

The need to be “financially bilingual” US GAAP vs IFRS

V. IFRS vs USGAAP

GENERAL DIFFERENCES

This presentation contains information, in addition to the material prepared and provided by the professor, from:

1. Elizabeth A. Gordon, Temple University, Jana S. Raedy, University of North Carolina, Alexander J. Sannella, Rutgers Business School, ©2016, Pearson | ISBN13: 9780132162302
2. Donald E. Kieso, Jerry J. Weygandt, Terry D. Warfield, Intermediate Accounting, 16th Edition
3. March 2016, ©2016
4. Douppnik T. and Perera H. INTERNATIONAL ACCOUNTING- CONT4029 (Custom Edition by Prof. Aida Lozada and Prof. Carmen Ríos. McGraw-Hill, 2014. ISBN 9781308235059.
5. Timothy, D., Finn M., Gotti, G. and Perera, H. 5ed. INTERNATIONAL ACCOUNTING. Mc Graw Hill 2020, New York.
6. J. David Spiceland, James Sepe, Mark Nelson, Intermediate Accounting, 6th edition, McGraw-Hill, 2014. ISBN-13: 978-0077614065 ISBN-10: 0077614062
7. Other: Official Websites

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

IFRS VS US GAAP

The need to be “financially bilingual” US GAAP vs IFRS

CATEGORIES BASED ON ACCOUNTING DIFFERENCES

- Financial Statements **included**
- Financial Statement **formats**
- Level of **detail** in Financial Statements
- Terminology
- Disclosure
- Recognition and Measurement

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

- 1. PRINCIPLE BASED APPROACH VS RULE BASED APPROACH**
- 2. MEASUREMENT AMOUNT** (e.g. Book Value or Market Value)
- 3. RECOGNITION** (When: Should or should not be recognized?)

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

1. PRINCIPLE BASED APPROACH VS RULE BASED APPROACH

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCE: PRINCIPLE VS RULE

IFRS

PRINCIPLE BASED APPROACH

Pros

1. It contains few or **no exceptions**.
2. It is not required to meet the numerical preconditions **“bright-line test”**

(ie: total assets must be 10% of Net Income).

Cons

1. It is risky specifically, when there is no market, it is inactive, or it is not efficient. (i.e: asset valuation)
2. It promotes **subjectivity** and reduces the precision of numbers.

U.S. GAAP

RULE BASED APPROACH

Pros

1. FASB Codification
2. The information can be **verified** with the guides

Cons

1. Contains **numerous exceptions**, varies by company and industry.
2. They contain many **“bright –line tests”**.

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

1. PRINCIPLE BASED APPROACH VS RULE BASED APPROACH

This flexibility of IFRS would require the CPAs to make professional judgment calls in preparing and/or auditing financial statements. Any situations wherein these judgment calls go awry would provide fertile ground for costly litigation. This possibility of litigation liability requires that effective training process in IFRS must be started immediately.

Yallapragada, Toma, and Roe, 2011).

IFRS

PRINCIPLE BASED APPROACH

“No Standard Overload”

REVENUE RECOGNITION

NIC 18

VS

U.S. GAAP

RULE BASED APPROACH

“Standard Overload”

REVENUE RECOGNITION

200 different emission documents,
standards, interpretations and updates.

LITTLE IFRS

300 pages

VS

FASB CODIFICATION

15,000 pages

FULL IFRS

3,700 pages

STANDARDS, INTERPRETATIONS, AMENDMENTS

25,000 pages

Miller, 2010

WE WILL APPLY
PRINCIPLE VS RULE
IN ANOTHER CONTEXT

EXAMPLE

IFRS

U.S. GAAP

PRINCIPLE BASED APPROACH

RULE BASED APPROACH

PLEASE

15 MPH

DRIVE

(6:00am – 6:pm)

SLOWLY

Speed



WE  OUR

LIMIT



CHILDREN

CHILDREN

PLAYING

EXAMPLE

IFRS

PRINCIPLE BASED APPROACH

Add salt
to taste
to the recipe



U.S. GAAP

RULE BASED APPROACH

1. Add 3 oz of salt
2. Only at the end of the process
3. Continue beating the mixture for 10 minutes
4. Until the mixture reaches 10°F



EXAMPLE

IFRS

U.S. GAAP

PRINCIPLE BASED APPROACH

RULE BASED APPROACH

SOME RAIN TODAY



COMPLETE FORECAST



The need to be “financially bilingual” US GAAP vs IFRS

Standard-setters have developed standards in response to different user needs.

US GAAP

In the United States, **investors and creditors** have driven accounting-standard formulation.

IFRS

In some countries, the primary users of financial statements are **private investors**. In others, the primary users are **tax authorities** or central government planners.

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

PRACTICE EXERCISES

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

1. The sum of the undiscounted future cash flows from the use of a plant asset is less than its carrying value.

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

1. The sum of the undiscounted future cash flows from the use of a plant asset is less than its carrying value.

RULE

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

2. A corporation has the ability to control all the operations of a subsidiary.

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

2. A corporation has the ability to control all the operations of a subsidiary.

PRINCIPLE

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

3. It is more likely than not that a company’s tax position will be sustained upon examination by the IRS.

The need to be “financially bilingual” US GAAP vs IFRS

Identify: Principle or Rule

3. It is more likely than not that a company’s tax position will be sustained upon examination by the IRS.

PRINCIPLE

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

2. MEASUREMENT AMOUNT

(e.g. Book Value or Market Value)

The need to be “financially bilingual” US GAAP vs IFRS

EXAMPLE: MEASUREMENT AMOUNT

U.S. GAAP

NATURAL RESOURCES

Book Value

IFRS

BIOLOGICAL ASSETS

Net Selling Price

The need to be “financially bilingual” US GAAP vs IFRS

MAIN DIFFERENCES

3. RECOGNITION

When: Should or should not be recognized?

The need to be “financially bilingual” US GAAP vs IFRS

EXAMPLE: RECOGNITION

U.S. GAAP

REVALUATION OF ASSETS

NOT ALLOWED

IFRS

REVALUATION OF ASSETS

ACCOUNT: Revaluation Surplus

IMPACT: (gain/losses)

OTHER COMPREHENSIVE INCOME

The need to be “financially bilingual” US GAAP vs IFRS

IFRS LIST

Deloitte
IFRS in your pocket 2019

<https://www.iasplus.com/en/publications/global/ifrs-in-your-pocket/2019>

The need to be “financially bilingual” US GAAP vs IFRS

IFRS LIST

IFRS in your pocket | 2019

Standards and Interpretations

IAS 1	Presentation of Financial Statements	IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 2	Inventories	IAS 27	Separate Financial Statements
IAS 7	Statement of Cash Flows	IAS 28	Investments in Associates and Joint Ventures
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 10	Events after the Reporting Period	IAS 32	Financial Instruments: Presentation
IAS 12	Income Taxes	IAS 33	Earnings per Share
IAS 16	Property, Plant and Equipment	IAS 34	Interim Financial Reporting
IAS 19	Employee Benefits	IAS 36	Impairment of Assets
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 21	The Effects of Changes in Foreign Exchange Rates	IAS 38	Intangible Assets
IAS 23	Borrowing Costs	IAS 39	Financial Instruments: Recognition and Measurement
IAS 24	Related Party Disclosures	IAS 40	Investment Property
		IAS 41	Agriculture

<https://www.iasplus.com/en/publications/global/ifrs-in-your-pocket/2019>

The need to be “financially bilingual” US GAAP vs IFRS

IFRS LIST

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts

<https://www.iasplus.com/en/publications/global/ifrs-in-your-pocket/2019>

IFRS STANDARDS VS FASB STANDARDS CODIFICATION

IFRS Standards	FASB Accounting Standards Codification	Textbook Chapters
	Corresponding content found primarily in:	
Conceptual Framework		
Framework for the Preparation and Presentation of Financial Statements	Not codified	1
International Financial Reporting Standards		
IFRS 1 First-time Adoption of International Financial Reporting Standards	N/A	
IFRS 2 Share-based Payment	505, 718	19
IFRS 3 Business Combinations	805	
IFRS 4 Insurance Contracts	944	
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	205, 280, 360	4
IFRS 6 Exploration for and Evaluation of Mineral Assets	932	
IFRS 7 Financial Instruments: Disclosures	815	14, 18
IFRS 8 Operating Segments	280	3
IFRS 9 Financial Instruments	450, 470	7, 12, 14
International Accounting Standards		
IAS 1 Presentation of Financial Statements	220, 225, 250, 505, 835	3, 4, 13, 18, 21
IAS 2 Inventories	330	8, 9
IAS 7 Statement of Cash Flows	230, 962	4, 7, 21
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	250	3, 4, 9, 11, 20
IAS 10 Events After the Reporting Period	855	3, 13
IAS 11 Construction Contracts	605	5
IAS 12 Income Taxes	740	16
IAS 14 Segment Reporting	280	3
IAS 16 Property, Plant and Equipment	410, 420, 845	4, 10, 11
IAS 17 Leases	840	15
IAS 18 Revenue	360, 470, 605, 952	5
IAS 19 Employee Benefits	715	17
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	912	
IAS 21 The Effects of Changes in Foreign Exchange Rates	830	4, 12, 17, 18
IAS 23 Borrowing Costs	835	10
IAS 24 Related Party Disclosures	850	3
IAS 26 Accounting and Reporting by Retirement Benefit Plans	960	
IAS 27 Consolidated and Separate Financial Statements	810, 840	12
IAS 28 Investments in Associates	323, 325	12
IAS 29 Financial Reporting in Hyperinflationary Economies	830	
IAS 31 Interests in Joint Ventures	323, 325	12
IAS 32 Financial Instruments: Presentation and Disclosure	450, 470, 820, 825	7, 12, 14
IAS 33 Earnings Per Share	260	4, 19
IAS 34 Interim Financial Reporting	270, 740	5
IAS 36 Impairment of Assets	205, 360	11
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	410, 420, 450	13
IAS 38 Intangible Assets	350, 805, 985	4, 38
IAS 39 Financial Instruments: Recognition and Measurement	310, 450, 470, 820, 825	7, 12, 14, A
IAS 40 Investment Property	845	
IAS 41 Agriculture	205, 350, 820	11

Note: Superseded and withdrawn standards are not included in the listing above.

The need to be “financially bilingual” US GAAP vs IFRS

Identify Differences: Financial Statements

US GAAP vs IFRS

PRACTICE EXERCISE

The need to be “financially bilingual” US GAAP vs IFRS

The following link allows unrestricted access to:
Illustrative Disclosure / Guide to Annual Financial Statements / IFRS on the page prepared by KPMG
September 2018

<https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF>

About this guide:

This guide has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited). It is intended to help entities to prepare and present financial statements in accordance with IFRS by illustrating one possible format for financial statements for a fictitious multinational corporation (the Group) involved in general business activities. This hypothetical reporting entity has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. For more information on adopting IFRS for the first time, see Chapter 6.1 in the 15th edition 2018/19 of our publication Insights into IFRS.

Other References: Textbooks

e.g. Kieso, Weygandt and Warfield’s Intermediate Accounting, 17e

e.g. [https://www.ey.com/Publication/vwLUAssets/IFRSBasics_00901-181US_23February2018/\\$FILE/IFRSBasics_00901-181US_23February2018.pdf](https://www.ey.com/Publication/vwLUAssets/IFRSBasics_00901-181US_23February2018/$FILE/IFRSBasics_00901-181US_23February2018.pdf)

The need to be “financially bilingual” US GAAP vs IFRS

The student will receive a copy of the
Illustrative Financial Statements

Illustrative Disclosure / Guide to Annual Financial Statements / IFRS on the page prepared by KPMG / 09/2018
<https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF>

The need to be “financially bilingual” US GAAP vs IFRS

Instructions: Go to page **16** of the Guide, and answer the following:

1. What is the name of the financial statement that appears?
2. If the Company were using US GAAP, what would be the name of this financial statement?
3. Identify 3 differences, (using simple observation)

<https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF>

The need to be “financially bilingual” US GAAP vs IFRS

Differences in the Income Statements are:

To adopt the converged standard for revenue recognition, for example, an issuer will likely have to review existing contracts; evaluate outstanding customer transactions; revise corporate accounting policies; establish new or modify existing internal controls; and determine whether the accounting processes responsible for the original accounting before adoption of the new accounting standard must be retained in order to comply with contractual covenants or regulatory reporting, the report said. SEC’s Final Staff Report, 2012

The need to be “financially bilingual” US GAAP vs IFRS

Instructions: Go to page **16** of the Guide, and answer the following:

1. What is the name of the financial statement that appears?

Statement of Financial Position (IAS No. 1)

2. If the Company were using US GAAP, what would be the name of this financial statement?

Balance Sheet (Some US Companies Statement of Financial Position)

3. IFRS specify a **minimum** list of items

4. Using simple observation, identify 3 differences of this financial statement (page 16) and one prepared with US GAAP.

1. Name of the Statement

2. Liquidity order

3. Name of the accounts

4. Basic Equation Order: $A = C + L$

5. Others

IAS 1.10(a), 10(ea)–(f),
29, 38–38A, 40A–40B,
54–55, 113

IAS 1.54(a)

IAS 1.54(c)

IAS 1.54(f)

IAS 1.54(b), 1749

IAS 1.54(e)

IAS 1.54(k)

IAS 1.54(i), 56

IAS 1.55

IAS 1.60

IAS 1.54(f)

IAS 1.54(g)

IAS 1.55

IAS 1.54(k)

IAS 1.54(l)

IAS 1.54(m)

IAS 1.55

IAS 1.54(n)

IFRS 5.38, 40, IAS 1.54(p)

IAS 1.60

Consolidated statement of financial position^a

	Note	31 December 2018	31 December 2017 Restated ^b	1 January 2017 Restated ^{b, c}
<i>In thousands of euro</i>				
Assets				
Property, plant and equipment	21	26,586	31,049	34,937
Intangible assets and goodwill	22	6,226	4,661	5,429
Biological assets	16	4,698	4,025	3,407
Investment property	23	1,370	250	150
Equity-accounted investees	24	2,489	1,948	1,530
Other investments, including derivatives ^d	25	3,616	3,525	3,221
Deferred tax assets	14	2,187	2,050	984
Employee benefits	13	671	731	716
Non-current assets^e		47,843	48,239	50,374
Biological assets	16	32	31	29
Inventories ^f	17	12,148	12,119	11,587
Contract assets ^g	8	1,271	-	-
Other investments, including derivatives ^d	25	662	1,032	947
Current tax assets		34	60	-
Trade and other receivables	18	32,405	22,485	17,651
Prepayments		330	1,200	895
Cash and cash equivalents	19	1,504	1,850	2,529
		48,386	38,777	33,638
Assets held for sale	20	14,400	-	-
Current assets^e		62,786	38,777	33,638
Total assets		110,629	87,016	84,012

IAS 1.10(a), 10(ea)-(f),
29, 38-39A, 40A-40E,
54-55, 113

IAS 1.54(f), 78(e)

IAS 1.55, 78(e)

IAS 1.54(f), 78(e)

IAS 1.55, 78(e)

IAS 1.54(g)

IAS 1.54(m)

IAS 1.55, 78(d)

IAS 1.54(n)

IAS 1.55

IAS 1.54(f)

IAS 1.54(o), 56

IAS 1.60

IAS 1.55

IAS 1.54(m)

IAS 1.54(m)

IAS 1.55, 78(d)

IAS 1.54(k)

IAS 1.55

IAS 1.55

IAS 1.54(f)

IFRS 5.38, 40,
IAS 1.54(p)

IAS 1.60

In thousands of euro

Equity

	Note	31 December 2018	31 December 2017 Restated ^{a, b}	1 January 2017 Restated ^{a, b, c}
Share capital		14,979	14,550	14,550
Share premium		4,777	3,500	3,500
Reserves		1,219	436	297
Retained earnings		20,756	12,765	7,372

Equity attributable to owners of the Company 26 **41,731** 31,251 25,719

Non-controlling interests 35 **3,827** 3,024 2,635

Total equity **45,558** 34,275 28,354

Liabilities

Loans and borrowings	28	21,920	19,031	20,358
Employee benefits	13	912	453	1,136
Trade and other payables	29	290	5	4
Deferred income	30	1,424	1,462	-
Provisions	31	1,010	-	740
Deferred tax liabilities	14	549	406	323

Non-current liabilities^a **26,105** 21,357 22,561

Bank overdraft	19	334	282	303
Current tax liabilities		4,853	1,693	25
Loans and borrowings	28	4,988	5,546	3,003
Employee benefits	13	20	388	13
Trade and other payables ^b	29	23,541	21,767	29,473
Contract liabilities	8	160	-	-
Deferred income	30	-	168	140
Provisions	31	660	1,540	140

34,556 31,384 33,097

Liabilities directly associated with the assets held for sale 20 **4,410** - -

Current liabilities^a **38,966** 31,384 33,097

Total liabilities **65,071** 52,741 55,658

Total equity and liabilities **110,629** 87,016 84,012

$$A = C + L$$

Consolidated statement of financial position*

		31 December 2018	31 December 2017	1 January 2017
	Note	2018	Restated ^{1,2}	Restated ^{3,4}
In thousands of euro				
Assets				
IAS 1.0400		21	25,588	31,049
IAS 1.0402		22	6,226	4,681
IAS 1.0403		16	4,698	4,025
IAS 1.0404, 1.249		23	1,370	250
IAS 1.0405		24	2,489	1,948
IAS 1.0406		25	3,616	3,525
IAS 1.0407, 56		14	2,187	2,050
IAS 1.05		13	671	731
IAS 1.08			47,843	48,239
Non-current assets⁵				
IAS 1.0407		16	32	31
IAS 1.0409		17	12,148	12,119
IAS 1.05		8	1,271	-
IAS 1.0408		25	682	1,032
IAS 1.0409			34	60
IAS 1.0402		19	32,405	22,485
IAS 1.05			330	1,200
IAS 1.040		19	1,504	1,850
			46,386	38,777
IFRS 5.36, 40, 41, 1.040		20	14,400	-
IAS 1.08			62,786	38,777
Current assets⁶				
			110,629	87,016
				84,012

		31 December 2018	31 December 2017	1 January 2017
	Note	2018	Restated ^{1,2}	Restated ^{3,4}
In thousands of euro				
Equity				
IAS 1.5401, 7000			14,979	14,550
IAS 1.541, 7000			4,777	3,500
IAS 1.5402, 7000			1,219	436
IAS 1.541, 7000			20,756	12,765
			41,731	31,251
IAS 1.5403		26	3,827	3,024
			45,558	34,275
Liabilities				
IAS 1.5404		28	21,820	19,031
IAS 1.541, 7000		13	912	453
IAS 1.5405		29	290	5
IAS 1.541		30	1,424	1,462
IAS 1.5406		31	1,010	-
IAS 1.5407, 56		14	549	406
IAS 1.08			26,105	21,357
IAS 1.541		19	334	282
IAS 1.5408			4,853	1,693
IAS 1.5409		29	4,988	5,546
IAS 1.541, 7000		13	20	388
IAS 1.5404		29	23,541	21,767
IAS 1.541		8	160	-
IAS 1.541		30	-	160
IAS 1.540		31	660	1,540
			34,556	31,394
Liabilities directly associated with the assets held for sale				
IFRS 5.36, 40		30	4,410	-
IAS 1.040			38,966	31,394
Current liabilities⁷				
			65,071	52,741
			110,629	87,016
				84,012

The need to be “financially bilingual” US GAAP vs IFRS

Instructions: Go to page ____ of the Guide, and answer the following:

1. What is the name of the financial statement that appears?
2. If the Company were using US GAAP, what would be the name of this financial statement?
3. Using simple observation, identify 3 differences of this financial statement (page 18) and one prepared with US GAAP.

<https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF>

The need to be “financially bilingual” US GAAP vs IFRS

Differences in the Income Statements are:

1. Required Elements
2. Measurement Amount
3. Recognition

The need to be “financially bilingual” US GAAP vs IFRS

Instructions: Go to page **18** of the Guide, and answer the following:

1. What is the name of the financial statement that appears?

Profit or Loss and Other Comprehensive Income

2. If the Company were using US GAAP, what would be the name of this financial statement?

Income Statement

3. Using simple observation, identify 3 differences of this financial statement (page 18) and one prepared with US GAAP.

1. **Required minimum information to be reported on the face of the Statement** (e.g. finance income/costs)
2. **Does not present revenue from contracts with customers as a separate line item.**
3. **The Group has elected to analyze expenses recognized in profit or loss based on functions** (required in US GAAP)
4. **Can present the expenses by nature** (promoted by IFRS)

(function: e.g. cost of goods sold, selling expenses, etc.) or (nature: e.g. rent, depreciation, salaries, etc.)

5. **Bottom Line of the Statement: profit or loss**

A variety of presentations could be acceptable as long as the required items are included on the income statement.

<i>Star Corporation</i> <i>Statement of Profit and Loss (IFRS)</i> <i>For the Year Ended December 31</i>		
Sales	\$123,750	Required
Less: Cost of Goods Sold	(45,678)	
Gross Profit		\$78,072
<i>Operating Expenses:</i>		
Selling Expenses	\$19,570	
General and Administrative Expenses	21,080	
Total Operating Expenses		(40,650)
Operating Profit		\$37,422
Interest Expense (Finance Costs)		(2,100) Required
Interest Income		1,000
Other Revenues/Gains and Expenses/Losses		1,706
Profit Before Tax		\$38,028
Income Tax Expense at 40%		(15,211) Required
Net Profit		\$22,817 Required

Additional disclosures:

<i>Other Revenues/Gains and Expenses/Losses:</i>		
Dividend Income	\$560	
Gain on Disposal of Plant Assets	986	
Unrealized Gain on Trading Investments	2,000	
Loss on Asset Impairment	(1,840)	
Other Revenues/Gains and Expenses/Losses	\$1,706	
<i>Selling Expenses:</i>		
Sales Salaries Expense		\$3,570
Selling Expenses		12,000
Advertising Expense		4,000
Total Selling Expenses		\$19,570
<i>General and Administrative Expenses:</i>		
Office Supplies Expense		\$4,500
Accounting and Legal Fees		800
Office Salaries Expense		6,780
Depreciation Expense		9,000
Total General and Administrative Expenses		\$21,080

Consolidated statement of profit or loss and other comprehensive income^a

For the year ended 31 December

IAS 1:108b, 10A, 29, 38-38A, 41A, 112

IAS 1:82(a)

IAS 1:99, 102

IAS 1:103

IAS 1:85

IAS 1:99, 103

IAS 1:99, 103

IAS 1:99, 103, 38, 126

IAS 1:99, 103

IAS 1:89, BC55-BC56

IAS 1:85

IAS 1:82(b)

IAS 1:85

IAS 1:82(c)

IAS 1:85

IAS 1:82(d), 12, 77

IAS 1:85

IFRS 5:33(a), IAS 1:82(a)

IAS 1:81A(a)

IAS 1:82A(a)(ii)

IAS 1:85

IAS 1:85

IAS 1:82A(b)(ii)

IAS 1:81(b)

IAS 1:82A(a)(iii)

IAS 21:52(b)

IAS 1:85

IAS 1:82A(b)(iii)

IAS 1:87

IFRS 7:23(a)

IFRS 7:23(b), IAS 1:82

IFRS 7:25(a)(ii)

IFRS 7:25(a)(iii), IAS 1:82

IAS 1:81(b)

IAS 1:81A(b)

IAS 1:81A(d)

Note

2017

2016

Restated^{*}

In thousands of euro

Continuing operations

Revenue	7	102,716	96,636
Cost of sales ^b	8(C)	(55,432)	(56,186)
Gross profit		47,284	40,450
Other income	8(A)	1,021	194
Selling and distribution expenses ^b	8(C)	(17,984)	(15,865)
Administrative expenses ^b	8(C)	(17,732)	(14,428)
Research and development expenses ^b	8(C)	(1,109)	(697)
Other expenses	8(B)	(1,146)	(30)
Operating profit^c		10,334	9,624
Finance income		1,161	458
Finance costs		(1,707)	(1,624)
Net finance costs	9	(546)	(1,166)
Share of profit of equity-accounted investees, net of tax	23	1,141	587
Profit before tax		10,929	9,045
Income tax expense	13	(3,371)	(2,520)
Profit from continuing operations		7,558	6,525
Discontinued operation			
Profit (loss) from discontinued operation, net of tax ^d	6	379	(422)
Profit for the period		7,937	6,103
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	20(F)	200	-
Remeasurements of defined benefit liability (asset)	12(B)	72	(15)
Equity-accounted investees – share of OCI	23, 25(D)	13	(3)
Related tax ^e	13(B)	(90)	5
		195	(13)
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		680	471
Net investment hedge – net loss		(3)	(8)
Equity-accounted investees – share of OCI	23, 25(D)	(172)	(166)
Reclassification of foreign currency differences on loss of significant influence	33(D)	(20)	-
Cash flow hedges – effective portion of changes in fair value		(62)	95
Cash flow hedges – reclassified to profit or loss ^f		(31)	(11)
Available-for-sale financial assets – net change in fair value		199	118
Available-for-sale financial assets – reclassified to profit or loss ^f		(64)	-
Related tax ^e	13(B)	(14)	(67)
		513	432
Other comprehensive income for the period, net of tax		708	419
Total comprehensive income for the period		8,645	6,522

^{*} See Notes 6, 20(H) and 43.

The need to be “financially bilingual” US GAAP vs IFRS

Instructions: Go to page ____ of the Guide, and answer the following:

1. What is the name of the financial statement that appears?
2. If the Company were using US GAAP, what would be the name of this financial statement?
3. Using simple observation, identify 3 differences of this financial statement (page 22) and one prepared with US GAAP.

<https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF>

The need to be “financially bilingual” US GAAP vs IFRS

1. What is the name of the financial statement that appears?

Statement of Cash Flows (no difference)

2. If the Company were using US GAAP, what would be the name of this financial statement?

Statement of Cash Flows

3. Using simple observation, identify 3 differences of this financial statement (page 22) and one prepared with US GAAP.

- 1. Can present operating cash flows using the **direct method (promoted by IFRS)**.**
- 2. Can use other starting point/figure, e.g. profit before taxation.**
- 3. In operating activities section the company creates sections: Adjustments for, changes in, cash generated from operating activities**
- 4. The company separate cash generated from operating activities from: interest income and taxes paid**
- 5. **Interest and dividends received** can be classified as either **operating or investing** activities.**
- 6. **Interest and dividends paid** can be classified as either **operating or financing** activities.**

Consolidated statement of cash flows

For the year ended 31 December

IAS 1 106B, 29,
36-38A, 113

IAS 7 18D)

	Note	2018	2017 Restated*
<i>In thousands of euro</i>			
Cash flows from operating activities^a			
Profit for the period ^b		7,877	6,094
Adjustments for:			
- Depreciation	21(A)	5,001	5,122
- Amortisation	22(A)	785	795
- (Reversal of) impairment losses on property, plant and equipment	21(B)	(393)	1,123
- Impairment losses on intangible assets and goodwill	22(C)	16	285
- Impairment loss on remeasurement of disposal group	20(A)	35	-
- Change in fair value of biological assets	16(A)	(587)	(28)
- Increase in fair value of investment property	23(A)	(20)	(60)
- Net finance costs	10	588	1,178
- Share of profit of equity-accounted investees, net of tax	24	(1,141)	(587)
- Gain on sale of property, plant and equipment	9(A)	(26)	(16)
- Gain on sale of discontinued operation, net of tax	7	(516)	-
- Equity-settled share-based payment transactions	13(E)	755	248
- Tax expense	14	3,314	2,473
		15,688	16,627
Changes in:			
- Inventories		(1,851)	(197)
- Contract assets		(489)	-
- Trade and other receivables		(15,772)	(5,497)
- Contract liabilities		(6)	-
- Prepayments		870	(305)
- Trade and other payables		7,182	(7,421)
- Provisions and employee benefits		26	274
- Deferred income		(38)	1,490
		5,610	4,971
Cash generated from operating activities		5,610	4,971
Interest paid ^{c, d}		(1,499)	(1,289)
Income taxes paid		(400)	(1,913)
Net cash from operating activities		3,711	1,769

IAS 231-32

IAS 235

IAS 210

	Cash flows from investing activities		
IAS 7:21	Interest received*	6	19
IAS 7:21	Dividends received*	26	32
IAS 7:16(b)	Proceeds from sale of property, plant and equipment	1,177	397
IAS 7:16(c), 16(d)	Proceeds from sale of investments	1,476	534
IAS 7:39	Disposal of discontinued operation, net of cash disposed of*	7	-
IAS 7:39	Acquisition of subsidiary, net of cash acquired	34	-
IAS 7:16(a)	Acquisition of property, plant and equipment	21(A)	(2,228)
IAS 7:16(a)	Acquisition of investment property	23(A)	(40)
IAS 7:16(a)	Purchase of non-current biological assets	16(A)	(814)
IAS 7:16(c), 16(d)	Acquisition of other investments		(363)
IAS 24, 18	Dividends from equity-accounted investees	24(A)	-
IAS 7:16(a)	Development expenditure	22(A), (D)	(503)
IAS 7:10	Net cash used in investing activities	(6,059)	(2,966)

The need to be “financially bilingual” US GAAP vs IFRS

ACTIVITY	US GAAP	IFRS
	CASH FLOWS	CASH FLOWS
OPERATING	<p>Dividends Received *</p> <p>Interest Received ✓</p> <p>Interest Paid &</p>	<p>Dividends Received * (or)</p> <p>Interest Received ✓ (or)</p> <p>Interest Paid & (or)</p> <p>Dividends Paid @ (or)</p>
INVESTING		<p>Dividends Received*</p> <p>Interest Received ✓</p>
FINANCING	<p>Dividends Paid @</p>	<p>Interest Paid &</p> <p>Dividends Paid @</p>

NON-CASH INVESTING AND FINANCING ACTIVITIES

US GAAP

Companies may present this information in the **Cash Flow Statement**.

IFRS

Requires that non-cash investing and financing activities be **excluded from the statement** of cash flows. Instead, these non-cash activities should be reported elsewhere **(Notes)**.

The need to be “financially bilingual” US GAAP vs IFRS

ASSESSMENT ACTIVITY

4. FINANCIAL STATEMENTS DIFFERENCES

Air France

The need to be “financially bilingual” US GAAP vs IFRS

VI. IFRS vs USGAAP

SPECIFIC DIFFERENCES

SPECIFIC DIFFERENCES: IFRS VS US GAAP

Conceptual Framework ✓

Segment Reporting

Interim Reporting

Cash and Equivalents

Account Receivable

Inventory

Revaluation at Market Value
(PPE)

Depreciation

Interest Capitalization

Impairment

Exchanges

Research and Development

Contingency

The need to be “financially bilingual” US GAAP vs IFRS

CONCEPTUAL FRAMEWORK

IFRS

1. **Guides** standard setting and provides a basis for practitioners to make accounting **judgments** when IFRS standard does not apply.
2. Emphasizes the concept of the financial statements providing a **“fair presentation”** of the company.

US GAAP

1. Provides **guidance** to standard setters to help them develop **high-quality standards**.
2. No emphasizes

SPECIFIC DIFFERENCES: SELECTED EXAMPLES

Conceptual Framework

Segment Reporting ✓

Interim Reporting

Cash and Equivalents

Account Receivable

Inventory

Revaluation at Market Value
(PPE)

Depreciation

Interest Capitalization

Impairment

Exchanges

Research and Development

Contingency

The need to be “financially bilingual” US GAAP vs IFRS

WHAT IS A REPORTABLE OPERATING SEGMENT?

Component of a public business entity:

1. Engages in business activities from which it may recognize revenues and incur expenses.
2. Whose operating results are regularly reviewed by the entity’s chief operating decision maker.
3. For which discrete financial information is available

The need to be “financially bilingual” US GAAP vs IFRS

SEGMENT REPORTING

IFRS

1. Requires companies to report information about reported segment profit or loss, including certain revenues and expenses, segment assets, and the basis of measurement

+

Disclose total liabilities of its reportable segments

US GAAP

1. U.S. GAAP requires companies to report information about reported segment profit or loss, including certain revenues and expenses, segment assets, and the basis of measurement

SPECIFIC DIFFERENCES: SELECTED EXAMPLES

Conceptual Framework

Segment Reporting

Interim Reporting ✓

Cash and Equivalents

Account Receivable

Inventory

Revaluation at Market Value
(PPE)

Depreciation

Interest Capitalization

Impairment

Exchanges

Research and Development

Contingency

The need to be “financially bilingual” US GAAP vs IFRS

INTERIM REPORTING

IFRS

1. Costs are expensed **entirely in the period** in which they occur.

2. Requires that a company apply the **same accounting policies** in its **interim financial statements** as it applies in its **annual financial statements**.

US GAAP

1. Costs are accrued or deferred and then charged to **each of the periods** they benefit.