The need to be "financially bilingual" US GAAP vs IFRS

X. INVENSTMENT

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

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Transfer Between Investment Categories

U.S. GAAP: FASB ASC 310,450, 470, 820, 825

CLASSIFICATION

Debt investments:
trading, available-for-sale, and held-to-maturity

IFRS: IAS 39

CLASSIFICATION

Debt investments:
as held-for-collection and trading.

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Transfer Between Investment Categories

U.S. GAAP: FASB ASC 310,450, 470, 820, 825

1. Allows transfers out of the trading security category, but reclassifications under this continue to be rarer events than that occurred under IFRS with this change

IFRS: IAS 39

1. Allows transfers of debt investments out of the Fair Value Profit/Loss (FVPL) category into Available For Sale (AFS) or Held to Maturity (HTM) in “rare circumstances”

2. Transfers of debt investments between the Amortized Cost, Fair Value Other Comprehensive Income (FVOCI), and (FVPL) categories occurs only if the company changes its business model with respect to the debt investment.

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Fair Value Option

U.S. GAAP: FASB ASC 310,450, 470, 820, 825

Less restrictive than IFRS. It indicates that the intent of the fair value option is to address specific circumstances, but it does not require that those circumstances exist.

IFRS: IAS 39

More restrictive than U.S. standards for determining when firms are allowed to elect the fair value option. Under both *IAS No. 39* and *IFRS No. 9*, companies can elect the fair value option only in specific circumstances.

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Fair Value Option - Equity Method

U.S. GAAP: FASB ASC 310,450, 470, 820, 825	IFRS: IAS 28
1. This is not a requirement	1. Requires investees to adjust to correspond to the accounting policies of the investor.
2. Provides fair value option for all investments that qualify for the equity method.	2. Does not provide the fair value option for most investments that qualify.

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IMPAIRMENT: INVESTMENT

U.S. GAAP: FASB ASC 205, 360

1. Impairment of debt investments is calculated using the: ***Current Expected Credit Loss*** CECL model.

2. CECL model calculates the expected credit losses over the remaining life of the investment, regardless of whether there has been a significant increase in credit risk. Because of this, it tends to recognize impairment losses earlier, and in higher amounts, than are recognized under IFRS.

IFRS: IAS 36

1. Impairment of debt investments is calculated using the ***Expected Credit Loss*** (ECL) model.

2. ECL model measured either as the 12 month:

***expected credit loss**

(if the credit risk on the investment has increased significantly)

or

***the lifetime expected credit loss**

(if the credit risk on the investment has not increased significantly).