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ROBERT H. HERZ
Chairman

February 10, 2005

Mr. Michel Colinet
Secretary of CESR-Fin
The Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Dear Mr. Colinet:

Your reference: CESR/04-635

I am pleased to respond to your letter of November 23, 2004 requesting information on US GAAP and its equivalence with IAS/IFRS.

Accompanying this letter is a completed copy of Sections 1-8 of the questionnaire that was attached to the November 2003 letter, together with two appendices. Appendix 1 lists certain authoritative U.S. GAAP pronouncements and Appendix 2 lists differences between IAS/IFRS and U.S. GAAP.

I have also enclosed three publications which are referred to in our responses to Sections 1-8 of the questionnaire: *The IASC-U.S. Comparison Project: A Report on the Similarities and Differences between IASC Standards and U.S. GAAP*, Second Edition, (FASB, 1999); *Facts about FASB,* (FASB 2004); and *The FASB Report,* (FASB, December 28, 2004).

If you should have any questions about our responses to the questionnaire or wish any further information, please feel free to contact FASB project manager Niall Campbell at 203-956-352 ngcampbell@fasb.org .

Sincerely,

Robert H Herz

Robert H. Herz

cc: Sue Bielstein
Kim Petrone
Niall Campbell

Enclosures

Section 1 – General Accounting Accepted Principles

a. Please describe the financial reporting standards that are legally enforceable in your jurisdiction as of January 2005, and which are covering the list of topics mentioned in Annex 2?

The responses to sections 1c and 3 detail the background to legal enforceability and the various pronouncements that are commonly referred to as U.S. GAAP.

Appendix 1 lists those pronouncements that have been promulgated by the Financial Accounting Standards Board (FASB) and its predecessor bodies that fall within category *(a)* of the U.S. GAAP hierarchy (see section 1c.below) that are effective as at January 1, 2005, and those that were issued prior to January 1, 2005 but do not become effective until after that date. For the avoidance of doubt, these include only 1) FASB Statements of Financial Reporting Standards (designated as FAS), 2) FASB Interpretations (designated as FIN), 3) AICPA Accounting Principles Board Opinions (designated as APB), and 4) AICPA Committee on Accounting Procedure Accounting Research Bulletins (designated as ARB).

Appendix 2 identifies those pronouncements listed in Appendix 1 that relate to the scope of the IAS/IFRS pronouncements in the original Annex 2 to this questionnaire and the response to section 6 identifies those that do not.

The Securities and Exchange Commission (SEC) can provide details of rules, regulations, and interpretive releases of the SEC that have an authority similar to category *(a)* pronouncements for SEC registrants.

The American Institute of Certified Public Accountants (AICPA) can provide details of their Industry Audit and Accounting Guides, Statements of Position and AcSEC Practice Bulletins, which fall within categories *(b)*, *(b)* and *(c)* of the U.S. GAAP hierarchy respectively. A list of these pronouncements that were in issue as of June 1, 2004 is contained in Appendix A of the FASB publication *Original Pronouncements—As Amended—2004/2005 Edition.*

The FASB publication *Original Pronouncements—As Amended—2004/2005 Edition* also contains a listing and the full text of all FASB Technical Bulletins (FTBs) and AICPA Accounting Interpretations (AINs) that were in issue as of June 1, 2004 and which fall within categories *(b)* and *(d)* of the U.S. GAAP hierarchy respectively.

The FASB publication *EITF Abstracts—A Summary of Proceedings of the FASB Emerging Issues Task Force as of September 29-30, 2004—(Volumes 1 and 2)* contains a listing and the full text of all extant EITF issues (including consensuses reached which fall within category *(c)* of the U.S. GAAP hierarchy) and D Topics through the meeting of the EITF that took place on those dates.

The FASB publication *Current Text—2004/2005 Edition* contains a listing and the full text of FASB Implementation Guides (Q&A's) and FASB Staff Positions (FSPs) that were in issue as of June 1, 2004 and which fall within category *(d)* of the U.S. GAAP hierarchy.

b. Where relevant, please also describe any other principles/guidance which are not mandatory applicable but are relevant for this project.

Please refer to the answers to section 1a. and 1c.

c. Could you please include a description of the formal hierarchy of your standards? In particular, indicate whether the financial reporting standards referred to above are e.g. accounting standards, company law provisions, corporate governance standards…. Please also state whether provisions referred to are standards or interpretation (where necessary, please mention the basis for the enforceability).

The AICPA's Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report,* (SAS 69) establishes a hierarchy of sources of U.S. GAAP.

SAS 69 defines the U.S. GAAP hierarchy for nongovernmental entities as follows:

a. Category *(a)* consists of accounting principles promulgated by a body designated by the AICPA Council to establish such principles, pursuant to Rule 203 of the AICPA Code of Professional Conduct.[1] As such, category *(a)* consists of Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, and AICPA Accounting Research Bulletins.

b. Category *(b)* consists of pronouncements of bodies, composed of expert accountants, who deliberate accounting issues in public forums for the purpose of establishing accounting principles and have been exposed for public comment and cleared[2] by a body referred to in category *(a).* As such, category *(b)* consists of FASB Technical Bulletins and, if cleared by the Board, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

c. Category *(c)* consists of pronouncements of bodies, organized by a body referred to in category *(a),* which publicly deliberate accounting issues that are cleared by a body referred to in category *(a),* but have not been exposed for public comment. As such, category *(c)* consists of AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins that have been cleared by the Board and consensus positions of the FASB's Emerging Issues Task Force.

d. Category *(d)* includes practices or pronouncements that are widely recognized as generally acceptable because they represent prevalent practice in a particular industry or the knowledgeable application to specific circumstances of pronouncements that are generally acceptable. As such, category *(d)* includes AICPA accounting interpretations, FASB Implementation Guides ("Q&As"), FASB staff positions (FSPs), and practices that are

[1] Rule 203 provides that an auditor should not express an unqualified opinion if the financial statements contain a material departure from such pronouncements unless, due to unusual circumstances, adherence to the pronouncements would make the statements misleading. Rule 203, therefore, provides for the possibility that literal application of such a pronouncement might, in unusual circumstances, result in misleading financial statements.

[2] SAS 69 states that the word *cleared* means that the body designated to promulgate accounting principles pursuant to Rule 203 "has indicated that it does not object to the issuance of the proposed pronouncement."

widely recognized and prevalent either generally or in the industry.

If no source of established accounting literature exists, SAS 69 states that the auditor should consider *other accounting literature* that may be applicable based on relevant facts and circumstances. SAS 69 states that other accounting literature could include FASB Concepts Statements, APB Statements, AICPA Issues Papers, International Accounting Standards, Governmental Accounting Standards, pronouncements of other professional associations or regulatory agencies, AICPA Technical Practice Aids, and other accounting publications (textbooks, handbooks, articles, etc.). In addition, SAS 69 states that if there is a conflict between accounting principles in categories *(b), (c),* or *(d),* the auditor should follow the treatment specified by the higher category or justify a conclusion that treatment specified by the lower category better presents the substance of the transaction.

SAS 69 also acknowledges that because of developments such as new legislation or the evolution of a new type of business transaction, there sometimes are no established accounting principles for reporting a specific transaction or event. In those instances, SAS 69 states that it might be possible to report the event or transaction on the basis of its substance by selecting an accounting principle that appears appropriate when applied in a manner similar to the application of an established principle to an analogous transaction or event.

SAS 69 states that rules and interpretive releases of the Securities and Exchange Commission (SEC) have an authority similar to category *(a)* pronouncements for SEC registrants. In addition the SEC staff has stated that it will challenge the accounting of any registrant that differs from a consensus of the EITF and has indicated that it expects registrants to follow the guidance in FSPs.

In November 2004 the FASB added a project to its technical agenda to move the U.S. GAAP hierarchy from SAS 69 to an FASB standard and expects to issue an Exposure Draft in the first quarter of 2005. Further details about this project can be obtained from the Project Updates and Technical Plan area of the FASB website at http://www.fasb.org/project/index.shtml.

One of the FASB's long-term goals is to create a single, authoritative codification of US GAAP. This is being addressed in the codification and retrieval project, the aim of which is to restructure all existing US GAAP literature by topic into a single authoritative retrievable source. The FASB expects to complete the codification and retrieval project in roughly 3 to 5 years. Further details about this project can be obtained from the Project Activities—Other Activities area of the FASB website at http://www.fasb.org/project/other_activities.shtml.

d. Please indicate whether there are any additional or different enforceable final standards whose date of application would be after 1st January 2005.

As at December 31, 2004 the FASB had issued the following category *(a)* GAAP pronouncements which have an effective date after January 1, 2005:

(1) Statement 123 (revised 2004), *Share-Based Payment*, which is similar to IFRS 2, was issued in December 2004 and has an effective date of June 15, 2005 for public entities and December 15, 2005 for public entities that are small business issuers and for non-public entities. All public entities must apply the Statement for interim or annual reporting periods and non-public entities for annual reporting periods beginning after the effective date. Earlier adoption is encouraged.

(2) Statement 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4*, was issued in November 2004 and is effective for fiscal years beginning after June 15, 2005. Earlier

application is permitted for inventory costs incurred after the date of issue. This Statement is part of the FASB's short-term convergence project and removes certain differences between US GAAP and IFRS relating to the measurement of inventory costs.

(3) Statement 152, *Accounting for Real-Estate Time-Sharing Transactions, an amendment of FASB Statements No. 66 and 67,* was issued in December 2004 and is effective for fiscal years beginning after June 15, 2005. This Statement deals with consequential amendments to FASB pronouncements arising from the issuance of AICPA SOP 04-02, *Accounting for Real-Estate Time-Sharing Transactions*. This is an area not dealt with explicitly by IFRS.

(4) Statement 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29*, was issued in December 2004 and is effective for fiscal periods (interim or annual) beginning after June 15, 2005. This Statement is part of the FASB's short-term convergence project and removes certain differences between US GAAP and IFRS relating to the measurement of exchanges of non-monetary assets.

Further details regarding all FASB pronouncements can be found on the FASB website at www.fasb.org.

e. Do you anticipate other significant changes in your GAAP to take place before 1st January 2007 (date upon which all third country issuers in Europe will have to present financial statements prepared under IAS/IFRS or equivalent GAAP, for reporting under Transparency and Prospectus EU Directive)?

It is possible that there will be significant changes in US GAAP before January 1, 2007. The FASB has an active technical agenda with numerous projects at various stages of completion and many more vying for inclusion on that agenda. Details of the FASB's technical agenda and updates on the progress of each FASB project can be obtained from the Project Updates and Technical Plan area of the FASB website at www.fasb.org/project/index.shtml.

Section 2- Description of differences
a. *Please describe any differences between your financial reporting standards and the IAS/IFRS listed in Appendix 2 (please indicate which of your national financial reporting standards correspond to each IAS/IFRS mentioned). Differences should be mentioned with regard to the following types of provisions:* ▪ *Scope* ▪ *Presentation/measurement* ▪ *Recognition* ▪ *Disclosure*
Please see Appendix 2. For each IASB pronouncement listed in the original Appendix 2 to the questionnaire, Appendix 2 provides the following information: (1) A reference to the pronouncement(s) of the FASB, and its predecessor bodies, from category *(a)* of U.S.GAAP that address items within the scope of the IAS / IFRS pronouncements listed, if any. See section 1c. for an explanation of the U.S. GAAP hierarchy. Pronouncements from other bodies, such as the SEC and the AICPA, and in other categories of U.S. GAAP may also be relevant but are not listed in Appendix 2 except where there is no relevant FASB (or predecessor body) pronouncement in category *(a)* of U.S. GAAP and there is a direct correlation between the IASB pronouncement and the other U.S. GAAP pronouncement. (2) A description of differences between IAS / IFRS and U.S. GAAP. Various catalogs of differences between U.S. GAAP and IFRS have been prepared at different points in time; see section 5 for details of some relevant publications. The differences included in Appendix 2 are those of which the FASB staff is aware and currently considers the most significant. The significance of any of the individual differences listed (and any others which may exist but are not included in the listing) will vary between reporting entities depending on many factors including: the types of transactions that it enters in to, the accounting policy choices that it makes, and the materiality of particular items. Differences that may be significant for one entity may not be significant for another entity. Differences that are significant today may not be significant tomorrow, and vice versa.
b. *When information is provided to investors through other means than in the financial statements; is this information subject to audit requirements identical to those applicable for financial statements*?
No, information provided to investors outside of a set of audited U.S. GAAP financial statements is not subject to the same audit requirements as information contained in the financial statements.

Nonfinancial statement disclosures included in SEC registration statements and periodic filings are not subject to an audit requirement. This means that items such as Management's Discussion and Analysis (see SEC Regulation S-K) and supplementary financial information provided outside of the financial statements are unaudited. SEC Regulations S-X and S-B require that unaudited interim financial statements filed on forms 10-Q and 10-QSB are reviewed by an independent accountant. An auditor who expresses an opinion on financial statements included in SEC filings will review the nonfinancial statement disclosures for consistency with the financial statements.

Section 3 – Standard Setting Process

a. What is (are) the name of the body(ies) entrusted with the standard setting process in your jurisdiction? Please detail structure, functions and responsibilities of theses bodies.

In the United States, the Securities Exchange Commission (SEC) has statutory authority to establish financial accounting and reporting standards for publicly held companies under the Securities and Exchange Act of 1934. Throughout its history, however, the SEC's policy has been to rely on the private sector to perform the standard setting function, to the extent that the private sector demonstrates the ability to fulfill that responsibility in the public interest.

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting for business enterprises and for not-for-profit organizations. Those standards govern the preparation of financial reports. They are officially recognized as authoritative by the Securities and Exchange Commission (Financial Reporting Release No. 1, Section 101[3]) and the American Institute of Certified Public Accountants (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979). Before the present structure was created, financial accounting and reporting standards were established first by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants (1936–1959) and then by the Accounting Principles Board, also a part of the AICPA (1959–73). Pronouncements of those predecessor bodies remain in force unless amended or superseded by the FASB.

Structure, Functions and Responsibilities of the FASB

The FASB is part of the nongovernmental corporation known as the Financial Accounting Foundation (FAF) and part of a structure that is independent of all other business and professional organizations. The independent structure of the FASB and FAF, the FASB's mission and its open decision-making (standard setting) process are more fully described in FACTS about FASB, which is available at http://www.fasb.org/facts/ (and is enclosed). In brief:

Structure—The FAF, which was incorporated to operate exclusively for charitable, educational, scientific and literary purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, is responsible for selecting the seven members of the FASB and the Board's advisory council, ensuring adequate funding of their activities and for exercising general oversight with the exception of the FASB's resolution of technical issues.

Mission—The mission of the FASB is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors and users of financial information. To accomplish its mission , the FASB acts to:

- Improve the usefulness of financial reporting by focusing on the primary characteristics of relevance and reliability and on the qualities of comparability and consistency

[3] As updated by the SEC Policy Statement: *Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter*, (April 25, 2003).

- Keep standards current
- Consider promptly significant areas of deficiency
- Promote international convergence of accounting standards concurrent with improving the quality of financial reporting
- Improve the common understanding of the nature and purposes of information contained in financial reports.

Open Decision-making Process—The FASB's activities are open to public observation and participation and follow extensive "due process" procedures mandated by formal Rules of Procedure. This process was modeled on the Federal Administrative Procedure Act and, in several respects, is more demanding. The FASB is committed to following an open, orderly process for standard setting that precludes placing any particular interest above the interests of the many who rely on financial information. The Board believes that this broad public interest is best served by developing neutral standards. (Paragraphs 98–110 of FASB's Concepts Statement No. 2, *Qualitative Characteristics of Accounting Information*, describe the notion of neutrality in accounting.)

b. Please include a brief description of the standard setting process (of the standards referred to above).

In conducting its activities, the FASB actively solicits views of its various constituencies on accounting issues and follows certain precepts, which are:

To be objective in its decision making and to ensure, insofar as possible, the neutrality of information resulting from its standards. To be neutral, information must report economic activity as faithfully as possible without coloring the image it communicates for the purpose of influencing behavior in any particular direction.

To weigh carefully the views of its constituents in developing concepts and standards. However, the ultimate determinant of concepts and standards must be the Board's judgment, based on research, public input and careful deliberation about the usefulness of the resulting information.

To promulgate standards only when the expected benefits exceed the perceived costs. While reliable, quantitative cost-benefit calculations are seldom possible, the Board strives to determine that a proposed standard will meet a significant need and that the costs it imposes, compared with possible alternatives, are justified in relation to the overall benefits.

To bring about needed changes in ways that minimize disruption to the continuity of reporting practice. Reasonable effective dates and transition provisions are established when new standards are introduced. The Board considers it desirable that change be evolutionary to the extent that it can be accommodated by the need for relevance, reliability, comparability and consistency.

To review the effects of past decisions and interpret, amend or replace standards in a timely fashion when such action is indicated.

Refer to FACTS about FASB for a fuller discussion of the process for:

- adding topics to the Board's technical agenda

- deliberating issues in public meetings,
- seeking comments on proposed standards
- further deliberation of issues after comments are received and analyzed
- other steps, including public roundtables, meetings with the Board's advisory council, and other constituent groups.

When the Board is satisfied that all reasonable alternatives have been considered adequately, the staff is directed to prepare a draft of a final document for consideration by the Board. A vote is taken on the final document, by written ballot. Affirmative votes by a simple majority of Board members (generally 4 of 7) are required for adoption of a pronouncement.

c. Are the standards referred to above easily accessible in English?

Yes. Individual standards issued by the FASB are available at www.fasb.org (as originally issued, they do not reflect amendments or other modifications) and can be downloaded free of charge. The standards also are available in bound printed sets and on searchable electronic compact discs.

Section 4 – Conceptual framework

a. Do you have general financial reporting principles identical to the ones set out in the IAS/IFRS framework? Please describe any difference.

We believe that the conceptual frameworks of the FASB and IASB are *equivalent* in all significant respects; however, their existing frameworks are neither identical nor complete. (We note that CESR "is firmly of the view that equivalent should not be defined as meaning 'identical' (paragraph 2.1 of October 2004 Consultation Paper)).

At their October 2004 joint meeting, the FASB and IASB decided to add to their respective technical agendas a joint project to develop a common conceptual framework—a single framework that is based on and builds on their existing frameworks. Please refer to the enclosed December 28, 2004 issue of *The FASB Report* for a fuller discussion of the FASB's conceptual framework and the joint project to revisit the conceptual frameworks of the FASB and IASB.

b. Are your enforceable financial reporting standards taking into account the four characteristics as described in the concept paper released by CESR? Where not the case, please explain the differences.

Yes, The FASB's standard-setting process takes into consideration each of the four characteristics—(a) understandability, (b) relevance, (c) reliability, and (d) comparability—as well as other factors.

The FASB's Concepts Statement No. 2, *Qualitative Characteristics of Accounting Information* (May 1980), discusses each of the characteristics of accounting information (information provided by financial reporting) that make that information useful, with usefulness for decision making of most importance. Figure 1 of that Concepts Statement represents a hierarchy of accounting qualities. (Enclosed below)

Below are the glossary definitions for each of the four characteristics described in the concept paper released by CESR and a reference to the relevant paragraph numbers in Concepts Statement 2.

Understandability—The quality of information that enables users to perceive its significance. (s 40–41)

Relevance—The capacity of information to make a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations. (s 46–57)

Reliability—The quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to represent. (s 58–97)

Comparability—the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena. (s 111–122)

As noted earlier, in addition to those four characteristics, the FASB also places importance on neutrality when setting accounting standards.

Paragraph 42 of Concepts Statement 2 also discusses the relative importance and trade-offs between relevance and reliability. It says:

> Although financial information must be both relevant and reliable to be useful, information may possess both characteristics to vary degrees. It may be possible to trade relevance for reliability or vice versa, though not to the point of dispensing with one of them altogether. . . .

c. Do financial statements prepared under the basis of your GAAP pursue the same objectives as financial statements prepared under IAS/IFRS?

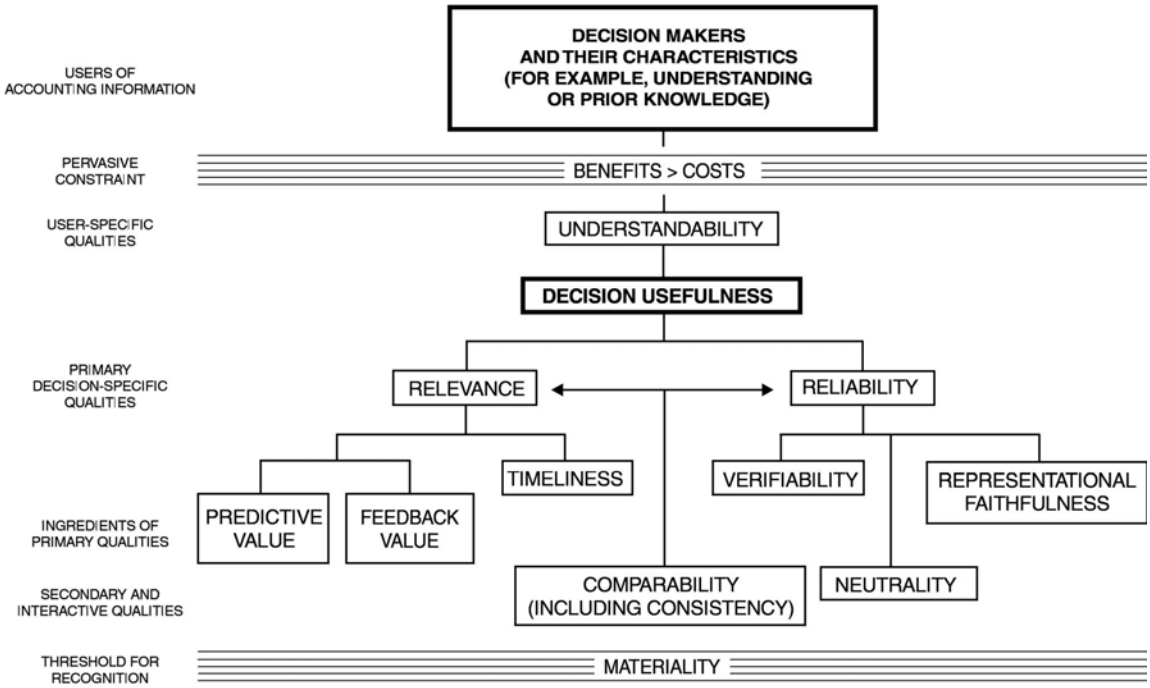
Yes. FASB Concepts Statement No. 1, *Objectives of Financial Reporting by Business Enterprises* (November 1978), establishes the objectives of general purpose external financial reporting by business enterprises. As summarized in paragraph 32 of that Statement:

> the objectives begin with a broad focus on information that is useful in investment and credit decisions; then arrow that focus to investors' and creditors' primary interests in the prospects of receiving cash from their investment in or loans to business enterprises and the relation of those prospects to the enterprise's prospects; and finally focus on information about an enterprise's resources, the claims to those resources, and changes in them, including measures of the enterprise's performance, that is useful in assessing the enterprise's cash flow prospects.

We believe those objectives are equivalent to the focus on investors in EU financial markets and those identified in paragraph 12 of the IAS Framework. (Refer to paragraphs 29–32 of the concept paper released by CESR.)

FIGURE 1

A HIERARCHY OF ACCOUNTING QUALITIES



Section 5 -Published comparison

Have you conducted and published any exercise comparing and describing differences between IAS/IFRS and your country GAAP? If so, please provide us with a copy.

Please also mention any other similar analysis that would have been made by a separate reliable body.

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1. Published by the FASB:

In 1999 the FASB published a report prepared by the FASB staff entitled: "*The IASC-U.S. Comparison Project: A Report on the Similarities and Differences between IASC Standards and U.S. GAAP (second edition).*" A copy is enclosed. This report was published towards the end of 1999. Therefore, it predates the establishment of the IASB and does not take into account any of the improvement or convergence work that has been undertaken by the IASB and the FASB since its publication.

2. Published by the International Accounting Standards Committee Foundation and Ernst & Young

In December 2002 the International Accounting Standards Committee Foundation and Ernst & Young jointly published a book entitled: "*IAS / US GAAP Comparison—A comparison between International GAAP and US GAAP by Ernst & Young's International Financial Reporting Group—2nd Edition.*" The book is a comprehensive comparison of IAS and U.S. GAAP as it existed at that time. Again, it does not take into account any of the improvement or convergence work that has been undertaken by the IASB and the FASB since its publication.

3. Published by the Canadian Institute of Chartered Accountants:

In 2002 the Canadian Institute of Chartered Accountants published a report entitled: "*Significant Differences in GAAP in Canada, Chile, Mexico and the United States—An Analysis of Accounting Pronouncements as of October 2002.*" The analyses in the report also set out the position of the IASB on the issues that are covered.

4. Published by Others:

The Big-4 accounting firms publish comparisons of IFRS and U.S. GAAP from time to time. Some are more detailed than others and some are more up to date than others. For example:

a. In January 2005, Deloittes published a revised "*Status of Some Key Differences between IFRSs and US GAAP as of January 2005.*" This publication is available on their IAS Plus website (www.iasplus.com).

b. In October 2004, PricewaterhouseCoopers published a document entitled "*Similarities and Differences - A comparison of IFRS and US GAAP.*" This publication is available on their website (www.pwc.com/ifrs) and takes account of authoritative pronouncements issued under IAS/IFRS and U.S. GAAP up to June 30, 2004.

Section 6 -Standards not covered by IAS/IFRS

Are there standards/principles covered by your GAAP that are not covered by IAS/IFRS? If so, (i) do they comply with IAS/IFRS basic principles contained in the IAS Framework and IAS 1 and (ii) are they compatible with all other IAS/IFRS endorsed for use in the EU?

In general, U.S. GAAP is far more detailed than IAS/IFRS and provides accounting guidance for many different types of transactions and for many specialized industries that IAS/IFRS does not.

In the response to section 2 (also see Appendix 2) FASB pronouncements in category *(a)* of U.S. GAAP have, where possible, been associated with the relevant IAS/IFRS pronouncement. For example: although FASB Statement No. 50, *Financial Reporting in the Record and Music Industry* has no equivalent in IAS/IFRS it deals primarily with issues of revenue recognition and accounting for intangible assets and accordingly it is referenced as relevant to both IAS 18 and IAS 38.

Those FASB pronouncements in category *(a)* of U.S. GAAP that have *not* been associated with an IAS/IFRS pronouncement in Appendix 2 are set out below by category.

1. **Development stage enterprises**—presentational requirements not contemplated by IAS/IFRS:

FAS 7, *Accounting and Reporting by Development Stage Enterprises.*
FIN 7, *Applying FASB Statement No. 7 in Financial Statements of Established Operating Enterprises (an interpretation of FASB Statement No. 7).*

2. **Oil and Gas Producing Companies**—only partially covered by IFRS 6, which does not become effective until January 1, 2006:

FAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies.*
FAS 25, *Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies (an amendment of FASB Statement No. 19).*
FAS 69, *Disclosures about Oil and Gas Producing Activities (an amendment of FASB Statements No. 19, 25, 33, and 39).*
FIN 33, *Applying FASB Statement No. 34 to Oil and Gas Producing Operations Accounted for by the Full Cost Method (an interpretation of FASB Statement No. 34).*
FIN 36, *Accounting for Exploratory Wells in Progress at the End of a Period (an interpretation of FASB Statement No. 19).*

3. **Regulated enterprises**—not covered by IAS/IFRS:

FAS 71, *Accounting for the Effects of Certain Types of Regulation.*
FAS 90, *Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs (an amendment of FASB Statement No. 71).*
FAS 92, *Regulated Enterprises—Accounting for Phase-in Plans (an amendment of FASB Statement No. 71).*
FAS 101, *Regulated Enterprises—Accounting for the Discontinuation of Application of FASB Statement No. 71.*

4. Not-for-profit organizations—IAS/IFRS do not apply to not-for-profit organizations:

FAS 93, *Recognition of Depreciation by Not-for-Profit Organizations*.
FAS 99, *Deferral of the Effective Date of Recognition of Depreciation by Not-for-Profit Organizations (an amendment of FASB Statement No. 93).*
FAS 116, *Accounting for Contributions Received and Contributions Made.*
FAS 117, *Financial Statements of Not-for-Profit Organizations.*
FAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organization.*
FAS 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others.*

5. Other topics not covered by IAS/IFRS:

ARB 43, Chapter 7A, *Quasi-Reorganization or Corporate Readjustment.*
ARB 43, Chapter 7B, *Stock Dividends and Stock Split-ups.*
ARB 43, Chapter 10A, *Real and Personal Property Taxes.*
ARB 46, *Discontinuance of Dating Earned Surplus.*
FAS 89, *Financial Reporting and Changing Prices.*

The pronouncements listed above have been subject to the same standard-setting process and consideration of the conceptual framework as other similar pronouncements. Please refer to the responses to sections 3 and 4 for further details on the standard-setting process and the conceptual framework.

Section 7 Convergence projects
Is it intended that there will be any convergence project of your country's national standards with IAS/IFRS or with another framework -? If so, please describe the project.

Yes. Details of the FASB's international activities, including convergence with the International Accounting Standards Board (IASB) and cooperative efforts with other national standard setters, can be found on the FASB website at www.fasb.org/intl/.

Convergence with the International Accounting Standards Board (IASB)

In October 2002, the FASB and the International Accounting Standards Board (IASB) announced the issuance of a memorandum of understanding ("Norwalk Agreement"), marking a significant step toward formalizing their commitment to the convergence of U.S. and international accounting standards.

The Norwalk Agreement

At their joint meeting in Norwalk, Connecticut, USA on September 18, 2002, the FASB and the IASB each acknowledged their commitment to the development of high-quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting. At that meeting, both the FASB and IASB pledged to use their best efforts to: (a) make their existing financial reporting standards fully compatible as soon as is practicable; and (b) to coordinate their future work programs to ensure that once achieved, compatibility is maintained.

In particular the two Boards agreed to:

- undertake a short-term project aimed at removing a variety of individual differences between U.S. GAAP and IFRSs that could be rectified relatively easily;
- remove other differences between IFRSs and U.S. GAAP that will remain at January 1, 2005, through coordination of their future work programs; that is, through the mutual undertaking of discrete, substantial projects which both Boards would address concurrently;
- continue progress on the joint projects that they are currently undertaking;
- encourage their respective interpretative bodies to coordinate their activities; and
- commit the necessary resources to complete such a major undertaking.

The short-term convergence project:

The short-term convergence project is an active agenda project that is being conducted jointly with the IASB, and it is expected to result in one or more standards that will achieve convergence in certain areas. The scope of the short-term convergence project is limited to those differences between U.S. GAAP and IFRS in which convergence around a high-quality solution appears achievable in the short-term. Because of the nature of the differences, it is expected that a high-quality solution can usually be achieved by selecting between existing U.S. GAAP and IFRS.

Areas that the FASB has addressed to date are:

- Inventory costs (Statement 151 issued in November 2004);
- Nonmonetary asset exchanges (Statement 153 issued in December 2004).
- Accounting changes and error correction (exposure draft issued in December 2003, with

a final standard expected in the first quarter of 2005); and

- Earnings per share (exposure draft issued in December 2003, re-exposure draft expected in the first quarter of 2005, final standard expected in the second quarter of 2005).

Areas that the FASB has yet to address include:

- Income taxes (exposure draft expected in the second quarter of 2005); and
- Intangible assets (research and development activities).

Updates on progress on the short-term convergence project can be found in the Project Updates and Technical Plan section of the FASB website at www.fasb.org/project/index.shtml.

Joint projects being conducted with the IASB:

Joint projects are those that standard setters have agreed to conduct simultaneously in a coordinated manner. Joint projects involve the sharing of staff resources, and every effort is made to keep joint projects on a similar time schedule at each Board. Currently, the FASB and IASB are conducting joint projects to address the following areas:

- Conceptual Framework (update, completion and convergence)
- Business Combinations (phase II, application of the purchase method)
- Revenue Recognition
- Financial Performance Reporting by Business Enterprises

Updates on progress on the each of the joint projects mentioned above can be found in the Project Updates and Technical Plan section of the FASB website at www.fasb.org/project/index.shtml.

Section 8 Other issues
In understanding this exercise at this stage, do you identify any other particular issue that might be relevant for your national issuers in EU?
No comment.

Category (a) GAAP promulgated by the FASB and its predecessor bodies
(extant at December 31, 2004)

Financial Accounting Standards Board
Statements of Financial Accounting Standards
(issued from 1973 onwards)

FAS 2: *Accounting for Research and Development Costs*

FAS 3: *Reporting Accounting Changes in Interim Financial Statements*
(an amendment of APB Opinion No. 28)

FAS 5: *Accounting for Contingencies*

FAS 6: *Classification of Short-Term Obligations Expected to Be Refinanced*
(an amendment of ARB No. 43, Chapter 3A)

FAS 7: *Accounting and Reporting by Development Stage Enterprises*

FAS 11: *Accounting for Contingencies—Transition Method*
(an amendment of FASB Statement No. 5)

FAS 13: *Accounting for Leases*

FAS 15: *Accounting by Debtors and Creditors for Troubled Debt Restructurings*

FAS 16: *Prior Period Adjustments*

FAS 19: *Financial Accounting and Reporting by Oil and Gas Producing Companies*

FAS 22: *Changes in the Provisions of Lease Agreements Resulting from Refundings of Tax-Exempt Debt*
(an amendment of FASB Statement No. 13)

FAS 23: *Inception of the Lease*
(an amendment of FASB Statement No. 13)

FAS 25: *Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies*
(an amendment of FASB Statement No. 19)

FAS 27: *Classification of Renewals or Extensions of Existing Sales-Type or Direct Financing Leases*
(an amendment of FASB Statement No. 13)

FAS 28: *Accounting for Sales with Leasebacks*
(an amendment of FASB Statement No. 13)

FAS 29: *Determining Contingent Rentals*
(an amendment of FASB Statement No. 13)

FAS 34: *Capitalization of Interest Cost*

FAS 35: *Accounting and Reporting by Defined Benefit Pension Plans*

FAS 37: *Balance Sheet Classification of Deferred Income Taxes*
(an amendment of APB Opinion No. 11)

FAS 42:	*Determining Materiality for Capitalization of Interest Cost (an amendment of FASB Statement No. 34)*
FAS 43:	*Accounting for Compensated Absences*
FAS 45:	*Accounting for Franchise Fee Revenue*
FAS 47:	*Disclosure of Long-Term Obligations*
FAS 48:	*Revenue Recognition When Right of Return Exists*
FAS 49:	*Accounting for Product Financing Arrangements*
FAS 50:	*Financial Reporting in the Record and Music Industry*
FAS 51:	*Financial Reporting by Cable Television Companies*
FAS 52:	*Foreign Currency Translation*
FAS 57:	*Related Party Disclosures*
FAS 58:	*Capitalization of Interest Cost in Financial Statements That Include Investments Accounted for by the Equity Method (an amendment of FASB Statement No. 34)*
FAS 60:	*Accounting and Reporting by Insurance Enterprises*
FAS 61:	*Accounting for Title Plant*
FAS 62:	*Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants (an amendment of FASB Statement No. 34)*
FAS 63:	*Financial Reporting by Broadcasters*
FAS 65:	*Accounting for Certain Mortgage Banking Activities*
FAS 66:	*Accounting for Sales of Real Estate*
FAS 67:	*Accounting for Costs and Initial Rental Operations of Real Estate Projects*
FAS 68:	*Research and Development Arrangements*
FAS 69:	*Disclosures about Oil and Gas Producing Activities (an amendment of FASB Statements No. 19, 25, 33, and 39)*
FAS 71:	*Accounting for the Effects of Certain Types of Regulation*
FAS 72:	*Accounting for Certain Acquisitions of Banking or Thrift Institutions (an amendment of APB Opinion No. 17, an Interpretation of APB Opinions No. 16 and 17, and an amendment of FASB Interpretation No. 9*)
FAS 73:	*Reporting a Change in Accounting for Railroad Track Structures (an amendment of APB Opinion No. 20)*
FAS 78:	*Classification of Obligations That Are Callable by the Creditor (an amendment of ARB No. 43, Chapter 3A)*

FAS 84: *Induced Conversions of Convertible Debt*
(an amendment of APB Opinion No. 26)

FAS 86: *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*

FAS 87: *Employers' Accounting for Pensions*

FAS 88: *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*

FAS 89: *Financial Reporting and Changing Prices*

FAS 90: *Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs*
(an amendment of FASB Statement No. 71)

FAS 91: *Nonrefundable Fees & Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*
(an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17)

FAS 92: *Regulated Enterprises—Accounting for Phase-in Plans*
(an amendment of FASB Statement No. 71)

FAS 93: *Recognition of Depreciation by Not-for-Profit Organizations*

FAS 94: *Consolidation of All Majority-Owned Subsidiaries*
(an amendment of ARB No. 51, with related amendments of APB Opinion No. 18 and ARB No. 43, Chapter 12)

FAS 95: *Statement of Cash Flows*

FAS 97: *Accounting by Insurance Cos. for Certain Long-Duration Contracts & Realized Gains & Losses on Investment Sales*

FAS 98: *Accounting for Leases*
(an amendment of FASB Statements No. 13, 66, and 91 and a rescission of FASB Statement No. 26 and Technical Bulletin No. 79–11)

FAS 99: *Deferral of the Effective Date of Recognition of Depreciation by Not-for-Profit Organizations*
(an amendment of FASB Statement No. 93)

FAS 101: *Regulated Enterprises—Accounting for the Discontinuation of Application of FASB Statement No. 71*

FAS 102: *Statement of Cash Flows—Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale*
(an amendment of FASB Statement No. 95)

FAS 104: *Statement of Cash Flows—Net Reporting of Certain Cash Receipts and Cash Payments and Classification of Cash Flows from Hedging Transactions*
(an amendment of FASB Statement No. 95)

FAS 106: *Employers' Accounting for Postretirement Benefits Other Than Pensions*

FAS 107: *Disclosures about Fair Value of Financial Instruments*

FAS 109: *Accounting for Income Taxes*

FAS 110: *Reporting by Defined Benefit Pension Plans of Investment Contracts*
(an amendment of FASB Statement No. 35)

FAS 111: *Rescission of FASB Statement No. 32 and Technical Corrections*

FAS 112: *Employers' Accounting for Postemployment Benefits*
(an amendment of FASB Statements No. 5 and 43)

FAS 113: *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*

FAS 114: *Accounting by Creditors for Impairment of a Loan*
(an amendment of FASB Statements No. 5 and 15)

FAS 115: *Accounting for Certain Investments in Debt and Equity Securities*

FAS 116: *Accounting for Contributions Received and Contributions Made*

FAS 117: *Financial Statements of Not-for-Profit Organizations*

FAS 118: *Accounting by Creditors for Impairment of a Loan— Income Recognition and Disclosures*
(an amendment of FASB Statement No. 114)

FAS 120: *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*
(an amendment of FASB Statements No. 60, 97, and 113 and Interpretation No. 40)

FAS 123: *Accounting for Stock-Based Compensation*

FAS 123(R) *Share-Based Payment*

FAS 124: *Accounting for Certain Investments Held by Not-for-Profit Organizations*

FAS 126: *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*
(an amendment of FASB Statement No. 107)

FAS 128: *Earnings per Share*

FAS 129: *Disclosure of Information about Capital Structure*

FAS 130: *Reporting Comprehensive Income*

FAS 131: *Disclosures about Segments of an Enterprise and Related Information*

FAS 132(R): *Employers' Disclosures about Pensions and Other Postretirement Benefits (an amendment of FASB Statements No. 87, 88, and 106)*

FAS 133: *Accounting for Derivative Instruments and Hedging Activities*

FAS 134: *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise*
(an amendment of FASB Statement No. 65)

FAS 135: *Rescission of FASB Statement No. 75 and Technical Corrections*

FAS 136: *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*

FAS 137: *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133*
(an amendment of FASB Statement No. 133)

FAS 138: *Accounting for Certain Derivative Instruments and Certain Hedging Activities*
(an amendment of FASB Statement No. 133)

FAS 139: *Rescission of FASB Statement No. 53 and amendments to FASB Statements No. 63, 89, and 121*

FAS 140: *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*
(a replacement of FASB Statement 125)

FAS 141: *Business Combinations*

FAS 142: *Goodwill and Other Intangible Assets*

FAS 143: *Accounting for Asset Retirement Obligations*

FAS 144: *Accounting for the Impairment or Disposal of Long-Lived Assets*

FAS 145: *Rescission of FASB Statements 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*

FAS 146: *Accounting for Costs Associated with Exit or Disposal Activities*

FAS 147: *Acquisitions of Certain Financial Institutions*
(an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9)

FAS 148: *Accounting for Stock-Based Compensation—Transition and Disclosure*
(an amendment of FASB Statement No. 123)

FAS 149: *Amendment of FASB Statement No. 133 on Derivative and Hedging Activities*

FAS 150: *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*

FAS 151:	*Inventory Costs* *(an amendment of ARB No. 43, Chapter 4)*
FAS 152	*Accounting for Real Estate Time-Sharing Transactions* *(an amendment of FASB Statements No. 66 and 67)*
FAS 153	*Exchanges of Nonmonetary Assets* *(an amendment of APB Opinion No. 29)*

Financial Accounting Standards Board
Interpretations
(issued from 1974 onwards)

FIN 1:	*Accounting Changes Related to the Cost of Inventory* *(an interpretation of APB Opinion No. 20)*
FIN 4:	*Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method* *(an interpretation of FASB Statement No. 2)*
FIN 6:	*Applicability of FASB Statement No. 2 to Computer Software* *(an interpretation of FASB Statement No. 2)*
FIN 7:	*Applying FASB Statement No. 7 in Financial Statements of Established Operating Enterprises* *(an interpretation of FASB Statement No. 7)*
FIN 8:	*Classification of a Short-Term Obligation Repaid Prior to Being Replaced by a Long-Term Security* *(an interpretation of FASB Statement No. 6)*
FIN 9:	*Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method* *(an interpretation of APB Opinions No. 16 and 17)*
FIN 14:	*Reasonable Estimation of the Amount of a Loss* *(an interpretation of FASB Statement No. 5)*
FIN 18:	*Accounting for Income Taxes in Interim Periods* *(an interpretation of APB Opinion No. 28)*
FIN 19:	*Lessee Guarantee of the Residual Value of Leased Property* *(an interpretation of FASB Statement No. 13)*
FIN 20:	*Reporting Accounting Changes under AICPA Statements of Position* *(an interpretation of APB Opinion No. 20)*
FIN 21:	*Accounting for Leases in a Business Combination* *(an interpretation of FASB Statement No. 13)*
FIN 23:	*Leases of Certain Property Owned by a Governmental Unit or Authority* *(an interpretation of FASB Statement No. 13)*
FIN 24:	*Leases Involving Only Part of a Building* *(an interpretation of FASB Statement No. 13)*
FIN 26:	*Accounting for Purchase of a Leased Asset by the Lessee during the Term of the Lease* *(an interpretation of FASB Statement No. 13)*
FIN 27:	*Accounting for a Loss on a Sublease* *(an interpretation of FASB Statement No. 13 and APB Opinion No. 30)*

FIN 28:	*Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans* *(an interpretation of APB Opinions No. 15 and 25)*
FIN 30:	*Accounting for Involuntary Conversions of Nonmonetary Assets to Monetary Assets* *(an interpretation of APB Opinion No. 29)*
FIN 33:	*Applying FASB Statement No. 34 to Oil and Gas Producing Operations Accounted for by the Full Cost Method* *(an interpretation of FASB Statement No. 34)*
FIN 35:	*Criteria for Applying the Equity Method of Accounting for Investments in Common Stock* *(an interpretation of APB Opinion No. 18)*
FIN 36:	*Accounting for Exploratory Wells in Progress at the End of a Period* *(an interpretation of FASB Statement No. 19)*
FIN 37:	*Accounting for Translation Adjustments upon Sale of Part of an Investment in a Foreign Entity* *(an interpretation of FASB Statement No. 52)*
FIN 38:	*Determining the Measurement Date for Stock Option, Purchase, and Award Plans Involving Junior Stock* *(an interpretation of APB Opinion No. 25)*
FIN 39:	*Offsetting of Amounts Related to Certain Contracts* *(an interpretation of APB Opinion No. 10 and FASB Statement No. 105*)
FIN 40:	*Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises* *(an interpretation of FASB Statements No. 12, 60, 97, and 113)*
FIN 41:	*Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements* *(an interpretation of APB Opinion No. 10 and a modification of FASB Interpretation No. 39)*
FIN 43:	*Real Estate Sales* *(an interpretation of FASB Statement No. 66)*
FIN 44:	*Accounting for Certain Transactions involving Stock Compensation* *(an interpretation of APB Opinion No. 25)*
FIN 45:	*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others* *(an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34)*
FIN 46(R):	*Consolidation of Variable Interest Entities* *(an interpretation of ARB No. 51)*

AICPA Accounting Principles Board Opinions (issued between 1962 and 1973)

APB 2: *Accounting for the "Investment Credit"*

APB 4: *Accounting for the "Investment Credit" (amending No. 2)*

APB 6: *Status of Accounting Research Bulletins*

APB 9: *Reporting the Results of Operations*

APB 10: *Omnibus Opinion—1966*

APB 12: *Omnibus Opinion—1967*

APB 13: *Amending Paragraph 6 of APB Opinion No. 9, Application to Commercial Banks*

APB 14: *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*

APB 18: *The Equity Method of Accounting for Investments in Common Stock*

APB 20: *Accounting Changes*

APB 21: *Interest on Receivables and Payables*

APB 22: *Disclosure of Accounting Policies*

APB 23: *Accounting for Income Taxes—Special Areas*

APB 25: *Accounting for Stock Issued to Employees*

APB 26: *Early Extinguishment of Debt*

APB 28: *Interim Financial Reporting*

APB 29: *Accounting for Nonmonetary Transactions*

APB 30: *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*

Category (a) GAAP promulgated by the FASB and its predecessor bodies (extant at December 31, 2004)

AICPA Committee on Accounting Procedure
Accounting Research Bulletins
(issued between 1939 and 1959)

ARB 43:	*Restatement and Revision of Accounting Research Bulletins*
	Chapter 1A—Rules Adopted by Membership
	Chapter 1B—Profits or Losses on Treasury Stock
	Chapter 2A—Comparative Financial Statements
	Chapter 3A—Current Assets and Current Liabilities
	Chapter 3B—Offsetting Securities Against Taxes Payable
	Chapter 4—Inventory Pricing
	Chapter 7A—Quasi-Reorganization or Corporate Readjustment
	Chapter 7B—Stock Dividends and Stock Split-ups
	Chapter 9—Depreciation
	Chapter 10A—Real and Personal Property Taxes
	Chapter 11—Government Contracts
	Chapter 12—Foreign Operations and Foreign Exchange
	Chapter 13B—Compensation Involved in Stock Option and Stock Purchase Plans
ARB 45:	*Long-Term Construction-Type Contracts*
ARB 46:	*Discontinuance of Dating Earned Surplus*
ARB 51:	*Consolidated Financial Statements*

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IFRS 1: First-time Adoption of International Financial Reporting Standards	ARB 43 (Chapter 2A), APB 20, APB 22.	***First-time application:*** **IFRS:** IFRS 1 applies only when international financial reporting standards are adopted by an entity for the very first time: it does not apply to any subsequent changes in accounting policies which are covered by IAS 8. Full retrospective application of most pronouncements is required with limited optional and mandatory exceptions. **US:** There is no comparable guidance for the first time application of U.S. GAAP; however, accounting principles must be consistent for comparative financial information presented in financial statements.

[1] The FASB pronouncements referenced in this table refer only to those pronouncements by the FASB and its predecessor bodies that fall within category (a) of the U.S. GAAP hierarchy and that are effective at January 1, 2005, or that become effective after January 1, 2005 and were issued prior to that date. The types of pronouncements covered are: FASB Statements of Financial Accounting Standards (FAS), FASB Interpretations (FIN), Accounting Principles Board Opinions (APB), and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure (ARB).

[2] The significance of any difference between IFRS and U.S. GAAP to individual companies will vary depending on many factors including the types of transactions that it enters into, the accounting policy choices that it makes, and the materiality of particular items.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IFRS 2: Share-Based Payment	ARB 43 (Chapter 1A), ~~ARB 43 (Chapter 13B)~~, ~~APB 25~~, ~~FAS 123~~, ~~FAS 148~~, ~~FIN 28~~, ~~FIN 38~~, ~~FIN 44~~. FAS 123(R), issued in December 2004 supersedes the pronouncements above that have been struck-through. FAS 123(R) is effective for interim or annual accounting periods of public companies beginning after June 15, 2005.	***Recognizing an expense for a share-based payment:*** **IFRS:** An expense is recognized based on the fair value of the share-based payment exchanged for goods or services, including employee services. **US:** Before the effective date of FAS 123(R), for most employee share options, an entity can choose (a) expense recognition similar to IFRS 2 or (b) expense recognition based on the intrinsic value at grant date (which generally is zero for share options without any performance conditions). After the effective date of FAS 123(R) the required treatment will be similar to IFRS 2. ***Measurement date for share-based payments made to non-employees:*** **IFRS:** The same as the measurement date for share-based payments made to employees, modified grant-date. **US:** Measured at the earlier of (a) the date at which a commitment for performance by the counterparty is reached or (b) the date at which that performance is complete. **Other comments:** FAS 123(R) has not changed the requirements for measurement date which are contained in EITF Issue 96-18. Therefore, this remains a difference. ***Employee share purchase plans:*** **IFRS:** IFRS 2 does not distinguish between share-based payments made as part of an employee share purchase plan and other share-based payments. **US:** FAS 123(R) provides an exemption from the recognition of an expense when an employee share purchase plan provides a discount to employees that does not exceed the per-share amount of share issuance costs that would have been incurred to raise a significant amount of capital by a public offering and that discount is not extended to other holders of the same class of shares. A 5% or lower discount automatically qualifies for the exemption, higher discounts must be justified.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Simplified measurement of share options granted by a nonpublic entity: **IFRS:** Measured in the same way as share options granted by a public entity. **US:** Measured in the same way as share options granted by a public entity under FAS 123(R) except when it is not practicable for a non-public entity to make a reasonable estimate of the expected volatility of its own share price. In those circumstances a simplified calculation of volatility is required using an appropriate index. The definition of nonpublic entities under FAS 123(R) includes entities whose debt is publicly traded but whose equity is not. ***Type III modification of an award when it is not probable that the original vesting conditions will be satisfied at the date of the modification:*** **IFRS:** If the per option fair value after the modification is lower than before the modification then expense recognition is based on the original (higher) fair value of the award. **US:** Under FAS 123(R), if the per option fair value after the modification is lower than before the modification then expense recognition is based on the new (lower) fair value of the award.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IFRS 3: Business Combinations	FAS 72, FAS 141, FAS 142, FAS 147, FIN 4, FIN 9. Differences relating to business combinations are being considered in the joint Business Combinations project.	***Acquisition date:*** **IFRS:** The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. **US:** The emphasis is on the consummation of the transaction. The acquisition date is ordinarily the date on which consideration passes and the acquired (net) assets are received. That is, the date on which the transaction closes. However, if the parties agree in writing that effective control passes to the acquirer at an *earlier* date then that earlier date is the acquisition date. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that the acquisition date is the date on which the acquirer obtains control of the business, consistent with a similar tentative decision by the IASB. ***Measurement date for shares issued as consideration:*** **IFRS:** Shares issued as consideration are measured at their fair value on the date of the exchange transaction. **US**: Shares issued as consideration are measured at their market price over a reasonable period of time (a few days) before and after the parties reach an agreement on the purchase price and the transaction is announced. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that equity instruments of the acquirer issued as consideration should be measured at their fair value on the acquisition date, consistent with a similar tentative decision by the IASB.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Recognition of contingent consideration: **IFRS:** Requires contingent consideration to recognized at the date of acquisition when it is probable that it will be paid and it can be reliably measured. **US**: Included in the determination of the cost of the acquired entity if the amount is determinable at the date of acquisition. If the amount is not determinable it is excluded until the contingency is resolved or the amount is determinable. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that obligations for contingent consideration that are part of the consideration for the business acquired would be recognized and measured at fair value at the acquisition date, similar to IFRS 3. ***Recognizing a liability for costs of restructuring the activities of the acquiree:*** **IFRS:** Only permitted if the acquiree has already recognized an existing liability under IAS 37 at the acquisition date. A detailed formal plan for the restructuring must exist and a valid expectation must have been raised in those affected that the plan will be carried out, evidenced either by starting to implement the plan or announcing its main features to those affected. **US**: Exit costs, involuntary employee termination costs and relocation costs (but not integration costs) can be recognized if management has *begun to assess and formulate* a plan at the consummation date. The plan must identify all significant actions to be taken, be finalized and committed to within one year after the consummation date, and management must communicate the termination or relocation requirements to the employees of the acquired company within that time period. Actions required by the plan must begin as soon as possible after the plan is finalized. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that costs of restructuring the activities of the acquiree would only be recognized as part of a business combination if they meet the definition of liabilities at the acquisition date, similar to IFRS 3.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Recognizing contingent liabilities as acquired liabilities in a business combination*:** **IFRS:** Recognize the acquiree's contingent liabilities if their fair values can be measured reliably, otherwise do not recognize. **US:** Recognize the acquiree's contingent liabilities based on fair value if it can be determined during the allocation period. If fair value cannot be determined during the allocation period, the contingent liability should be recognized if it is probable that a liability existed and it can be reasonably estimated (using the guidance in FAS 5). **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that contingencies of the acquired business that meet the definition of an asset or a liability at the acquisition date (but previously were not required to be recognized under the criteria in FAS 5) would be required to be recognized and measured at their fair value, similar to IFRS 3. ***Measuring minority (non-controlling) interest: **IFRS:** Measured as the minority's proportion of the net fair value of the identifiable net assets acquired. This means that the acquired identifiable net assets will always be recorded based on their fair value at the acquisition date regardless of whether a minority interest exists. **US:** Authoritative U.S. GAAP is silent on this issue. Minority interest can be measured in the same way as IFRS *or* as the minority's proportion of the pre-acquisition historical book value of the identifiable net assets acquired. The latter method is more prevalent in practice. This means that, when a minority interest exists, the acquired identifiable net assets are generally recorded based partially on their fair values and partially on historical book value. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that non-controlling interests should be measured at their portion of the fair value of all of the net assets acquired (including goodwill), consistent with a similar tentative decision by the IASB.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		In-process research and development (R&D): **IFRS:** In-process R&D is recognized as an acquired intangible asset if it meets the definition of an intangible asset and its fair value can be measured reliably. If it is not recognized separately it is subsumed within goodwill. **US:** In-process R&D must be included in the determination of the fair values of the net assets acquired. If in-process R&D has no *alternative future use* then it is immediately expensed, otherwise it is recognized as an intangible asset. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that in-process R&D acquired in a business combination should be recognized as an asset at its fair value regardless of whether it has an *alternative future use*, similar to IFRS 3. ***Negative goodwill:*** **IFRS:** Recognize immediately as a gain. **US:** Initially allocate on a pro rata basis against the carrying amounts of certain acquired non-financial assets, with any excess recognized as an extraordinary gain. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that if the fair value of the acquiring entity's interest in the business acquired exceeds the fair value of the consideration exchanged for that interest then any excess remaining, after first reducing goodwill to zero, should be recognized as a gain in the income statement, consistent with a similar tentative decision by the IASB.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Combinations of entities under common control: **IFRS:** Outside the scope of IFRS 3. **US:** A method similar to pooling of interests is required. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that the existing guidance for accounting for transactions between entities under common control would be carried forward without reconsideration.
IFRS 4: Insurance Contracts	FAS 60, FAS 97, FAS 113, FAS 120, FIN 40, FIN 45.	***Rights and obligations under insurance contracts:*** **IFRS:** IFRS 4 allows current national accounting methods for insurance contracts to continue and contains little guidance on how to account for insurance contracts. **US:** FASB has issued several comprehensive pronouncements on how to account for different types of insurance contracts and other comprehensive industry accounting guides have been published by the AICPA. ***Derivatives embedded in insurance contracts*:** **IFRS:** An embedded derivative whose characteristics and risks are not closely related to the host contract and whose value is interdependent with the value of the insurance contract need not be separated out and accounted for as a derivative. **US:** Such derivatives must be accounted for separately.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IFRS 5: Non-current Assets Held For Sale and Discontinued Operations	FAS 144	***Measurement of an asset when it is first classified as held for sale:*** **IFRS:** Cumulative foreign exchange differences that have been recognized in equity (other comprehensive income) remain in equity until the asset is actually disposed of (but must be disclosed separately). **US:** Cumulative foreign exchange differences that have been recognized in equity (other comprehensive income) are reclassified from equity to the asset held for sale when it is first classified as held for sale. ***Definition of a discontinued operation*:** **IFRS:** A component of an entity that either has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or c) is a subsidiary acquired exclusively with a view to resale. **US:** A component of an entity that has been disposed of or is classified as held for sale. The definition is less restrictive than the IASB definition. ***Presentation of discontinued operations in the income statement:*** **IFRS:** The net amount of post-tax income or loss is required to be disclosed on the face of the income statement although disaggregation into its component parts is permitted as long as these are clearly separated form the results of continuing operations in the presentation. If the disaggregated information (including revenue and expenses) is not shown on the face of the income statement it must be disclosed in the notes. **US:** The net amount of pre-tax and post-tax income or loss is required to be disclosed on the face of the income statement. No further disaggregation is required.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IAS 1: Presentation of Financial Statements	ARB 43 (Chapter 1A), ARB 43 (Chapter 2A), ARB43 (Chapter 3A), ARB 43 (Chapter 3B), APB 6, APB 9, APB 10, APB 12, APB 13, APB 18, APB 20, APB 22, APB 30, FAS 5, FAS 6, FAS 37, FAS 47, FAS 78, FAS 95, FAS 109, FAS 115, FAS 129, FAS 130, FIN 8, FIN 39, FIN 41. Differences related to the presentation of financial statements are being considered in the joint Financial Performance Reporting by Business Enterprises project.	***Structure and Content of Financial Statements:*** **IFRS:** IAS 1 includes detailed requirements for the structure and content of a set of financial statements including the individual statements to be presented and the line items to be presented in each statement. **US:** In general FASB pronouncements do not specify the overall structure and content of financial statements, although a number of pronouncements include specific display and disclosure requirements. SEC Rules and Regulations include specific requirements for the structure and content of financial statements and related disclosures that apply only to SEC Registrants. ***Comparative financial statements for the previous year(s):*** **IFRS:** Comparative financial information for the preceding year is generally required for all information presented in the financial statements. **US:** Comparatives financial information is “desirable” but not required. SEC Rules and Regulations generally require the presentation of three years of comparative financial statements (two years for the balance sheet) for SEC Registrants. ***Reporting comprehensive income:*** **IFRS:** Statement of changes in equity is required. A grand total of ‘comprehensive income’ is permitted but not required. Comprehensive income is net income plus gains and losses that are recognized directly in equity rather than in net income. **US:** Must present grand total of ‘comprehensive income’. Can present that total in the income statement, separate statement of comprehensive income, or statement of changes in equity.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Classification of liabilities on refinancing: **IFRS:** If refinancing is completed before the balance sheet date then the liability can be classified as non-current. **US:** If refinancing is completed after the balance sheet date but before the date of issue of the financial statements then the liability can be classified as non-current. ***Classification of liabilities due on demand due to breach of a debt covenant:*** **IFRS:** The liability is classified as non-current if the lender has granted a 12-month waiver before the balance sheet date. **US:** The liability is classified as non-current if the lender has granted a 12-month waiver before the date of issue of the financial statements. ***Extraordinary items:*** **IFRS:** Extraordinary items are prohibited. **US:** Extraordinary items are permitted but restricted to infrequent, unusual, and rare items that affect income.
IAS 2: Inventories	ARB 43 (Chapter 4), FAS 86, FAS 151. FAS 151 amends ARB 43 (Chapter 4) and is effective for fiscal years beginning after June 15, 2005. Earlier application is permitted.	***Abnormal costs of idle capacity, freight, handling costs and spoilage:*** **IFRS:** Such costs cannot be included in inventory. **US:** Prior to the effective date of FAS 151, such costs can be included in inventory if they are not "so abnormal" as to require treatment as a current period expense. FAS 151 removes the "so abnormal" criterion and clarifies what is meant by *normal* capacity. After the effective date of FAS 151 US GAAP is similar to IAS 2.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Costing method used to determine inventory cost: **IFRS:** Use of the LIFO method is prohibited. **US:** Use of the LIFO method is permitted as an accounting policy choice if it is the method that most clearly reflects periodic income. ***Measurement of impairment:*** **IFRS:** Inventory is generally stated at the lower of cost and net realizable value. **US:** Inventory is generally stated at the lower of cost and market value. Market value is the current replacement cost except that it should not be greater than net realizable value and should not be less than net realizable value reduced by a normal profit margin. ***Reversal of impairment:*** **IFRS:** The reversal of inventory write-downs (from cost to net realizable value) is required in the period the reversal occurs. **US:** Once an item of inventory has been written down below cost (from cost to market value) that new amount is regarded as the new cost and any subsequent reversal of the write-down is prohibited. ***Measuring inventory at net realizable value even if above cost:*** **IFRS:** Permitted for producers of agricultural and forest products, agricultural produce after harvest, minerals and mineral products, and for the commodity inventory of commodity broker-traders. **US:** Allowed where it is accepted industry practice, not restricted to primary producers and broker-traders.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 7: Cash Flow Statements	FAS 95, FAS 102, FAS 104. Differences related to the presentation of financial statements are being considered in the joint Financial Performance Reporting by Business Enterprises project.	***Exemption from requirement to present a cash flow statement:*** **IFRS:** No exemptions. **US:** Defined benefit and other employee benefit plans that follow FAS 35 and certain investment entities with substantially all of their investments in highly liquid investments that are carried at market value are exempt from the requirement to present a cash flow statement. ***Classification of interest and dividends paid in the cash flow statement:*** **IFRS:** Interest and dividends paid may each be classified as either an operating or financing activity. **US:** Interest paid must be classified as an operating activity and dividends paid as a financing activity. ***Classification of interest and dividends received in the cash flow statement:*** **IFRS:** Interest and dividends received may each be classified as either an operating or investing activity. **US:** Both interest and dividends received must be classified as an operating activity. ***Classification of taxes paid in the cash flow statement:*** **IFRS:** Taxes paid (or refunded) should be classified as an operating activity unless they can be specifically identified with financing or investing activities, when they may be classified as such. Total taxes paid must be disclosed if they are allocated over more than one activity. **US:** Taxes paid must be classified as an operating activity.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
		Inclusion of bank overdrafts in cash: **IFRS:** Bank overdrafts are included in cash if they are repayable on demand and form an integral part of an entity's cash management. **US:** Bank overdrafts are excluded from cash.
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	APB9, APB 13, APB 20, APB 22, APB 30, FAS 3, FAS 16, FAS 73, FIN 1, FIN 20. Differences related to changes in accounting policies, changes in accounting estimates and error correction have been considered in the Short-Term Convergence project.	***Voluntary changes in accounting policy:*** **IFRS:** Must apply retrospectively and restate prior years, unless it is impracticable to do so. **US:** Generally, must include the cumulative effect of the change as a separate component of net income in the year of change without restating prior years (but must restate prior years for changes in the method of accounting for inventory valuation, depreciation in the rail industry, construction contracts and adoption of the full-cost method in extractive industries). **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 8. ***Change in depreciation method for existing assets:*** **IFRS:** Treated as a change in accounting estimate (applied prospectively). **US:** Treated as a change in accounting policy (cumulative effect shown separately as a component of net income in the current year). **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 8.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 10: Events After the Balance Sheet Date	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Guidance covering events after the balance sheet date but before issuance of the financial statements and auditor's report is found in the U.S. auditing literature in the Codification of Statements on Auditing Standards under AU section 560 "Subsequent Events." The guidance provided is similar to IAS 10.
IAS 11: Construction Contracts	ARB 43 (Chapter 11), ARB 45.	***Recognition methods for revenues and expenses:*** **IFRS:** Use of the percentage of completion method to recognize revenue and expenses is required if the final outcome of the contract can be measured reliably. When the final outcome cannot be reliably estimated the zero-profit method must be used. Use of the completed contract method is prohibited. Limited guidance is provided on the use of estimates. **US:** Use of the percentage of completion method is preferred. When the extent of progress towards completion is not reasonably measurable, the completed contract method should be used (and can be used where contracts are short-term in nature). Detailed guidance is provided on the use of estimates. ***Combining contracts and segmenting a contract:*** **IFRS:** Contracts must be combined and a contract must be segmented when certain specified criteria are met. **US:** SOP 81-1 contains a rebuttable presumption that a single contract is the appropriate unit of measure. Contracts may be combined and segmented when specified criteria are met that are similar to those in IAS 11. However, combination and segmentation of contracts is permitted when those criteria are met, but not required.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 12: Income Taxes	APB 2, APB 4, APB 10, APB 23, FAS 37, FAS 109, FAS 123(R), FIN 18.	***Exception to the basic principle that deferred tax is recognized for all temporary differences —initial recognition of an asset or liability:*** **IFRS:** Deferred tax is not recognized on taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is (a) not a business combination and (b) does not affect accounting profit or taxable profit. Subsequent changes in the unrecognized asset or liability are also not recognized. **US:** Deferred tax is recognized; there is no similar initial recognition exemption. **Other comments:** As part of the joint Short-Term Convergence project the IASB has tentatively decided to eliminate this difference and converge with FAS 109. ***Exception to the basic principle that deferred tax is recognized for all temporary differences —leveraged leases:*** **IFRS:** Does not have an exception comparable to that in US GAAP. **US:** The tax consequences of leveraged leases are incorporated directly into the lease accounting measurements. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided make no changes to this exception. ***Exception to the basic principle that deferred tax is recognized for all temporary differences —intercompany transfers of assets within a group:*** **IFRS:** A deferred tax asset is recognized. **US:** Recognition of any deferred tax asset for the difference between the tax basis of the transferred assets (e.g. inventory) in the buyer's tax jurisdiction and the amount in the consolidated financial statements is prohibited. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 12.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Exception to the basic principle that deferred tax is recognized for all temporary differences —remeasurement of foreign nonmonetary assets: **IFRS:** Does not have an exception comparable to that in US GAAP. **US:** Prohibits recognition of a deferred tax asset or liability for differences related to assets and liabilities that, under FAS 52, are remeasured from the local currency into the functional currency using historical exchange rates and that result from (a) changes in exchange rates or (b) indexing for tax purposes. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 12.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Exception to the basic principle that deferred tax is recognized for all temporary differences —investments in subsidiaries, branches and associates, and interests in joint ventures: **IFRS:** IAS 12 does not require recognition of a deferred tax liability for temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures (*foreign or domestic*) to the extent that (a) the parent, investor or venturer is able to control the reversal of the temporary difference *and* (b) it is probable that the temporary difference will not reverse in the foreseeable future. **US:** FAS 109 does not require recognition of a deferred tax liability for two types of temporary difference unless it becomes apparent that those temporary differences will reverse in the foreseeable future. The two types of temporary difference are: (a) 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; and (b) undistributed earnings of a *domestic* subsidiary or a *domestic* corporate joint venture that is essentially permanent in duration and arose in fiscal years beginning on or before December 15, 1992. **Other comments:** As part of the joint Short-Term Convergence project the FASB and the IASB have tentatively decided to converge their respective requirements by: (a) retaining only the exceptions in FAS 109 and IAS 12 for the recognition of deferred tax liabilities on the excess of the amount for financial reporting over the tax basis of an investment in a *foreign* subsidiary (or a *foreign* corporate joint venture); and (b) amending the language in IAS 12 so that it is similar to that in FAS 109 and APB 23 on unremitted foreign earnings.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
		Tax rates and tax laws used for measuring deferred tax assets and liabilities: **IFRS:** Use tax rates and tax laws that have been enacted or "substantively enacted." **US:** Tax rate and tax laws must have been enacted. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to amend Statement 109 to clarify that enactment occurs when every action, other than perfunctory actions, has occurred that is required for a measure to become law. ***Measurement of deferred tax—undistributed rate v. distributed rate:*** **IFRS:** Must use the tax rate applicable to undistributed profits. **US:** Provides the option to use the tax rate applicable to distributed profits in situations where the tax rate applicable to distributed profits is higher than the tax rate applicable to undistributed profits. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to require that deferred tax assets and liabilities be measured using the distributed rate except to the extent that a subsidiary's earnings qualify for the unremitted foreign earnings exception to deferred tax accounting in Statement 109, when the undistributed rate would be used.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Recognition of deferred tax assets: **IFRS:** Recognized if it is "probable" that sufficient taxable profit will be available to utilize the temporary difference (*affirmative judgment.*) **US:** Always recognized in full, but reduced by a valuation allowance if it is "more likely than not" that some, or all, of the deferred tax asset will not be realized (*impairment.*) Further, applying the 'more likely than not' criterion through use of a valuation allowance results in disclosure differences between IAS 12 and SFAS 109. **Other comments:** This difference will be considered as part of the joint Short-Term Convergence project. ***Changes in deferred taxes that were originally charged or credited to equity (intraperiod tax allocation or "backwards tracing"):*** **IFRS:** Both IAS 12 and FAS 109 require that the tax effects of items credited or charged directly to equity during the current year also be allocated directly to equity. A deferred tax item originally recognized by a charge or credit to shareholders' equity may change either from changes in assessments of recovery of deferred tax assets or from changes in tax rates, laws, or other measurement attributes. Consistent with the initial treatment, IAS 12 requires the resulting change in deferred taxes also be charged or credited directly to equity. **US:** FAS 109 requires allocation to current year income. **Other comments:** This difference will be considered as part of the joint Short-Term Convergence project.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Balance sheet classification of deferred tax assets and liabilities: **IFRS:** Always classified as non-current in the balance sheet. **US:** Classification is split between the current and non-current components based on the classification of the underlying asset or liability to which the deferred tax relates. **Other comments:** As part of the joint Short-Term Convergence project the IASB has tentatively decided to eliminate this difference and converge with FAS 109. ***Subsequent recognition of deferred tax assets of the acquiree:*** **IFRS:** Recognized as a reduction in goodwill (to zero) with any excess recognized in profit or loss (as a reduction in income tax expense). **US:** Recognized firstly by reducing goodwill (to zero); secondly by reducing noncurrent intangible assets (to zero); and lastly as a reduction in income tax expense. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that the elimination of any valuation allowance established in accordance with FAS 109 at the acquisition date will be reported as a reduction of income tax expense (rather than first as a reduction of goodwill and then as a reduction of other intangible assets prior to recognition as a reduction of income tax expense). However, deferred tax benefits recognized within one year of the acquisition date would continue to be reported as an adjustment of goodwill (until goodwill is reduced to zero) unless the deferred tax benefit results from a discrete event or circumstance that occurred subsequent to the acquisition date other than changes in tax laws or rates enacted after the acquisition date. This is consistent with a similar tentative decision by the IASB.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Recognition of deferred tax assets of the acquirer that become recognizable as a result of a business combination **IFRS:** Not included in the purchase accounting for the acquisition. Recognized as part of post-acquisition profit or loss. **US:** Included in the purchase accounting for the acquisition. Reduces goodwill on the acquisition. **Other comments:** This difference will be considered as part of the joint Short-Term Convergence project, taking into account the tentative decisions made in the joint Business Combinations project. ***Disclosure of a reconciliation of actual and expected tax expense:*** **IFRS:** Computed by applying the applicable tax rate(s) to accounting profit, disclosing also the basis on which the applicable tax rate(s) are computed. The applicable tax rate could be the domestic tax rate of the entity (similar to U.S. GAAP) or the average of the individual local domestic tax rates for each tax jurisdiction, arrived at by aggregating individual reconciliations for each tax jurisdiction (not similar to U.S. GAAP). **US:** Computed by applying the domestic federal statutory tax rates to pre-tax income from continuing operations. Non-public companies must disclose the nature of the reconciling items but not amounts.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Recognition and measurement of tax benefits related to share-based payments: **IFRS:** Tax benefits which exceed the cumulative expense (*excess tax benefits*) are recognized directly in equity. Tax benefits which do *not* exceed the cumulative expense (*tax deficiencies*) are recognized in profit or loss for the period. Measurement is by reference to each individual share-based payment transaction. **US:** Excess tax benefits are generally recognized directly in equity for each share-based payment transaction, but may be recognized in the income statement in certain circumstances. Tax deficiencies are recognized directly in the income statement except to the extent of any remaining equity arising from excess tax benefits from previous awards (a portfolio approach). ***Measurement of deferred tax assets related to share-based payments:*** **IFRS:** The deferred tax asset is measured based on an estimate of the amount that the taxation authorities will permit as a tax deduction in future periods, remeasured each period based on the intrinsic value of share options if the tax deduction is based on the entity's future share price. **US:** The deferred tax asset is measured based on the cumulative expense recognized for financial reporting purposes: that is, based on the grant-date fair value of the award that has been recognized to date.
IAS 14: Segment Reporting	FAS 131. The IASB tentatively decided at its January 2005 meeting to converge with FAS 131.	***Basis of reportable segments:*** **IFRS:** Two bases for identifying reportable segments, one by line of business and one by geographical area. Must specify one as "primary" and one as "secondary". **US:** Only one basis for identifying reportable segments. Components for which information is reported internally to top management, which may or may not be based on lines of business or geographical areas.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Types of segment disclosures: **IFRS:** Disclosures required for both primary and secondary segments, with less disclosure for the secondary segment. **US:** Only one basis of segmentation, although certain "enterprise-wide" disclosures are required such as revenue from major customers and revenue by country. ***Accounting basis for reportable segments:*** **IFRS:** Segmental disclosures must be based on IFRS measures. **US:** Segmental disclosures are based on whatever accounting policies are used for internal reporting purposes. ***Segment result:*** **IFRS:** Segment result is defined. **US:** No definition of segment result.
IAS 16: Property, Plant and Equipment	ARB 43 (Chapter 9), APB 6, APB 12, APB 29, FAS 51, FAS 61, FAS 66, FAS 67, FAS 143, FAS 153, FIN 30, FIN 43.	***Basis of property, plant, and equipment:*** **IFRS:** May use either revalued amount or historical cost. Revalued amount is fair value at date of revaluation less subsequent accumulated depreciation and impairment losses. **US:** Generally required to use historical cost.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
	FAS 153 amends APB 29 and is effective for nonmonetary asset exchanges occurring in fiscal periods (interim or annual) beginning after June 15, 2005. Earlier application is permitted.	***Gains and losses on nonmonetary exchanges of similar productive assets:*** **IFRS:** A gain or loss is recognized based on the fair values of the assets exchanged provided that the exchange has commercial substance. **US:** Prior to adoption of FAS 153 recognition of any gain or loss is prohibited. After adoption of FAS 153 the accounting is similar to IAS 16. ***Subsequent expenditure—replacement of a major component part of an asset and major inspection costs:*** **IFRS:** Costs of replacing part of an asset and major inspection costs are recognized as part of the cost of the asset when the costs are incurred, if the general recognition criteria are met (probable future economic benefits and reliable measurement). The net book amounts of any replaced component and previous inspections costs are derecognized at the same time. **US:** Costs of replacing component parts of an asset and planned major maintenance activities may be capitalized or expensed. The deferral method which is specified under IFRS is one of four possible methods described in the AICPA's Audit and Accounting Guide, *Audits of Airlines*.
IAS 17: Leases	FAS 13, FAS 22, FAS 23, FAS 27, FAS 28, FAS 29, FAS 91, FAS 98, FIN 19, FIN 21, FIN 23, FIN 24, FIN 26, FIN 27.	***Leveraged leases:*** **IFRS:** No such thing as a leveraged lease. Treated in the same way as any other lease. **US:** The net investment in a leveraged lease is net of nonrecourse debt, affecting the pattern of income recognition and balance sheet presentation.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Minimum lease payments: **IFRS:** Include third-party guarantees related to the leased assets in minimum lease payments. **US:** Exclude third-party guarantees from minimum lease payments. ***Distinction between finance and operating leases:*** **IFRS:** Based on the substance of the transaction. **US:** Based on numerical thresholds. ***Present value of minimum lease payments:*** **IFRS:** Generally would use the interest rate implicit in the lease to discount minimum lease payments. **US:** Generally would use the incremental borrowing rate to discount minimum lease payments. ***Recognition of a gain on a sale and leaseback transaction where the leaseback is an operating lease:*** **IFRS:** The gain is recognized immediately if the sales price represents fair value. **US:** The gain is recognized over the lease term. ***Disclosure of lease maturities:*** **IFRS:** Less detailed disclosure. **US:** More detailed disclosure.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 18: Revenue	ARB 43 (Chapter 1A), ARB 43 (Chapter 11), APB 10, APB 21, APB 29, FAS 45, FAS 48, FAS 49, FAS 50, FAS 51, FAS 65, FAS 66, FAS 67, FAS 68, FAS 91, FAS 152, FAS 153, FIN 43.	***Revenue recognition guidance:*** **IFRS:** General principles are consistent with US GAAP as described below, but limited detailed transaction-specific and issue-specific guidance is provided. **US:** In general, revenue is recognized when it has been earned and is realized or realizable. Extensive detailed transaction-specific and issue-specific guidance exists in all categories of GAAP. SEC Staff Accounting Bulletin 101 specifies that, for SEC Registrants, revenue is both earned and realizable when: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) delivery or performance has occurred, and (4) collectibility is reasonably assured.
	Differences relating to revenue recognition are being considered in the joint Revenue Recognition project.	***Up-front non-refundable revenue, such as connection fees and developers' advance payments:*** **IFRS:** If the up-front fee is in exchange for products delivered or services performed – and, therefore, substantial risks and rewards have been transferred to the buyer in a separate transaction – revenue is recognized on completion of the up-front services. Otherwise it is amortized over the expected customer service period. **US:** Amortization over the expected customer service period. Direct incremental costs are similarly deferred. ***Revenue recognition for the delivered component in a transaction with multiple deliverables:*** **IFRS:** Revenue for the delivered component is recognized even if a refund must be made if the undelivered component is not delivered, if it is probable that the undelivered component will be delivered. **US:** Revenue for the delivered component is deferred to the extent that a refund must be made if the undelivered component is not delivered.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IAS 19: Employee Benefits	APB 12, FAS 43, FAS 87, FAS 88, FAS 106, FAS 112, FAS 132(R), FAS 146.	***Termination benefits:*** **IFRS:** No distinction between ‘special’ and other termination benefits. Termination benefits recognized when the employer is demonstrably committed to pay. **US:** Recognize special (one-time) termination benefits when employees accept the offer and the amount can be reasonably estimated. Recognize contractual termination benefits when it is probable that employees will be entitled to them and the amount can be reasonably estimated. ***Recognition of past service costs related to benefits that have vested:*** **IFRS:** Recognized immediately. **US:** Amortized over the remaining service period or life expectancy. ***Multi-employer plan that is a defined benefit plan:*** **IFRS:** Should be accounted for as a defined benefit plan if the necessary information is available, otherwise as a defined contribution plan. **US:** Accounted for as a defined contribution plan. ***Recognition of the minimum liability for benefits under defined benefit plans:*** **IFRS:** No minimum liability requirement. **US:** At a minimum, the unfunded accumulated benefit obligation is recognized. ***Limitation on recognizing pension assets:*** **IFRS:** Pension assets cannot be recognized in excess of the net total of unrecognized past service cost and actuarial losses plus the present value of benefits available from refunds or reduction of future contributions to the plan. **US:** No such limitation on the amount that can be recognized.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Timing of recognition of curtailment gains and losses: **IFRS:** Both curtailment gains and losses are recognized when the entity is demonstrably committed and a curtailment has been announced. **US:** A curtailment gain is not recognized until the related employees terminate or the plan suspension or amendment is adopted, which could be in a later period than demonstrable commitment and announcement. ***Measurement of a curtailment:*** **IFRS:** A curtailment gain or loss comprises (a) the change in the present value of the defined benefit obligation, (b) any resulting change in fair value of the plan assets, and (c) a pro rata share of any related actuarial gains and losses, unrecognized transition amount, and past service cost that had not previously been recognized. **US:** Unrecognized actuarial gains and losses arising subsequent to transition are not affected by a curtailment, while the amount of the gain or loss would be offset by any portion of the unrecognized transition asset or liability. ***Recognition of all actuarial gains and losses, in the period they arise, outside of the income statement (in a statement of recognized income and expense):*** **IFRS:** This treatment is permitted by the December 2004 amendment to IAS 19. **US:** Not permitted.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.[3]	Not applicable.
IAS 21: The Effects of Changes in Foreign Exchange Rates	FAS 52, FAS 133, FIN 37	No significant differences.
IAS 23: Borrowing Costs	FAS 34, FAS 42, FAS 58, FAS 62	***Borrowing costs related to assets that take a substantial time to complete:*** **IFRS:** Capitalization is permitted as an accounting policy choice. **US:** Capitalization is mandatory. ***Types of borrowing costs eligible for capitalization:*** **IFRS:** Includes interest, certain ancillary costs, and exchange differences that are regarded as an adjustment of interest. **US:** Generally includes only interest. ***Income on temporary investment of funds borrowed for construction of an asset:*** **IFRS:** Reduces borrowing cost eligible for capitalization. **US:** Generally does not reduce borrowing cost eligible for capitalization.
IAS 24: Related Party Disclosures	ARB 43 (Chapter 1A), FAS 57.	No significant differences.

[3] FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made* establishes accounting standards for contributions and applies to all entities that receive or make contributions. However, Statement 116 does not apply to transfers of assets (i.e. grants) from governmental units to business enterprises.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 26: Accounting and Reporting by Retirement Benefit Plans	FAS 35, FAS 110.	No significant differences.
IAS 27: Consolidated and Separate Financial Statements	ARB 43(Chapter 1A), ARB 43 (Chapter 12), ARB 51, FAS 94, FIN 46(R).	***Basis of consolidation policy - definition of a subsidiary:*** **IFRS:** Based on control, which is the *power* to govern the operating and financial policies of the subsidiary. Special purpose entities (SPEs) are consolidated where the substance of the relationship indicates that an entity controls the SPE. **US:** Based on a controlling financial interest with an emphasis on majority voting rights. Consolidation of an SPE is required by its primary beneficiary only when the SPE meets the definition of a VIE and the primary beneficiary will absorb the majority of losses or receive the majority of returns. Certain qualifying SPEs (as defined) do not need to be consolidated. ***Different reporting dates of parent and subsidiaries:*** **IFRS:** Reporting date difference cannot be more than three months. Must *adjust* for any significant intervening transactions (including the effect of significant movements in foreign exchange rates.) **US:** Reporting date difference cannot be more than three months. Must *disclose* any significant intervening transactions (including any significant effects of foreign exchange rate movements.)

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Presentation of minority interest: **IFRS:** In equity. **US:** Outside of equity, between liabilities and equity. **Other comments:** As part of the joint Business Combinations project the FASB has tentatively decided that equity interests of noncontrolling shareholders would be accounted for and presented in equity, separately from parent shareholders' equity. This tentative decision eliminates this difference and converges with IAS 27.
IAS 28: Investments in Associates	APB 18, FIN 35.	***Different reporting dates of investor and associate:*** **IFRS:** Reporting date difference cannot be more than three months. Must *adjust* for any significant intervening transactions. **US:** Reporting date difference cannot be more than three months. Must *disclose* any significant intervening transactions.
		Different accounting policies of investor and associate: **IFRS:** Investors are required to make appropriate adjustments to an associate's financial statements to conform them to the investor's accounting policies. **US:** No requirement to conform accounting policies.
IAS 29: Financial Reporting in Hyperinflationary Economies	FAS 52.	***Adjusting financial statements of an entity that operates in a hyperinflationary economy:*** **IFRS:** Adjust using a general price level index before translating to the reporting currency. **US:** An entity that operates in a hyperinflationary economy must use the functional currency of its parent, rather than its own hyperinflationary currency, to prepare its financial statements.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Not applicable.
IAS 31: Interests in Joint Ventures	APB 18.	***Investments in joint ventures:*** **IFRS:** Permitted to use either the equity method or proportionate consolidation for jointly controlled entities. **US:** Use of the equity method is required (except in construction and extractive industries where use of the proportionate consolidation method is customary).
IAS 32: Financial Instruments: Disclosure and Presentation	See below where IAS 32 and IAS 39 are considered together.	See below where IAS 32 and IAS 39 are considered together.
IAS 33: Earnings per Share	FAS 128.	***Presentation of earnings per share*:** **IFRS:** IAS 33 requires disclosure on the face of the income statement of basic and diluted earnings per share for profit or loss from continuing operations and profit or loss for the period. Profit or loss per share from discontinued operations can be disclosed either on the face of the income statement or in the notes. **US:** FAS 128 requires disclosure on the face of the income statement of basic and diluted earnings per share for income from continuing operations and net income. Earnings per share information for income from discontinued operations, extraordinary items, and the cumulative effect of a change in accounting policy can be disclosed either on the face of the income statement or in the notes.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Calculation of year-to-date diluted earnings per share: **IFRS:** IAS 33 requires that the number of dilutive potential ordinary shares be determined independently for each reporting period presented and that the number for the year-to-date period is *not* a weighted average of the number in each interim period. **US:** FAS 128 requires that the number of dilutive potential ordinary shares for a year-to-date calculation be determined by computing a weighted average of the number for each quarter. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 33. ***Contracts that may be settled in ordinary shares or cash, at the issuer's option:*** **IFRS:** IAS 33 assumes that such contracts will *always* be settled in shares and the resulting potential shares are included in the calculation of diluted earnings per share if the effect is dilutive. **US:** FAS 128 has a rebuttable presumption that such contracts will be settled in shares. The presumption can be overcome if past experience or a stated policy provides a reasonable basis to conclude that the contract will be settled in cash. **Other comments:** As part of the joint Short-Term Convergence project the FASB has tentatively decided to eliminate this difference and converge with IAS 33.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
IAS 34: Interim Financial Reporting	APB 28, FAS 3, FAS 16, FAS 130, FAS 131, FIN 18. Differences related to the presentation of financial statements are being considered in the joint Financial Performance Reporting by Business Enterprises project.	***Form and content of interim financial statements:*** **IFRS:** IAS 34 contains comprehensive requirements for the minimum form and content of interim financial statements. **US:** While APB 28 does contain some requirements for the content of interim reports of publicly traded companies they are not comprehensive. SEC Rules and Regulations include specific requirements for the structure and content of interim financial reports and related disclosures that apply only to SEC Registrants. ***Interim reporting – revenue and expense recognition:*** **IFRS:** Interim period is a discrete reporting period (with certain exceptions). **US:** Interim period is an integral part of the full year (with certain exceptions).
IAS 36: Impairment of Fixed Assets	FAS 142, FAS 144, FAS 147.	***Measurement of an impairment loss:*** **IFRS:** Impairment is measured by comparing an individual asset's, or cash-generating unit's, carrying amount to its recoverable amount. Recoverable amount is the higher of the asset's value-in-use and fair value less costs to sell. **US:** Based firstly on a comparison of carrying amount to the expected future cash flows to be derived from an asset (or asset group) on an undiscounted basis. If the carrying amount is lower the asset (or asset group) is not impaired, if higher then impairment is measured by comparing the carrying amount to the fair value of the asset (or asset group).

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Level of impairment testing for goodwill: **IFRS:** Goodwill is allocated to a cash-generating unit (CGU) or group of CGUs that represent the lowest level at which goodwill is monitored for internal management purposes. A CGU, or group of CGU's to which goodwill is allocated must not be larger than a business or geographical segment (as defined for segmental reporting purposes). **US:** Goodwill is allocated to a reporting unit, which is either an operating segment (as defined for segmental reporting purposes), or one organizational level below an operating segment. ***Measurement of impairment of goodwill:*** **IFRS:** A one-step test: measured by comparing the carrying amount of the CGU to its recoverable amount and allocating any impairment loss first to goodwill then pro-rata to the other assets of the CGU. Recoverable amount is the higher of the CGU's value-in-use and its fair value less costs to sell. **US:** A two step test: Step 1: compare the fair value (FV) of the reporting unit with its carrying amount including goodwill. If FV is greater than carrying amount, then there is no impairment (skip step 2). Step 2: Allocate the FV of the reporting unit to all of its assets and liabilities in the same way as in a business combination and compare the resulting implied FV of goodwill with its carrying amount. ***Subsequent reversal of an impairment loss:*** **IFRS:** Required, if certain criteria are met. No reversal of impairments of goodwill. **US:** Prohibited.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	FAS 5, FAS 11, FAS 47, FAS 112, FAS 114, FAS 143, FAS 146, FIN 14, FIN 45.	*Criteria for recognition of provisions (loss contingencies that are recognized):* **IFRS:** A *provision* is recognized when: (1) an entity has a present obligation to transfer economic benefits as a result of past events; (2) it is *probable* that such a transfer will be required; and (3) a reliable estimate of the amount of the obligation can be made. Probable is defined as "more likely than not." **US:** Similar criteria apply for the recognition of a *loss contingency*, however, the definition of *probable* as "likely" sets a higher threshold for recognition than "more likely than not" under IFRS. ***Measurement of provisions:*** **IFRS:** The best estimate of the minimum expenditure required to settle the present obligation—if no estimate in a range of estimates is more likely than any other then the mid-point of the range must be used. Discounting is required. **US:** If no estimate in a range of estimates is more likely than any other then the minimum amount must be used. Discounting is only permitted when the timing of the cash flows is fixed or determinable. ***Recognition of restructuring provisions:*** **IFRS:** Recognize if a detailed formal plan is announced or implementation of such a plan has started. **US:** Recognize when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan.

IAS / IFRS	**FASB Pronouncements[1]**	**Differences[2]**
		Disclosures that may prejudice seriously the position of the entity in a dispute: **IFRS:** “In extremely rare cases” amounts and details need not be disclosed, but disclosure is required of the general nature of the dispute and why the details have not been disclosed. **US:** Disclosure is required.
IAS 38: Intangible Assets	APB 29, FAS 2, FAS 50, FAS 51, FAS 61, FAS 63, FAS 72, FAS 86, FAS 141, FAS 142, FAS 147, FAS 153, FIN 4, FIN 6, FIN 9, FIN 30.	***Capitalization of intangible assets acquired outside of a business combination:*** **IFRS:** Capitalize. **US:** Capitalize, except where the intangible assets acquired are to be used in R&D activities and have no “alternative future use” in which case they are expensed. ***Development costs:*** **IFRS:** Capitalize, if certain criteria are met relating to technical and commercial feasibility. **US:** Expense as incurred (except for certain website development costs and certain costs associated with developing software). ***Subsequent expenditure on purchased in-process R&D:*** **IFRS:** Capitalize if it meets the definition of development. **US:** Expense. ***Revaluation of intangible assets:*** **IFRS:** Permitted only if the intangible asset trades in an active market. **US:** Generally prohibited.

IAS / IFRS	**FASB Pronouncements[1]**	**Differences[2]**
IAS 32: Financial Instruments: Disclosure and Presentation and IAS 39: Financial Instruments: Recognition and Measurement	ARB 43 (Chapter 1A), ARB 43 (Chapter 1B), ARB 43 (Chapter 3B), APB 6, APB 10, APB 12, APB 14, APB 21, APB 26, FAS 15, FAS 47, FAS 65, FAS 84, FAS 91, FAS 97, FAS 107, FAS 114, FAS 115, FAS 118, FAS 126, FAS 133, FAS 134, FAS 137, FAS 138, FAS 140, FAS 149, FAS 150.	***The Fair Value Option - classification as "at fair value through profit or loss":*** **IFRS:** Irrevocable decision on initial recognition to designate *any* financial asset or financial liability within the scope of IAS 39 (except for certain investments in equity instruments) to be remeasured at fair value through profit or loss (the *fair-value option*). The fair-value option cannot be applied to financial liabilities under the EU approved version of IAS 39. **US:** No such fair-value option exists. ***Other comments:*** The FASB has a current technical agenda project to consider whether entities should be permitted a one-time election, at the initial recognition of a contract, to report financial instruments, and perhaps certain nonfinancial instruments with characteristics similar to financial instruments, at fair value with the changes in fair value included in earnings. ***Reclassification of financial assets or financial liabilities into or out of the "held-for-trading" category:*** **IFRS:** The "held-for-trading" category is a subset of the "at fair value through profit or loss" category; reclassification to or from that category is prohibited. **US:** Reclassification into or from the "trading" category should be rare but is not prohibited. ***Classification of convertible debt by the issuer:*** **IFRS:** Split the instrument into its liability and equity components and classify each as financial assets, financial liabilities or equity. **US:** Classify the entire instrument as a liability.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Investments in unlisted equity instruments*:** **IFRS:** Measured at fair value if reliably measurable; otherwise at cost. **US:** Measured at cost. ***Derecognition of financial assets: **IFRS:** Apply firstly a risks and rewards approach and then a control approach (if an analysis of risks and rewards is inconclusive) to determine if a financial asset should be derecognized. There is no legal isolation test. **US:** A components approach focusing on control with some consideration of the risks and rewards of ownership, and a requirement for the legal isolation of the financial assets transferred. ***Derecognition of financial assets - use of Qualifying Special Purpose Entities (QSPEs):*** **IFRS:** No such category of SPE. **US:** Allowed. ***Use of hedge accounting for "partial-term hedges" (hedge of a fair value exposure for only a part of the term of a derivative hedging instrument):*** **IFRS:** Allowed, provided that effectiveness can be demonstrated. **US:** Prohibited. ***Assuming perfect effectiveness of a hedge if critical terms match:*** **IFRS:** Prohibited. Must always measure effectiveness. **US:** Allowed for hedge of interest rate risk in a debt instrument if certain conditions are met. Known as the "shortcut method".

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Basis adjustments to non-financial assets or non-financial liabilities resulting from cash flow hedges of forecasted transactions: **IFRS:** An entity can choose the same method as U.S. GAAP or adjust the basis of the non-financial asset or non-financial liability for the gain or loss on the hedging instrument. **US:** The gain or loss on the hedging instrument that has been reported in equity remains in equity. ***Hedging the gain or loss on the net investment in a foreign entity:*** **IFRS:** Hedge ineffectiveness for any non-derivative hedging instruments designated as a hedge of the foreign currency risk related to the net investment in a foreign entity is recognized in equity. **US:** Hedge ineffectiveness on any non-derivative used to hedge foreign currency risk is recognized in profit or loss. ***Macro hedging:*** **IFRS:** Fair value hedge accounting treatment for a portfolio hedge of interest rate risk is allowed if certain specified conditions are met. **US:** Hedge accounting treatment is prohibited, though similar results may be achieved by designating specific assets or liabilities as hedged items.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
		Subsequent reversal of an impairment loss: **IFRS:** Required for held-to-maturity debt instruments, and available-for-sale debt instruments, if certain criteria are met. **US:** Prohibited.
IAS 40: Investment Property	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.[4]	Not applicable.
IAS 41: Agriculture	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.[5]	Not applicable.

[4] U.S. GAAP does not have any specific rules for the accounting treatment of investment property. Such properties are accounted for in the same way as other property; at depreciated historical cost. This is equivalent to the cost model in IAS 40.

[5] AICPA Statement of Position 85-3, *Accounting by Agricultural Producers and Agricultural Cooperatives* and the AICPA Audit and Accounting Guide, *Agricultural Producers and Agricultural Cooperatives* provide accounting guidance relevant to the scope of IAS 41.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
SIC-7: Introduction of the Euro (ref. IAS 10 and IAS 21)	Although there are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic EITF Topic D-71, *Accounting Issues Relating to the Introduction of the European Economic and Monetary Union (EMU)* addresses similar issues and is directly relevant.	No significant differences.
SIC-10: Government Assistance—No Specific Relation to Operating Activities (ref. IAS 20)	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Not applicable.
SIC-12: Consolidation—Special Purpose Entities (ref. IAS 8 and IAS 27)	FIN 46(R).	***Special purpose entities (SPEs):*** **IFRS:** Consolidate where the substance of the relationship indicates that an entity controls the SPE. **US:** Consolidation of an SPE is required by its primary beneficiary only when the SPE meets the definition of a VIE and the primary beneficiary will absorb the majority of losses or receive the majority of returns. Certain qualifying SPEs (as defined) do not need to be consolidated.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
SIC-13: Jointly Controlled Entities—Non-Monetary Contributions by Ventures (ref. IAS 18 and IAS 31)	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Not applicable.
SIC-15: Operating Leases—Incentives (ref. IAS 17)	Although there are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic FASB Technical Bulletin No. 88-1, *Issues Relating to Accounting for Leases: Lease Incentives in an Operating Lease* addresses similar issues and is directly relevant.	No significant differences.
SIC-21:Income Taxes—Recovery of Revalued Non-Depreciable Assets (ref. IAS 12 and IAS 16)	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Not applicable.
SIC-25: Income Taxes—Changes in the Tax Status of an Enterprise or its Shareholders (ref. IAS 12)	FAS 109.	No significant differences.

IAS / IFRS	**FASB Pronouncements**[1]	**Differences**[2]
SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease (ref. IAS 1, IAS 17, IAS 18 and IFRS 4)	Although there are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic EITF Issue 01-8, *Determining Whether an Arrangement Contains a Lease* addresses similar issues and is directly relevant.	No significant differences.
SIC-29: Disclosure—Service Concession Agreements (ref. IAS 1)	There are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic.	Not applicable.
SIC-31: Revenue—Barter Transactions Involving Advertising Services (ref. IAS 18)	Although there are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic EITF Issue 99-17, *Accounting for Advertising Barter Transactions*, addresses similar issues and is directly relevant.	***Recognition of revenue from advertising barter transactions****:* **IFRS:** SIC-31 sets criteria for the reliable measurement of the fair value of advertising services given up in exchanges of dissimilar advertising services (an exchange of similar advertising services would *not* result in any revenue recognition under IAS 18). **US:** EITF 99-17 sets out similar, but more detailed, criteria. However, revenue would be recognized from the exchange of similar advertising services if the fair value could be determined.

IAS / IFRS	FASB Pronouncements[1]	Differences[2]
SIC-32: Intangible Assets—Web Site Costs (ref. IAS 38)	Although there are no FASB pronouncements in category (a) of U.S. GAAP that deal specifically with this topic EITF Issue 00-2, *Accounting for Web-Site Development Costs*, addresses similar issues and is directly relevant.	No significant differences.
IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities (ref. IAS 1, IAS 8, IAS 16, IAS 23, IAS 36, and IAS 37)	FAS 143.	***Measurement of decommissioning provisions:*** **IFRS:** Adjust the cost of the asset and the provision to reflect changes in the current market-based discount rate at each reporting date. **US:** Do not adjust the cost of the asset or the liability for changes in the discount rate used after initial recognition.