investment recorded is the deemed cost. An entity then applies paragraphs 40-43 of IAS 28 to assess that amount for impairment. Any impairment loss is reflected in retained earnings at the beginning of the immediately preceding period (IFRS 11.C3).</p> <p>If aggregation of the consolidated assets and liabilities previously proportionately consolidated produces a negative amount, a liability is recognized if the entity has a legal or constructive obligation, otherwise retained earnings is adjusted at the beginning of the immediately preceding period (IFRS 11.C4).</p>	No similar requirement as the use of proportionate consolidation is still permitted for unincorporated entities in either the construction or extractive industries (ASC 810-10-45-14).

IFRS Standards	U.S. GAAP
<b>Contributions by venturers</b>	
<p>The gain or loss from the contribution of non-monetary assets that do not constitute a business, as defined in IFRS 3 to a joint venture (or an associate) in exchange for an equity interest is accounted for in accordance with IAS 28.28, unless the contribution lacks commercial substance as defined in IAS 16 (IAS 28.30).</p> <p>If the contribution lacks commercial substance, the gain or loss is regarded as unrealized and is not recognized unless IAS 28.31 also applies. The unrealized gains or losses are eliminated against the investment accounted for using the equity method and is not presented as deferred gains or losses in an entity's financial statements (IAS 28.30).</p> <p>Section 8.3, "Associates, joint ventures, and equity method investees – equity method" discusses the equity method of accounting.</p>	<p>Generally, a venturer that contributes nonmonetary assets to a jointly controlled entity in exchange for an equity interest records its investment in the jointly controlled entity at cost and therefore no gain is recognized. However, in certain situations a gain may be recognized for a portion of the appreciated assets transferred to the jointly controlled entity if the other venturer(s) contribute cash for their interest in the jointly controlled entity. Section 8.3, "Associates, joint ventures, and equity method investees – equity method" discusses the equity method of accounting.</p>

### 8.3 Equity method

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 12 and 13; IAS 1, and 28	<b>Relevant guidance:</b> ASC 323, 805, 810, 820, 825, and 970; SEC Regulation S-X, Rules 4-08(g), 10-01(b), and 3-09
<b>Introduction</b>	
IAS 28 is used to account for investments in associates and sets out the requirements for the application of the equity method to account for investments in associates and joint ventures (IAS 28.1). An entity with joint control of or significant influence over an investee applies the equity method except under certain exemptions (IAS 28.16).	ASC 323-10, <i>Investments—Equity Method and Joint Ventures: Overall</i> , applies to investments in common stock or in-substance common stock (ASC 323-10-15-3) except for the circumstances listed in ASC 323-10-15-4. This section focuses primarily on those entities within the scope of ASC 323-10 unless specifically noted.
An <i>associate</i> is an entity over which the investor has significant influence (IAS 28.3).	Referred to as an equity method investee.
See Section 8.2, “Joint arrangements” for the definition of a joint venture.	See Section 8.2, “Joint arrangements” for the definition of a joint venture.
<p><i>Significant influence</i></p> <p>An investor is presumed to have significant influence if the investor holds, directly or indirectly, 20 percent or more of the voting power of the investee unless it can be clearly demonstrated that is not the case (IAS 28.5). The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has significant influence (IAS 28.7). Significant influence is normally evidenced by one or more of the following (IAS 28.6):</p> <ul style="list-style-type: none"> <li>• Representation on the board of directors or equivalent governing body of the investee</li> <li>• Participation in policy-making processes including participation in decisions about dividends or other distributions</li> <li>• Material transactions between the investor and investee</li> <li>• Interchange of managerial personnel</li> <li>• Provision of essential technical information</li> </ul> <p>An entity loses significant influence when it loses the power to participate in the financial and operating policy decisions of the investee, which could occur with or without a change in ownership levels (IAS 28.9).</p>	<p><i>Significant influence</i></p> <p>Similar to IFRS Standards, however, the existence and effect of potential voting rights that are currently exercisable or convertible are not considered when assessing whether an entity has significant influence (ASC 323-10-15-6 through 15-11).</p>
<p><i>Equity method</i></p> <p>An investment in an associate or joint venture is accounted for using the equity method except for the following (IAS 28.17 and .20):</p>	<p><i>Equity method</i></p> <p>An investor that has the ability to exercise significant influence over the operating and financial policies of the investee is to apply the equity method when it has an investment in common stock and/or an investment that</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• Investments classified as held for sale in accordance with IFRS 5</li> <li>• Investments in associates or joint ventures for which the exception to consolidation in paragraph 4(a) of IFRS 10 applies (See Section 8.1, “Basic requirements for group accounts”) or all of the following apply:                             <ul style="list-style-type: none"> <li>– Investor is a subsidiary of another entity and its owners do not object to the investor not applying the equity method</li> <li>– Investor’s debt or equity instruments are not traded in a public market</li> <li>– Investor did not file, and is not in the process of filing, its financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market</li> <li>– Ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with IFRS Standards</li> </ul> </li> </ul> <p>An entity may elect to measure an investment in an associate or joint venture held by or indirectly through an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities at fair value through profit and loss under IFRS 9. This election may be made separately for each associate or joint venture (IAS 28.18).</p> <p>Long-term interests are in the scope of IFRS 9, and that standard should be applied before IAS 28 for losses or impairment of such instruments (IAS 28.14A).</p>	<p>is in-substance common stock except for the circumstances listed in ASC 323-10-15-4, unless the fair value option is elected in accordance with the requirements of ASC 825, when it is applicable (ASC 825-10-15-4, ASC 323-10-15-3 and ASC 323-10-25-2).</p> <p>Investments in unincorporated entities, such as partnerships generally apply the equity method if the investor has the ability to exercise significant influence over the investee (ASC 323-30-25-1).</p> <p>Some of the items subject to the guidance in ASC 323-10 and 323-30 may qualify for application of the fair value option subsections of ASC 825-10 (ASC 323-10-25 and 323-30-25). Unlike IFRS Standards, an equity method investee that is held-for-sale is accounted for under the equity method.</p>
<b>Application of the equity method – initial recognition</b>	
<p>An investment in an associate or joint venture is initially recorded at cost. Any difference between the cost of the investment and the investor’s share of the net fair value of the investee’s assets and liabilities is accounted for either as (IAS 28.10 and 32):</p> <ul style="list-style-type: none"> <li>• Goodwill, included in the carrying amount of the investment</li> <li>• Income in the determination of the investor’s share of the investee’s profit or loss if there is any excess of the investor’s share of the net fair value of the investee’s identifiable assets and liabilities over the cost of the investment</li> </ul>	<p>Similar to IFRS Standards. Except as provided in the following sentence, an investment is initially measured at cost in accordance with ASC 323-10-30-2. An investor initially measures, at fair value, a retained investment in the common stock of an investee (including a joint venture) in a deconsolidation transaction in accordance with ASC 810-10-40-3A through 40-5. Any difference between the cost of an investment and the amount of the underlying net assets of the investee is accounted for as if the investee were a consolidated subsidiary (ASC 323-10-35-13).</p>

IFRS Standards	U.S. GAAP
<p>IFRS is unclear as to how to measure investments held and initially accounted for at cost or fair value but that subsequently are accounted for under the equity method.</p>	<p>When an entity's ownership interest in the common stock of an investee that previously did not qualify as an equity method investment increases such that it now qualifies as an equity method investment, the investor adds the cost of acquiring the additional interest in the investee to the current basis of the previously held interest, and adopts the equity method of accounting on the date the investment qualifies for equity method accounting (ASC 323-10-35-33).</p>
<b>Application of the equity method – subsequent increases or decreases</b>	
<p>The carrying amount of the investment in an associate is increased or decreased to recognize:</p> <ul style="list-style-type: none"> <li>• Profits or losses of the investee – an investor's share of profit or loss is determined based on present ownership interests and does not reflect potential voting rights (IAS 28.10 and .12). Losses are recognized up to the amount of the investor's interest in the investee. Additional losses are recognized only to the extent the investor has incurred legal or constructive obligations or made payments on behalf of the investee. An investor's interest in an investee includes the carrying amount of the investment in the associate or joint venture under the equity method and any long-term interests in the associate or joint venture that in substance form a part of the investor's net investment in the associate or joint venture (for example, preference shares and long-term receivables or loans) (IAS 28.38-39).</li> <li>• Distributions from the investee (IAS 28.10)</li> <li>• Changes in the investee's OCI (IAS 28.10)</li> <li>• Impairment losses – The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated as discussed in IAS 28.41A-41C.</li> <li>• .</li> </ul> <p>Gains and losses resulting from "upstream" and "downstream" transactions involving assets that do not constitute a business as defined in IFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognized in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The entity's share in the associate's or the joint venture's gains</p>	<p>The carrying amount of the investment in an investee is increased or decreased to recognize:</p> <ul style="list-style-type: none"> <li>• Profits or losses of the investee – similar to IFRS Standards, an investor's share of profit or loss is determined based on present ownership interests and does not reflect potential voting rights (ASC 323-10-35-4). Losses are recognized up to the amount of the investor's common stock or in-substance common stock. Like IFRS Standards, additional losses are recognized to the extent the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee. Unlike IFRS Standards, additional losses are also recognized when the imminent return to profitability by an investee appears to be assured (ASC 323-10-35-19 through 35-22).</li> <li>• Distributions from the investee (ASC 323-10-35-17)</li> <li>• Changes in the investee's OCI (ASC 323-10-35-18)</li> <li>• Impairment losses – the entire carrying amount of the investment is tested for impairment in accordance with ASC 323-10-35-31 through 35-32A. Unlike IFRS Standards, an impairment loss is recognized only if the loss in value is other than temporary and impairment losses may not be reversed.</li> </ul> <p>Intra-entity profits and losses on transactions between the investor and an equity method investee are eliminated until realized by the investor or investee as if the investee were consolidated. Intra-entity profits or losses on assets still remaining with an investor or investee are eliminated, except for both of the following (ASC 323-10-35-7):</p>

IFRS Standards	U.S. GAAP
<p>or losses resulting from these transactions is eliminated (IAS 28.28).</p>	<ul style="list-style-type: none"> <li>• A transaction with an investee (including a joint venture investee) that is accounted for as a deconsolidation of a subsidiary or a derecognition of a group of assets in accordance with ASC 810-10-40-3A through 40-5</li> <li>• A transaction with an investee (including a joint venture investee) that is accounted for as a change in ownership transaction in accordance with ASC 810-10-45-21A through 45-24</li> </ul> <p>The methodology for applying losses to other investments in the investee is detailed in ASC 323-10-35-23 through 35-30.</p>
<p><b>Application of the equity method – discontinuing use of equity method</b></p>	
<p>An investor discontinues the use of the equity method when it ceases to be an associate or joint venture and accounts for the change as follows (IAS 28.22):</p> <ul style="list-style-type: none"> <li>• If the investment becomes a subsidiary, account for in accordance with IFRS 3 and IFRS 10</li> <li>• If the retained interest in the former associate or joint venture becomes a financial asset, measure that interest at fair value. Any difference between the fair value of the retained interest and any proceeds from disposal and the carrying amount of the investment at the date use of the equity method is discontinued is recognized in profit or loss.</li> <li>• Account for all amounts recognized in OCI in relation to that associate or joint venture on the same basis as would be required if the associate or joint venture had directly disposed of the related assets and liabilities</li> </ul>	<p>An investor discontinues the use of the equity method when it no longer has significant influence over the investee. From that date, an investor accounts for its investment under other applicable accounting literature, such as ASC 320 or 321 (ASC 323-10-35-36).</p>
<p><b>Presentation and disclosure</b></p>	
<p>An investor's financial statements are prepared using uniform accounting policies for like transactions and events. Therefore, adjustments are made to conform the associate's or joint venture's accounting policies to those of the investor (IAS 28.35-.36).</p>	<p>Unlike IFRS Standards, there is no explicit requirement for an investor to use uniform accounting policies for like transactions and events.</p>
<p>Unless an investment or a portion of an investment in an associate or joint venture is classified as held for sale under IFRS 5, the investment or any retained interest not considered held for sale is classified as a non-current asset (IAS 28.15).</p>	<p>Equity method investments are displayed as a separate item in the consolidated balance sheet (ASC 323-10-45-1).</p>
<p>The investor's share of the associate's or joint venture's profit or loss accounted for under the equity method is shown separately in the consolidated income statement (IAS 1.82c).</p>	<p>The investor's share of the earnings or losses of an equity method investee is normally shown in the income statement as a single amount (ASC 323-10-45-1 through 45-2). Unlike IFRS Standards, an investor is not required to separately disclose or display the discontinued operations of an equity method investee.</p>

IFRS Standards	U.S. GAAP
<p>The investor's share of changes recognized in OCI by the associate or joint venture is recognized in OCI by the investor (IAS 28.10).</p>	<p>An investor records its proportionate share of the investee's equity adjustments for OCI as increases or decreases to the investment account with corresponding adjustments in equity (ASC 323-10-35-18).</p>
<p>Disclosures include summarized financial information of investments in associates or joint ventures material to the reporting entity (IFRS 12.21(b) (ii) and B12-B13).</p>	<p>Similar to IFRS Standards, disclosures for material equity method investees include summarized financial information for assets, liabilities, and results of operations of the investees in the notes or in separate statements (ASC 323-10-50-3). Publicly traded companies may have additional reporting requirements if investees meet certain size criteria (for example, SEC Regulation S-X, Rules 4-08(g), 10-01(b), and 3-09).</p>
<p>The investor uses the most recent financial statements of the associate or joint venture to apply the equity method. If the associate's or joint venture's reporting period is different from the investor's, the associate or joint venture prepares financial statements as of the same date as the investor unless impracticable. If not practicable, adjustments are made for the effects of significant transactions or events that occur between the date of the associate's or joint venture's financial statements and the date of the investor's financial statements. In any case, the difference between reporting dates is not more than three months (IAS 28.33-.34).</p>	<p>An investee may not prepare financial statements timely for an investor to apply the equity method currently. Unlike, IFRS Standards, in those situations, the investor uses the most recent financial statements of the investee to record its share of the earnings and losses of the investee rather than make adjustments to financial statements of the investee. Any lag in reporting is to be consistent from period to period (ASC 323-10-35-6).</p>

## 9. Business combinations

IFRS Standards and U.S. GAAP accounting guidance for business combinations are mainly converged. However, there are differences in some areas, such as the measurement of noncontrolling interests, the recognition of contingent assets and liabilities, and the subsequent accounting for certain acquired assets and liabilities. In addition, recent standard setting by the FASB and the Board, as discussed below, have changed the definition of a business in both U.S. GAAP and IFRS.

### Changes to the definition of a business

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*, which clarifies the definition of a business and thus whether a transaction is accounted for as an asset acquisition or a business combination. This guidance is now effective for all entities and is incorporated into the discussion of U.S. GAAP in this Section.

In October 2018, the Board issued *Definition of a Business (Amendments to IFRS 3)* which amends IFRS 3, to improve the definition of a “business” when determining whether an acquisition comprises a business or a group of assets. The amendments place greater emphasis on the outputs from the acquired set of assets and processes, whereas the existing guidance placed emphasis on returns to owners in the forms of dividends, lower costs, or other economic benefits. The amendments also

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business (as described above) and outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Entities are required to apply the amendments to transactions that occur on or after January 1, 2020. Early application is permitted. These amendments now bring the determination of whether an acquisition comprises a business or a group of assets closer to how this determination is made under U.S. GAAP in ASC 805.

### FASB and Board projects

The FASB is in initial deliberations of Phase 3 of its project to clarify the definition of a business. The goal of this phase of the project is to improve the accounting for asset acquisitions and business combinations by addressing the differences in these models. The project is expected to focus on certain areas within the acquisition models, specifically the accounting for transaction costs, in process research and development, and contingent consideration.

The FASB added a project to its technical agenda to clarify guidance on the recognition of contract liabilities from contracts under ASC 606 in a business combination under ASC 805.

The Board has a research project on its technical agenda, *Business Combinations under Common Control*, to develop guidance for these types of transactions, which are outside of the scope of IFRS 3.

In March 2018, the Board issued a revised *Conceptual Framework for Financial Reporting*, and issued related guidance, *Amendments to References to the Conceptual Framework in IFRS Standards*, that updated references to the Conceptual Framework in most IFRS Standards. However, the Board did not update the references in IFRS 3, as updates to the definitions in assets and liabilities in the new Conceptual Framework could lead to immediate derecognition of some assets or liabilities recognized in a business combination resulting in a gain or loss on Day 2. The Board is developing proposals to update a reference to the Conceptual Framework in IFRS 3 in a way that avoids conflicts with other IFRS Standards.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 3, 10 and 13	<b>Relevant guidance:</b> ASC 805 and 810-10
<b>Introduction</b>	
<p>IFRS 3 applies to the accounting for a transaction or other event that meets the definition of a business combination. It does not apply to: (IFRS 3.2)</p> <ul style="list-style-type: none"> <li>• The formation of a joint arrangement in the financial statements of the joint arrangement itself</li> <li>• A combination of entities or businesses under common control (IFRS 3, Appendix B)</li> <li>• The acquisition of an asset or a group of assets that is not a business (IFRS 3.2)</li> <li>• The acquisition by an investment entity of an investment in a subsidiary required to be measured at fair value through profit or loss (IFRS 3.2A)</li> </ul>	<p>Similar to IFRS Standards (ASC 805-10-15-3 through 15-4).</p>
<p>A <i>business combination</i> is as a transaction or other event in which an acquirer obtains control of one or more businesses (IFRS 3, Appendix A). Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (IFRS 10.6).</p>	<p>Similar to IFRS Standards (ASC Master Glossary, “Business Combination”), except that:</p> <ul style="list-style-type: none"> <li>• The term <i>control</i> has a different meaning in U.S. GAAP compared to IFRS Standards. Control has the meaning of <i>controlling financial interest</i>, as that term is used in ASC 810-10-15-8.</li> <li>• A business combination also includes when an entity becomes the primary beneficiary of a VIE that is a business, in accordance with the ASC 810-10, “Variable Interest Entities” subsections.</li> </ul>
<p>An acquirer can obtain control of an acquiree without the transfer of consideration in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Acquiree repurchases its own shares such that an investor (the acquirer) obtains control (IFRS 3.43a)</li> <li>• Minority veto rights lapse which had previously kept the acquirer from controlling the acquiree (IFRS 3.43b)</li> <li>• Acquirer and acquiree agree to combine their business by contract alone (IFRS 3.43c)</li> </ul>	<p>Similar to IFRS Standards (ASC 805-10-25-11).</p>
<p>A <i>business</i> is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members or participants (IFRS 3, Appendix A).</p> <p><b>Note:</b> In October 2018, the Board issued <i>Definition of a Business (Amendments to IFRS 3)</i> which provides amendments similar to those in the FASB’s ASU 2017-01 (now effective and reflected in the U.S. GAAP guidance in this Section). Please see the introduction to Section 9 for more discussion of these amendments.</p>	<p>Similar to IFRS Standards (805-10-55-3A).</p> <p>Unlike IFRS, U.S. GAAP provides a practical screen (outlined in ASC 805-10-55-5A through 55-5C) to determine if a set is not a business. To be considered a business, the set must include a minimum of an input and a substantive process that contributes to the ability to create an output (805-10-55-5).</p>

IFRS Standards	U.S. GAAP
<p>All business combinations are accounted for using the acquisition method (IFRS 3.4). The <i>acquisition method</i> requires an entity to (IFRS 3.5):</p> <ul style="list-style-type: none"> <li>• Identify the acquirer</li> <li>• Determine the acquisition date</li> <li>• Recognize and measure the identifiable assets acquired, liabilities assumed, and noncontrolling interests in the acquiree</li> <li>• Recognize and measure goodwill or a gain on a bargain purchase</li> </ul>	<p>Similar to IFRS Standards (ASC 805-10-05-4).</p>
<b>Identifying the acquirer</b>	
<p>An entity is required to identify one of the combining entities in each business combination as the acquirer. The acquirer is determined in accordance with the guidance in IFRS 10. Therefore, the <i>acquirer</i> is the entity that obtains control of another entity (IFRS 3.6-.7 and B13-.18).</p>	<p>Similar to IFRS Standards, an entity is required to identify one of the combining entities in each business combination as the acquirer. The acquirer is determined in accordance with the guidance in ASC 810-10 and is the entity that obtains control (a controlling financial interest) of the other entity or entities in a business combination, usually through direct or indirect ownership of a majority voting interest. However, the primary beneficiary of a VIE, determined in accordance with the ASC 810-10, "Variable Interest Entities" subsections, is the acquirer of that entity. IFRS Standards use a different consolidation model than U.S. GAAP. Therefore, identifying the acquirer could differ as a result of applying the guidance in IFRS 10 rather than ASC 810-10 (ASC 805-10-25-4 through 25-5).</p>
<b>Acquisition date</b>	
<p>The <i>acquisition date</i> is the date the acquirer obtains control of the acquiree (IFRS 3, Appendix A). It is the date the entity uses to measure and recognize a business combination. However, the initial accounting may not be complete by the end of the reporting period in which the combination occurs. In this situation, the acquirer uses provisional amounts for the items for which the accounting is incomplete. IFRS 3 provides for a measurement period after the acquisition date for the acquirer to adjust the provisional amounts recognized. The measurement period ends as of the earlier of (a) one year from the acquisition date or (b) the date when the acquirer receives the information necessary to complete the business combination accounting (IFRS 3.8-.9 and .45).</p>	<p>Similar to IFRS Standards (ASC Master Glossary, "Acquisition Date," and ASC 805-10-25-6 through 25-7 and 25-13 through 25-19).</p> <p>An acquirer recognizes adjustments to provisional amounts identified during the measurement period for a business combination in the reporting period the adjustments are determined, rather than retroactively account for these adjustments. An acquirer will recognize, in the same period financial statements the effects on earnings of changes in depreciation, amortization or other income effects, if any, as a result of changes to provisional amounts, calculated as if the accounting was completed at the acquisition date.</p> <p>In contrast, under IFRS Standards, the acquirer will continue to recognize during the measurement period adjustments to provisional amounts as if the accounting for the business combination had been completed at the acquisition date. The acquirer revises comparative information for prior periods presented in the financial</p>

IFRS Standards	U.S. GAAP
	statements, as needed, making any changes in depreciation, amortization or other income effects recognized in completing the initial accounting (IFRS 3.49).
<b>Recognizing and measuring identifiable assets acquired, liabilities assumed, and noncontrolling interests</b>	
<p>Identifiable assets acquired and liabilities assumed are accounted for in accordance with the following general principles for recognition, classification, and measurement with certain limited exceptions:</p> <ul style="list-style-type: none"> <li>• Recognition – the acquirer recognizes the assets acquired and liabilities assumed in a business combination if, as of the acquisition date, both of the following conditions are met (IFRS 3.10-.12): <ul style="list-style-type: none"> <li>– The item is part of the business combination transaction</li> <li>– The item meets the definition of an asset or liability in the Conceptual <i>Framework for Financial Reporting</i></li> </ul> </li> <li>• Classification – identifiable assets acquired and liabilities assumed are classified based on the economic conditions, operating and accounting policies, contract terms, and other relevant factors that exist as of the acquisition-date, except for an acquired lease previously classified as an operating or finance lease and an acquired contract previously classified as an insurance contract in accordance with IFRS 4 (IFRS 3.15-.17).</li> <li>• Measurement – the acquirer is required to measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured either at fair value (full goodwill) or at the present ownership instruments' proportionate share at the recognized amounts of the acquiree's identifiable net assets (partial goodwill) (IFRS 3.18-.20).</li> </ul>	<p>Identifiable assets acquired and liabilities assumed are accounted for based on the following general principles for recognition, classification, and measurement with certain limited exceptions noted below:</p> <ul style="list-style-type: none"> <li>• Recognition – similar to IFRS Standards, except the definition of an asset or liability is in Concepts Statement 6 (ASC 805-20-25-1 through 25-5). The acquirer does not recognize an asset or liability related to an operating lease in which the acquiree is lessee except as follows: <ul style="list-style-type: none"> <li>– The acquirer recognizes either (a) an intangible asset if the terms of an acquiree's operating lease are favorable to market terms at the acquisition date or (b) a liability if the terms of the operating lease are unfavorable to market terms, regardless of whether the acquiree is the lessee or lessor in an operating lease.</li> <li>– The acquirer recognizes an identifiable intangible asset for an operating lease at market terms if the lease has value for market participants.</li> </ul> <p>Under IFRS Standards, an acquirer of an operating lease in which the acquiree is the lessor is not required to recognize a separate asset or liability if the terms of the operating lease are favorable or unfavorable compared to market terms (ASC 805-20-25-11 through 25-13).</p> </li> <li>• Classification – similar to IFRS Standards, identifiable assets acquired and liabilities assumed are classified based on the economic conditions, operating and accounting policies, contract terms, and other relevant factors that exist as of the acquisition date except for classification of a lease contract as an operating or capital lease and classification of an insurance contract written by an entity within the scope of ASC 944 as an insurance or reinsurance contract or as a deposit contract (ASC 805-20-25-6 through 25-8)</li> <li>• Measurement – similar to IFRS Standards, the acquirer is required to measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Unlike IFRS Standards, noncontrolling interests in the acquiree are</li> </ul>

IFRS Standards	U.S. GAAP
	measured at fair value (full goodwill) (ASC 805-20-30-1).
<p>IFRS 3 provides the following limited exceptions to its general guidance for identifiable assets and liabilities:</p> <ul style="list-style-type: none"> <li>• Exception to recognition principle <ul style="list-style-type: none"> <li>– A contingent liability assumed in a business combination is recognized if it is a present obligation that arises from past events and its fair value can be reliably measured. The requirements in IAS 37 do not apply in this situation. A contingent liability is recognized even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation at the acquisition date (IFRS 3.23).</li> <li>– Other than contracts accounted for under IFRS 9, a contingent liability recognized in a business combination is measured subsequently at the higher of either (IFRS 3.56): <ul style="list-style-type: none"> <li>▪ The amount that would be recognized under IAS 37</li> <li>▪ The amount initially recognized less, if appropriate, the cumulative amount of income recognized under IFRS 15)</li> </ul> </li> <li>– Contingent assets are not recognized</li> </ul> </li> <li>• Exceptions to both recognition and measurement principles <ul style="list-style-type: none"> <li>– Any liability or asset for employee benefit arrangements is recognized and measured in accordance with IAS 19 (IFRS 3.26)</li> <li>– Tax assets and liabilities in connection with a business combination are accounted for in accordance with IAS 12 (IFRS 3.24)</li> <li>– Indemnification assets are recognized at the same time that the acquirer recognizes the indemnified item. Therefore, an indemnification asset would be recognized as of the acquisition date only if the indemnified item is recognized as of the acquisition date. An indemnification asset is measured on the same basis as the indemnified item subject to the need of a valuation allowance (IFRS 3.27-.28).</li> </ul> </li> <li>• Exceptions to measurement principle <ul style="list-style-type: none"> <li>– Reacquired rights are recognized as an identifiable intangible asset and measured based on the remaining contractual term of the related contract without consideration of potential</li> </ul> </li> </ul>	<p>ASC 805 provides limited exceptions to its general recognition and measurement guidance for the identifiable assets and liabilities listed below:</p> <ul style="list-style-type: none"> <li>• Exception to both recognition and measurement principles <ul style="list-style-type: none"> <li>– Assets and liabilities arising from contingencies are recognized at fair value if the acquisition-date fair value of that asset or liability can be determined during the measurement period (ASC 805-20-25-19 and ASC 805-20-30-9). If the acquisition-date fair value cannot be determined, an asset or liability is recognized if both of the following criteria are met: <ul style="list-style-type: none"> <li>▪ Information that is available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date</li> <li>▪ The amount of the asset or liability can be reasonably estimated (ASC 805-20-25-20 through 20B)</li> </ul> </li> </ul> </li> </ul> <p>Assets and liabilities arising from contingencies are subsequently measured and accounted for using a systematic and rational basis (ASC 805-20-35-3).</p> <ul style="list-style-type: none"> <li>– A liability or asset, if any, related to the acquiree's employee benefit arrangements is recognized in accordance with other ASC Topics (ASC 805-20-25-22 through 25-26 and ASC 805-20-30-14 through 30-17)</li> <li>– Deferred taxes and uncertain tax positions are accounted for in accordance with ASC 740-10 and ASC 805-740 (ASC 805-740-25-2 and 30-1)</li> <li>– Indemnification assets, similar to IFRS Standards (ASC 805-20-25-27 through 25-28 and ASC 805-20-30-18 through 30-19)</li> </ul> <ul style="list-style-type: none"> <li>• Exceptions to measurement principle <ul style="list-style-type: none"> <li>– Reacquired rights, similar to IFRS Standards (ASC 805-20-25-14 through 25-15 and 30-20)</li> <li>– A liability or an equity instrument related to the replacement of an acquiree's share-based payment awards with share-based payments awards of the acquirer is to be measured in</li> </ul> </li> </ul>

IFRS Standards	U.S. GAAP
<p>contract renew als. In addition, if the contract is favorable or unfavorable compared to similar current market transactions, the acquirer recognizes a gain or loss on the effective settlement of a preexisting relationship (IFRS 3.29, B35-.36, and B52).</p> <ul style="list-style-type: none"> <li>– A liability or an equity instrument related to share-based payment transactions of the acquiree or replacement share-based payment awards is measured in accordance with IFRS 2 (IFRS 3.30).</li> <li>– Assets held for sale are measured in accordance with IFRS 5 at fair value, less cost to sell (IFRS 3.31).</li> </ul>	<p>accordance with ASC 718 (ASC 805-20-30-21).</p> <ul style="list-style-type: none"> <li>– Assets held for sale are measured in accordance with ASC 360-10 at fair value, less cost to sell (ASC 805-20-30-22).</li> <li>– Acquired financial assets that are not purchased financial assets with credit deterioration, are recorded at the acquisition date fair value. For financial assets within the scope of ASC 326, record an allowance with a corresponding charge to credit loss expense at reporting date (ASC 805-20-30-4A).</li> <li>– Assets accounted for as purchased financial assets with credit deterioration, including beneficial interests that meet criteria in ASC 325-40-30-1A, recognize allowance in accordance with ASC 326 and an increase in the amortized cost basis of the financial assets at the acquisition date (ASC 805-20-30-4B).</li> </ul>
<b>Goodwill or gain on a bargain purchase</b>	
<p><i>Goodwill at the acquisition date</i></p> <p>The acquirer recognizes goodwill at the acquisition date measured as the excess of (a) over (b) below (IFRS 3.32):</p> <p>a. Aggregate of:</p> <ul style="list-style-type: none"> <li>– The acquisition-date value of consideration transferred by the acquirer (IFRS 3.37-.38)</li> <li>– In a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree (IFRS 3.41-.42)</li> <li>– The amount of any noncontrolling interests measured in accordance with IFRS 3</li> </ul> <p>b. The net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed in the combination, measured and recognized according to the provisions of IFRS 3</p> <p>Goodwill is allocated to a cash-generated unit or group of cash-generating units. It is not amortized but tested for impairment annually or more frequently if indications of impairment exist. See Section 4.4, “Impairment” for a discussion of the goodwill impairment test.</p>	<p><i>Goodwill at the acquisition date</i></p> <p>Similar to IFRS Standards, goodwill at the acquisition date is measured as the excess of (a) over (b) below (ASC 805-30-30-1):</p> <p>a. Aggregate of:</p> <ul style="list-style-type: none"> <li>– The acquisition-date value of consideration transferred by the acquirer (ASC 805-30-30-7)</li> <li>– In a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree</li> <li>– The acquisition-date fair value of any noncontrolling interests</li> </ul> <p>b. Similar to IFRS Standards, measured and recognized according to the provisions of ASC 805</p> <p>Goodwill acquired in a business combination is assigned to one or more reporting units at the acquisition date. Similar to IFRS Standards, goodwill is not amortized but tested for impairment annually or more frequently if indications of impairment exist. See Section 4.4, “Impairment” for a discussion of the goodwill impairment test.</p>

IFRS Standards	U.S. GAAP
<p><i>Bargain purchase</i></p> <p>A <i>bargain purchase</i> is defined as a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed in the combination, measured and recognized according to the provisions of IFRS 3, exceeds the aggregate of the amounts specified in (a) above (IFRS 3.34).</p>	<p><i>Bargain purchase</i></p> <p>Similar to IFRS Standards (ASC 805-30-25-2 through 25-4).</p>
<p><i>Contingent consideration</i></p> <p>The consideration transferred in a business combination includes the acquisition-date fair value of contingent consideration (IFRS 3.40 and .58):</p> <ul style="list-style-type: none"> <li>• Initial classification – the amount recognized for a contingent obligation to pay additional consideration is classified as either a liability or equity in accordance with IAS 32</li> <li>• Measurement changes that are not measurement period adjustments are accounted for as follows: <ul style="list-style-type: none"> <li>– Contingent consideration classified as equity is not remeasured. The settlement of contingent consideration classified as equity will be accounted for within equity.</li> <li>– Contingent consideration classified as an asset or a liability that is <ul style="list-style-type: none"> <li>▪ A financial instrument and within the scope of IFRS 9 is measured at fair value with any gain or loss recognized in profit or loss or OCI, as appropriate</li> <li>▪ Not within the scope of IFRS 9 measured at fair value at each reporting date and changes in fair value recognized in profit or loss</li> </ul> </li> </ul> </li> </ul>	<p><i>Contingent consideration</i></p> <p>Similar to IFRS Standards:</p> <ul style="list-style-type: none"> <li>• Initial classification – (ASC 805-30-25-5 through 25-7)</li> <li>• Subsequent measurement changes that are not measurement period adjustments are accounted for as follows (ASC 805-30-35-1): <ul style="list-style-type: none"> <li>– Contingent consideration- Similar to IFRS Standards</li> <li>– Contingent consideration classified as an asset or a liability is adjusted to fair value at each reporting date through earnings (or OCI for certain hedging instruments under ASC 815) until the contingency is resolved. Subsequent measurement under IFRS Standards follows the guidance in IFRS 9 or IAS 37 which could differ from the guidance in U.S. GAAP.</li> </ul> </li> </ul>
<b>Other matters</b>	
<p>Business combination achieved in stages (step acquisition)</p> <p>An acquirer may obtain control of an acquiree in which the acquirer had an equity interest before the acquisition date. IFRS 3 requires that any equity interest in the acquiree held by the acquirer immediately before the acquisition date be remeasured to acquisition-date fair value. Any resulting gain or loss will be recognized in profit or loss or OCI, as appropriate. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in OCI. If so, the amount that was recognized in OCI is recognized on the same basis as would be required if the acquirer had directly disposed of the previously held equity interest (IFRS 3.41 and .42).</p>	<p><i>Business combination achieved in stages (step acquisition)</i></p> <p>Similar to IFRS Standards (ASC 805-10-25-9 through 25-10).</p>

IFRS Standards	U.S. GAAP
<p>An entity which obtains control of a business that is a joint operation and in which it previously had an interest treats the transaction as a business combination achieved in stages. In doing so, the acquirer remeasures its entire previously held interest in the joint operation (IFRS 3.42A).</p>	
<p><i>Transactions between entities under common control</i></p> <p>IFRS 3 does not apply to business combinations of entities or businesses under common control and no other IFRS Standards applies. Some entities include the assets acquired and liabilities assumed at the carrying amounts of the transferring entity or the acquisition method under IFRS 3 (IFRS 3.2(c)).</p>	<p><i>Transactions between entities under common control</i></p> <p>The guidance in ASC 805 does not apply to business combinations between entities or businesses under common control (ASC 805-50-05-4). The entity that receives the net assets or equity interests measures the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer (ASC 805-50-30-5).</p>
<p><i>Reverse acquisition</i></p> <p>If a business combination is effected primarily by an exchange of equity interests, the entity that issues its equity interests is usually the acquirer. However, in a reverse acquisition the entity that issues securities to effect a combination (the legal acquirer) is determined to be the acquiree for accounting purposes, and the entity whose equity interests are acquired (the legal acquiree) is the acquirer for accounting purposes (IFRS 3.B19).</p>	<p><i>Reverse acquisition</i></p> <p>Similar to IFRS Standards (ASC 805-10-55-12).</p>
<p><i>Fair value</i></p> <p>Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13.9).</p>	<p><i>Fair value</i></p> <p>Similar to IFRS Standards (ASC Master Glossary, "Fair Value").</p>
<p><i>Pushdown accounting</i></p> <p>There is currently no guidance in IFRS Standards related to pushdown accounting.</p>	<p><i>Pushdown accounting</i></p> <p>An acquiree has the option to apply pushdown accounting in its separate financial statements when an acquirer obtains control of acquiree (ASC 805-50-25-4).</p> <p>The option to apply pushdown accounting may be elected each time there is a change-in-control event where an acquirer obtains control of the acquiree and if elected to apply pushdown accounting as of the acquisition date (ASC 805-50-25-6).</p> <p>Election to apply pushdown accounting is irrevocable (ASC 805-50-25-9).</p>

# 10. Other matters

## 10.1 Fair value measurement

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 13	<b>Relevant guidance:</b> ASC 820, 825 and 942
<b>Introduction</b>	
Establishes a single framework for measuring fair value for financial reporting (IFRS 13.1).	Similar to IFRS Standards (ASC 820-10-05-01).
Fair value is a market-based, not entity-specific measurement. The objective is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability) (IFRS13.2).	Similar to IFRS Standards (ASC 820-10-05-1B).
When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Fair value is a market-based measurement and thus is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. An entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value (IFRS 13.3).	Similar to IFRS Standards (ASC 820-10-05-1C).
<i>Fair value</i> is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date (exit price) regardless of whether that price is directly observable or estimated using another valuation technique (IFRS 13.9 and .24).	Similar to IFRS Standards (ASC 820-10-35-2 and 35-9A).
<b>Scope</b>	
Applies when another IFRS Standards requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except as specified below (IFRS 13.5).	Similar to IFRS Standards (ASC 820-10-15-1).
The measurement and disclosure requirements do not apply to (IFRS 13.6): <ul style="list-style-type: none"> <li>• Share-based payments (IFRS 2)</li> <li>• Leasing transactions (IAS 17 &amp; IFRS 16)</li> </ul>	Similar to IFRS Standards (ASC 820-10-15-2): <ul style="list-style-type: none"> <li>• Share-based payment (ASC 718 and ASC 505-50)</li> <li>• Leases (ASC 840)</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Measurements that have similarities to fair value but are not fair value (net realizable value in IAS 2 or value in use in IAS 36)</li> </ul>	<ul style="list-style-type: none"> <li>Measurements that have similarities to fair value but are not fair value, such as vendor-specific objective evidence of fair value (ASC 985-605) or inventory (ASC 330)</li> </ul>
<p>Disclosures are not required for (IFRS 13.7):</p> <ul style="list-style-type: none"> <li>Plan assets measured at fair value (IAS 19)</li> <li>Retirement benefit plan investments measured at fair value (IAS 26)</li> <li>Assets for which recoverable amount is fair value less costs of disposal (IAS 36)</li> </ul>	<ul style="list-style-type: none"> <li>Similar to IFRS Standards (ASC 820-10-50-10).</li> <li>No similar requirement.</li> <li>No similar requirement.</li> </ul>
<p>Applies to initial and subsequent measurement if fair value is required or permitted by other IFRS Standards (IFRS 13.8).</p>	<p>Similar to IFRS Standards (ASC 820-10-30-1).</p>
<b>Measurement</b>	
<p>At initial recognition, the transaction price typically equals fair value. Paragraph B4 of IFRS 13 describes situations in which the transaction price might not represent fair value at initial recognition (IFRS 13.58-.59).</p>	<p>Similar to IFRS Standards (ASC 820-10-30-3 and 3A).</p>
<p>A fair value measurement is for a particular asset or liability. When measuring fair value, an entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Those characteristics include the condition and location of the asset and restrictions, if any, on the sale or use of the asset (IFRS 13.11).</p>	<p>Similar to IFRS Standards (ASC 820-10-35-2B).</p>
<p>A fair value measurement assumes:</p> <ul style="list-style-type: none"> <li>The asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions</li> <li>The transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability (IFRS 13.15-.16).</li> </ul>	<p>Similar to IFRS Standards (ASC 820-10-35-3 and 35-5).</p>
IFRS Standards	U.S. GAAP
<p><i>Principal market</i></p> <p>The market with greatest volume and level of activity for the asset or liability (IFRS 13 Appendix A):</p> <ul style="list-style-type: none"> <li>When principal market exists, fair value measurement is price in that market even if price in different market is potentially more advantageous at measurement date</li> </ul>	<p><i>Principal market</i></p> <p>Similar to IFRS Standards (ASC Master Glossary, "Principal Market").</p> <p>Similar to IFRS Standards (ASC 820-10-35-6 through 35-6C).</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>Entity must have access to principal (or most advantageous) market at measurement date. May be different for different entities for the same asset or liability. Considered from perspective of the entity.</li> <li>Entity does not need to be able to sell particular asset or transfer particular liability on measurement date to be able to measure fair value on basis of price in that market</li> <li>Even when no observable market to provide pricing information at measurement date, assume transaction takes place at that date, considered from perspective of market participant that holds the asset or owes the liability (IFRS 13.18-.21)</li> </ul>	
<p><i>Deposit liability</i></p> <p>A financial liability with a demand feature is not less than the present value of the amount payable on demand discounted from the first date that amount can be required to be repaid (IFRS 13.47).</p>	<p><i>Deposit liability</i></p> <p>Deposit liabilities of depository institutions which are withdrawable on demand are not eligible for the fair value option election (ASC 825-10-15-5(e)).</p> <p>In estimating the fair value of deposit liabilities, a financial entity shall not take into account the value of its long-term relationships with depositors, commonly known as core deposit intangibles, which are separate intangible assets, not financial instruments (942-470-50-1).</p>
<p><i>Investment companies</i></p> <p>No practical expedient provided to permit an entity with an investment in an investment company to measure fair value based on the reported net asset value, without adjustment.</p>	<p><i>Investment companies</i></p> <p>ASC 946 requires an investment company to recognize its underlying investments at fair value each reporting period. A practical expedient in ASC 820 permits a reporting entity with an investment in an investment company to measure fair value in specific circumstances at the reported net asset value without adjustment (ASC 820-10-15-4 and 35-59 through 35-62).</p>
<b>Market participants</b>	
<p>Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following (IFRS 13 Appendix A):</p> <ul style="list-style-type: none"> <li>Independent of each other, not related parties</li> <li>Knowledgeable, having reasonable understanding about the asset or liability and the transaction using all available information</li> <li>Able to enter into transaction for the asset or liability</li> <li>Willing to enter into a transaction for the asset or liability (motivated but not forced)</li> </ul>	<p>Similar to IFRS Standards (ASC Master Glossary, "Market Participants").</p>
<p>Measure fair value of asset or liability using assumptions that market participants would use when pricing the asset</p>	<p>Similar to IFRS Standards (ASC 820-10-35-9).</p>

IFRS Standards	U.S. GAAP
or liability, assuming market participants act in their economic best interest (IFRS 13.22).	
<b>Price</b>	
The price is not adjusted for transaction costs (IFRS 13.25).	Similar to IFRS Standards (ASC 820-10-35-9B).
Transaction costs do not include transport costs. If location is a characteristic of asset, the price in the principal (or most advantageous) market is adjusted for costs incurred to transport the asset from its current location to that market (IFRS 13.26).	Similar to IFRS Standards (ASC 820-10-35-9C).
<b>Non-financial assets</b>	
The fair value measurement considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use (IFRS 13.27).	Similar to IFRS Standards (ASC 820-10-35-10A).
The highest and best use includes the use of the asset that is physically possible, legally permissible, and financially feasible (IFRS 13.28).	Similar to IFRS Standards (ASC 820-10-35-10B).
<b>Liabilities and an entity's own equity instruments</b>	
<p>The fair value measurement assumes a financial or non-financial liability or an entity's own equity instrument is transferred to a market participant at the measurement date. Also (IFRS 13.34):</p> <ul style="list-style-type: none"> <li>• A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.</li> <li>• An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.</li> </ul>	Similar to IFRS Standards (ASC 820-10-35-16).
Maximize use of relevant observable inputs and minimize use of unobservable inputs to meet the objective of fair value measurement (IFRS 13.36).	Similar to IFRS Standards (ASC 820-10-35-16AA).
When quoted price for the transfer of an identical or similar liability or entity's own equity instrument is not available and identical item is held by another party as an asset, measure fair value of liability or equity instrument from perspective of market participant that holds the identical item as an asset at measurement date (IFRS 13.37).	Similar to IFRS Standards (ASC 820-10-35-16B).

IFRS Standards	U.S. GAAP
An entity adjusts the quoted price of a liability or an entity's own equity instrument held by another party as an asset only if there are factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument (IFRS 13.39).	Similar to IFRS Standards (ASC 820-10-35-16D).
When quoted price for the transfer of an identical or similar liability or entity's own equity instrument is not available and the identical item is not held by another party as an asset, measure fair value of the liability or equity instrument using valuation technique from perspective of market participant that owes the liability or has issued the claim on equity (IFRS 13.40).	Similar to IFRS Standards (ASC 820-10-35-16H).
Non-performance risk – reflected in fair value of liability. It includes an entity's own credit risk and is assumed to be the same before and after the transfer of the liability (IFRS 13.42).	Similar to IFRS Standards (ASC 820-10-35-17).
The fair value of a liability or an entity's own equity instrument does not include a separate input or adjustment to other inputs relating to existence of a restriction that prevents the transfer of the item as it is implicitly or explicitly included in other inputs to the fair value measurement (IFRS 13.45).	Similar to IFRS Standards (ASC 820-10-35-18B).
<b>Valuation techniques</b>	
Use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing use of relevant observable inputs and minimizing use of unobservable inputs (IFRS 13.61 and .67).	Similar to IFRS Standards (ASC 820-10-35-24).
Valuation techniques used are to be applied consistently. A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances (IFRS 13.65).	Similar to IFRS Standards (ASC 820-10-35-25).
If an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread most representative of fair value is used regardless of where the input is categorized within the fair value hierarchy (IFRS 13.70).	Similar to IFRS Standards (ASC 820-10-35-36C).
<b>Fair value hierarchy</b>	
The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and lowest priority to unobservable inputs (Level 3 inputs) (IFRS 13.72).	Similar to IFRS Standards (ASC 820-10-35-37).

IFRS Standards	U.S. GAAP
<p>When inputs used to measure fair value of an asset or a liability are categorized in different levels of the fair value hierarchy the fair value measurement is categorized in its entirety in the same level as the lowest level input that is significant to the entire measurement (IFRS 13.73).</p>	<p>Similar to IFRS Standards (ASC 820-10-35-37A).</p>
<p><i>Level 1</i></p> <p>Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (IFRS 13.76).</p>	<p><i>Level 1</i></p> <p>Similar to IFRS Standards (ASC 820-10-35-40).</p>
<p><i>Level 2</i></p> <p>Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. See IFRS 13.B35 for examples of Level 2 inputs for specific assets and liabilities. If the asset or liability has a specified (contractual) term a Level 2 input must be observable for substantially the full term of the asset or liability (IFRS 13.81-.82). Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability, including (IFRS 13.83):</p> <ul style="list-style-type: none"> <li>• Condition or location of the asset</li> <li>• Extent to which inputs relate to items that are comparable to the asset or liability</li> <li>• Volume or level of activity in markets within which inputs observed</li> </ul>	<p><i>Level 2</i></p> <p>Similar to IFRS Standards (ASC 820-10-35-47, 35-48, 35-50, 35-51, and 55-21).</p>
<p><i>Level 3</i></p> <p>Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value when relevant observable inputs are not available, thus allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk (IFRS 13.86-.87). Paragraph B36 of IFRS 13 includes examples of Level 3 inputs for specific assets and liabilities.</p>	<p><i>Level 3</i></p> <p>Similar to IFRS Standards (ASC 820-10-35-52 through 55 and ASC 820-10-55-22).</p>

## 10.2 Foreign currency translation

IFRS Standards	U.S. GAAP
<p><b>Relevant guidance:</b> IAS 21, 29, and 39; IFRS 13; IFRIC 16 and 22</p>	<p><b>Relevant guidance:</b> ASC 740, 820, 830, and 815</p>
<p><b>Introduction</b></p>	
<p>An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. The objective of IAS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency (IAS 21.1).</p>	<p>Similar to IFRS Standards (ASC 830).</p>
<p>IAS 21.3(a) excludes from its scope certain derivative transactions and balances that are within the scope of IFRS 9.</p>	<p>ASC 830 excludes from its scope derivatives within the scope of ASC 815 (ASC 830-20-15-2).</p>
<p><i>Presentation currency</i> is the currency in which the financial statements are presented and it is essentially a matter of choice. The presentation currency of a reporting entity may be any currency (or currencies) (IAS 21.8 and .18). Financial statements are prepared in the entity's functional currency but may then be presented in any currency (IAS 21.20-.26 and .38-.43).</p> <p><i>Functional currency</i> is the currency of the primary economic environment in which the entity operates. All other currencies are then treated as <i>foreign currencies</i>. (IAS 21.8). The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash (IAS 21.9). IAS 21.9-.14 contains extensive guidance (including primary and secondary indicators) on the determination of the functional currency (which is not a matter of choice). Once determined, the functional currency is not changed unless there is a change in the underlying transactions, events, and conditions (IAS 21.13).</p> <p>When the indicators are mixed and the functional currency is not obvious, management uses judgment to determine the functional currency. Management gives priority to the primary indicators before considering the secondary indicators (IAS 21.12).</p> <p><i>Net investment in a foreign operation</i> is the amount of the reporting entity's interest in the net assets of that operation (IAS 21.8).</p> <p><i>Monetary items</i> are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency (IAS 21.8).</p>	<p><i>Reporting currency</i> is the currency in which an enterprise prepares its financial statements. Unlike IFRS Standards, U.S. GAAP does not indicate that an entity can have more than one reporting currency (ASC Master Glossary, "Reporting Currency").</p> <p><i>Foreign currency translation</i> is the process of expressing in the reporting currency of the enterprise those amounts that are denominated or measured in a different currency (ASC Master Glossary, "Foreign Currency Translation").</p> <p><i>Functional currency</i> is the currency of the primary economic environment in which that entity operates. Normally, it will be the currency of the economic environment in which cash is generated and expended by the entity (ASC Master Glossary, "Functional Currency"). The <i>foreign currency</i> is a currency other than the functional currency of the entity being referred to (ASC Master Glossary, "Foreign Currency").</p> <p>The functional currency (or currencies) of an entity is basically a matter of fact, but in some instances the observable facts will not clearly identify a single functional currency. For example, if a foreign entity conducts significant amounts of business in two or more currencies, the functional currency might not be clearly identifiable. In those instances, the economic facts and circumstances pertaining to a particular foreign operation are assessed in relation to the stated objectives for foreign currency translation (see ASC 830-10-10-1 through 10-2). Management's judgment will be required to determine the functional currency in which financial</p>

IFRS Standards	U.S. GAAP
	<p>results and relationships are measured with the greatest degree of relevance and reliability (ASC 830-10-45-6).</p> <p>Unlike IFRS Standards, a hierarchy of indicators to consider in determining the functional currency of an entity is not included (ASC 830-10-45-3). Instead, ASC 830-10-55-3 through 55-7 provide guidance for the determination of the functional currency. The economic factors in this guidance, and possibly others, are considered both individually and collectively when determining the functional currency (ASC 830-10-55-3).</p> <p><i>Translation adjustments</i> result from the process of translating financial statements from the entity's functional currency into the reporting currency. They are disclosed and accumulated in a separate component of consolidated equity (ASC Master Glossary, "Translation Adjustments").</p> <p><i>Transaction gains or losses</i> result from a change in exchange rates between the functional currency and the currency in which a foreign currency transaction is denominated. They are generally included in determining net income for the period in which exchange rates change (ASC Master Glossary, "Transaction Gain or Loss").</p>
<b>Summary of the approach required</b>	
<p><i>All entities</i></p> <p>In preparing financial statements, each entity (whether a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary or branch) determines its functional currency in accordance with IAS 21.9-.14 and then translates foreign currency items into its functional currency and reports the effects of such translation in accordance with IAS 21.20-.37 and .50 (IAS 21.17).</p>	<p><i>All entities</i></p> <p>The assets, liabilities, and operations of a foreign entity are measured using the functional currency of that entity in accordance with ASC 830-10-55-3. A <i>foreign entity</i> is defined as an operation (for example, subsidiary, division, branch, joint venture, etc.) whose financial statements (a) are prepared in a currency other than the reporting currency of the reporting enterprise and (b) are combined or consolidated with or accounted for on the equity basis in the financial statements of the reporting enterprise (ASC Master Glossary, "Foreign Entity").</p>
<p><i>Each individual entity included in the reporting entity</i></p> <p>It is necessary for the results and financial position of each individual entity included in the reporting entity to be translated into the currency in which the reporting entity presents its financial statements. The presentation currency of the reporting entity may be any currency or currencies. The results and financial position of any individual entity within the reporting entity whose functional currency differs from the presentation currency are translated in accordance with IAS 21.38-.50 (IAS 21.18).</p>	<p><i>Each individual entity included in the reporting entity</i></p> <p>The financial statements of separate entities within an enterprise, which may exist and operate in different economic and currency environments, are consolidated and presented as though they were the financial statements of a single enterprise. Because it is not possible to combine, add, or subtract measurements expressed in different currencies, it is necessary to translate into a single reporting currency those assets, liabilities, revenues, expenses, gains, and losses that are measured or denominated in a foreign currency (ASC 830-10-10-1).</p>

IFRS Standards	U.S. GAAP
<p><i>Stand-alone entity preparing financial statements or an entity preparing separate financial statements in accordance with IAS 27</i></p> <p>IAS 21 permits such entities to present its financial statements in any currency or currencies. If the entity's presentation currency differs from its functional currency, its results and financial position are also translated into the presentation currency in accordance with IAS 21.38-.50 (IAS 21.19).</p>	<p>No similar requirement.</p>
<p><i>Hyperinflationary economy</i></p> <p>If the functional currency is the currency of a hyperinflationary economy, the entity's financial statements are restated in accordance with IAS 29 (IAS 21.14) (see Hyperinflationary economies section below).</p>	<p><i>Hyperinflationary economy</i></p> <p>Similar to IFRS Standards (ASC 830-10-45-11 and 45-14) (see Hyperinflationary economies section below).</p>
<b>Reporting foreign currency transactions in the functional currency</b>	
<p><i>Initial recognition</i></p> <p>A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction (IAS 21.21).</p> <p>A rate that approximates the actual rate at the date of the transaction is often used (e.g. an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period if rates do not fluctuate significantly (IAS 21.22).</p> <p>The date on which an entity initially recognized a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration is the date that the entity uses to determine the exchange rate to initially record the transaction (IFRIC 22.8). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration (IFRIC 22.9).</p>	<p><i>Initial recognition</i></p> <p>All elements of financial statements are translated by using the current exchange rate. For assets and liabilities, the exchange rate at the balance sheet date is used. For revenues, expenses, gains, and losses, the exchange rate at the dates on which those elements are recognized is used. Because translation at the exchanges rates at dates when the numerous revenues, expenses, gains, and losses are recognized is generally impractical, an appropriately weighted average exchange rate for the period may be used to translate those elements (ASC 830-30-45-3 through 45-6).</p>
<p><i>Reporting at the end of subsequent reporting periods</i></p> <p>At the end of each reporting period (IAS 21.23):</p> <ul style="list-style-type: none"> <li>• Foreign currency monetary items are translated using the closing rate</li> <li>• Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction</li> <li>• Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined</li> </ul>	<p><i>Reporting at the end of subsequent reporting periods</i></p> <p>For other than derivative instruments, the following apply to all foreign currency transactions of an enterprise and its investees (ASC 830-20-30-1 and 35-2):</p> <ul style="list-style-type: none"> <li>• At the date the transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in the functional currency of the recording entity by use of the exchange rate in effect at that date</li> <li>• At each balance sheet date, recorded balances that are denominated in a currency other than the</li> </ul>

IFRS Standards	U.S. GAAP
	functional currency of the recording entity are adjusted to reflect the current exchange rate
<p><i>Recognition of exchange differences</i></p> <p>Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise, except as described in IAS 21.32 – exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation (IAS 21.28).</p> <p>When a gain or loss on a non-monetary item is recognized in OCI, any exchange component of that gain or loss is recognized in OCI. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss (IAS 21.30).</p>	<p><i>Recognition of exchange differences</i></p> <p>A change in exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected currency cash flows is a foreign currency transaction gain or loss, and generally included in determining net income for the period in which the exchange rate changes (ASC 830-20-35-1).</p> <p>Likewise, a transaction gain or loss (measured from the transaction date or the most recent intervening balance sheet date, whichever is later) realized upon settlement of a foreign currency transaction generally is included in determining net income for the period in which the transaction is settled. The exceptions to this requirement for inclusion in net income of transaction gains and losses are set forth in ASC 830-20-35-3 and pertain to certain intercompany transactions and to transactions that are designated as, and effective as, economic hedges of net investments (ASC 830-20-40-1).</p>
<p><i>Change in functional currency</i></p> <p>When there is a change in an entity’s functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change (IAS 21.35-.37).</p>	<p><i>Change in functional currency</i></p> <p>Once the functional currency for a foreign entity is determined, that determination is used consistently unless significant changes in economic facts and circumstances indicate clearly that the functional currency has changed. Previously issued financial statements are not restated for any change in functional currency (ASC 830-10-45-7).</p>
<b>Use of a presentation currency other than the functional currency</b>	
<p><i>Translation to the presentation currency</i></p> <p>An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity’s functional currency, it translates its results and financial position into the presentation currency as follows (IAS 21.38-.40):</p> <ul style="list-style-type: none"> <li>• Assets and liabilities are translated at the closing rate at the date of the statement of financial position</li> <li>• Income and expenses and OCI are translated at exchange rates at the dates of the transactions (or an average rate as an approximation)</li> <li>• All resulting exchange differences are recognized in OCI</li> </ul>	<p><i>Translation of foreign currency statements</i></p> <p>All elements of financial statements are translated by using a current exchange rate. For assets and liabilities, the exchange rate at the balance sheet date is used. For revenues, expenses, gains, and losses, the exchange rate at the dates on which those elements are recognized is used. Because translation at the exchange rates at the dates the numerous revenues, expenses, gains, and losses are recognized is generally impractical, an appropriately weighted average exchange rate for the period may be used to translate those elements (ASC 830-30-45-3 through 45-5 and ASC 830-10-55-10 through 55-11).</p> <p>If an entity’s functional currency is a foreign currency, translation adjustments result from the process of translating that entity’s financial statements into the</p>

IFRS Standards	U.S. GAAP
	reporting currency. Translation adjustments are not included in determining net income but are reported in OCI (ASC 830-30-45-12).
<p><i>Translation of a foreign operation</i></p> <p>The results and financial position of a foreign operation follow normal consolidation procedures except that an intragroup monetary asset or liability cannot be eliminated against the corresponding intragroup liability or asset without showing the results of currency fluctuations in the consolidated financial statements. Any exchange difference is recognized in profit or loss unless IAS 21.32 applies in which case it is recognized in OCI (IAS 21.45).</p> <p>IAS 21.46 provides guidance for when the foreign operation has a different reporting date than the reporting entity.</p> <p>Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate (IAS 21.47).</p>	<p><i>Translation of a foreign operation</i></p> <p>Similar to IFRS Standards, normal consolidation procedures apply (ASC 830-10-15-5, and ASC 830-30-45-10 and 45-17).</p> <p>After a business combination accounted for by the acquisition method, the amount assigned at the acquisition date to the assets acquired and the liabilities assumed (including goodwill or the gain recognized for a bargain purchase) is translated in conformity with the requirements of ASC 830 (ASC 830-30-45-11). Accumulated translation adjustments attributable to noncontrolling interests are allocated to and reported as part of the non-controlling interest in the consolidated enterprise (ASC 830-30-45-17).</p>
<b>Disposal or partial disposal of a foreign operation</b>	
<p>An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity (IAS 21.49).</p> <p>On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in OCI and accumulated in the separate component of equity are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized (IAS 21.48).</p> <p>On the partial disposal of a subsidiary that includes a foreign operation, the entity re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in OCI to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in OCI (IAS 21.48C).</p> <p>When a foreign operation that was hedged is disposed of, the amount reclassified to profit or loss as a reclassification adjustment from the foreign currency translation reserve in the consolidated financial statements of the parent in respect of the hedging instrument is the amount that IAS 39.102 or IFRS 9.6.5.14 requires to be identified. That amount is the cumulative</p>	<p>Upon sale or complete or substantially complete liquidation of an investment in a foreign entity, the amount attributable to that entity and accumulated in the translation adjustment component of equity is removed from the separate component of equity and is reported as part of the gain or loss on sale or liquidation of the investment for the period during which the sale or liquidation occurs (ASC 830-30-40-1).</p> <p>Unlike IFRS Standards, no amount is removed from the separate component of equity when there is a partial return of investment to the parent (i.e. dividend) (ASC 830-30-40-2 through 40-4).</p>

IFRS Standards	U.S. GAAP
gain or loss on the hedging instrument that was determined to be an effective hedge (IFRIC 16.16-.17).	
<b>Parent’s accounting for cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity</b>	
<p>Unlike U.S. GAAP, IAS 21 does not contain guidance on the reclassification of the cumulative amount of exchange differences either with respect to the loss of a controlling financial interest in a group of assets (that is not a subsidiary) or with respect to the sales or transfers within a foreign entity).</p>	<p><i>Sale or liquidation of an investment in a foreign entity</i></p> <p>Upon sale or complete or substantially complete liquidation of an investment in a foreign entity, the amount attributable to that entity and accumulated in the translation adjustment component of equity are both (ASC 830-30-40-1):</p> <ul style="list-style-type: none"> <li>• Removed from the separate component of equity</li> <li>• Reported as part of the gain or loss on sale or liquidation of the investment for the period during which the sale or liquidation occurs</li> </ul> <p>A sale includes (ASC 830-30-40-1A):</p> <ul style="list-style-type: none"> <li>• The loss of a controlling financial interest in an investment in a foreign entity resulting from circumstances contemplated by ASC 810-10 (ASC 810-10-55-4A)</li> <li>• An acquirer obtaining control of an acquiree in which it held an equity interest, accounted for as an equity method investment that is a foreign entity, immediately before the acquisition date in a business combination achieved in stages (ASC 805-10-25-9 through 25-10)</li> </ul> <p><i>Partial sale of ownership interest</i></p> <p>If a reporting entity sells part of its ownership interest in an equity method investment that is a foreign entity, a pro rata portion of the accumulated translation adjustment component of equity attributable to that equity method investment is recognized in measuring the gain or loss on the sale. If the sale of part of an equity method investment that is a foreign entity results in the loss of significant influence, see ASC 323-10-35-37 through 35-39 for guidance on how to account for the pro rata portion of the accumulated translation adjustment component of equity attributable to the remaining investment. For guidance if an entity sells a noncontrolling interest in a consolidated foreign entity but still retains a controlling financial interest in the foreign entity, see ASC 810-10-45-23 through 45-24 (ASC 830-30-40-2).</p> <p>Although partial liquidations by a parent of net assets held within a foreign entity may be considered to be similar to a sale of part of an ownership interest in the foreign entity if the liquidation proceeds are distributed to the parent, extending pro rata recognition (release of the cumulative translation adjustment into net income) to</p>

IFRS Standards	U.S. GAAP
	such partial liquidations would require that their substance be distinguished from ordinary dividends. Such a distinction is neither possible nor desirable. For those partial liquidations, no cumulative translation adjustment is released into net income until the criteria in ASC 830-30-40-1 are met (ASC 830-30-40-3).
<b>Intercompany foreign currency transactions that are of a long-term-investment nature</b>	
IAS 21 does not provide for the deferral of gains on intercompany currency transactions that are of a long-term-investment nature.	Gains and losses on intercompany foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future), when the entities to the transaction are consolidated, combined, or accounted for by the equity method in the reporting enterprise's financial statements, are not included in determining net income but are reported in the same manner as translation adjustments (ASC 830-20-35-3).  Translation adjustments are not included in determining net income but are reported in OCI (ASC 830-30-45-12).
<b>Tax effects of all exchange differences</b>	
Gains and losses on foreign currency transactions and exchange differences arising on translating the results and financial position of an entity (including a foreign operation) into a different currency may have tax effects. IAS 12 applies to these tax effects (IAS 21.50).	Similar to IFRS Standards, whereas ASC 740 applies to exchange differences (ASC 830-20-45-3 and 45-5 and ASC 830-30-45-21).
<b>Hyperinflationary economies</b>	
IAS 29 is applied to the financial statements, including consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy (IAS 29.1).	Unlike IFRS Standards, U.S. GAAP does not have a separate standard addressing highly inflationary economies. However, ASC 830-10-45-11 indicates that the financial statements of a foreign entity in a highly inflationary economy are remeasured as if the functional currency were the reporting currency. Accordingly, the financial statements of those entities are remeasured into the reporting currency according to the requirements of ASC 830-10-45-17.
IAS 29 does not establish an absolute rate at which hyperinflation is deemed to arise. IAS 29.3 provides a list of characteristics that might indicate hyperinflation, including when the cumulative inflation rate over three years is approaching, or exceeds 100%.	For purposes of the requirement included in ASC 830-10-45-17, a highly inflationary economy is one that has cumulative inflation of approximately 100% or more over a 3-year period (ASC 830-10-45-11).
The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach are stated in terms of the measuring unit current at the end of the reporting period (e.g. general price level index). The corresponding figures for the previous period required by IAS 1 and any information in respect of earlier periods is also stated in	Similar to IFRS Standards (ASC 830-10-45-11 and 45-14).

IFRS Standards	U.S. GAAP
<p>terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, IAS 21.42(b) and .43 apply (IAS 29.8).</p>	
<p>When an entity's functional currency is the currency of a hyperinflationary economy, the entity restates its financial statements in accordance with IAS 29 (see section above) before applying the translation method set out in IAS 21.42, except for comparative amounts that are translated into a currency of a non-hyperinflationary economy (see IAS 21.42(b)) (IAS 21.43).</p>	<p>Unlike IFRS Standards, the financial statements are required to be remeasured as if the functional currency were the reporting currency, with translation gains and losses recognized in profit or loss (ASC 830-10-45-11).</p>
<p>The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures (IAS 21.42):</p> <ul style="list-style-type: none"> <li>• All amounts including comparatives are translated at the closing rate as of the date of the most recent statement of financial position</li> <li>• When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates)</li> </ul>	<p>In a highly inflationary economy the reporting currency is used as the functional currency (ASC 830-10-45-11).</p>
<b>Hedges of a net investment in a foreign operation</b>	
<p>Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment (IAS 21), are accounted for similarly to cash flow hedges (IAS 39.102).</p> <p>IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39 or IFRS 9. For convenience IFRIC 16 refers to such an entity as a parent entity and to the financial statements in which the net assets of foreign operations are included as consolidated financial statements (IFRIC 16.7).</p> <p>IFRIC 16.9 addresses:</p> <ul style="list-style-type: none"> <li>• The nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated</li> <li>• Where in a group the hedging instrument can be held</li> <li>• What amounts are reclassified from equity to profit or loss as reclassification adjustments on disposal of the foreign operation</li> </ul>	<p>Similar to IFRS Standards (ASC 815-20-25-66 and ASC 815-35-35-1 through 35-2).</p>

### 10.3 Government grants and disclosure of government assistance

IFRS Standards	U.S. GAAP
<p><b>Relevant guidance:</b> IAS 8, 20, 37, and 39; IFRS 9 and 13; SIC 10</p>	<p><b>Relevant guidance:</b> Government grants to business enterprises are not specifically addressed by U.S. GAAP.</p>
<p><b>Introduction</b></p>	
<p>IAS 20 is applied in the accounting for, and disclosure of, government grants and in the disclosure of other forms of government assistance (IAS 20.1).</p> <p><i>Government</i> refers to government, government agencies and similar bodies whether local, national, or international (IAS 20.3).</p> <p><i>Government grants</i> are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude government assistance which cannot reasonably have a value placed upon them and transactions with the government which cannot be distinguished from the normal trading transactions of the entity (IAS 20.3).</p> <p><i>Government assistance</i> is action by the government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government assistance does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors (IAS 20.3).</p>	<p>U.S. GAAP does not define government grants and there are no specific standards applicable to government grants.</p> <p><b>Note:</b> In November 2015, the FASB issued a proposed ASU, <i>Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance</i>, which would increase transparency about government assistance arrangements entered into by businesses and other for-profit organizations. Exposure draft redeliberations continued in 2018. Currently U.S. GAAP lacks explicit guidance for government assistance received by business entities. The proposed ASU would require disclosures about the types of arrangements, the accounting for government assistance, and their effect on the business organization's financial statements. The amendments in the proposed ASU are consistent with IFRS Standards in that IAS 20 provides guidance on disclosing government grants and other forms of government assistance. However, IAS 20 also provides guidance on recognition and measurement of government grants, but not other forms of government assistance.</p>
<p><b>Government grants</b></p>	
<p>Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received (IAS 20.7).</p> <p>Once a government grant is recognized, any related contingent liability or contingent asset is treated in accordance with IAS 37.27-.35 (IAS 20.11).</p>	<p>General revenue recognition principles are considered in accounting for government grants. Accrual basis of accounting is used. Under U.S. GAAP, revenue recognition would be delayed until any conditions attached to a grant are satisfied.</p>
<p>Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which grants are intended to compensate (IAS 20.12).</p> <p>There are two broad approaches to the accounting for government grants (IAS 20.13):</p> <ul style="list-style-type: none"> <li>• <i>Capital approach:</i> under which a grant is recognized outside profit or loss</li> </ul>	<p>U.S. GAAP revenue recognition principles would apply.</p>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li><i>Income approach</i>: under which a grant is recognized in profit or loss over one or more periods</li> </ul>	
Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognized in profit or loss of the period in which they become receivable (IAS 20.20).	U.S. GAAP revenue recognition principles would apply.
The benefit of a government loan at a below-market interest rate is a government grant. The loan is recognized and measured in accordance with IFRS 9. The benefit of the below market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The entity considers the conditions and obligations that have been, or must be met when identifying the costs for which the benefit of the loan is intended to compensate (IAS 20.10A).	Interest free loans or below market rate loans are initially recognized at fair value in accordance with ASC 835-30-25. The difference between the face amount of the loan and its fair value is then treated as a grant.
Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset (IAS 20.24). In the latter case, the grant is recognized in profit or loss through the reduction of the resulting depreciation expense (IAS 20.27).	Grants that relate to a capital expenditure (i.e. for the acquisition or construction of an asset) are accounted for either as deferred income or a credit against the recorded cost of the asset in the period received. In the latter case, the grant is recognized through the reduction of the resulting depreciation expense.
Government grants that become repayable are accounted for as a change in an accounting estimate (see IAS 8.32-38 and IAS 20.32).	A liability to repay a grant is recognized on a prospective basis when it is probable that repayment will be made and the amount can be reasonably estimated (ASC 450-20-25-2).
<b>Government assistance</b>	
The significance of the benefit may be such that disclosure of the nature, extent, and duration of the assistance is necessary in order that the financial statements may not be misleading (IAS 20.36).	Disclosure related to certain material items may be necessary to keep the financial statements from being misleading.

## 10.4 Earnings per share

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 13; IAS 33	<b>Relevant guidance:</b> ASC 260, 718, 810, and 820; SEC Regulation G, Part 244
<b>Introduction</b>	
<p>The objective of IAS 33 is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity (IAS 33.1).</p> <p>IAS 33 applies to entities (IAS 33.2):</p> <ul style="list-style-type: none"> <li>• Whose ordinary shares or potential ordinary shares are traded in a public market (a domestic, or foreign stock exchange or an over-the-counter market, including local and regional markets), or</li> <li>• That files, or is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing ordinary shares in a public market</li> </ul>	<p>Similar to IFRS Standards (ASC 260-10-05-1). ASC 260 applies to entities (ASC 260-10-15-2):</p> <ul style="list-style-type: none"> <li>• That have issued common stock or potential common stock (i.e. securities such as options, warrants, convertible securities, or contingent stock agreements) if those securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally</li> <li>• That have made a filing or are in the process of filing with a regulatory agency in preparation for the sale of those securities in a public market</li> </ul>
<b>Measurement – basic EPS</b>	
<p>Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period (IAS 33.10). The objective of basic earnings per share information is to provide a measure of the interests of each ordinary share of a parent entity in the performance of the entity over the reporting period (IAS 33.11).</p>	<p>Similar to IFRS Standards (ASC 260-10-10-1 and 45-10).</p>
<p><i>Earnings in basic EPS</i></p> <p>The amounts attributable to ordinary equity holders of the parent entity is the profit or loss from continuing operations attributable to the parent entity and the profit or loss attributable to the parent entity both adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity (IAS 33.12-.18).</p>	<p><i>Earnings in basic EPS</i></p> <p>Income available to common stockholders is computed by deducting both the dividends declared in the period on preferred stock (whether or not paid) and the dividends accumulated for the period on cumulative preferred stock (whether or not earned) from income from continuing operations (if that amount appears in the income statement) and also from net income. Income available to common stockholders is also adjusted for the effects of the redemption or induced conversion of preferred stock (ASC 260-10-45-11 through 45-12).</p>
<p><i>Number of shares in basic EPS</i></p> <p>The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting</p>	<p><i>Number of shares in basic EPS</i></p> <p>Similar to IFRS Standards (ASC 260-10-45-10 and 55-2, ASC Master Glossary, “Weighted-Average Number of Common Shares Outstanding”).</p>

IFRS Standards	U.S. GAAP
<p>factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances (IAS 33.19-.29).</p>	
<p>The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources (e.g. bonuses and rights issues) (IAS 33.26).</p>	<p>Similar to IFRS Standards (ASC 260-10-55-12 through 55-14).</p>
<b>Measurement – diluted EPS</b>	
<p>When calculating diluted earnings per share, an entity adjusts profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares (IAS 33.31).</p> <p>The objective of diluted earnings per share is consistent with that of basic earnings per share – to provide a measure of the interest of each ordinary share in the performance of an entity – while giving effect to all dilutive potential ordinary shares outstanding during the period (IAS 33.32).</p>	<p>Similar to IFRS Standards (ASC 260-10-45-16 and 45-21).</p>
<p><i>Earnings in diluted EPS</i></p> <p>The profit or loss attributable to ordinary equity shareholders of the parent entity as calculated in accordance with IAS 33.12 (basic EPS) is adjusted by the after-tax effect of any (IAS 33.33):</p> <ul style="list-style-type: none"> <li>• Dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity as calculated in accordance with IAS 33.12</li> <li>• Interest recognized in the period related to dilutive potential ordinary shares</li> <li>• Other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares</li> </ul>	<p><i>Earnings in diluted EPS</i></p> <p>Similar to IFRS Standards (ASC 260-10-45-16 and 45-21).</p>
<p><i>Number of shares in diluted EPS</i></p> <p>The number of ordinary shares is the weighted average number of ordinary shares calculated in accordance with IAS 33.19 and .26 (basic EPS), plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at</p>	<p><i>Number of shares in diluted EPS</i></p> <p>Similar to IFRS Standards (ASC 260-10-45-40 through 45-42).</p>

IFRS Standards	U.S. GAAP
<p>the beginning of the period or the date of the issue of the potential ordinary shares, if later (IAS 33.36).</p>	
<p>Dilutive potential ordinary shares are determined independently for each period presented. The number of dilutive potential ordinary shares included in the year-to-date period is not a weighted average of the dilutive potential ordinary shares included in each interim computation (IAS 33.37).</p>	<p>Unlike IFRS Standards, the number of incremental shares included in the denominator for quarterly diluted EPS is computed using the average market prices during the three months included in the reporting period. For year-to-date diluted EPS, the incremental shares to be included in the denominator are determined by computing a year-to-date weighted average of the number of incremental shares included in each quarterly diluted EPS computation (ASC 260-10-55-3).</p>
<p>Potential ordinary shares are weighted for the period they are outstanding. Potential ordinary shares that are cancelled or allowed to lapse during the period are included in the calculation of diluted earnings per share only for the portion of the period during which they are outstanding. Potential ordinary shares that are converted into ordinary shares during the period are included in the calculation of diluted earnings per share from the beginning of the period to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted earnings per share (IAS 33.38).</p>	<p>Similar to IFRS Standards (ASC 260-10-45-42).</p>
<p><i>Method of determining whether or not dilutive</i> Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations (IAS 33.41).</p>	<p><i>Method of determining whether or not dilutive</i> Similar to IFRS Standards (ASC 260-10-45-16 through 45-20).</p>
<p>In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in the aggregate. The sequence in which potential ordinary shares are considered may affect whether they are dilutive. Therefore, to maximize the dilution of basic earnings per share, each issue or series of potential ordinary shares is considered in sequence from the most dilutive to the least dilutive (i.e. dilutive potential ordinary shares with the lowest earnings per incremental share are included in the diluted earnings per share calculation before those with a higher earnings per incremental share) Options and warrants are generally included first because they do not affect the numerator of the calculation (IAS 33.44).</p>	<p>Similar to IFRS Standards (ASC 260-10-45-18).</p>
<p><i>Options, warrants and their equivalents</i> The <i>treasury share method</i> is used when calculating diluted earnings per share. An entity assumes the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments are regarded as having been received from the issue of ordinary shares</p>	<p><i>Options, warrants and their equivalents</i> Unlike IFRS Standards, when applying the <i>treasury stock method</i> the number of incremental shares included in quarterly diluted EPS is computed using the average market prices during the three months included in the reporting period. For year-to-date diluted EPS, the</p>

IFRS Standards	U.S. GAAP
at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration (IAS 33.45).	number of incremental shares to be included in the denominator is determined by computing a year-to-date weighted average of the number of incremental shares included in each quarterly diluted EPS computation (ASC 260-10-55-3).
<b>Employee share options</b>	
Employee share options with fixed or determinable terms and non-vested ordinary shares are treated as options in the calculation of diluted EPS, even though they may be contingent on vesting. They are treated as outstanding on grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time (IAS 33.48).	Similar to IFRS Standards (ASC 260-10-45-28 through 45-32).
IAS 33 does not include guidance on ESOPs.	With respect to leveraged ESOPs, ESOP shares that have been committed to be released are considered to be outstanding. ESOP shares that have not been committed to be released are not considered to be outstanding (ASC 718-40-45-3). All shares held by a nonleveraged ESOP are treated as outstanding in computing the employer's EPS, except the suspense account shares of a pension reversion ESOP, which are not treated as outstanding until they are committed to be released for allocation to participant accounts (ASC 718-40-45-9).  Special rules apply to employers with ESOPs that hold convertible preferred stock (ASC 718-40-45-6 through 45-8).
IAS 33 does not include guidance on shares of the parent held by a subsidiary.	Shares of the parent held by a subsidiary are not treated as outstanding stock in the consolidated balance sheet. Those shares are considered treasury shares for EPS computation purposes and would not be included in the denominator (ASC 810-10-45-5).
<b>Contingently issuable shares – basic EPS</b>	
Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all necessary conditions are satisfied (i.e. the events have occurred). Shares that are issuable solely after the passage of time are not contingently issuable shares, because the passage of time is a certainty. Outstanding ordinary shares that are contingently returnable (i.e. subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall (IAS 33.24).	Similar to IFRS Standards (ASC 260-10-45-12A through 45-13).

IFRS Standards	U.S. GAAP
<b>Contingently issuable shares – diluted EPS</b>	
<p>As in the calculation of basic EPS, contingently issuable ordinary shares are treated as outstanding and included in diluted EPS if conditions are satisfied (i.e. the events have occurred). Contingently issuable shares are included from the beginning of the period (or from the date of the contingent share agreement, if later). If the conditions are not satisfied, the number of contingently issuable shares in the diluted EPS is based on the number that would be issuable if the end of the period were the end of the contingency period. Restatement is not permitted if the conditions are not met when the contingency period expires (IAS 33.52).</p>	<p>Shares whose issuance is contingent upon the satisfaction of certain conditions are considered outstanding and included in the computation of diluted EPS as follows (ASC 260-10-45-48 through 45-57):</p> <ul style="list-style-type: none"> <li>• If all necessary conditions have been satisfied by the end of the period (the events have occurred), those shares are included as of the beginning of the period in which the conditions were satisfied (or as of the date of the contingent stock agreement, if later)</li> <li>• If all necessary conditions have not been satisfied by the end of the period, the number of contingently issuable shares included in diluted EPS are based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares that would be issuable based on current period earnings or period-end market price) and the result would be dilutive. Those contingently issuable shares are included in the denominator of diluted EPS as of the beginning of the period (or as of the date of the contingent stock agreement, if later). However unlike IFRS Standards, for year-to-date computations, contingent shares are included on a weighted-average basis. That is, contingent shares are weighted for the interim periods in which they were included in the computation of diluted EPS.</li> </ul>
<p>The number of ordinary shares contingently issuable may depend on the future market price of the ordinary shares. If the effect is dilutive, the calculation of diluted EPS is based on the number of ordinary shares that would be issued if the market price at the end of the reporting period were the market price at the end of the contingency period. If the condition is based on an average of market prices over a period of time that extends beyond the end of the reporting period, the average for the period of time that has lapsed is used. Because the market price may change in a future period, the calculation of basic earnings per share does not include such contingently issuable ordinary shares until the end of the contingency period because not all necessary conditions have been satisfied (IAS 33.54).</p>	<p>Similar to IFRS Standards (ASC 260-10-45-52).</p>
<b>Contracts that may be settled in cash or ordinary shares</b>	
<p>When an entity has issued a contract that may be settled in cash or ordinary shares at the entity's option, the entity always presumes that the contract will be settled in ordinary shares and includes the resulting potential</p>	<p>Unlike IFRS Standards, the inclusion of the shares is based on a rebuttable presumption that the contracts will be settled in shares (if more dilutive). However, the presumption that the contract will be settled in common</p>

IFRS Standards	U.S. GAAP
<p>ordinary shares in diluted EPS if the effect is dilutive (IAS 33.58).</p> <p>For contracts that may be settled in cash or ordinary shares at the holders' option, the more dilutive of cash settlement and share settlement is used in calculating diluted EPS (IAS 33.60).</p>	<p>stock may be overcome if past experience or a stated policy provides a reasonable basis to believe that the contract will be paid partially or wholly in cash (ASC 260-10-45-45 through 45-47).</p>
<b>Presentation</b>	
<p>An entity presents in the statement of comprehensive income basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity presents basic and diluted EPS with equal prominence for all periods presented (IAS 33.66).</p> <p>An entity that reports a discontinued operation in accordance with IFRS 5 discloses the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes (IAS 33.68).</p> <p>If an entity presents items of profit or loss in a separate statement as described in IAS 1.10A, it presents basic and diluted earnings per share, as required in IAS 33.66-.67, in that separate statement (IAS 33.67A).</p>	<p>Similar to IFRS Standards.</p>
<p>An entity presents basic and diluted EPS even if the amounts are negative (i.e. loss per share) (IAS 33.69).</p>	<p>Similar to IFRS Standards. (ASC Master Glossary, "Earnings Per Share").</p>
<b>Additional EPS basis presented</b>	
<p>If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of income other than one required by IAS 33, such amounts are calculated using the weighted average number of ordinary shares determined in accordance with IAS 33. Basic and diluted amounts per share relating to such a component are disclosed with equal prominence and presented in the notes. An entity indicates the basis on which the numerator is determined, including whether amounts per share are before tax or after tax. If a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation is provided between the component used and a line item that is reported in the statement of comprehensive income (IAS 33.73).</p> <p>IAS 33.73 also applies to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported item of profit or loss, other than one required by IAS 33 (IAS 33.73A).</p>	<p>Similar to IFRS Standards, except the presentation of cash flow per share is prohibited (ASC 260-10-45-5 and 45-6). SEC Regulation G, Part 244 includes guidance on the disclosure of non-GAAP financial measures. Non-GAAP EPS calculations are not permitted under the SEC rules.</p>

IFRS Standards	U.S. GAAP
<b>Retrospective adjustments</b>	
<p>If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue, or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those financial statements and any prior period financial statements presented are based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares is disclosed (IAS 33.64).</p>	<p>If the number of common shares outstanding increases due to a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS are adjusted retroactively for all periods presented. This is the case even if such changes occur after the close of the period but before issuance of the financial statements. If per-share computations reflect such changes in the number of shares that fact is disclosed (ASC 260-10-55-12).</p>
<p>Basic and diluted earnings per share of all periods presented are adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively (IAS 33.64 and IAS 8.19-.27 and .41-.48).</p>	<p>Similar to IFRS Standards (ASC 260-10-55-15 through 55-16).</p>
<p>An entity does not restate diluted earnings per share of any prior period presented for changes in the assumptions used in earnings per share calculations or for the conversion of potential ordinary shares into ordinary shares (IAS 33.65).</p>	<p>Similar to IFRS Standards (ASC 260-10-45-21).</p>

## 10.5 Events after the reporting period

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 1, 10, and 33; IFRS 3; IFRIC 17	<b>Relevant guidance:</b> ASC 260, 470, 805, and 855; SEC SAB Topic 4:C
<b>Introduction</b>	
<p>The objective of IAS 10 is to prescribe (IAS 10.1):</p> <ul style="list-style-type: none"> <li>• When an entity adjusts its financial statements for events after the reporting period</li> <li>• The disclosures that an entity gives about the date when the financial statements were authorized for issue and about events after the reporting period</li> </ul>	<p>The objective of ASC 855 is to establish principles and requirements for subsequent events (ASC 855-10-05-1).</p>
<p><i>Events after the reporting period</i> are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of events can be identified (IAS 10.3):</p> <ul style="list-style-type: none"> <li>• Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events)</li> <li>• Those that are indicative of conditions that arose after the reporting period (non-adjusting events)</li> </ul>	<p><i>Subsequent events</i> are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. There are two types of subsequent events (ASC Master Glossary):</p> <ul style="list-style-type: none"> <li>• <i>Recognized subsequent events:</i> events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing financial statements</li> <li>• <i>Nonrecognized subsequent events:</i> events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date</li> </ul>
<b>Date through which events after the reporting period are evaluated</b>	
<p>Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected financial information (IAS 10.7).</p>	<p>Unlike IFRS Standards, an entity that meets either of the following criteria evaluates subsequent events through the date that the financial statements are issued (ASC 855-10-25-1A):</p> <ul style="list-style-type: none"> <li>• It is an <i>SEC filer</i></li> <li>• It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets)</li> </ul> <p>An entity that meets neither criterion in the preceding paragraph evaluates subsequent events through the date that the financial statements are available to be issued (ASC 855-10-25-2).</p>
<b>Recognition and measurement</b>	
<p><i>Adjusting events after the reporting period</i></p> <p>An entity adjusts the amounts recognized in its financial statements to reflect adjusting events after the reporting period (IAS 10.8).</p>	<p><i>Recognized subsequent events</i></p> <p>An entity recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the</p>

IFRS Standards	U.S. GAAP
IAS 10.9 provides examples of adjusting events after the reporting period that require an entity to adjust the amounts recognized in its financial statements, or to recognize items that were not previously recognized.	process of preparing financial statements (ASC 855-10-25-1). ASC 855-10-55-1 provides examples of <i>recognized subsequent events</i> .
<p><i>Non-adjusting events after the reporting period</i></p> <p>An entity does not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period (IAS 10.10).</p> <p>An example of a non-adjusting event after the reporting period is a decline in fair value of investments between the end of the reporting period and the date when the financial statements are authorized for issue (IAS 10.11).</p> <p>Financial statements are not adjusted for a stock dividend declared after the reporting period but before the financial statements are authorized for issue. However, certain disclosures are required (IFRIC 17.17).</p>	<p><i>Nonrecognized subsequent events</i></p> <p>An entity does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date but before financial statements are issued or are available to be issued (ASC 855-10-25-3).</p> <p>ASC 855-10-55-2 provides examples of <i>nonrecognized subsequent events</i>.</p> <p>Unlike IFRS Standards, SEC registrants retroactively adjust the financial statements for a stock dividend declared after the balance sheet date (SEC SAB Topic 4:C).</p>
<b>Going concern / Liquidation basis of accounting</b>	
Management makes an assessment of an entity's ability to continue as a going concern, when preparing the entity's financial statements. An entity prepares financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so (even if management did not determine this until after the reporting period). If an entity's financial statements are not prepared on the going concern basis, management discloses what basis of accounting is used, but unlike U.S. GAAP, the use of the liquidation basis is not required. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the entity discloses those uncertainties. Unlike U.S. GAAP, the assessment period is at least one year from the financial statement date (balance sheet date) with no upper time limit (IAS 1.25-.26 and IAS 10.14-.16).	<p>Similar to IFRS standards, except:</p> <ul style="list-style-type: none"> <li>• The assessment period is within one year after the date that the financial statements are issued (or available to be issued) (ASC 205-40-50-1)</li> <li>• Disclosure is required when substantial doubt is alleviated about an entity's ability to continue as a going concern (ASC 205-40-50-12)</li> <li>• Disclosure is required when substantial doubt of an entity's ability to continue as a going concern is not alleviated (ASC 205-40-50-13)</li> <li>• An entity is required to use the liquidation basis of accounting in ASC 205-30 when the financial statements are not prepared on the going concern basis (ASC 205-40-05-01)</li> </ul>
Unlike U.S. GAAP, IFRS Standards currently does not provide explicit guidance on when or how to apply the liquidation basis of accounting.	An entity prepares its financial statements using the liquidation basis of accounting in ASC 205-30 when liquidation is imminent unless the liquidation follows a plan for liquidation that was specified in the entity's governing documents at the entity's inception (ASC 205-30-25-1).
<b>Date of authorization for issue – disclosure</b>	
An entity discloses the date when the financial statements were authorized for issue and who gave that authorization. If the entity's owners or others have the	<p>If an entity is not an SEC filer, then the entity discloses both (ASC 855-10-50-1):</p> <ul style="list-style-type: none"> <li>• The date through which subsequent events have been evaluated</li> </ul>

IFRS Standards	U.S. GAAP
<p>power to amend the financial statements after issue, the entity discloses that fact (IAS 10.17).</p> <p>The process involved in authorizing the financial statements for issue will vary depending upon the management structure, statutory requirements, and procedures followed in preparing and finalizing the financial statements (IAS 10.4).</p>	<ul style="list-style-type: none"> <li>• Whether that date is either: <ul style="list-style-type: none"> <li>– The date the financial statements were issued</li> <li>– The date the financial statements were available to be issued</li> </ul> </li> </ul> <p><i>Financial statements are issued</i> when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with U.S GAAP (See ASC 855-10-S99-2 for SEC staff views about the issuance of financial statements.) (ASC Master Glossary, “Financial statements are issued”).</p> <p><i>Financial statements are available to be issued</i> when they are complete in a form and format that complies with U.S. GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, and/or significant shareholders. The process involved in creating and distributing the financial statements will vary depending on an entity’s management and corporate governance structure as well as statutory and regulatory requirements (ASC Master Glossary, “Financial statements are available to be issued”).</p> <p>Unless the entity is an SEC filer, an entity discloses in the revised financial statements the dates through which subsequent events have been evaluated in both of the following (ASC 855-10-50-4):</p> <ul style="list-style-type: none"> <li>• The issued or available-to-be-issued financial statements</li> <li>• The revised financial statements</li> </ul>
<b>Non-adjusting events after the reporting period – disclosure</b>	
<p>If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. An entity discloses the following for each material category of non-adjusting event after the reporting period (IAS 10.21):</p> <ul style="list-style-type: none"> <li>• The nature of the event; and</li> <li>• An estimate of its effect, or a statement that such an estimate cannot be made</li> </ul> <p>IAS 10.22 provides examples of non-adjusting events after the reporting period that would generally result in disclosure.</p>	<p>Some nonrecognized subsequent events may be of such a nature that they must be disclosed to keep the financial statements from being misleading. For such events, an entity discloses the following (ASC 855-10-50-2):</p> <ul style="list-style-type: none"> <li>• The nature of the event</li> <li>• An estimate of its financial effect, or a statement that such an estimate cannot be made</li> </ul>
<b>Reissuance of financial statements</b>	
<p>Reissuance of financial statements is not specifically addressed in IAS 10. However, IFRS Standards recognizes only one date through which events after the</p>	<p>An entity may need to reissue financial statements, for example, in reports filed with the SEC or other regulatory agencies. After the original issuance of the financial</p>

IFRS Standards	U.S. GAAP
<p>reporting period are evaluated (i.e. the date that the financial statements are authorized for issue) even if they are reissued. Accordingly, an entity could have adjusting events in its reissued financial statements.</p>	<p>statements, events or transactions may have occurred that require disclosure in the reissued financial statements to keep them from being misleading. Unlike IFRS Standards, an entity does not recognize events occurring between the time the financial statements were issued or available to be issued and the time the financial statements were reissued unless the adjustment is required by U.S. GAAP or regulatory requirements. Similarly, an entity does not recognize events or transactions occurring after the financial statements were issued or were available to be issued in financial statements of subsequent periods unless the adjustment meets the criteria stated in ASC 855-10-25-4.</p> <p>Revised financial statements are considered reissued financial statements. For guidance on the recognition of subsequent events in reissued financial statements, see ASC 855-10-25-4 (ASC 855-10-50-5).</p> <p><i>Revised financial statements</i> are those revised only for either (ASC Master Glossary, “Revised financial statements”).</p> <ul style="list-style-type: none"> <li>• Correction of an error</li> <li>• Retrospective application of U.S. GAAP</li> </ul>
<b>Cash dividends declared</b>	
<p>If an entity declares dividends to holders of equity instruments (as defined in IAS 32) after the reporting period, the entity does not recognize those dividends as a liability at the end of the reporting period because no obligation exists at that time (IAS 10.12 and .13). Such dividends are disclosed in the notes (IAS 10.13; IAS 1.137).</p>	<p>Similar to IFRS Standards (ASC 855-10-25-3).</p>
<b>Retrospective adjustment for basic and diluted EPS</b>	
<p>Basic and diluted EPS are adjusted retrospectively for all periods presented if the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented are based on the new number of shares (IAS 33.64).</p>	<p>If after the balance sheet date but before the date the financial statements were issued or the date the financial statements were available to be issued an entity’s common shares outstanding either increase due to a stock dividend or stock split or decrease as a result of a reverse stock split, the computations of basic and diluted EPS are adjusted retroactively for all periods presented. If per-share computations reflect such changes in the number of shares that fact must be disclosed (ASC 260-10-55-12 and SEC SAB Topic 4:C).</p>
<b>Disclosure for business combinations</b>	
<p>IFRS 3 contains extensive disclosure requirements for each business combination effected during the current reporting period or after the end of the reporting period but before the financial statements are authorized for issue (IFRS 3.59-.63 and B64-B67).</p>	<p>ASC 805-10-50-1 through 50-4; ASC 805-20-50-1 through 50-3; ASC 805-30-50-1 through 50-3 include disclosures that are to be provided if a material business combination is completed after the balance sheet date</p>

IFRS Standards	U.S. GAAP
	but before the financial statements are issued (unless not practicable) (ASC 855-10-55-2).
<b>Current vs. non-current presentation of debt – breach of a provision of a long-term debt agreement</b>	
<p>When an entity breaches a provision of a long-term loan agreement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least 12 months after that date (IAS 1.74).</p>	<p>Unlike IFRS Standards, an entity classifies as current a long-term obligation that is or will be callable by a creditor because of the entity’s violation of a provision of the debt agreement at the balance sheet date or because the violation, if not cured within a specified grace period, will make the obligation callable unless (ASC 470-10-45-11):</p> <ul style="list-style-type: none"> <li>• The creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date; or</li> <li>• For long-term obligations containing a grace period within which the entity may cure the violation, it is probable that the violation will be cured within that period</li> </ul>
<b>Refinancing of short-term obligations on a long-term basis</b>	
<p>An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue (IAS 1.72(b)).</p>	<p>Unlike IFRS Standards, short-term obligations are classified as long-term if the entity intends to refinance the short-term obligation on a long-term basis and, prior to issuing the financial statements, the entity can demonstrate an ability to refinance the short-term obligation (ASC 470-10-45-12A though 45-13).</p>

## 10.6 Operating segments

### FASB segment reporting project

The FASB is in initial deliberations on a project to improve the segment aggregation criteria and related disclosures.

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IFRS 8; IAS 34	<b>Relevant guidance:</b> ASC 280
<b>Introduction</b>	
The <i>core principle of IFRS 8</i> is that an entity discloses 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 (IFRS 8.1).	Similar to IFRS Standards (ASC 280-10-10-1).
<p>IFRS 8 applies to the separate or individual financial statements of an entity and the consolidated financial statements of a group with a parent (IFRS 8.2):</p> <ul style="list-style-type: none"> <li>Whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or</li> <li>That files, or is in the process of filing, its financial statements/consolidated financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market</li> </ul>	<p>ASC 280 applies to public entities that (ASC Master Glossary, “public entity”):</p> <ul style="list-style-type: none"> <li>Have issued debt or equity securities or are conduit bond obligors for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the counter market, including local or regional markets)</li> <li>Are required to file financial statements with the SEC, or</li> <li>Provide financial statements for the purpose of issuing any class of securities in a public market</li> </ul> <p>ASC 280 does not apply to parent enterprises, subsidiaries, joint ventures, or investees accounted for by the equity method if those enterprises’ separate company statements also are consolidated or combined in a complete set of financial statements and both the separate company statements and the consolidated or combined statements are included in the same financial report, but does apply if their statements are issued separately (ASC 280-10-15-3).</p>
<b>Differences remaining between IFRS 8 and ASC 280</b>	
See U.S. GAAP discussion.	<p>The differences remaining between ASC 280 and IFRS 8 are as follows (IFRS 8, BC60):</p> <ul style="list-style-type: none"> <li>Unlike IFRS 8, ASC 280 indicates that the FASB staff believes that <i>long-lived assets</i> (as used in ASC 280-10-50-41, implies hard assets that cannot be readily removed, which would appear to exclude intangibles. Whereas <i>non-current assets</i> as used in IFRS 8 include intangibles (IFRS 8, BC56 and 57)</li> <li>Unlike IFRS 8, ASC 280 does not require disclosure of a measure of segment liabilities. The FASB had concluded that the value of information about segment liabilities in assessing the performance of the segments was limited. IFRS 8 requires disclosure of segment liabilities if such a</li> </ul>

IFRS Standards	U.S. GAAP
	<p>measure is regularly provided to the chief operating decision maker (IFRS 8, BC36-38)</p> <ul style="list-style-type: none"> <li>Unlike IFRS 8, ASC 280 requires an entity with a <i>matrix form of organization</i> to determine operating segments based on products and services. IFRS 8 requires such an entity to determine segments by reference to the <i>core principle of IFRS 8</i> (IFRS 8, BC27).</li> </ul>
<b>Operating segments</b>	
<p>An <i>operating segment</i> is a component of an entity (IFRS 8.5):</p> <ul style="list-style-type: none"> <li>That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)</li> <li>Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance</li> <li>For which discrete financial information is available</li> </ul>	<p>Similar to IFRS Standards. An <i>operating segment</i> is a component of an enterprise (ASC Master Glossary, "Operating Segment").</p>
<p>An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues (IFRS 8.5).</p>	<p>Similar to IFRS Standards (ASC 280-10-50-3).</p>
<p>The term <i>chief operating decision maker</i> identifies a function, not necessarily a manager with a specific title. The function is to allocate resources to and assess the performance of the operating segments of an entity (IFRS 8.7).</p>	<p>Similar to IFRS Standards (ASC 280-10-50-5).</p>
<p>The characteristics in IFRS 8.5 may apply to two or more overlapping sets of components for which managers are held responsible. That structure is sometimes referred to as a <i>matrix form of organization</i>. For example, in some entities, some managers are responsible for different product and service lines worldwide, whereas other managers are responsible for specific geographical areas. The chief operating decision maker regularly reviews the operating results of both sets of components, and financial information is available for both. In that situation, the entity determines which set of components constitute the operating segments by reference to the core principle in IFRS 8.1 (IFRS 8.10).</p>	<p>Similar to IFRS Standards; however, unlike IFRS 8, in a matrix form of organization, the components based on products and services would constitute the operating segments (ASC 280-10-50-9).</p>
<b>Reportable segments</b>	
<p><i>Aggregation criteria</i></p> <p>Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of IFRS 8, the segments have</p>	<p><i>Aggregation criteria</i></p> <p>Similar to IFRS Standards (ASC 280-10-50-11).</p>

IFRS Standards	U.S. GAAP
<p>similar economic characteristics, and the segments are similar in each of the following respects (IFRS 8.12):</p> <ul style="list-style-type: none"> <li>• The nature of the products and services</li> <li>• The nature of the production processes</li> <li>• The type or class of customer for their products and services</li> <li>• The methods used to distribute their products or provide their services</li> <li>• If applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities</li> </ul>	
<p><i>Quantitative thresholds</i></p> <p>An entity reports separately information about an operating segment that meets any of the following quantitative thresholds (IFRS 8.13):</p> <ul style="list-style-type: none"> <li>• Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments</li> <li>• The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss</li> <li>• Its assets are 10 percent or more of the combined assets of all operating segments</li> </ul> <p>Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements (IFRS 8.13-.19).</p>	<p><i>Quantitative thresholds</i></p> <p>Similar to IFRS Standards (ASC 280-10-50-12 through 50-19).</p>
<b>Disclosure</b>	
<p>An entity discloses the following for each period for which a statement of comprehensive income is presented (IFRS 8.21):</p> <ul style="list-style-type: none"> <li>• General information as described in IFRS 8.22 <ul style="list-style-type: none"> <li>– Factors used to identify the entity’s reportable segments and types of products</li> <li>– Judgments made by management in aggregating segments under IFRS 8.12, including a brief description of the operating segments aggregated and economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics</li> </ul> </li> </ul>	<p>Similar to IFRS Standards, except:</p> <ul style="list-style-type: none"> <li>• ASC 280 does not have a requirement to disclose judgments made by management in aggregating segments</li> <li>• <i>Non-current assets</i> as used in IFRS 8 include intangibles. Unlike IFRS Standards, <i>long-lived assets</i> (as used in ASC 280-10-50-41) implies hard assets that cannot be readily removed, which would appear to exclude intangibles</li> <li>• IFRS 8 requires disclosure of segment liabilities if such a measure is regularly provided to the chief operating decision maker. Unlike IFRS Standards, ASC 280 does not require disclosure of a measure</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>– Types of products and services from which each reportable segment derives its revenues</li> <li>• A measure of profit or loss for each reportable segment (IFRS 8.23)</li> <li>• A measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker (IFRS 8.23)</li> <li>• The following information is also disclosed for each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss (IFRS 8.23): <ul style="list-style-type: none"> <li>– Revenues from external customers</li> <li>– Revenues from transactions with other operating segments of the same entity</li> <li>– Interest revenue and interest expense (separately reported unless certain conditions are met)</li> <li>– Depreciation and amortization</li> <li>– Material items of income and expense disclosed in accordance with IAS 1.97</li> <li>– The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method</li> <li>– Income tax expense or income</li> <li>– Material non-cash items other than depreciation and amortization</li> </ul> </li> <li>• The following information is disclosed for each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets (IFRS 8.24): <ul style="list-style-type: none"> <li>– Amount of investment in associates and joint ventures accounted for by the equity method</li> <li>– Amounts of additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets (see IAS 19), and rights arising under insurance contracts</li> </ul> </li> <li>• Reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items</li> </ul>	<ul style="list-style-type: none"> <li>of segment liabilities (ASC 280-10-50-20 through 50-26)</li> <li>• ASC 280 does not have a clarification for providing a reconciliation of the total reportable segments' assets to an entity's assets only if the segment assets are regularly reported to the chief operating decision maker.</li> </ul>

IFRS Standards	U.S. GAAP
<p>to corresponding entity amounts as described in IFRS 8.28 (IFRS 8.21)</p> <ul style="list-style-type: none"> <li>Reconciliations of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented. Information for prior periods is restated as described in IFRS 8.29-.30 (IFRS 8.21).</li> </ul>	
<b>Entity-wide disclosures</b>	
<p>IFRS 8.32-.34 apply to all entities subject to IFRS 8 including those entities that have a single reportable segment. Information required by those paragraphs is provided only if it is not provided as part of the reportable segment information that is required (IFRS 8.31).</p> <p><i>Information about products and services</i></p> <p>An entity reports the revenues from external customers for each product and service or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact is disclosed. The amount of revenues reported is based on the financial information used to produce the entity's financial statements (IFRS 8.32).</p> <p><i>Information about geographical areas</i></p> <p>An entity reports the information about geographical areas that is required by IFRS 8.33, unless the necessary information is not available and the cost to develop it would be excessive.</p> <p><i>Information about major customers</i></p> <p>An entity provides information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 percent or more of an entity's revenues, the entity discloses that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For purposes of IFRS 8, a group of entities known to a reporting entity to be under common control is considered a single customer. However, judgment is required to assess whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity considers the extent of economic integration between those entities (IFRS 8.34).</p>	<p>Similar to IFRS Standards (ASC 280-10-50-38 through 50-42).</p>

IFRS Standards	U.S. GAAP
<b>Interim period information</b>	
IAS 34, on interim financial reporting, requires an entity to report selected information about its operating segments in interim financial reports (IAS 34.16A(g)).	ASC 280-10-50-32 through 50-33 requires similar disclosures about each reportable segment in condensed financial statements of interim periods.

## 10.7 Related party disclosures

IFRS Standards	U.S. GAAP
<b>Relevant guidance:</b> IAS 24	<b>Relevant guidance:</b> ASC 740, 825, and 850; SEC Regulation S-K, Item 402; SEC Regulation S-X, Rule 4-08(k)
<b>Introduction</b>	
The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances including commitments, with such parties (IAS 24.1).	Similar to IFRS Standards (ASC 850-10-05-1).
<p>A <i>related party</i> is a person or entity that is related to the entity that is preparing its financial statements (IAS 24.9).</p> <ul style="list-style-type: none"> <li>• A person or a close member of that person's family is related to a reporting entity if that person: <ul style="list-style-type: none"> <li>– Has control or joint control over the reporting entity</li> <li>– Has significant influence over the reporting entity; or</li> <li>– Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity</li> </ul> </li> <li>• An entity is related to a reporting entity if any of the following conditions applies: <ul style="list-style-type: none"> <li>– The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)</li> <li>– One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)</li> <li>– Both entities are joint ventures of the same third party</li> <li>– One entity is a joint venture of a third entity and the other entity is an associate of the third entity</li> <li>– The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.</li> </ul> </li> </ul>	<p><i>Related parties</i> are (ASC Master Glossary, "Related Parties"):</p> <ul style="list-style-type: none"> <li>• Affiliates of the enterprise</li> <li>• Entities for which investments in their equity securities would, absent the election of the fair value option under ASC 825, be required to be accounted for by the equity method by the enterprise</li> <li>• Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management</li> <li>• Principal owners of the enterprise and members of their immediate families</li> <li>• Management of the enterprise and members of their immediate families</li> <li>• Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests</li> <li>• Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests</li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>– The entity is controlled or jointly controlled by a person identified above</li> <li>– A person identified as having control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)</li> <li>– The entity or any member of a group of which it is a part provides key management personnel services to the reporting entity or the parent of the reporting entity.</li> </ul> <p><i>Key management personnel</i> are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly, or indirectly, including any director (whether executive or otherwise) of that entity (IAS 24.9).</p> <p>In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form (IAS 24.10).</p>	
<p>Disclosure of related party relationships, transactions, and outstanding balances, including commitments, are required in the consolidated and separate financial statements of a parent or investors with joint control of, or significant influence over, an investee presented in accordance with IFRS 10 or IAS 27. IAS 24 also applies to individual financial statements (IAS 24.3).</p>	<p>It is not necessary to duplicate disclosures in a set of separate financial statements that is presented in the financial report of another enterprise if those separate statements are also consolidated or combined in a complete set of financial statements and both sets of financial statements are presented in the same financial report (ASC 850-10-50-4).</p>
<p>Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated, except for those between an investment entity and its subsidiaries measured at fair value through profit or loss, in the preparation of consolidated financial statements of the group (IAS 24.4).</p>	<p>Disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements (ASC 850-10-50-1).</p>
<b>Disclosure of relationships between parents and subsidiaries</b>	
<p>Relationships between a parent and its subsidiaries are disclosed irrespective of whether there have been transactions between them. An entity discloses the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so is also disclosed (IAS 24.13).</p> <p>The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27 and IFRS 12 (IAS 24.15).</p>	<p>If the reporting entity and one or more other enterprises are under common ownership or management control and the existence of that control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprises were autonomous, the nature of the control relationship is disclosed even though there are no transactions between the entities (ASC 850-10-50-6).</p> <p>The name of the related party is disclosed if necessary to the understanding of the relationship (ASC 850-10-50-3).</p>

IFRS Standards	U.S. GAAP
<b>Disclosure of key management personnel compensation</b>	
<p>An entity discloses key management personnel compensation in total and for each of the following categories (IAS 24.17):</p> <ul style="list-style-type: none"> <li>• Short term employee benefits (IAS 19)</li> <li>• Post-employment benefits (IAS 19)</li> <li>• Other long term benefits (IAS 19)</li> <li>• Termination benefits (IAS 19)</li> <li>• Share-based payment (IFRS 2)</li> </ul> <p>If an entity obtains key management personnel from another entity (the management entity), the entity is not required to apply the requirements in paragraph 17 (noted above) to the compensation paid or payable by the management entity to the management entity's employees or directors (IFRS 24.17A).</p>	<p>Unlike IFRS Standards, ASC 850 does not require disclosure of compensation arrangements, expense allowances, and other similar items in the ordinary course of business (ASC 850-10-50-1).</p> <p>SEC Regulation S-K, Item 402 requires disclosure of executive compensation. Such disclosures are outside of the entity's basic general purpose financial statements and are not required by U.S. GAAP.</p>
<b>Disclosure of transactions and outstanding balances</b>	
<p>If an entity has had related party transactions during the periods covered by the financial statements, it discloses the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosures are in addition to the requirements in IAS 24.17 to disclose key management personnel compensation. At a minimum, disclosures include (IAS 24.18):</p> <ul style="list-style-type: none"> <li>• Amount of the transactions</li> <li>• Amount of the outstanding balances, including commitments, and <ul style="list-style-type: none"> <li>– Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement</li> <li>– Details of any guarantees given or received</li> </ul> </li> <li>• Provisions for doubtful accounts related to the amount of outstanding balances</li> <li>• The expense recognized during the period with respect to bad or doubtful debts due from related parties</li> <li>• Amounts incurred by the entity for the provision of key management personnel services provided by a separate management entity would be disclosed (IAS 24.18A).</li> </ul> <p>The disclosures required by IAS 24.18 are made separately for the following categories (IAS 24.19):</p> <ul style="list-style-type: none"> <li>• The parent</li> </ul>	<p>ASC 850 requires disclosure of material related party transactions, including (ASC 850-10-50-1):</p> <ul style="list-style-type: none"> <li>• Nature of the relationship</li> <li>• Description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each period for which income statements are presented</li> <li>• Amount of the transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period</li> <li>• Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement</li> <li>• An entity that is a member of a group that files a consolidated tax return discloses in its separately issued financial statements (ASC 740-10-50-17): <ul style="list-style-type: none"> <li>– The amount of any tax-related balances due to or from affiliates as of the date of each balance sheet</li> <li>– Principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates)</li> </ul> </li> </ul>

IFRS Standards	U.S. GAAP
<ul style="list-style-type: none"> <li>• Entities with joint control of, or significant influence, over the entity</li> <li>• Subsidiaries</li> <li>• Associates</li> <li>• Joint ventures in which the entity is a joint venturer</li> <li>• Key management personnel of the entity or its parent</li> <li>• Other related parties</li> </ul>	<p>Unlike IFRS Standards, there is no specific requirement to disclose allowances for doubtful accounts related to the amount of related party outstanding balances.</p>
<b>Disclosure of items of a similar nature</b>	
<p>Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity (IAS 24.24).</p>	<p>In some cases, aggregation of similar transactions by type of related party may be appropriate (ASC 850-10-50-3).</p>
<b>Other</b>	
<p>IAS 24 does not require that related party transactions be disclosed on the face of the financial statements.</p>	<p>Similar to IFRS Standards, U.S. GAAP does not require that related party transactions be disclosed on the face of the financial statements. However, SEC registrants are required to disclose related party transactions on the face of their financial statements (SEC Regulation S-X, Rule 4-08(k)).</p>

# Appendix A

## **Listing of IFRS Standards**

### **International Financial Reporting Standards (IFRS)**

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

IFRS 2, *Share-based Payment*

IFRS 3, *Business Combinations*

IFRS 4, *Insurance Contracts*

IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

IFRS 6, *Exploration for and Evaluation of Mineral Resources*

IFRS 7, *Financial Instruments: Disclosures*

IFRS 8, *Operating Segments*

IFRS 9, *Financial Instruments*

IFRS 10, *Consolidated Financial Statements*

IFRS 11, *Joint Arrangements*

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 13, *Fair Value Measurement*

IFRS 14, *Regulatory Deferral Accounts*

IFRS 15, *Revenue from Contracts with Customers*

IFRS 16, *Leases*

IFRS 17, *Insurance*

### **International Accounting Standards (IAS)**

IAS 1, *Presentation of Financial Statements*

IAS 2, *Inventories*

IAS 7, *Statement of Cash Flows*

IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

IAS 10, *Events after the Reporting Period*

IAS 11, *Construction Contracts*

IAS 12, *Income Taxes*

IAS 16, *Property, Plant and Equipment*

IAS 17, *Leases*

IAS 18, *Revenue*

IAS 19, *Employee Benefits*

IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

IAS 21, *The Effects of Changes in Foreign Exchange Rates*

IAS 23, *Borrowing Costs*

IAS 24, *Related Party Disclosures*

IAS 26, *Accounting and Reporting by Retirement Benefit Plans*

IAS 27, *Separate Financial Statements*

IAS 28, *Investments in Associates and Joint Ventures*

IAS 29, *Financial Reporting in Hyperinflationary Economies*

IAS 32, *Financial Instruments: Presentation*

IAS 33, *Earnings per Share*

IAS 34, *Interim Financial Reporting*

IAS 36, *Impairment of Assets*

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

IAS 38, *Intangible Assets*

IAS 39, *Financial Instruments: Recognition and Measurement*

IAS 40, *Investment Property*

IAS 41, *Agriculture*

### **IFRIC Interpretations**

IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

IFRIC 2, *Members' Shares in Co-operative Entities and Similar Instruments*

IFRIC 4, *Determining whether an Arrangement Contains a Lease*

IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

IFRIC 6, *Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*

IFRIC 7, *Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"*

IFRIC 10, *Interim Financial Reporting and Impairment*

IFRIC 12, *Service Concession Arrangements*

IFRIC 13, *Customer Loyalty Programmes*

IFRIC 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 15, *Agreements for the Construction of Real Estate*

IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

IFRIC 17, *Distributions of Non-Cash Assets to Owners*

IFRIC 18, *Transfers of Assets from Customers*

IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 21, *Levies*

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

IFRIC 23, *Uncertainty over Income Tax Treatments*

### **SIC Interpretations**

SIC 7, *Introduction of the Euro*

SIC 10, *Government Assistance - No Specific Relation to Operating Activities*

SIC 15, *Operating Leases - Incentives*

SIC 25, *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*

SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

SIC 29, *Service Concession Arrangements - Disclosures*

SIC 31, *Revenue - Barter Transactions Involving Advertising Services*

SIC 32, *Intangible Assets - Web Site Costs*

# Appendix B

## **Listing of FASB Codification Topics** **FASB Accounting Standards Codification™ (ASC)**

- ASC 105, *Generally Accepted Accounting Principles*
- ASC 205, *Presentation of Financial Statements*
- ASC 210, *Balance Sheet*
- ASC 215, *Statement of Shareholder Equity*
- ASC 220, *Income Statement – Reporting Comprehensive Income*
- ASC 230, *Statement of Cash Flows*
- ASC 235, *Notes to Financial Statements*
- ASC 250, *Accounting Changes and Error Corrections*
- ASC 255, *Changing Prices*
- ASC 260, *Earnings per Share*
- ASC 270, *Interim Reporting*
- ASC 272, *Limited Liability Entities*
- ASC 274, *Personal Financial Statements*
- ASC 275, *Risks and Uncertainties*
- ASC 280, *Segment Reporting*
- ASC 305, *Cash and Cash Equivalents*
- ASC 310, *Receivables*
- ASC 320, *Investments – Debt and Equity Securities*
- ASC 321, *Investments – Equity Securities*
- ASC 323, *Investments – Equity Method and Joint Ventures*
- ASC 325, *Investments – Other*
- ASC 326, *Financial Instruments – Credit Losses*
- ASC 330, *Inventory*
- ASC 340, *Other Assets and Deferred Costs*
- ASC 350, *Intangibles – Goodwill and Other*
- ASC 360, *Property, Plant, and Equipment*
- ASC 405, *Liabilities*
- ASC 410, *Asset Retirement and Environmental Obligations*

ASC 420, *Exit or Disposal Cost Obligations*  
ASC 430, *Deferred Revenue*  
ASC 440, *Commitments*  
ASC 450, *Contingencies*  
ASC 460, *Guarantees*  
ASC 470, *Debt*  
ASC 480, *Distinguishing Liabilities from Equity*  
ASC 505, *Equity*  
ASC 605, *Revenue Recognition*  
ASC 606, *Revenue from Contracts with Customers*  
ASC 610, *Other Income*  
ASC 705, *Cost of Sales and Services*  
ASC 710, *Compensation—General*  
ASC 712, *Compensation—Nonretirement Postemployment Benefits*  
ASC 715, *Compensation—Retirement Benefits*  
ASC 718, *Compensation—Stock Compensation*  
ASC 720, *Other Expenses*  
ASC 730, *Research and Development*  
ASC 740, *Income Taxes*  
ASC 805, *Business Combinations*  
ASC 808, *Collaborative Arrangements*  
ASC 810, *Consolidation*  
ASC 815, *Derivatives and Hedging*  
ASC 820, *Fair Value Measurement*  
ASC 825, *Financial Instruments*  
ASC 830, *Foreign Currency Matters*  
ASC 835, *Interest*  
ASC 840, *Leases*  
ASC 842, *Leases*  
ASC 845, *Nonmonetary Transactions*  
ASC 850, *Related Party Disclosures*  
ASC 852, *Reorganizations*

ASC 853, *Service Concession Arrangements*  
ASC 855, *Subsequent Events*  
ASC 860, *Transfers and Servicing*  
ASC 905, *Agriculture*  
ASC 908, *Airlines*  
ASC 910, *Contractors–Construction*  
ASC 912, *Contractors–Federal Government*  
ASC 915, *Development Stage Entities*  
ASC 920, *Entertainment–Broadcasters*  
ASC 922, *Entertainment–Cable Television*  
ASC 924, *Entertainment–Casinos*  
ASC 926, *Entertainment–Films*  
ASC 928, *Entertainment–Music*  
ASC 930, *Extractive Activities–Mining*  
ASC 932, *Extractive Activities–Oil and Gas*  
ASC 940, *Financial Services–Broker and Dealers*  
ASC 942, *Financial Services–Depository and Lending*  
ASC 944, *Financial Services–Insurance*  
ASC 946, *Financial Services–Investment Companies*  
ASC 948, *Financial Services–Mortgage Companies*  
ASC 950, *Financial Services–Title Plant*  
ASC 952, *Franchisors*  
ASC 954, *Health Care Entities*  
ASC 958, *Not-for-Profit Entities*  
ASC 960, *Plan Accounting–Defined Benefit Pension Plans*  
ASC 962, *Plan Accounting–Defined Contribution Pension Plans*  
ASC 965, *Plan Accounting–Health and Welfare Benefit Plans*  
ASC 970, *Real Estate–General*  
ASC 972, *Real Estate–Common Interest Realty Associations*  
ASC 974, *Real Estate–Real Estate Investment Trusts*  
ASC 976, *Real Estate–Retail Land*  
ASC 978, *Real Estate–Time-Sharing Activities*

ASC 980, *Regulated Operations*

ASC 985, *Software*

ASC Master Glossary

# Appendix C

## **U.S. GAAP Accounting Standards Updates (ASUs)**

2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors*

2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*

2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*

ASU 2018-17 *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*

ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*

ASU 2018-15 *Intangibles – Goodwill and Other: Internal-Use Software (ASC 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*

ASU 2018-14 *Compensation – Retirement Benefits: Defined Benefit Plans – General (ASC 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans*

ASU 2018-13 *Fair Value Measurement (ASC 820): Changes to the Disclosure Requirements for Fair Value Measurement*

ASU 2018-12 *Financial Services – Insurance (ASC 944): Targeted Improvements to the Accounting for Long-Duration Contracts*

ASU 2018-11 *Leases (ASC 842): Targeted Improvements*

ASU 2018-10 *Codification Improvements to Topic 842, Leases (ASC 842, Leases)*

ASU 2018-09 *Codification Improvements*

ASU 2018-08 *Not-for-Profit Entities (ASC 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

ASU 2018-07 *Compensation – Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting*

ASU 2018-06 *Financial Services – Depository and Lending (ASC 942): Codification Improvements to Topic 942*

ASU 2018-05 *Income Taxes (ASC 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*

ASU 2018-04 *Investments – Debt Securities (ASC 320) and Regulated Operations (ASC 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273)*

ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

*ASU 2018-02 Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.*

*ASU 2018-01 Leases (Topic 842): Land Easements Practical Expedient for Transition to Topic 842*

*ASU 2017-15 Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*

*ASU 2017-14 Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to the Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403*

*ASU 2017-13 Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*

*ASU 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting and Hedging Activities*

*ASU 2017-11 Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*

*ASU 2017-10, Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force)*

*ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*

*ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*

*ASU 2017-07, Compensation –Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*

*ASU 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)*

*ASU 2017-05, Other Income –Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*

*ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*

*ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)*

*ASU 2017-02, Not-for-Profit Entities –Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*

ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*

ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*

ASU 2016-19, *Technical Corrections and Improvements*

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*

ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control*

ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*

ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*

ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*

ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*

ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)*

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*

ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*

ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*

ASU 2016-07, *Investments – Equity Method and Joint Ventures (Topic 323); Simplifying the Transition to the Equity Method of Accounting*

ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force)*

ASU 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force)*

ASU 2016-04, *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force)*

ASU 2016-03, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a consensus of the Private Company Council)*

ASU 2016-02, *Leases (Topic 842)*

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

# Appendix D

## **Listing of pre-codification U.S. GAAP standards**

(**Note:** Only those pre-codification U.S. GAAP standards that are mentioned in the Comparison Document are included in the listing below.)

### **Statements of Financial Accounting Concepts**

Concepts Statement 5, *Recognition and Measurement in Financial Statements of Business Enterprises*

Concepts Statement 6, *Elements of Financial Statements - A replacement of FASB Concepts Statement 3*

# Appendix E

## **Listing of SEC standards**

(Note: Only those SEC standards that are mentioned in the Comparison Document are included in the listing below.)

### **SEC Regulation S-X (Financial Statement Requirements)**

Rule 3-01, *Consolidated Balance Sheets*

Rule 3-02, *Consolidated Statements of Income and Cash Flows*

Rule 4-08, *General Notes to Financial Statements*

Rule 5-02, *Balance Sheets*

Rule 5-03, *Income Statements*

Rule 5-04, *What Schedules are to be Filed*

### **SEC Regulation G**

Part 244, *Disclosure of Non-GAAP Financial Measures*

### **SEC Regulation S-K (Non-Financial Statement Requirements)**

Item 303, *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Item 402, *Executive Compensation*

### **Staff Accounting Bulletin (SAB)**

SAB Topic 4:C, *Change in Capital Structure*

SAB Topic 5:CC, *Impairments*

SAB Topic 11:M, *Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period*

SAB Topic 13, *Revenue Recognition*



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