



IFRS compared to US GAAP and Argentine accounting standards

An Overview

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Be clear in times of uncertainty

In times of uncertainty, investors, regulators and other users look for clarity in the annual report. They want to know how an entity is affected and how it addresses the challenges, and what judgements, estimates and assumptions management makes.

Both the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) are responding to drive clarity. A new accounting standard – IFRS 18 Presentation and Disclosure in Financial Statements – is effective in 2027, introducing a revised structure for the statement of profit or loss and bringing management performance measures into the spotlight. The FASB has also introduced new disclosure requirements to enhance transparency and comparability in the income statement. This edition of IFRS compared to US GAAP includes a new chapter highlighting the key differences related to these requirements.

Both standard-setters are also responding to the need for better information about intangible assets. The IASB is performing research as part of its comprehensive review of the intangible assets standard; the FASB has developed specific new requirements and proposals for emerging topics – e.g. newly effective requirements for crypto assets and proposals for environmental credit programmes. With new differences between IFRS Accounting Standards and US GAAP on the horizon, dual reporters need to monitor these developments closely.

We are pleased to publish this 2025 edition of IFRS compared to US GAAP, highlighting the key differences between the two frameworks.

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About this publication

©2026 This publication is an overview and it is based on *IFRS Compared to US GAAP Handbook* ('Original Publication'), published November 2025. The copyright in the Original Publication is vested in KPMG IFRG Limited, a UK company limited by guarantee, and KPMG LLP, a Delaware limited liability partnership. KPMG IFRG Limited and KPMG LLP reserves all rights in relation to the Original Publication and all adaptations thereof.

Purpose

This publication helps you understand the significant differences between IFRS Accounting Standards and US GAAP. Although it does not discuss every possible difference, this publication provides a summary of those differences that we have encountered most frequently, resulting from either a difference in emphasis, specific application guidance or practice. The focus of this publication is primarily on recognition, measurement and presentation. However, it also covers areas that are disclosure-based, such as segment reporting and the assessment of going concern.

Scope

This publication highlights what we believe are the main differences of principle, emphasis or application between IFRS Accounting Standards and US GAAP.

It does not address the requirements of the *IFRS for SMEs*® Accounting Standard or the initiative of the FASB and the Private Company Council in determining accounting alternatives for private companies under US GAAP. It also does not address the requirements of IAS 26 *Accounting and Reporting by Retirement Benefit Plans* or the equivalent US GAAP. Otherwise, this publication addresses the types of businesses and activities that IFRS Accounting Standards address. For example, the accounting for biological assets is included, but accounting by not-for-profit entities is not. In addition, this publication focuses on consolidated financial statements – it does not address separate (i.e. unconsolidated) financial statements.

The transition requirements to adopt specific accounting standards are not addressed. In addition, the requirements for adopting IFRS Accounting Standards as a framework are discussed on the basis that the entity has adopted them already. Therefore, the following are excluded from this publication: IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 14 *Regulatory Deferral Accounts*. The special transition requirements that apply in the period in which an entity changes its GAAP to IFRS Accounting Standards, including the implications for an entity in the scope of IFRS 14, are discussed in our practical guide to IFRS Accounting Standards, [Insights into IFRS](#).

Argentine accounting standards (NCP)

This document also includes a comparison with Argentine accounting standards, known as Professional Accounting Standards or 'NCP' from its initials in Spanish.

Argentina has adopted IFRS Accounting Standards for all companies whose securities are publicly traded, except for financial and insurance entities, which applies accounting standards issued by the regulators. Financial entities accounting standards are issued by Argentine Central Bank and are based in IFRS Accounting Standards, however, certain differences remain.

Although entities are allowed to be used IFRS Accounting Standards and IFRS Accounting Standards for SMEs in most of Argentine Provinces, in practice, apart from public companies, entities prepare their financial statements based on NCP.

Accounting standards are issued by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and approved by each of the Professional Councils representing the Provinces and the City of Buenos Aires.

A set of three new comprehensive accounting standards: Technical Resolutions Nbr.54, 56 and 59, collectively known as '*Norma Unificada Argentina*' (NUA) replace previous guidance to more align NCP to IFRS Accounting Standards providing also guidance for SMEs (not included in this document).

In this publication we are referring to Technical Resolution Nbr. 59 (RT 59) since it includes the compiled text.

These new Technical Resolutions have already been approved by major professional councils; however, certain councils are still in process of approval. Depending on the jurisdiction, they are in force as of January 1, 2025 or thereafter. Please refer to Appendix II.

Organisation of the text

This publication is largely organised consistently with *Insights into IFRS*. It summarises the requirements of IFRS Accounting Standards in the left-hand column. In the middle column, it compares US GAAP to IFRS Accounting Standards, highlighting similarities and differences. It is a brief summary of the key requirements of IFRS Accounting Standards, contrasted with the parallel requirements of US GAAP, providing a quick overview for easy reference, but is not detailed enough to allow a full understanding of the significant differences. In the right-hand column, this document compares, in the same manner, both standards with NCP.

Although we have highlighted what we regard as significant differences, we recognise that the significance of any difference will vary by entity. Some differences that appear major may not be relevant to your business; by contrast, a seemingly minor difference may cause you significant additional work.

In certain cases, this publication includes the specific views that we have developed in the absence of explicit guidance under IFRS Accounting Standards or US GAAP. Sometimes we note what we would expect in practice or we simply note that practice varies or may vary.

Our commentary is referenced to current requirements of IFRS Accounting Standards and the FASB's Accounting Standards Codification® as follows.

- For IFRS Accounting Standards, references in square brackets identify any relevant paragraphs of the accounting standards or other literature – e.g. *IFRS 3.18* is paragraph 18 of IFRS 3; *IFRS 2.IGEx2* is Example 2 of the IFRS 2 implementation guidance. References to IFRS Interpretations Committee decisions, addressed in its publication *IFRIC® Update*, are also indicated – e.g. *IU 01-13* is *IFRIC Update January 2013*.
- For US GAAP, references in square brackets identify any relevant paragraphs of the Codification – e.g. *220-10-45-3* is paragraph 45-3 of ASC Subtopic 220-10; *TQA 1300.15* is paragraph 15 of Technical Questions & Answers 1300, issued by the American Institute of Certified Public Accountants. References to SEC Regulations are also indicated – e.g. *Reg S-X Rule 10-01(b)(6)*.

The references at the start of each chapter indicate the main literature related to that topic, based on currently effective requirements.

Effective dates

Generally, the accounting standards and interpretations included in this publication are those that are mandatory for an annual reporting period beginning on 1 January 2025. Accounting standards and interpretations published by 31 October 2025 that are effective for an annual reporting period beginning on a later date are briefly mentioned at the end of the relevant chapter (as forthcoming requirements) when we believe their significance to understanding of the differences between IFRS Accounting Standards and US GAAP. See below for our approach for financial instruments and insurance.

The IASB and the FASB take different approaches to the effective dates of new pronouncements.

- New accounting standards and interpretations issued by the IASB have a single effective date. For effective dates under IFRS Accounting Standards, see our [Newly effective and forthcoming requirements page](#).
- For most Accounting Standards Updates (ASUs) under US GAAP, the effective date distinguishes between entities that are public business entities and other entities. In some cases, the FASB may make a further distinction between SEC filers and non-SEC filers, and SEC filers may be further categorised as 'smaller reporting companies' vs other SEC filers. This means that the effective dates of a pronouncement can be spread over a number of years. The [appendix I](#) provides a table of effective dates under US GAAP to help you navigate the new requirements included in the forthcoming requirements that are not yet (fully) effective.

This publication distinguishes the accounting for those US GAAP requirements that are not yet (fully) effective. However, for ease of reference we typically refer to 'public entities' vs 'non-public entities', with more nuanced discussion included in the [appendix I](#).

Financial instruments, insurance and presentation

IFRS 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. The equivalent new accounting standards under US GAAP are also now effective for all entities. This edition compares the hedging requirements under US GAAP with the requirements in IAS 39 *Financial Instruments: Recognition and Measurement* – this is the subject of chapter 7.9B. This is because many entities applying IFRS Accounting Standards will continue to apply the hedge accounting requirements in IAS 39 in full or in part. When an entity reporting under IFRS Accounting Standards first applied IFRS 9, it could choose an accounting policy to continue to apply the hedge accounting requirements in the superseded IAS 39 in their entirety instead of those in chapter 6 of IFRS 9. It can do this until a new accounting standard resulting from the ongoing project on accounting for dynamic risk management becomes effective. An entity making this election is required to comply with the disclosure requirements for hedge accounting in IFRS 9. Even if an entity did not make this election, it may still apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities.

IFRS 17 *Insurance Contracts* became effective for annual periods beginning on or after 1 January 2023. ASU 2018-12 *Targeted Improvements to the Accounting for Long-Duration Contracts* was effective in 2023 for SEC filers that are not eligible to be smaller reporting companies and is effective in 2025 for other entities. This edition compares the new requirements under both IFRS Accounting Standards and US GAAP in chapter 8.1.

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. The impacts of IFRS 18 are pervasive with many aspects of financial statements presentation and disclosure affected, particularly the income statement. Our [First Impressions](#) publication provides detailed insights and comprehensive analysis on applying the new standard. There are currently no equivalent forthcoming requirements under US GAAP, except for the forthcoming requirement for public entities to disclose selling expenses and disaggregated income statement expenses based on natural expense categories. This edition includes a new chapter 4.1A covering these requirements.

Reporting date and reporting period

Throughout this publication, we refer to the ‘reporting date’ and ‘end of the reporting period’. Similarly, we refer to the ‘reporting period’ rather than to the fiscal year.

Occasionally we refer to the ‘annual reporting date’ or the ‘annual reporting period’ to emphasise the annual nature of the underlying requirement; for example, under IFRS Accounting Standards we refer to the residual value of intangible assets with finite lives being reviewed at least at each annual reporting date. However, this is not meant to imply that other references should be interpreted as applying to both the annual and the interim reporting date or period. The requirements for interim financial reporting are discussed in chapter 5.9, and there we refer to the ‘interim reporting date’ and the ‘interim reporting period’.

Abbreviations

The following abbreviations are used often in this publication.

CGU	Cash-generating unit
CODM	Chief operating decision maker
E&E	Exploration and evaluation
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECLs	Expected credit losses
EPS	Earnings per share
ESOP	Employee share ownership plan
ESPP	Employee share purchase plan
FACPCE	Argentine Federation of Professional Councils of Economic Sciences
FASB	US Financial Accounting Standards Board
FIFO	First-in, first-out
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles/practices
IASB	International Accounting Standards Board
IBOR	Interbank offered rates
IP	Intellectual property
ITCs	Investment tax credits
LIBOR	London Interbank Offered Rates
LIFO	Last-in, first-out
MD&A	Management's discussion and analysis
NCI	Non-controlling interests
OCI	Other comprehensive income
R&D	Research and development
RT	Technical Resolution
SEC	US Securities and Exchange Commission
VAT	Value-added tax
VIE	Variable interest entity
WACC	Weighted-average cost of capital

1 Background

1.1 Introduction

(IFRS Foundation Constitution, IFRS Foundation Due Process Handbook, Preface to IFRS Accounting Standards, IAS 1)

- ‘IFRS Accounting Standards’ is the term used to indicate the whole body of authoritative literature published by the IASB.
- Individual standards and interpretations are developed and maintained by the IASB Board and the IFRS Interpretations Committee.
- IFRS Accounting Standards are designed for use by profit-oriented entities.

1.1 Introduction

(Topic 105, Topic 250, SEC Rules and Regulations, AICPA Code of Professional Conduct)

- ‘US GAAP’ is the term used to indicate the body of authoritative literature that comprises accounting and reporting standards in the US. Rules and interpretative releases of the SEC under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants.
- Authoritative US GAAP is primarily developed and maintained by the FASB, with the assistance of the Emerging Issues Task Force and the Private Company Council.
- Unlike IFRS Accounting Standards, US GAAP is designed for use by both profit-oriented and not-for-profit entities, with additional Codification topics that apply specifically to not-for-profit entities.

1.1 Introduction

(FACPCE by-laws, RT 16, RT 59)

- ‘Professional Accounting Standards’ (NCP) is the term used to indicate the whole body of Argentine authoritative literature, issued by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and approved by each of the Professional Councils representing the Provinces and the City of Buenos Aires.
- NCP are developed and maintained by the FACPCE.
- Unlike IFRS Accounting Standards, NCP are designed for use by both profit-oriented and not-for-profit entities.

1.1 Introduction (cont.)

- Any entity claiming compliance with IFRS Accounting Standards complies with all standards and interpretations, including disclosure requirements, and makes an explicit and unreserved statement of compliance with them.
- The overriding requirement of IFRS Accounting Standards is for the financial statements to give a fair presentation (or a true and fair view).

1.1 Introduction (cont.)

- Like IFRS Accounting Standards, any entity claiming compliance with US GAAP complies with all applicable sections of the Codification, including disclosure requirements. However, unlike IFRS Accounting Standards, an explicit and unreserved statement of compliance with US GAAP is not required.
- The objective of financial statements is fair presentation in accordance with US GAAP, which is similar to the overriding requirement of IFRS Accounting Standards.

1.1 Introduction (cont.)

- Like IFRS Accounting Standards, an entity claiming compliance with NCP complies with all RTs, and their interpretations, including disclosure requirements, and makes an explicit and unreserved statement of compliance with them.
- The objective of financial statements is fair presentation in accordance with NCP, which is similar to the overriding requirements of IFRS Accounting Standards.

1.2 The Conceptual Framework

(Conceptual Framework for Financial Reporting)

- The Conceptual Framework is used in developing and maintaining accounting standards and interpretations.
- The Conceptual Framework is a point of reference for preparers of financial statements in the absence of specific guidance in IFRS Accounting Standards.
- Transactions with shareholders in their capacity as shareholders are recognised directly in equity.

1.2 The Conceptual Framework

(CON Statements, Topic 105, SAB Topics 1M, 1N, 5T)

- Like IFRS Accounting Standards, the Conceptual Framework establishes the objectives and concepts that the FASB uses in developing guidance.
- Unlike IFRS Accounting Standards, the Conceptual Framework is non-authoritative guidance and is not referred to routinely by preparers of financial statements.
- Like IFRS Accounting Standards, transactions with shareholders in their capacity as shareholders are recognised directly in equity.

1.2 The Conceptual Framework

(RT 16, RT 59)

- Like IFRS Accounting Standards, the Conceptual Framework establishes the objectives and concepts that the FACPCE uses in developing guidance.
- Unlike IFRS Accounting Standards, the Conceptual Framework is considered by the entity's management when defining its accounting policy when there is absence of specific guidance in NCP, but after considering applying other RTs by analogy. In case the matter cannot be solved the entity's management should be referred to IFRS or other set of accounting standards for guidance.
- Like IFRS Accounting Standards, transactions with shareholders in their capacity as shareholders are recognised directly in equity.

2 General issues

2.1 Basis of preparation of financial statements

(IAS 1)

- Financial statements are prepared on a going concern basis, unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading.
- If management concludes that the entity is a going concern, but there are nonetheless material uncertainties that cast significant doubt on the entity's ability to continue as a going concern, then the entity discloses those uncertainties.

2.1 Basis of preparation of financial statements

(Topic 205, 852, 855)

- Financial statements are generally prepared on a going concern basis (i.e. the usual requirements of US GAAP apply) unless liquidation is imminent. Although this wording differs from IFRS Accounting Standards, we would not generally expect significant differences in practice.
- If management concludes that the entity is a going concern, but there is substantial doubt about the entity's ability to continue as a going concern, then disclosures are required, like IFRS Accounting Standards. However, the disclosures are more prescriptive than IFRS Accounting Standards, which may lead to differences in practice. Additionally, if management's plans mitigate the doubt, then other disclosures are required, which may give rise to differences from IFRS Accounting Standards in practice.

2.1 Basis of preparation of financial statements

(RT 59)

- Like IFRS Accounting Standards, financial statements are prepared on a going concern basis, unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading.
- Like IFRS Accounting Standards, if management concludes that the entity is a going concern, but there are nonetheless material uncertainties that cast significant doubt on the entity's ability to continue as a going concern, then the entity discloses those uncertainties.

2.1 Basis of preparation of financial statements

(cont.)

- In carrying out its assessment of going concern, management considers all available information about the future for at least, but not limited to, 12 months from the reporting date. This assessment determines the basis of preparation of the financial statements.
- If the entity is not a going concern and the financial statements are being prepared in accordance with IFRS Accounting Standards, then in our view there is no general dispensation from their measurement, recognition and disclosure requirements.

2.1 Basis of preparation of financial statements

(cont.)

- Unlike IFRS Accounting Standards, the assessment of going concern is for a period of one year from the financial statements being issued (or available to be issued). Unlike IFRS Accounting Standards, this assessment is for the purpose of determining whether the disclosures in the financial statements are appropriate, and the basis of preparation is not affected unless liquidation is imminent.
- Unlike IFRS Accounting Standards, if liquidation is imminent, then there are specific requirements for the measurement, recognition and disclosures under US GAAP.

2.1 Basis of preparation of financial statements

(cont.)

- Like IFRS Accounting Standards, in carrying out its assessment of going concern, management considers all available information about the future for at least, but not limited to, 12 months from the reporting date. This assessment determines the basis of preparation of the financial statements.
- Unlike IFRS Accounting Standards, in case the entity is not a going concern, the entity should change the basis for preparation its financial statements disclosing this fact.

2.2 Form and components of financial statements

(IAS 1, IFRS 10, IFRS Practice Statement 2)

- An entity with one or more subsidiaries presents consolidated financial statements unless specific criteria are met.
- The following are presented as a complete set of financial statements: a statement of financial position; a statement of profit or loss and OCI; a statement of changes in equity; a statement of cash flows; and notes, including accounting policies.
- All owner-related changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity.

2.2 Form and components of financial statements

(Subtopic 205-10, Subtopic 220-10, Topic 250, Subtopic 505-10, Subtopic 810-10, Reg S-X)

- Unlike IFRS Accounting Standards, there are no exemptions, other than for investment companies, from preparing consolidated financial statements if an entity has one or more subsidiaries.
- Like IFRS Accounting Standards, the following are presented as a complete set of financial statements: a statement of financial position; a statement of comprehensive income; a statement of cash flows; and notes, including accounting policies. Changes in equity may be presented either within a separate statement (like IFRS Accounting Standards) or in the notes to the financial statements (unlike IFRS Accounting Standards).
- Like IFRS Accounting Standards, all owner-related changes in equity are presented separately from non-owner changes in equity.

2.2 Form and components of financial statements

(RT 59)

- Unlike IFRS Accounting Standards, an entity with one or more subsidiaries presents consolidated financial statements unless specific criteria are met, which differ from those under IFRS Accounting Standards. Additionally, unlike IFRS Accounting Standards, consolidated financial statements are considered as supplementary information to the separate financial statements.
- Unlike IFRS Accounting Standards, a complete set of financial statements include: a statement of financial position, a statement of profit or loss, a statement of changes in equity, a statement of cash flows, notes, exhibits, and consolidated financial statements (if applicable).
- Like IFRS Accounting Standards, all owner-related changes in equity are presented separately from non-owner changes in equity.

2.2 Form and components of financial statements (cont.)

- IFRS Accounting Standards specify minimum disclosures for material information; however, they do not prescribe specific formats.
- Comparative information is required for the preceding period only, but additional periods and information may be presented.
- In addition, a statement of financial position as at the beginning of the preceding period is presented when an entity restates comparative information following a change in accounting policy, the correction of an error, or the reclassification of items in the statement of financial position.

2.2 Form and components of financial statements (cont.)

- Like IFRS Accounting Standards, although minimum disclosures are required, which may differ from IFRS Accounting Standards, specific formats are not prescribed. Unlike IFRS Accounting Standards, there are more specific format and line item presentation and disclosure requirements for SEC registrants.
- Unlike IFRS Accounting Standards, US GAAP encourages but does not require presentation of comparative information. However, like IFRS Accounting Standards, SEC registrants are generally required to present statements of financial position as at the end of the current and prior reporting periods; unlike IFRS Accounting Standards, all other statements are generally presented for the three most recent reporting periods.
- Unlike IFRS Accounting Standards, a statement of financial position as at the beginning of the earliest comparative period is not required in any circumstances.

2.2 Form and components of financial statements (cont.)

- Like IFRS Accounting Standards, although minimum disclosures are required, which may differ from IFRS Accounting Standards, specific formats are not prescribed.
- Like IFRS Accounting Standards comparative information is required for the preceding period only.
- Unlike IFRS Accounting Standards, a statement of financial position as at the beginning of the preceding period is not required in any circumstances.

2.3 Statement of cash flows

(IAS 7)

- ‘Cash and cash equivalents’ include certain short-term investments and, in some cases, bank overdrafts.
- The statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.
- The separate components of a single transaction are classified as operating, investing or financing.

2.3 Statement of cash flows

(Topic 230, Subtopic 405-50)

- Like IFRS Accounting Standards, ‘cash and cash equivalents’ include certain short-term investments. Unlike IFRS Accounting Standards, bank overdrafts are classified as liabilities and included in financing activities.
- Like IFRS Accounting Standards, the statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.
- The separate components of a single cash flow are each classified as operating, investing or financing if such a distinction can reasonably be made based on its identifiable sources and uses, like IFRS Accounting Standards. Otherwise, unlike IFRS Accounting Standards, classification is based on the activity that is likely to be the predominant source or use of the cash flow.

2.3 Statement of cash flows

(RT 59)

- Like IFRS Accounting Standards, ‘cash and cash equivalents’ include certain short-term investments. Unlike IFRS Accounting Standards, bank overdrafts are classified as liabilities and included in financing activities.
- Like IFRS Accounting Standards, the statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.
- Unlike IFRS Accounting Standards, no guidance exists on cash receipts and payments with attributes of more than one class of cash flows.

2.3 Statement of cash flows

(cont.)

- Cash flows from operating activities may be presented under either the direct method or the indirect method. If the indirect method is used, then an entity presents a reconciliation of profit or loss to net cash flows from operating activities; however, in our experience practice varies regarding the measure of profit or loss used.
- An entity chooses its own policy for classifying each of interest and dividends paid as operating or financing activities, and interest and dividends received as operating or investing activities.
- Income taxes paid are generally classified as operating activities.
- Foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

2.3 Statement of cash flows

(cont.)

- Like IFRS Accounting Standards, cash flows from operating activities may be presented under either the direct method or the indirect method. Like IFRS Accounting Standards, if the indirect method is used, then an entity presents a reconciliation of income to net cash flows from operating activities; unlike IFRS Accounting Standards, the starting point of the reconciliation is required to be net income.
- Unlike IFRS Accounting Standards, interest received and paid (net of interest capitalised) and dividends received from previously undistributed earnings are required to be classified as operating activities. Also unlike IFRS Accounting Standards, dividends paid are required to be classified as financing activities.
- Income taxes are generally required to be classified as operating activities, like IFRS Accounting Standards.
- Like IFRS Accounting Standards, foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

2.3 Statement of cash flows

(cont.)

- Like IFRS Accounting Standards, cash flows from operating activities may be presented under either the direct method or the indirect method. Unlike IFRS Accounting Standards, when the indirect method is used, the entity presents a reconciliation of net income to net cash flows.
- Like IFRS Accounting Standards, an entity chooses its accounting policy for classifying each of interest and dividends paid as operating or financing activities, and interest and dividends received as operating or investing activities.
- Like IFRS Accounting Standards, income taxes paid are generally classified as operating activities.
- Like IFRS Accounting Standards, foreign currency cash flows are translated at the exchange rate at the dates of the cash flows.

2.3 Statement of cash flows

(cont.)

- Generally, all financing and investing cash flows are reported gross. Cash flows are offset only in limited circumstances.

2.3 Statement of cash flows

(cont.)

- Like IFRS Accounting Standards, financing and investing cash flows are generally reported gross. Cash flows are offset only in limited circumstances, which are more specific than those under IFRS Accounting Standards, although differences in practice would not generally be expected.

2.3 Statement of cash flows

(cont.)

- Like IFRS Accounting Standards, all cash flows from financing and investing activities are reported gross. Like IFRS Accounting Standards cash flows are offset only in limited circumstances.

2.4 Fair value measurement

(IFRS 13)

- The fair value measurement standard applies to most fair value measurements and disclosures (including measurements based on fair value) that are required or permitted by other accounting standards.
- ‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- What is being measured – e.g. a stand-alone asset or a group of assets and/or liabilities – generally depends on the unit of account, which is established under the relevant standard.

2.4 Fair value measurement

(Topic 820)

- Like IFRS Accounting Standards, the fair value measurement Codification Topic applies to most fair value measurements and disclosures (including measurements based on fair value) that are required or permitted by other Codification topics/subtopics. However, the scope exemptions differ in some respects from IFRS Accounting Standards because of differences from IFRS Accounting Standards in the underlying Codification topics/subtopics with which the fair value measurement Codification Topic interacts.
- Like IFRS Accounting Standards, ‘fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Like IFRS Accounting Standards, what is being measured – e.g. a stand-alone asset or a group of assets and/or liabilities – generally depends on the unit of account, which is established under the relevant Codification topics/subtopics. However, these differ in some respects from IFRS Accounting Standards.

2.4 Fair value measurement

(RT 59)

- Unlike IFRS Accounting Standards, one comprehensive Standard (RT 59) provides general guidance on fair value measurement and disclosures.
- Like IFRS Accounting Standards, ‘fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Unlike IFRS Accounting Standards, no guidance is provided on this subject.

2.4 Fair value measurement

(cont.)

- Fair value is based on assumptions that market participants would use in pricing the asset or liability. 'Market participants' are independent of each other, they are knowledgeable and have a reasonable understanding of the asset or liability, and they are willing and able to transact.
- Fair value measurement assumes that a transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.
- In measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

2.4 Fair value measurement

(cont.)

- Like IFRS Accounting Standards, fair value is based on assumptions that market participants would use in pricing the asset or liability. Like IFRS Accounting Standards, 'market participants' are independent of each other, they are knowledgeable and have a reasonable understanding of the asset or liability, and they are willing and able to transact.
- Like IFRS Accounting Standards, fair value measurement assumes that a transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.
- Like IFRS Accounting Standards, in measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximise the use of relevant observable inputs and minimise the use of unobservable inputs, like IFRS Accounting Standards.

2.4 Fair value measurement

(cont.)

- Unlike IFRS Accounting Standards, no definition of 'Market participants' is provided by NCP.
- Like IFRS Accounting Standards, fair value measurement assumes that a transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.
- Like IFRS Accounting Standards, in measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximise the use of relevant observable inputs and minimise the use of unobservable inputs, like IFRS Accounting Standards.

2.4 Fair value measurement

(cont.)

- A fair value hierarchy is used to categorise fair value measurements for disclosure purposes. Fair value measurements are categorised in their entirety based on the lowest level input that is significant to the entire measurement.
- A day one gain or loss arises when the transaction price for an asset or liability differs from its fair value on initial recognition. Such gain or loss is recognised in profit or loss, unless the accounting standard that requires or permits fair value measurement specifies otherwise. For example, the financial instruments standard prohibits the immediate recognition of a day one gain or loss, unless fair value is evidenced by a quoted price in an active market for an identical financial asset or financial liability, or is based on a valuation technique whose variables include only data from observable markets.
- A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant who will use the asset in its highest and best use.

2.4 Fair value measurement

(cont.)

- Like IFRS Accounting Standards, a fair value hierarchy is used to categorise fair value measurements for disclosure purposes. Like IFRS Accounting Standards, fair value measurements are categorised in their entirety based on the lowest level input that is significant to the entire measurement.
- Like IFRS Accounting Standards, a day one gain or loss arises when the transaction price for an asset or liability differs from its fair value on initial recognition. Like IFRS Accounting Standards, such gain or loss is recognised in profit or loss, unless the Codification topic/subtopic that requires or permits fair value measurement specifies otherwise. However, US GAAP is less restrictive than IFRS Accounting Standards on the recognition of such gains or losses.
- Like IFRS Accounting Standards, a fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant who will use the asset in its highest and best use.

2.4 Fair value measurement

(cont.)

- Unlike IFRS Accounting Standards, NCP does not include any fair value hierarchy. When the quote provides from a non-active market, then this 'surrogate quotation' is used to measure certain financial instruments.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on the matter.
- Like IFRS Accounting Standards, a fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant who will use the asset in its highest and best use.

2.4 Fair value measurement

(cont.)

- If certain conditions are met, then an entity is permitted to measure the fair value of a group of items with offsetting risk positions on the basis of its net exposure (portfolio measurement exception). Such items may be a group of financial assets and financial liabilities or other contracts that are in the scope of the financial instruments standard.
- There is no practical expedient that allows entities to measure the fair value of certain investments at net asset value.
- The fair value measurement standard contains a comprehensive disclosure framework.

2.4 Fair value measurement

(cont.)

- Like IFRS Accounting Standards, if certain conditions are met, then an entity is permitted to measure the fair value of a group of items with offsetting risk positions on the basis of its net exposure (portfolio measurement exception). Like IFRS Accounting Standards, such items may be a group of financial assets, financial liabilities, non-financial items accounted for as derivatives or combinations of these items.
- Unlike IFRS Accounting Standards, a practical expedient allows entities to measure the fair value of certain investments at net asset value.
- The fair value measurement Codification Topic contains a comprehensive disclosure framework, which differs in certain respects from IFRS Accounting Standards.

2.4 Fair value measurement

(cont.)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on the matter.
- Unlike IFRS Accounting Standards, there is no practical expedient under NCP allowing entities to measure the fair value of certain investments at net asset value.
- Unlike IFRS Accounting Standards, NCP does not contain a comprehensive disclosure framework regarding fair value measurement.

2.5 Consolidation

(IFRS 10)

- Subsidiaries are generally consolidated. As an exception, investment entities generally account for investments in subsidiaries at fair value.

- Consolidation is based on what can be referred to as a ‘power-to-direct’ model. An investor ‘controls’ an investee if it is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Although there is a practical distinction between structured and non-structured entities, the same control model applies to both.

2.5 Consolidation

(Topic 810, Subtopic 610-20, 845-10)

- Subsidiaries are generally consolidated, like IFRS Accounting Standards. As an exception, investment companies generally account for investments in subsidiaries at fair value, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, there are additional exceptions for certain other specialised industries.

- Unlike IFRS Accounting Standards, consolidation is based on a controlling financial interest model, which differs in certain respects from IFRS Accounting Standards.
 - For voting interest entities (VOEs), ‘control’ is the ability to control the financial and operating policies of an entity expected to be made in the ordinary course of business.
 - For variable interest entities (VIEs), ‘control’ is the power to direct the activities that most significantly impact the VIE’s economic performance and either the obligation to absorb losses of the VIE, or the right to receive benefits from the VIE, that could potentially be significant to the VIE.

2.5 Consolidation

(RT 59)

- Like IFRS Accounting Standards, subsidiaries are generally consolidated. Unlike IFRS Accounting Standards, no exception to consolidation exists for investment entities. Unlike IFRS Accounting Standards, subsidiaries are not consolidated when the investment is temporary.

- Like IFRS Accounting Standards, consolidation is based on what can be referred to as a ‘power-to-direct’ model. An investor ‘controls’ an investee if it is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Although there is a practical distinction between structured and non-structured entities, the same control model applies to both.

2.5 Consolidation (cont.)

- For a structured entity, voting rights are not the dominant factor in assessing whether the investor has power over the investee.
- Control is assessed on a continuous basis.
- Control is usually assessed over a legal entity, but can also be assessed over only specified assets and liabilities of an entity (a 'silo') if certain conditions are met.
- In assessing control, an investor considers both substantive rights that it holds and substantive rights held by others. To be 'substantive', rights need to be exercisable when decisions about the relevant activities are required to be made, and the holder needs to have a practical ability to exercise those rights.

2.5 Consolidation (cont.)

- A VIE is an entity for which the amount of equity investment at risk is insufficient for the entity to finance its own operations without additional subordinated financial support, or the equity investment at risk lacks one of a number of specified characteristics of a controlling financial interest. A VIE may or may not be a structured entity under IFRS Accounting Standards.
- Like IFRS Accounting Standards, control is assessed on a continuous basis.
- Like IFRS Accounting Standards, control is usually assessed over a legal entity and, in the case of VIEs, can also be assessed over only specified assets and liabilities of an entity (a 'silo') if certain conditions are met. Unlike IFRS Accounting Standards, control is assessed over only legal entities in the voting interest model (VOE model).
- In assessing control, an investor considers 'substantive' kick-out rights and participating rights held by others, which is narrower than the guidance under IFRS Accounting Standards. For VOEs, these rights can be substantive if they are exercisable by a simple majority of the investors, like IFRS Accounting Standards. For VIEs, unlike IFRS Accounting Standards, rights that are not exercisable by a single investor or related party group (unilateral rights) are not considered substantive.

2.5 Consolidation (cont.)

- Like IFRS Accounting Standards, for a structured entity, voting rights are not the dominant factor in assessing whether the investor has power over the investee.
- Unlike IFRS Accounting Standards, control is assessed when financial statements are prepared.
- Unlike IFRS Accounting Standards, control is assessed over a legal entity as a whole.
- Like IFRS Accounting Standards, in assessing control, an investor considers both substantive rights that it holds and substantive rights held by others. To be 'substantive', rights need to be exercisable when decisions about the relevant activities are required to be made, and the holder needs to have a practical ability to exercise those rights.

2.5 Consolidation

(cont.)

- Power is assessed with reference to the investee's relevant activities, which are the activities that most significantly affect the returns of the investee. As part of its analysis, the investor considers the purpose and design of the investee, how decisions about the activities of the investee are made, and who has the current ability to direct those activities.

- The assessment of power over an investee includes considering the following factors:
 - determining the purpose and design of the investee;
 - identifying the population of relevant activities;
 - considering evidence that the investor has the practical ability to direct the relevant activities, special relationships, and the size of the investor's exposure to the variability of returns of the investee.

2.5 Consolidation

(cont.)

- Power is assessed with reference to the activities of the VIE that most significantly affect its financial performance, like IFRS Accounting Standards. As part of its analysis, the investor considers the purpose and design of the VIE, and the nature of the VIE's activities and operations, broadly like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, for VOEs, control is derived through either voting or contractual control of the financial and operating policies of the investee expected to be made in the ordinary course of business.

- In assessing power over a VIE, the explicit factors to consider are more extensive than those noted under IFRS Accounting Standards. Such factors are not relevant for non-VIEs, unlike IFRS Accounting Standards.

2.5 Consolidation

(cont.)

- Like IFRS Accounting Standards, power is assessed with reference to the investee's relevant activities, which are the activities that most significantly affect the returns of the investee. As part of its analysis, the investor considers the purpose and design of the investee, how decisions about the activities of the investee are made, and who has the current ability to direct those activities.

- Like IFRS Accounting Standards, the assessment of power over an investee includes considering the following factors:
 - determining the design of the investee (including how decisions are made);
 - identifying the population of relevant activities;
 - considering evidence that the investor has the practical ability to direct the relevant activities and the size of the investor's exposure to the variability of returns of the investee.

2.5 Consolidation (cont.)

- In assessing whether the investor is exposed to the variability of returns of the investee, 'returns' are broadly defined and include:
 - distributions of economic benefits;
 - changes in the value of the investment; and
 - fees, remunerations, tax benefits, economies of scale, cost savings and other synergies.

- An investor that has decision-making power over an investee and exposure to variability in returns determines whether it acts as a principal or as an agent to determine whether there is a link between power and returns. If the decision maker is an agent, then the link between power and returns is absent and the decision maker's delegated power is treated as if it were held by its principal(s).

- A parent and its subsidiaries generally use the same reporting date when preparing consolidated financial statements. If this is impracticable, then the difference between the reporting date of a parent and its subsidiary cannot be more than three months. Adjustments are made for the effects of significant transactions and events between the two dates.

2.5 Consolidation (cont.)

- Unlike IFRS Accounting Standards, US GAAP does not define returns for the purpose of determining whether an investor has control over a VIE. Nevertheless, the primary beneficiary in a VIE must have the obligation to absorb losses of the VIE, or rights to receive benefits from the VIE, that could potentially be significant to the VIE.

- Unlike IFRS Accounting Standards, the VIE consolidation model does not have an explicit test to assess the link between power and obligations/benefits when a decision maker has a variable interest in a VIE. For VIEs, the investor with a controlling financial interest consolidates its investee without a principal/agent evaluation.

- Like IFRS Accounting Standards, the difference between the reporting date of a parent and its subsidiary cannot be more than about three months. However, unlike IFRS Accounting Standards, use of the same reporting date need not be impracticable to have a difference; adjustments may be made for the effects of material transactions and events between these dates, or disclosures regarding those effects are provided.

2.5 Consolidation (cont.)

- Like IFRS Accounting Standards, in assessing whether the investor is exposed to the variability of returns of the investee, 'returns' are broadly defined and include:
 - distributions of economic benefits;
 - changes in the value of the investment; and
 - fees, remunerations, tax benefits, economies of scale, cost savings and other synergies

- Like IFRS Accounting Standards, an investor that has decision-making power over an investee and exposure to variability in returns determines whether it acts as a principal or as an agent to determine whether there is a link between power and returns. If the decision maker is an agent, then the link between power and returns is absent and the decision maker's delegated power is treated as if it were held by its principal(s).

- Unlike IFRS Accounting Standards, the reporting date of a subsidiary can be earlier (up to three months) than the reporting date of a parent, but not otherwise. Like IFRS Accounting Standards, adjustments are made for the effects of significant transactions and events between the two dates.

2.5 Consolidation (cont.)

- Uniform accounting policies are used throughout the group.
- The acquirer in a business combination can elect, on a transaction-by-transaction basis, to measure 'ordinary' NCI at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. 'Ordinary NCI' are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other NCI are generally measured at fair value.
- An entity recognises a liability for the present value of the exercise price of put options or forward price of forwards held by NCI, but there is less detailed guidance on the accounting for such derivatives.
- Losses in a subsidiary may create a deficit balance in NCI.

2.5 Consolidation (cont.)

- In our view, uniform accounting policies should be used throughout the group unless dissimilar operations provide a basis for different accounting policies, or the subsidiary is applying industry-specific guidance.
- Unlike IFRS Accounting Standards, NCI are generally measured initially at fair value.
- Unlike IFRS Accounting Standards, there is specific guidance on the accounting for put options held by NCI, which results in a liability recognised at fair value or redemption amount, or the presentation of NCI as 'temporary equity', depending on the terms of the arrangement and whether the entity is an SEC registrant.
- Like IFRS Accounting Standards, losses in a subsidiary may create a deficit balance in NCI.

2.5 Consolidation (cont.)

- Like IFRS Accounting Standards, uniform accounting policies are required to be used throughout the group.
- Unlike IFRS Accounting Standards, NCI are initially measured at the proportionate interest in the net assets of the acquiree.
- Unlike IFRS Accounting Standards, NCP does not provide any guidance on put options held by NCI.
- Like IFRS Accounting Standards, losses in a subsidiary may create a deficit balance in NCI.

2.5 Consolidation

(cont.)

- NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.
- Profit or loss and comprehensive income for the period are allocated between shareholders of the parent and NCI.
- Intra-group transactions are eliminated in full.

2.5 Consolidation

(cont.)

- Like IFRS Accounting Standards, non-redeemable NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity. Unlike IFRS Accounting Standards, redeemable NCI are presented as 'temporary equity', if the entity is an SEC registrant.
- Like IFRS Accounting Standards, profit or loss and comprehensive income for the period are allocated between shareholders of the parent and NCI.
- Intra-group transactions are generally eliminated in full, like IFRS Accounting Standards. However, for a consolidated VIE, the effect of eliminating fees or other income or expense on the net income or expense of the VIE is attributed entirely to the primary beneficiary, unlike IFRS Accounting Standards.

2.5 Consolidation

(cont.)

- Like IFRS Accounting Standards, NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.
- Like IFRS Accounting Standards, profit or loss for the period are allocated between shareholders of the parent and NCI.
- Like IFRS Accounting Standards, intra-group transactions are eliminated in full.

2.5 Consolidation (cont.)

- On the loss of control of a subsidiary, the assets and liabilities of the subsidiary and the carrying amount of the NCI are derecognised. The consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in OCI are reclassified as required by other accounting standards. Any resulting gain or loss is recognised in profit or loss.
- Pro rata spin-offs (demergers) are generally accounted for on the basis of fair values, and a gain or loss is recognised in profit or loss. In our view, non-pro rata spin-offs may be accounted for on the basis of fair values (gain or loss recognised in profit or loss) or book values (no gain or loss recognised).
- Changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and no gain or loss is recognised.

2.5 Consolidation (cont.)

- On the loss of control of a subsidiary that is a business (which is more restrictive than IFRS Accounting Standards) the assets and liabilities of the subsidiary and the carrying amount of the NCI are derecognised. Like IFRS Accounting Standards, the consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in accumulated OCI are reclassified, like IFRS Accounting Standards, with all amounts being reclassified to profit or loss, unlike IFRS Accounting Standards. Any resulting gain or loss is recognised in profit or loss, like IFRS Accounting Standards. If the subsidiary is not a business and substantially all of the fair value of the assets in the subsidiary is concentrated in non-financial assets, then the entity accounts for the transaction under the derecognition of non-financial assets Subtopic of the other income Codification Topic, which results in similar accounting upon derecognition to that described above, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, pro rata spin-offs are accounted for on the basis of book values, and no gain or loss is recognised. Unlike IFRS Accounting Standards, non-pro rata spin-offs are accounted for on the basis of fair values (gain or loss recognised in profit or loss).
- Changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and generally no gain or loss is recognised, like IFRS Accounting Standards.

2.5 Consolidation (cont.)

- Like IFRS Accounting Standards, on the loss of control of a subsidiary, the assets and liabilities of the subsidiary and NCI are derecognised. The consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in "Deferred income" are reclassified as required by NCP. Any resulting gain or loss is recognised in profit or loss.
- Unlike IFRS Accounting Standards, NCP provides no guidance on spin-offs (demergers).
- Like IFRS Accounting Standards, changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and no gain or loss is recognised.

2.6 Business combinations

(IFRS 3)

- Business combinations are accounted for under the acquisition method, with limited exceptions.
- A ‘business combination’ is a transaction or other event in which an acquirer obtains control of one or more businesses.
- The acquirer in a business combination is the combining entity that obtains control of the other combining business or businesses.
- In some cases, the legal acquiree is identified as the acquirer for accounting purposes (reverse acquisition).
- The ‘date of acquisition’ is the date on which the acquirer obtains control of the acquiree.

2.6 Business combinations

(Topic 805)

- Like IFRS Accounting Standards, business combinations are accounted for under the acquisition method, with limited exceptions.
- Like IFRS Accounting Standards, a ‘business combination’ is a transaction or other event in which an acquirer obtains control of one or more businesses. However, the US GAAP guidance on control differs from IFRS Accounting Standards.
- Like IFRS Accounting Standards, the acquirer in a business combination is the combining entity that obtains control of the other combining business or businesses.
- Like IFRS Accounting Standards, in some cases the legal acquiree is identified as the acquirer for accounting purposes (reverse acquisition).
- Like IFRS Accounting Standards, the ‘date of acquisition’ is the date on which the acquirer obtains control of the acquiree.

2.6 Business combinations

(RT 59)

- Like IFRS Accounting Standards, business combinations are accounted for under the acquisition method.
- Like IFRS Accounting Standards, a ‘business combination’ is a transaction or other event in which an acquirer obtains control of one or more businesses.
- Like IFRS Accounting Standards, the acquirer in a business combination is the entity that obtains control over the net assets and activities the acquiree.
- By applying NCP, the legal acquiree may be the acquirer for accounting purposes under certain circumstances. However, unlike IFRS Accounting Standards, this situation is not specifically contemplated in NCP.
- Like IFRS Accounting Standards, the ‘date of acquisition’ is the date on which the acquirer obtains control of the acquiree.

2.6 Business combinations

(cont.)

- Consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.
- Contingent consideration transferred is initially recognised at fair value. Contingent consideration classified as a liability or an asset is remeasured to fair value each period until settlement, with changes recognised in profit or loss. Contingent consideration classified as equity is not remeasured.
- Any items that are not part of the business combination transaction are accounted for outside the acquisition accounting.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.
- Like IFRS Accounting Standards, contingent consideration transferred is initially recognised at fair value. Like IFRS Accounting Standards, contingent consideration classified as a liability or an asset is remeasured to fair value each period until settlement, with changes recognised in profit or loss. Contingent consideration classified as equity is not remeasured, like IFRS Accounting Standards. However, the guidance on debt vs equity classification differs from IFRS Accounting Standards.
- Like IFRS Accounting Standards, any items that are not part of the business combination transaction are accounted for outside the acquisition accounting.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.
- Unlike IFRS Accounting Standards, the fair value of any contingent consideration is included in the acquisition cost.
- Unlike IFRS Accounting Standards, transaction costs are considered part of the acquisition cost.

2.6 Business combinations

(cont.)

- The identifiable assets acquired and liabilities assumed are recognised separately from goodwill at the date of acquisition if they meet the definition of assets and liabilities and are exchanged as part of the business combination.
- The identifiable assets acquired and liabilities assumed as part of a business combination are generally measured at the date of acquisition at their fair values.
- There are limited exceptions to the recognition and/or measurement principles for contingent liabilities, deferred tax assets and liabilities, indemnification assets, employee benefits, leases in which the acquiree is the lessee, reacquired rights, share-based payment awards, non-current assets held for sale and insurance contracts.
- Goodwill is measured as a residual and is recognised as an asset. If the residual is a deficit (bargain purchase gain), then it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

2.6 Business combinations

(cont.)

- The identifiable assets acquired and liabilities assumed are recognised separately from goodwill at the date of acquisition if they exist, unlike IFRS Accounting Standards, and are exchanged as part of the business combination, like IFRS Accounting Standards. Despite differences in the recognition conditions, we do not expect significant differences from IFRS Accounting Standards in practice.
- Like IFRS Accounting Standards, the identifiable assets acquired and liabilities assumed as part of a business combination are generally measured at the date of acquisition at their fair values.
- Like IFRS Accounting Standards, there are limited exceptions to the recognition and/or measurement principles. However, some of the exceptions differ from IFRS Accounting Standards.
- Like IFRS Accounting Standards, goodwill is measured as a residual and is recognised as an asset. Like IFRS Accounting Standards, if the residual is a deficit (bargain purchase gain), then it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, the identifiable assets acquired and liabilities assumed are recognised separately from goodwill at the date of acquisition if they meet the definition of assets and liabilities and are exchanged as part of the business combination.
- Like IFRS Accounting Standards, the identifiable assets acquired and liabilities assumed as part of a business combination are generally measured at the date of acquisition at their fair values.
- Unlike IFRS Accounting Standards, there is no exception to the recognition principles. Unlike IFRS Accounting Standards, there is no additional guidance on indemnification assets, reacquired rights, share-based payment awards and insurance contracts.
- Like IFRS Accounting Standards, goodwill is measured as a residual, and is recognised as an asset. If the residual is a deficit (bargain purchase gain), then it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

2.6 Business combinations

(cont.)

- Adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition. Such adjustments are made by retrospective application to the period in which the acquisition occurred and any subsequent periods.
- 'Ordinary' NCI are measured at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. 'Other' NCI are generally measured at fair value.
- If a business combination is achieved in stages (step acquisition), then the acquirer's previously held non-controlling equity interest in the acquiree is remeasured to fair value at the date of acquisition, with any resulting gain or loss recognised in profit or loss.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition. Unlike IFRS Accounting Standards, such adjustments are made in the current period.
- Unlike IFRS Accounting Standards, the acquirer in a business combination generally measures NCI at fair value at the date of acquisition.
- Like IFRS Accounting Standards, if a business combination is achieved in stages (step acquisition), then the acquirer's previously held non-controlling equity interest in the acquiree is remeasured to fair value at the date of acquisition, with any resulting gain or loss recognised in profit or loss.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition.
- Unlike IFRS Accounting Standards, the acquirer in a business combination measures NCI at their proportionate interest in the net assets of the acquiree.
- Like IFRS Accounting Standards, if a business combination is achieved in stages (step acquisition), then the acquirer's previously held non-controlling equity interest in the acquiree is remeasured to fair value at the date of acquisition, with any resulting gain or loss recognised in profit or loss.

2.6 Business combinations

(cont.)

- In general, items recognised in the acquisition accounting are measured and accounted for in accordance with the relevant accounting standard subsequent to the business combination. However, as an exception, there is specific guidance for certain items – e.g. contingent liabilities and indemnification assets.
- ‘Push-down’ accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is not permitted under IFRS Accounting Standards.
- The acquisition of a collection of assets that does not constitute a business is not a business combination. In such cases, the entity generally allocates the cost of acquisition to the assets acquired and liabilities assumed based on their relative fair values at the date of acquisition. No goodwill (or bargain purchase gain) is recognised.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, in general, items recognised in the acquisition accounting are measured and accounted for in accordance with the relevant US GAAP subsequent to the business combination. However, like IFRS Accounting Standards, there is specific guidance for certain items, although the guidance differs in some respects from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, ‘push-down’ accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is permitted.
- Like IFRS Accounting Standards, the acquisition of a collection of assets that does not constitute a business is not a business combination. Like IFRS Accounting Standards, the entity generally allocates the cost of acquisition to the assets acquired and liabilities assumed based on their relative fair values at the date of acquisition, and no goodwill (or bargain purchase gain) is recognised.

2.6 Business combinations

(cont.)

- Like IFRS Accounting Standards, in general, items recognised in the acquisition accounting are subsequently measured and accounting for in accordance with the relevant NCP. However, unlike IFRS Accounting Standards, there is no exceptions for certain items.
- Like IFRS Accounting Standards, ‘push-down’ accounting is not permitted under NCP.
- Like IFRS Accounting Standards, the acquisition of a collection of assets does not constitute a business combination. Unlike IFRS Accounting Standards, there is no requirement to allocate the cost of acquisition to the assets acquired and liabilities assumed based on the relative fair values. Like IFRS Accounting Standards, no goodwill (or bargain purchase gain) is recognised.

2.7 Foreign currency translation

(IAS 21, IAS 29, IFRIC 22)

- An entity measures its assets, liabilities, income and expenses in its functional currency, which is the currency of the primary economic environment in which it operates.
- Transactions that are not denominated, or do not require settlement, in an entity's functional currency are foreign currency transactions, and exchange differences arising on translation are generally recognised in profit or loss.
- The financial statements of foreign operations are translated for consolidation purposes as follows: assets and liabilities are translated at the closing rate; income and expenses are translated at the actual rates or appropriate averages; in our view, equity components (excluding current-year movements, which are translated at the actual rates) should not be retranslated.

2.7 Foreign currency translation

(Topic 830, SEC Reg S-X 3-20)

- Like IFRS Accounting Standards, an entity measures its assets, liabilities, income and expenses in its functional currency, which is the currency of the primary economic environment in which it operates. However, the indicators used to determine the functional currency differ in some respects from IFRS Accounting Standards.
- Like IFRS Accounting Standards, transactions that are not denominated in an entity's functional currency are foreign currency transactions, and exchange differences arising on remeasurement are generally recognised in profit or loss.
- Like IFRS Accounting Standards, the financial statements of foreign operations are translated for consolidation purposes as follows: assets and liabilities are translated at the current exchange rate; income and expenses are translated at actual rates or appropriate averages; equity components (excluding current-year movements, which are translated at the actual rates) are not retranslated.

2.7 Foreign currency translation

(RT 59)

- Unlike IFRS Accounting Standards, the 'functional currency' concept is not included in NCP. Argentine entities measure their assets, liabilities, income and expenses in Argentine pesos.
- Unlike IFRS Accounting Standards, transactions that are not denominated in Argentine pesos are foreign currency transactions, and exchange differences arising on translation are generally recognised in profit or loss.
- Like IFRS Accounting Standards, the financial statements of foreign operations are translated for consolidation purposes as follows: assets and liabilities are translated at the closing rate; income and expenses are translated at the actual rates or appropriate averages; in our view, equity components (excluding current-year movements, which are translated at the actual rates) should not be retranslated.

2.7 Foreign currency translation

(cont.)

- Exchange differences arising on the translation of the financial statements of a foreign operation are recognised in OCI and accumulated in a separate component of equity. The amount attributable to any NCI is allocated to and recognised as part of NCI.
- If the functional currency of a foreign operation is the currency of a hyperinflationary economy, then current purchasing power adjustments are made to its financial statements before translation into a different presentation currency. However, if the presentation currency is not the currency of a hyperinflationary economy, then comparative amounts are not restated.
- An entity may present its financial statements in a currency (or currencies) other than its functional currency (presentation currency). An entity that translates its financial statements into a presentation currency other than its functional currency uses the same method as for translating the financial statements of a foreign operation.

2.7 Foreign currency translation

(cont.)

- Like IFRS Accounting Standards, exchange differences arising on the translation of the financial statements of a foreign operation are recognised in OCI and accumulated in a separate component of equity (accumulated OCI). The amount attributable to any NCI is allocated to and recognised as part of NCI, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the financial statements of a foreign operation in a highly inflationary economy are remeasured as if the parent's reporting currency were its functional currency.
- Like IFRS Accounting Standards, an entity may present its financial statements in a currency other than its functional currency (reporting currency). Like IFRS Accounting Standards, an entity that translates its financial statements into a reporting currency other than its functional currency uses the same method as for translating the financial statements of a foreign operation.

2.7 Foreign currency translation

(cont.)

- Like IFRS Accounting Standards, exchange differences arising on the translation of the financial statements of a foreign operation are recognised in 'Deferred results' and accumulated in a separate component of equity. The amount attributable to any NCI is allocated to and recognised as part of NCI.
- Like IFRS Accounting Standards, If the functional currency of a foreign operation is the currency in context of inflation, then current purchasing power adjustments are made to its financial statements before translation into a different presentation currency; the adjustments are based on the spot exchange rate at the end of the current period. However, like IFRS Accounting Standards, if the presentation currency is not the currency in a context of inflation, then comparative amounts are not restated.
- Unlike IFRS Accounting Standards, there is no guidance on the translation of financial statements into a presentation currency different from the Argentine peso.

2.7 Foreign currency translation

(cont.)

- If an entity loses control of a foreign operation, then the cumulative exchange differences relating to that foreign operation are recognised in OCI and are reclassified in their entirety to profit or loss. If control is not lost, then a proportionate amount of the cumulative exchange differences recognised in OCI is reclassified to NCI.
- If an entity retains neither significant influence nor joint control over a foreign operation that was an associate or joint arrangement, then the cumulative exchange differences recognised in OCI are reclassified in their entirety to profit or loss. If either significant influence or joint control is retained, then a proportionate amount of the cumulative exchange differences recognised in OCI is reclassified to profit or loss.
- An entity may present supplementary financial information in a currency other than its presentation currency if certain disclosures are made.

2.7 Foreign currency translation

(cont.)

- Like IFRS Accounting Standards, if an entity loses control of a subsidiary that is a foreign entity, then the exchange differences recognised in accumulated OCI are reclassified in their entirety to profit or loss. Like IFRS Accounting Standards, if control is not lost, then a proportionate amount of the exchange differences is reclassified to NCI. However, unlike IFRS Accounting Standards, if an entity loses control of a subsidiary *within* a foreign entity, then the exchange differences are reclassified in their entirety to profit or loss only if the foreign entity has been sold or substantially liquidated; otherwise, none of the exchange differences is reclassified to profit or loss.
- If an equity-method investee that is a foreign entity is disposed of in its entirety, then the exchange differences recognised in accumulated OCI are reclassified in their entirety to profit or loss, like IFRS Accounting Standards. Unlike IFRS Accounting Standards, if the equity-method investee is a foreign entity and is not disposed of in its entirety, then a proportionate amount is reclassified to profit or loss, and the remaining amount is generally transferred to the carrying amount of the investee.
- Like IFRS Accounting Standards, an SEC registrant may present supplementary financial information in a currency other than its reporting currency; however, the SEC regulations are more prescriptive than IFRS Accounting Standards.

2.7 Foreign currency translation

(cont.)

- Unlike IFRS Accounting Standards, when the investor sells its ownership interest in a foreign subsidiary, or there is a total or partial capital repayment, then a proportionate amount of the exchange difference recognised in equity is reclassified to profit or loss.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on partial selling of interest in a foreign subsidiary.
- Unlike IFRS Accounting Standards, no guidance is provided on the presentation of supplementary financial information in a currency different from the Argentine peso.

2.8 Accounting policies, errors and estimates

(IAS 1, IAS 8)

- ‘Accounting policies’ are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
- If IFRS Accounting Standards do not cover a particular issue, then management uses its judgement based on a hierarchy of accounting literature.
- Unless an accounting standard specifically permits otherwise, the accounting policies adopted by an entity are applied consistently to all similar items. Accounting policies within a group are consistent for consolidation purposes, including in respect of the equity-accounted investees.
- An accounting policy is changed in response to a new or revised standard, or on a voluntary basis if the new policy will result in reliable and more relevant information.

2.8 Accounting policies, errors and estimates

(Topic 205, Topic 250)

- Like IFRS Accounting Standards, ‘accounting principles’ (policies) are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
- If the Codification does not address an issue directly, then an entity considers other parts of the Codification that might apply by analogy and non-authoritative guidance from other sources; these sources are broader than under IFRS Accounting Standards.
- Like IFRS Accounting Standards, the accounting principles adopted by an entity are applied consistently to all similar items. In our view, accounting policies within a group for consolidation purposes should generally be consistent, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, different accounting policies may be used by equity-method investees.
- Like IFRS Accounting Standards, an accounting principle is changed in response to an Accounting Standards Update, or on a voluntary basis if the new principle is ‘preferable’.

2.8 Accounting policies, errors and estimates

(RT 59)

- Like IFRS Accounting Standards, ‘accounting policies’ are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
- If NCP does not cover a particular issue, then management uses its judgement based on a hierarchy of accounting literature, which is broader than under IFRS Accounting Standards.
- Like IFRS Accounting Standards, unless an accounting standard specifically permits otherwise, the accounting policies adopted by an entity are applied consistently to all similar items and accounting policies within a group are consistent for consolidation purposes. However, unlike IFRS Accounting Standards, different accounting policies may be used by equity-method investees.
- Like IFRS Accounting Standards, an accounting policy is changed in response to a new or revised standard, or on a voluntary basis if the new policy will result in reliable and more relevant information.

2.8 Accounting policies, errors and estimates (cont.)

- Generally, accounting policy changes and corrections of prior-period errors are made by adjusting opening equity and restating comparatives unless this is impracticable.
- Accounting estimates are monetary amounts in the financial statements that are measurement uncertainty. The effects of changes in the measurement techniques or inputs used to develop them are changes in accounting estimates.
- Changes in accounting estimates are accounted for prospectively.
- If it is difficult to determine whether a change is a change in accounting policy or a change in estimate, then it is treated as a change in estimate.
- If the classification or presentation of items in the financial statements is changed, then comparatives are restated unless this is impracticable.

2.8 Accounting policies, errors and estimates (cont.)

- Like IFRS Accounting Standards, accounting principle changes are generally made by adjusting opening equity and comparatives unless this is impracticable. Errors that are material are corrected by restating opening equity and comparatives, like IFRS Accounting Standards; however, unlike IFRS Accounting Standards, there is no impracticability exemption.
- Unlike IFRS Accounting Standards, US GAAP does not define accounting estimates. However, we would not generally expect significant difference in practice.
- Like IFRS Accounting Standards, changes in accounting estimates are accounted for prospectively.
- Like IFRS Accounting Standards, if it is difficult to determine whether a change is a change in accounting principle or a change in estimate, then it is treated as a change in estimate. However, unlike IFRS Accounting Standards, 'preferability' is required for such changes.
- Like IFRS Accounting Standards, if the classification or presentation of items in the financial statements is changed, then comparatives are adjusted.

2.8 Accounting policies, errors and estimates (cont.)

- Like IFRS Accounting Standards, generally, accounting policy changes and corrections of prior-period errors are made by adjusting opening equity and restating comparatives unless this is impracticable.
- Unlike IFRS Accounting Standards, NCP does not define accounting estimates. However, we would not generally expect significant difference in practice.
- Like IFRS Accounting Standards, changes in accounting estimates are accounted for prospectively.
- Unlike IFRS Accounting Standards, no guidance is provided when there is difficult to determine whether the change is derived from a change in an accounting estimate or not.
- Like IFRS Accounting Standards, the classification or presentation of items in the financial statements is changed, then comparatives are restated unless this is impracticable.

2.8 Accounting policies, errors and estimates

(cont.)

- A statement of financial position as at the beginning of the preceding period is presented when an entity restates comparative information following a change in accounting policy, the correction of an error, or the reclassification of items in the statement of financial position.

2.8 Accounting policies, errors and estimates

(cont.)

- Unlike IFRS Accounting Standards, a statement of financial position as at the beginning of the earliest comparative period is not required in any circumstances.

2.8 Accounting policies, errors and estimates

(cont.)

- Unlike IFRS Accounting Standards, a statement of financial position as at the beginning of the preceding period is not required in any circumstances.

2.9 Events after the reporting date

(IAS 1, IAS 10)

- The financial statements are adjusted to reflect events that occur after the reporting date, but before the financial statements are authorised for issue, if those events provide evidence of conditions that existed at the reporting date.
- Financial statements are not adjusted for events that are a result of conditions that arose after the reporting date, except when the going concern assumption is no longer appropriate.

2.9 Events after the reporting date

(Topic 855, SAB Topic 4.C)

- Like IFRS Accounting Standards, the financial statements are adjusted to reflect events that occur after the reporting date if those events provide evidence of conditions that existed at the reporting date. However, unlike IFRS Accounting Standards, the period to consider goes to the date on which the financial statements are issued for public entities and to the date on which the financial statements are available to be issued for certain non-public entities.
- Like IFRS Accounting Standards, financial statements are generally not adjusted for events that are a result of conditions that arose after the reporting date. However, unlike IFRS Accounting Standards, there is no exception for when the going concern assumption is no longer appropriate, although disclosures are required. Also unlike IFRS Accounting Standards, SEC registrants adjust the statement of financial position for a share dividend, share split or reverse share split occurring after the reporting date.

2.9 Events after the reporting date

(RT 59)

- Like IFRS Accounting Standards, the financial statements are adjusted to reflect events that occur after the reporting date if those events provide evidence of conditions that existed at the reporting date. Unlike IFRS Accounting Standards, the period to consider goes to the date on which the financial statements are approved by Management.
- Like IFRS Accounting Standards, financial statements are generally not adjusted for events that are a result of conditions that arose after the reporting date, except when the going concern assumption is no longer appropriate.

2.9 Events after the reporting date

(cont.)

- The classification of loan liabilities as current or non-current is based on circumstances at the reporting date.

2.9 Events after the reporting date

(cont.)

- The classification of liabilities as current or non-current generally reflects circumstances at the reporting date, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, in some circumstances debt is classified as non-current based on events after the reporting date.

2.9 Events after the reporting date

(cont.)

- Unlike IFRS Accounting Standards, the classification of liabilities as current or non-current is generally based on circumstances at the reporting date. However, unlike IFRS Accounting Standards, events occurred between the end of the reporting period and the date when the financial statements are authorised for issue are considered.

2.10 Hyperinflation

(IAS 21, IAS 29, IFRIC 7)

- When an entity's functional currency is hyperinflationary, its financial statements are adjusted to state all items in the measuring unit that is current at the reporting date.
- When an entity's functional currency becomes hyperinflationary, it makes price-level adjustments retrospectively as if the economy had always been hyperinflationary.
- When an economy ceases to be hyperinflationary, an entity stops making price-level adjustments for annual periods *ending* on or after the date on which the economy ceases to be hyperinflationary.

2.10 Highly inflationary economies

(Subtopic 255-10, Topic 830)

- When a non-US entity that prepares US GAAP financial statements operates in an environment that is highly inflationary, it remeasures its financial statements into a non-highly inflationary currency, unlike IFRS Accounting Standards, or reports price-level adjusted local currency financial statements in certain circumstances, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, when an economy becomes highly inflationary, an entity remeasures its financial statements prospectively in the reporting period following the three-year period in which the cumulative inflation rate exceeds 100 percent.
- Unlike IFRS Accounting Standards, when an economy ceases to be highly inflationary an entity changes its functional currency from the non-highly inflationary reporting currency to the local currency and restates the functional currency accounting bases of non-monetary assets and liabilities in the annual period *following* the three-year period in which the cumulative inflation rate is no longer in excess of 100 percent.

2.10 Context of inflation

(RT 59)

- Unlike IFRS Accounting Standards, NCP does not include the concept of 'functional currency'. If the context is considered inflationary for accounting purposes, its financial statements are adjusted to state all items in the measuring unit that is current at the reporting date.
- Like IFRS Accounting Standards, when the context is considered inflationary, an entity makes price-level adjustment retrospectively as if the context had always been inflationary.
- Like IFRS Accounting Standards, when the context ceases to be inflationary, an entity stops making price-level adjustments. However, unlike IFRS Accounting Standards there is no specific guidance on the date on which the context ceases to be inflationary.

3 Statement of financial position

3.1 General

(IAS 1)

- Generally, an entity presents its statement of financial position classified between current and non-current assets and liabilities. An unclassified statement of financial position based on the order of liquidity is acceptable only if it provides reliable and more relevant information.
- Although IFRS Accounting Standards require certain line items to be presented in the statement of financial position, there is no prescribed format.

3.1 General

(Topic 210, Reg.S-X Rule 5-02, Subtopic 470-10)

- Unlike IFRS Accounting Standards, US GAAP does not require the presentation of a classified statement of financial position, except for commercial and industrial SEC registrants. For other entities, there is no restriction on when an unclassified statement of financial position based on the order of liquidity can be presented, unlike IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, SEC regulations prescribe the format and certain minimum line item presentation for SEC registrants. For non-SEC registrants, there is limited guidance on the presentation of the statement of financial position, like IFRS Accounting Standards.

3.1 General

(RT 59)

- Unlike IFRS Accounting Standards, an entity presents its statement of financial position classified between current and non-current assets and liabilities, based on the order of liquidity (ascending or descending).
- Unlike IFRS Accounting Standards, NCP prescribes the format and certain minimum line items presentation.

3.1 General (cont.)

- A loan liability that is payable on demand because certain covenants are breached is classified as current even if the lender has agreed, after the reporting date but before the financial statements are authorised for issue, not to demand repayment.
- There is no specific guidance for a loan arrangement subject to a subjective acceleration clause. Classification is based on whether the entity has a right to defer settlement for at least 12 months after the reporting date.

3.1 General (cont.)

- Generally, obligations that are payable on demand are classified as current, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, a liability is not classified as current when the debtor demonstrates its intent and ability to refinance the obligation on a long-term basis after the reporting date but before the financial statements are issued (available to be issued for certain non-public entities), or when the lender has waived after the reporting date its right to demand repayment for more than 12 months from the reporting date.
- Unlike IFRS Accounting Standards, there is specific guidance when an otherwise long-term debt agreement includes a subjective acceleration clause. Classification is based on the likelihood that the lender will choose to accelerate repayment of the liability, which may result in differences from IFRS Accounting Standards.

3.1 General (cont.)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on the classification of payables on demand.
- Like IFRS Accounting Standards, there is no specific guidance when an otherwise long-term debt agreement includes a subjective acceleration clause.

3.2 Property, plant and equipment

(IAS 16, IFRIC 1)

- Property, plant and equipment is recognised initially at cost.
- ‘Cost’ includes all expenditure that is directly attributable to bringing the asset to the location and working condition for its intended use.
- ‘Cost’ includes the estimated cost of dismantling and removing the asset and restoring the site.
- Changes to an existing decommissioning or restoration obligation are generally adjusted against the cost of the property, plant and equipment. Decommissioning or restoration costs related to the production of inventory are included in the cost of inventory.
- Property, plant and equipment is depreciated over its expected useful life.

3.2 Property, plant and equipment

(Subtopic 360-10, Subtopic 410-20, Subtopic 610-20, Subtopic 908-720)

- Like IFRS Accounting Standards, property, plant and equipment is recognised initially at cost.
- Like IFRS Accounting Standards, ‘cost’ includes all expenditure that is directly attributable to bringing the asset to the location and working condition for its intended use.
- Like IFRS Accounting Standards, ‘cost’ includes the estimated cost of dismantling and removing the asset and certain costs of restoring the site. However, unlike IFRS Accounting Standards, to the extent that such costs relate to environmental remediation as a result of improper use of an asset, generally they are not capitalised.
- Like IFRS Accounting Standards, changes to an existing decommissioning or restoration obligation are generally adjusted against the cost of the related property, plant and equipment. Unlike IFRS Accounting Standards, this includes changes in an obligation related to the production of inventory.
- Like IFRS Accounting Standards, property, plant and equipment is depreciated over its expected useful life.

3.2 Property, plant and equipment

(RT 59)

- Like IFRS Accounting Standards, property, plant and equipment is recognised initially at cost.
- Like IFRS Accounting Standards, ‘cost’ includes all expenditure that is directly attributable to bringing the asset to the location and working condition for its intended use.
- Like IFRS Accounting Standards, ‘cost’ includes the estimated cost of dismantling and removing the asset and restoring the site.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on changes in an existing decommissioning or restoration obligation.
- Like IFRS Accounting Standard, property, plant and equipment is depreciated over its expected useful life.

3.2 Property, plant and equipment

(cont.)

- Estimates of useful life and residual value, and the method of depreciation, are reviewed as a minimum at each annual reporting date. Any changes are accounted for prospectively as a change in estimate.
- If an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, then each component is depreciated separately.
- Property, plant and equipment may be revalued to fair value, as an accounting policy choice, if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date.

3.2 Property, plant and equipment

(cont.)

- US GAAP does not specifically require an entity to review depreciation estimates, such as useful lives or method of depreciation, on an annual basis. We believe that an entity should periodically assess useful life and salvage value estimates for long-lived assets, regardless of whether impairment indicators exist under the property, plant and equipment Codification Topic, to ensure that the existing policies and methods continue to be appropriate. In general, we would not expect significant differences between IFRS Accounting Standards and US GAAP in practice. Like IFRS Accounting Standards, any changes are accounted for prospectively as a change in estimate.
- Unlike IFRS Accounting Standards, component accounting is permitted but not required. When component accounting is used, its application may differ from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the revaluation of property, plant and equipment is not permitted.

3.2 Property, plant and equipment

(cont.)

- Unlike IFRS Accounting Standards, there is no requirement to review the estimated useful life, the residual value and the depreciation method. Like IFRS Accounting Standards, any changes are accounted for prospectively as a change in estimate.
- Unlike IFRS Accounting Standards, component accounting is permitted but not required.
- Like IFRS Accounting Standards, property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date.

3.2 Property, plant and equipment

(cont.)

- When property, plant and equipment is disposed of or no future economic benefits are expected from its use or disposal, a gain or loss is recognised. If the asset is disposed of as part of a sale-and-leaseback transaction, then the requirements in the leases standard apply (see chapter 5.1).
- Compensation for the loss or impairment of property, plant and equipment is recognised in profit or loss when it becomes receivable.

3.2 Property, plant and equipment

(cont.)

- Like IFRS Accounting Standards, when property, plant and equipment is disposed of or permanently withdrawn from use, a gain or loss is recognised. Like IFRS Accounting Standards, if the asset is disposed of as part of a sale-leaseback transaction, then the requirements in the leases Codification Topic apply (see chapter 5.1).
- Unlike IFRS Accounting Standards, compensation for the loss or impairment of property, plant and equipment, to the extent of losses and expenses recognised, is recognised in profit or loss when receipt is likely to occur. Compensation in excess of that amount is recognised only when it is receivable, like IFRS Accounting Standards.

3.2 Property, plant and equipment

(cont.)

- Like IFRS Accounting Standards, when property, plant and equipment is disposed of or permanently withdrawn from use, a gain or loss is recognised. If the asset is disposed of as part of a sale-and-leaseback transaction, then the requirements in the leases standard apply (see chapter 5.1).
- Unlike IFRS Accounting Standards, there is no guidance on the recognition of any compensation for the loss or impairment of property, plant and equipment.

3.3 Intangible assets and goodwill

(IAS 38, SIC-32)

- An ‘intangible asset’ is an identifiable non-monetary asset without physical substance.
- An intangible asset is ‘identifiable’ if it is separable or arises from contractual or other legal rights.
- In general, intangible assets are recognised initially at cost.
- The initial measurement of an intangible asset depends on whether it has been acquired separately or as part of a business combination, or was internally generated.
- Goodwill is recognised only in a business combination and is measured as a residual.

3.3 Intangible assets and goodwill

(Topic 350, Subtopic 610-20, Subtopic 720-15, Subtopic 720-35, Topic 730, Subtopic 985-20)

- Like IFRS Accounting Standards, an ‘intangible asset’ is an asset, not including a financial asset, without physical substance.
- Like IFRS Accounting Standards, an intangible asset is ‘identifiable’ if it is separable or arises from contractual or other legal rights.
- Intangible assets are recognised at cost, which is established under the relevant Codification topic/subtopic and may differ from IFRS Accounting Standards.
- Like IFRS Accounting Standards, the initial measurement of an intangible asset depends on whether it has been acquired separately or as part of a business combination, or was internally generated. However, there are differences from IFRS Accounting Standards in the detailed requirements.
- Like IFRS Accounting Standards, goodwill is recognised only in a business combination and is measured as a residual.

3.3 Intangible assets and goodwill

(RT 59)

- Like IFRS Accounting Standards, an ‘intangible asset’ is an identifiable non-monetary asset without physical substance.
- Like IFRS Accounting Standards, an intangible asset is ‘identifiable’ if it is separable or arises from contractual or other legal rights.
- Like IFRS Accounting Standards, in general, intangible assets are recognised initially at cost.
- Like IFRS Accounting Standards, the initial measurement of an intangible asset depends on whether it has been acquired separately or as a part of a business combination, or was internally generated.
- Like IFRS Accounting Standards, goodwill is recognised only in a business combination and is measured as a residual.

3.3 Intangible assets and goodwill (cont.)

- Acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.
- Intangible assets with finite useful lives are amortised over their expected useful lives.
- Subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.
- Intangible assets may be revalued to fair value only if there is an active market.
- Internal research expenditure is expensed as it is incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.

3.3 Intangible assets and goodwill (cont.)

- Like IFRS Accounting Standards, acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually. However, the impairment test differs from IFRS Accounting Standards.
- Like IFRS Accounting Standards, intangible assets with finite useful lives are amortised over their expected useful lives.
- Subsequent expenditure on an intangible asset is not capitalised unless it can be demonstrated that the expenditure increases the utility of the asset, which is broadly like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the revaluation of intangible assets is not permitted.
- Unlike IFRS Accounting Standards, internal R&D expenditure is expensed as it is incurred. Special capitalisation criteria apply to software developed for internal use, software developed for sale to third parties and motion picture film costs, which differ from the general criteria under IFRS Accounting Standards.

3.3 Intangible assets and goodwill (cont.)

- Like IFRS Accounting Standards, acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.
- Like IFRS Accounting Standards, intangible assets with finite useful lives are amortised over their expected useful lives.
- Unlike IFRS Accounting Standards, subsequent expenditure on an intangible asset is capitalised only if specific criteria are met.
- Unlike IFRS Accounting Standards, the revaluation of intangible assets is not permitted.
- Like IFRS Accounting Standards, internal research expenditure is expensed as it is incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.

3.3 Intangible assets and goodwill

(cont.)

- In-process R&D acquired in a business combination is accounted for under specific guidance.
- Advertising and promotional expenditure is expensed as it is incurred.
- Expenditure related to the following is expensed as it is incurred: internally generated goodwill, customer lists, start-up costs, training costs, and relocation or reorganisation.

3.3 Intangible assets and goodwill

(cont.)

- In-process R&D acquired in either a business combination or an asset acquisition is accounted for under specific guidance, like IFRS Accounting Standards. However, that guidance differs in some respects.
- Advertising and promotional expenditure is generally expensed as it is incurred, like IFRS Accounting Standards, or deferred until the advertisement is shown, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, expenditure related to the following is expensed as it is incurred: internally generated goodwill, customer lists, start-up costs, training costs, and relocation or reorganisation.

3.3 Intangible assets and goodwill

(cont.)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on in-process research and development acquired in a business combination.
- Like IFRS Accounting Standards, advertising and promotional expenditure is expensed as it is incurred.
- Like IFRS Accounting Standards, expenditure related to the following is expensed as it is incurred: internally generated goodwill, customer lists, training costs and relocation or reorganisation. However, unlike IFRS Accounting Standards, start-up costs are capitalised and amortised over a 5-year period.

3.4 Investment property

(IAS 40)

- ‘Investment property’ is property (land or building) held by the owner or lessee to earn rental income or for capital appreciation, or both.
- A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise, the entire property is classified as investment property only if the portion of the property held for own use is insignificant.
- If a lessor provides ancillary services, and such services are a relatively insignificant component of the arrangement as a whole, then the property is classified as investment property.
- Investment property is initially measured at cost.
- Subsequent to initial recognition, all investment property is measured under either the fair value model (subject to limited exceptions) or the cost model. If the fair value model is chosen, then changes in fair value are recognised in profit or loss.

3.4 Investment property

(Topic 360)

- Unlike IFRS Accounting Standards, there is no specific definition of ‘investment property’; such property is accounted for as property, plant and equipment unless it meets the criteria to be classified as held-for-sale.
- Unlike IFRS Accounting Standards, there is no guidance on how to classify dual-use property. Instead, the entire property is accounted for as property, plant and equipment.
- Unlike IFRS Accounting Standards, ancillary services provided by a lessor do not affect the treatment of a property as property, plant and equipment.
- Like IFRS Accounting Standards, investment property is initially measured at cost as property, plant and equipment.
- Unlike IFRS Accounting Standards, subsequent to initial recognition all investment property is measured using the cost model as property, plant and equipment.

3.4 Investment property

(RT 59)

- Like IFRS Accounting Standards, ‘investment property’ is property (land or building) held to earn rentals or for capital appreciation, or both.
- Unlike IFRS Accounting Standards, there is no guidance on how to classify dual-use property.
- Unlike IFRS Accounting Standards, there is no guidance on ancillary services provided by a lessor.
- Like IFRS Accounting Standards, investment property is recognised initially at cost.
- Like IFRS Accounting Standards, subsequent to initial recognition, all investment property is measured under either the fair value model (subject to limited exceptions) or the cost model. If the fair value model is chosen, then changes in fair value are recognised in profit or loss

3.4 Investment property

(cont.)

- Disclosure of the fair value of all investment property is required, regardless of the measurement model used.
- Subsequent expenditure is capitalised only if it is probable that it will give rise to future economic benefits.
- Transfers to or from investment property can be made only when there has been a change in the use of the property.

3.4 Investment property

(cont.)

- Unlike IFRS Accounting Standards, there is no requirement to disclose the fair value of investment property.
- Similar to IFRS Accounting Standards, subsequent expenditure is generally capitalised if it is probable that it will give rise to future economic benefits.
- Unlike IFRS Accounting Standards, investment property is accounted for as property, plant and equipment, and there are no transfers to or from an 'investment property' category.

3.4 Investment property

(cont.)

- Unlike IFRS Accounting Standards, there is no requirement to disclose the fair value of investment property.
- Unlike IFRS Accounting Standards, there is no guidance on subsequent expenditure on investment property.
- Like IFRS Accounting Standards, transfers to or from investment property can be made only when there has been a change in the use of the property.

3.5 Associates and the equity method

(IAS 28)

- The definition of an associate is based on ‘significant influence’, which is the power to participate in the financial and operating policies of an entity, but is not control or joint control of those policies.
- There is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another entity in which it does not have control.
- In determining applicability of the equity method, there are no special requirements for partnerships and similar entities.
- Potential voting rights that are currently exercisable are considered in assessing significant influence.

3.5 Equity-method investees

(Subtopic 272-10, Topic 323, Subtopic 610-20, Subtopic 808, Topic 970)

- Like IFRS Accounting Standards, ‘significant influence’ is the ability to significantly influence the operating and financial policies of an investee, but is not control over the investee. The term ‘equity-method investee’ is used to describe what would be an associate under IFRS Accounting Standards.
- Like IFRS Accounting Standards, there is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another corporate entity in which it does not have a controlling financial interest.
- Unlike IFRS Accounting Standards, for partnerships and similar entities the equity method is applicable unless the investor has virtually no influence over the investee’s operating and financial policies.
- Unlike IFRS Accounting Standards, potential voting rights are not considered in assessing significant influence.

3.5 Associates and the equity method

(RT 59)

- Like IFRS Accounting Standards, ‘significant influence’ is the ability to significantly influence the operating and financial policies of an entity, but is not control or joint control of those policies.
- Like IFRS Accounting Standards, there is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another entity in which it does not have a controlling financial interest.
- Like IFRS Accounting Standards, in determining applicability of the equity method, there are no special requirements for partnerships and similar entities.
- Like IFRS Accounting Standards, potential voting rights that are currently exercisable are considered in assessing significant influence.

3.5 Associates and the equity method

(cont.)

- Venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and joint ventures at fair value, on an investment-by-investment basis. In addition, investment entities measure their investments in associates and joint ventures at fair value.
- Other associates and joint ventures are accounted for under the equity method (equity-accounted investees).
- Equity accounting is not applied to investees that are classified as held-for-sale.
- In applying the equity method, an investee's accounting policies should be consistent with those of the investor.

3.5 Equity-method investees

(cont.)

- Unlike IFRS Accounting Standards, an entity may elect to account for equity-method investees at fair value regardless of whether it is a venture capital or similar organisation. Additionally, investment companies generally account for investments at fair value, like IFRS Accounting Standards, and as a result generally do not apply equity-method accounting (see chapter 5.6).
- Like IFRS Accounting Standards, corporate joint ventures are accounted for under the equity method. However, certain aspects of the application of the equity method differ from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, equity accounting continues to be applied to equity-method investees that meet the criteria to be classified as held-for-sale.
- Unlike IFRS Accounting Standards, in applying the equity method, an investee's accounting policies need not be consistent with those of the investor.

3.5 Associates and the equity method

(cont.)

- Unlike IFRS Accounting Standards, there is no special guidance on venture capital organisations, mutual funds, unit trusts, and similar entities.
- Like IFRS Accounting Standards, other associates and non-corporate joint arrangements (joint ventures) are accounted for under the equity method (equity-accounted investees).
- Like IFRS Accounting Standards, equity accounting is not applied to investees that are classified as held-for-sale.
- Unlike IFRS Accounting Standards, in applying the equity method, an investee's accounting policies need not be consistent with those of the investor. However, for the purpose of preparing investor's separate financial statements, investee's accounting policies should be consistent with those of the investor.

3.5 Associates and the equity method (cont.)

- The annual reporting date of an equity-accounted investee may not differ from the investor's by more than three months, and should be consistent from period to period. Adjustments are made for the effects of significant events and transactions between the two dates.
- When an equity-accounted investee incurs losses, the carrying amount of the investor's interest is reduced but not to below zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses or has made payments on behalf of the investee.
- An investor applies the financial instruments standard to long-term interests in an associate or joint venture that are not accounted for under the equity method. The investor does so before applying the loss absorption and impairment requirements of the standard on investments in associates and joint ventures standard.

3.5 Equity-method investees (cont.)

- Like IFRS Accounting Standards, the annual reporting date of an equity-method investee may not differ from the investor's by more than three months. However, unlike IFRS Accounting Standards, adjustments are not generally made for the effects of significant events and transactions between the two dates; instead, disclosure is provided.
- Like IFRS Accounting Standards, when an equity-method investee incurs losses, the carrying amount of the investor's interest is reduced but not to below zero. Like IFRS Accounting Standards, further losses are generally recognised by the investor only to the extent that the investor has an obligation to fund losses. However, unlike IFRS Accounting Standards, further losses are also recognised if the investee is expected to return to profitability imminently, or if a subsequent further investment in the investee is in substance the funding of such losses.
- Like IFRS Accounting Standards, an investor applies the financial instruments Codification Topics to long-term interests in an associate or joint venture that are not accounted for under the equity method. Unlike IFRS Accounting Standards, the investor does so after applying the loss absorption and impairment requirements for equity-method investees.

3.5 Associates and the equity method (cont.)

- Like IFRS Accounting Standards, the annual reporting date of an equity-accounted investee may not differ from the investor's by more than three months and should be consistent from period to period. Adjustments are made for the effects of significant events and transactions between the two dates.
- Like IFRS Accounting Standards, when an equity-accounted investee incurs losses, the carrying amount of the investor's interest is reduced but not below zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses or has made payments on behalf of the investee.
- Unlike IFRS Accounting Standards, interests in an associate or joint venture may only be accounted for under the equity method.

3.5 Associates and the equity method (cont.)

- Unrealised profits or losses on transactions with equity-accounted investees are eliminated to the extent of the investor's interest in the investee.
- In our view, if an entity sells or contributes a controlling interest in a subsidiary in exchange for an interest in an equity-accounted investee, then the entity may choose either to recognise the gain or loss in full or to eliminate the gain or loss to the extent of the investor's retained interest in the former subsidiary.
- The carrying amount of an equity-accounted investee is written down if it is impaired.
- On the loss of significant influence or joint control, the fair value of any retained investment is taken into account to calculate the gain or loss on the transaction, as if the investment were fully disposed of; this gain or loss is recognised in profit or loss. Amounts recognised in OCI are reclassified to profit or loss or remain within equity as required by other standards.

3.5 Equity-method investees (cont.)

- Unrealised profits or losses on asset sale transactions with equity-method investees are generally eliminated to the extent of the investor's interest in the investee, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, the full gain or loss is recognised if the transaction is the transfer of a business or certain non-financial or in-substance non-financial assets.
- Unlike IFRS Accounting Standards, if an entity contributes non-financial and in-substance non-financial assets in exchange for an interest in an equity-method investee, then the entity generally recognises any gain or loss in full.
- Unlike IFRS Accounting Standards, the carrying amount of an equity-method investee is written down only if there is an impairment of the carrying amount that is considered to be 'other than temporary'.
- Unlike IFRS Accounting Standards, when equity accounting ceases and the investee becomes an investment, the investor remeasures the retained investment either at fair value or using the measurement alternative (see chapter 7.7).

3.5 Associates and the equity method (cont.)

- Like IFRS Accounting Standards, unrealised profit or losses on transactions with equity-accounted investees are eliminated to the extent of the investor's interest in the investee.
- Unlike IFRS Accounting Standards, if an entity sells or contributes a controlling interest in a subsidiary in exchange for an interest in an equity-method investee, then the entity is required to recognise any gain or loss in full.
- Like IFRS Accounting Standards, the carrying amount of an equity-accounted investee is written down if it is impaired.
- Like IFRS Accounting Standards, on the loss of significant influence or joint control, the fair value of any retained investment is taken into account to calculate the gain or loss on the transaction, as if the investment were fully disposed of; this gain or loss is recognised in profit or loss. Amounts recognised in 'Deferred results' are reclassified to profit or loss or remain within equity as required by other standards.

3.5 Associates and the equity method (cont.)

- When an investment becomes an equity-accounted investee, in our view the investor may either remeasure the previously held interest to FVTPL, or add the newly incurred additional cost to the cost of the previously held investment.
- In our view, an increase in holding should be accounted for under an ‘allocation’ approach, whereby only the incremental investment is measured at fair value.
- In our view, a decrease in holding (while continuing to apply equity accounting) results in the recognition of a gain or loss in profit or loss. In our view, the retained interest should not be remeasured.

3.5 Equity-method investees (cont.)

- Unlike IFRS Accounting Standards, there is specific guidance on the accounting when an investment becomes an equity-method investee. The current basis of the investor’s previously held interest in the investee is remeasured either at fair value or using the measurement alternative (see chapter 7.7).
- An increase in holding is accounted for using the ‘step-by-step’ method, whereby the existing equity-method interest remains at its existing carrying amount, like IFRS Accounting Standards.
- A decrease in holding (while continuing to apply equity accounting) results in the recognition of a gain or loss in profit or loss, like IFRS Accounting Standards. The retained interest is not remeasured, like IFRS Accounting Standards.

3.5 Associates and the equity method (cont.)

- Unlike IFRS Accounting Standards, if an investment becomes an equity accounted investee, the investor is required to remeasure the previously held interest to FVTPL and to add it to the newly incurred additional cost.
- Unlike IFRS Accounting Standards, there is no specific guidance on an increase in holding.
- A decrease in holding (while continuing to apply equity accounting) results in the recognition of a gain or loss in profit or loss, like IFRS Accounting Standards. The retained interest is not remeasured, like IFRS Accounting Standards.

3.6 Joint arrangements

(IFRS 11)

- A 'joint arrangement' is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: a joint operation and a joint venture.
- In a 'joint operation', the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement not structured through a separate vehicle is a joint operation.
- In a 'joint venture', the parties to the arrangement have rights to the net assets of the arrangement.
- A joint arrangement structured through a separate vehicle may be either a joint operation or a joint venture. Classification depends on the legal form of the vehicle, contractual terms and other facts and circumstances.

3.6 Ventures carried on jointly

(Topic 323, Subtopic 805-60, Topic 808, Topic 970)

- Unlike IFRS Accounting Standards, there is no definition of a 'joint arrangement', and the accounting depends on the type of venture being carried on jointly.
- Unlike IFRS Accounting Standards, there is no concept of a 'joint operation', and the accounting depends on the type of venture being carried on.
- Unlike IFRS Accounting Standards, a 'joint venture' is a joint activity carried on through a separate entity (e.g. a corporation or partnership), and there is some diversity in practice when interpreting the definition.
- Unlike IFRS Accounting Standards, a jointly controlled activity conducted with the use of a legal entity might be a joint venture or simply an equity-method investee (see chapter 3.5).

3.6 Joint arrangements

(RT 59)

- Like IFRS Accounting Standards, a 'joint arrangement' is an arrangement over which two or more parties have joint control. Unlike IFRS Accounting Standards, under NCP there are two types of joint arrangements: a 'corporate joint arrangement', and a 'non-corporate joint arrangement'.
- Like IFRS Accounting Standards, in a 'non-corporate joint arrangement', the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement.
- Like IFRS Accounting Standards, in a 'corporate joint arrangement', the parties rights to the net assets of the arrangement.
- Unlike IFRS Accounting Standards, the classification depends on the legal form of the vehicle.

3.6 Joint arrangements (cont.)

- Generally, a joint venturer accounts for its interest in a joint venture under the equity method.
- In relation to its involvement in a joint operation, a joint operator recognises its assets, liabilities and transactions, including its share in those arising jointly. The joint operator accounts for each item in accordance with the relevant accounting standard.

3.6 Ventures carried on jointly (cont.)

- Like IFRS Accounting Standards, investors in a corporate joint venture generally account for the investment under the equity method.
- Unlike IFRS Accounting Standards, for operations conducted without a legal entity, the accounting depends on the type of venture being carried on.

3.6 Joint arrangements (cont.)

- Like IFRS Accounting Standards, investors in a corporate joint arrangement generally account for the investment under the equity method.
- Like IFRS Accounting Standards, in relation to its involvement in a non-corporate joint arrangement, an investor recognises its assets, liabilities and transactions, including its share in those arising jointly. The investor accounts for each item in accordance with the relevant NCP.

3.8 Inventories

(IAS 2)

- Inventories are generally measured at the lower of cost and net realisable value.
- ‘Cost’ includes all direct expenditure to get inventory ready for sale, including attributable overheads.
- Decommissioning and restoration costs incurred through the production of inventory are included in the cost of that inventory.
- The cost of inventory is generally determined using the first-in, first-out (FIFO) or weighted-average cost method. The use of the last-in, first-out (LIFO) method is prohibited.
- Other cost formulas, such as the standard cost or retail methods, may be used if the results approximate actual cost.

3.8 Inventories

(Topic 330)

- Unlike IFRS Accounting Standards, inventories whose cost is based on the LIFO or retail inventory methods are measured at the lower of cost and market. Other inventories are measured at the lower of cost and net realisable value, like IFRS Accounting Standards.
- Like IFRS Accounting Standards, ‘cost’ includes all direct expenditure to get inventory ready for sale, including attributable overheads.
- Unlike IFRS Accounting Standards, asset retirement obligations (decommissioning costs) incurred through the production of inventory are added to the carrying amount of the related item of property, plant and equipment.
- Unlike IFRS Accounting Standards, the cost of inventory may be determined using the LIFO method in addition to the FIFO or weighted-average cost method.
- Like IFRS Accounting Standards, the standard cost method may be used if the results approximate actual cost. The retail inventory method may be used as an approximation of cost, but there are differences from IFRS Accounting Standards in the detailed application.

3.8 Inventories

(RT 59)

- Unlike IFRS Accounting Standards, inventories are generally measured at the lower of:
 - Acquisition/production/construction cost, replacement cost or the latest purchase price; and
 - Net realisable value
- Like IFRS Accounting Standards, ‘cost’ includes all direct expenditure to get inventory ready for sale, including attributable overheads.
- Unlike IFRS Accounting Standards, asset retirement obligations (decommissioning costs) incurred through the production of inventory are added to the carrying amount of the related item of property, plant and equipment.
- Like IFRS Accounting Standards, when inventories are measured at cost, FIFO, weighted-average cost method is applied. The use of LIFO method is not allowed.
- Unlike IFRS Accounting Standards, other cost formulas are not allowed.

3.8 Inventories

(cont.)

- The same cost formula is applied to all inventories having a similar nature and use to the entity.
- The cost of inventory is generally recognised as an expense when the inventory is sold.
- Inventories are written down to net realisable value when net realisable value is less than cost.
- ‘Net realisable value’ is the estimated selling price less the estimated costs of completion and sale.
- If the net realisable value of an item that has been written down subsequently increases, then the write-down is reversed.

3.8 Inventories

(cont.)

- Unlike IFRS Accounting Standards, the same cost formula need not be applied to all inventories having a similar nature and use to the entity.
- Like IFRS Accounting Standards, the cost of inventory is generally recognised as an expense when the inventory is sold.
- Unlike IFRS Accounting Standards, inventories whose cost is based on the LIFO or retail inventory methods are written down to market value when market value is less than cost. Other inventories are written down to net realisable value when net realisable value is less than cost, like IFRS Accounting Standards.
- Like IFRS Accounting Standards, ‘net realisable value’ is the estimated selling price less the estimated costs of completion and sale. Unlike IFRS Accounting Standards, ‘market value’ is current replacement cost limited by net realisable value (ceiling) and net realisable value less a normal profit margin (floor).
- Unlike IFRS Accounting Standards, a write-down of inventory to net realisable value (or market) is not reversed for subsequent recoveries in value unless it relates to changes in exchange rates.

3.8 Inventories

(cont.)

- Unlike IFRS Accounting Standards, the same cost formula need not be applied to all inventories having a similar nature and use to the entity.
- Like IFRS Accounting Standards, the cost of inventory is recognised as an expense when the inventory is sold.
- Like IFRS Accounting Standards, inventory is written down to net realisable value when net realisable value is less than its carrying amount.
- Unlike IFRS Accounting Standards, ‘net realisable value’ is the estimated fair value, plus any additional non-financial income less the estimated costs of sale.
- Like IFRS Accounting Standards, if the net realisable value of an item that has been written down subsequently increases, then the write-down is reversed.

3.9 Biological assets

(IAS 41)

- Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. Gains and losses from changes in fair value less costs to sell are recognised in profit or loss.
- Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest. After harvest, the inventories standard generally applies.

3.9 Agriculture

(Topic 905, AICPA Agricultural Producers and Agricultural Cooperatives Guide)

- Unlike IFRS Accounting Standards, growing crops and animals being developed for sale are classified as inventory and are measured on a cost basis. Also unlike IFRS Accounting Standards, other livestock such as production animals (dairy cattle, sheep and breeding stock) are accounted for as property, plant and equipment and are measured on a cost basis.
- Unlike IFRS Accounting Standards, no reclassification or remeasurement occurs at the point of harvest. Unlike IFRS Accounting Standards, harvested crops and animals held for sale are measured at net realisable value if certain criteria are met, or continue to be measured on a cost basis.

3.9 Biological assets

(RT 59)

- Like IFRS Accounting Standards Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. Gains and losses from changes in fair value less costs to sell are recognised in profit or loss.
- Like IFRS Accounting Standards, agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest. After harvest, the inventories standard generally applies.

3.10 Impairment of non-financial assets

(IAS 36, IFRS 13, IFRIC 10)

- The impairment standard covers the impairment of a variety of non-financial assets, including: property, plant and equipment, right-of-use assets, intangible assets and goodwill, investment property and biological assets measured at cost less accumulated depreciation, and investments in subsidiaries and equity-accounted investees.
- Impairment testing is required when there is an indication of impairment.
- Annual impairment testing is required for goodwill and intangible assets that either are not yet available for use or have an indefinite useful life. This impairment test may be performed at any time during the year provided that it is performed at the same time each year.

3.10 Impairment of non-financial assets

(Topic 350, Topic 360)

- Like IFRS Accounting Standards, the impairment Codification Topics deal with the impairment of a variety of non-financial long-lived assets, including: property, plant and equipment, intangible assets and goodwill. However, unlike IFRS Accounting Standards, different topics/subtopics address the impairment of biological assets and investments in equity-method investees.
- Like IFRS Accounting Standards, impairment testing is required when there is an indicator of impairment.
- Like IFRS Accounting Standards, annual impairment testing is required for goodwill and intangible assets that have an indefinite useful life. Like IFRS Accounting Standards, the goodwill impairment test may be performed at any time during the year provided that it is performed at the same time each year. Unlike IFRS Accounting Standards, the annual impairment test for indefinite-lived intangible assets is not required to be performed at the same time each year.

3.10 Impairment of non-financial assets

(RT 59)

- Like IFRS Accounting Standards, the impairment standard covers the impairment of a variety of non-financial assets, including: property, plant and equipment, intangible assets and goodwill, investment property and biological assets measured at cost less accumulated depreciation, and investments in subsidiaries and equity-accounted investees. However, unlike IFRS Standard, right of use assets is not included in the impairment standard.
- Like IFRS Accounting Standards, impairment testing is required when there is an indicator of impairment.
- Like IFRS Accounting Standards annual impairment testing is required for goodwill and intangible assets that have an indefinite useful life. Unlike IFRS Accounting Standards, NCP does not clarify if the impairment test may be performed at any time during the year.

3.10 Impairment of non-financial assets (cont.)

- Depending on the specific asset and circumstances, assets are tested for impairment as an individual asset, as part of a CGU or as part of a group of CGUs. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.
- Whenever possible, an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment at the CGU level.
- Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the level at which goodwill is monitored internally, restricted by the size of the entity's operating segments before aggregation.

3.10 Impairment of non-financial assets (cont.)

- Unlike IFRS Accounting Standards, depending on the specific asset and circumstances, assets are tested for impairment as an individual asset, as part of an asset group or at the reporting unit level.
 - An asset group is the lowest level for which there are identifiable cash flows (i.e. both cash inflows and cash outflows) that are largely independent of the net cash flows of other groups of assets, which may differ from a CGU under IFRS Accounting Standards.
 - A reporting unit is an operating segment or one level below an operating segment if certain conditions are met, unlike IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, impairment tests for long-lived assets subject to depreciation or amortisation are applied to asset groups; an asset group may or may not be a CGU under IFRS Accounting Standards. Unlike IFRS Accounting Standards, certain long-lived depreciable or amortisable assets have a separate impairment test (e.g. capitalised software intended for sale). Unlike IFRS Accounting Standards, an indefinite-lived intangible asset is generally tested as an individual asset.
- Unlike IFRS Accounting Standards, goodwill is allocated to reporting units that are expected to benefit from the synergies of the business combination from which it arose.

3.10 Impairment of non-financial assets (cont.)

- Unlike IFRS Accounting Standards, depending on the specific assets and circumstances, assets are tested for impairment as an individual asset, as part of a cash-generating activity (AGE) or at a lower level that generates independent cash flows. An AGE is an identifiable activity or line of business.
- Like IFRS Accounting Standards, whenever possible, an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment in AGEs or at a lower level that generates independent cash flows.
- Unlike IFRS Accounting Standards, there is no guidance on allocation of goodwill to AGEs.

3.10 Impairment of non-financial assets (cont.)

- The carrying amount of goodwill is grossed up for impairment testing if it arose in a transaction in which NCI were measured initially based on their proportionate share of identifiable net assets.
- An impairment loss is recognised if an asset's or CGU's carrying amount exceeds its recoverable amount. 'Recoverable amount' is the higher of fair value less costs of disposal and value in use (which is always based on the net present value of future cash flows). The impairment loss is measured as the difference between the carrying amount of the asset, or CGU, and its recoverable amount.

3.10 Impairment of non-financial assets (cont.)

- Unlike IFRS Accounting Standards, the carrying amount of goodwill is not grossed up for impairment testing because NCI are measured at fair value in the acquisition accounting.
- Unlike IFRS Accounting Standards, an impairment loss is triggered for long-lived assets only if the asset's, or asset group's, carrying amount exceeds its recoverable amount (i.e. the carrying amount is greater than the undiscounted cash flows of the asset or asset group). If the carrying amount is not recoverable, then the impairment loss is the difference between the carrying amount of the asset (asset group) and the fair value of the asset (asset group), unlike IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, goodwill is impaired if the reporting unit's fair value is less than its carrying amount. Unlike IFRS Accounting Standards, the amount of the impairment is measured as the difference between the reporting unit's fair value and its carrying amount.
- Unlike IFRS Accounting Standards, an indefinite-lived identifiable intangible asset is impaired if its fair value is less than its carrying amount.

3.10 Impairment of non-financial assets (cont.)

- Unlike IFRS Accounting Standards, the carrying amount of goodwill is not grossed up for impairment testing.
- Like IFRS Accounting Standards, an impairment loss is recognised if an asset's or AGE's carrying amount exceeds its recoverable amount. Unlike IFRS Accounting Standards, 'recoverable amount' is the higher of the net realisable value and value in use (which is always based on the net present value of future cash flows, including both the use of the asset and its disposal). Like IFRS Accounting Standards, the impairment loss is measured as the difference between the carrying amount of the asset, or AGE, and its recoverable amount.

3.10 Impairment of non-financial assets (cont.)

- Estimates of future cash flows used in the value in use calculation are specific to the entity, and need not be the same as those of market participants. Conversely, estimates of future cash flows used to estimate fair value less costs of disposal are consistent with those of a market participant. All cash flows used to estimate the recoverable amount are discounted to a present value. The discount rate used in the value in use calculation reflects the market's assessment of the risks specific to the asset or CGU.
- An impairment loss for a CGU is allocated first to any goodwill and then pro rata to other assets in the CGU that are in the scope of the impairment standard.
- An impairment loss is generally recognised in profit or loss. An exception relates to assets revalued through OCI.

3.10 Impairment of non-financial assets (cont.)

- Like IFRS Accounting Standards, estimates of future cash flows used to assess the recoverability of long-lived assets (asset groups) are specific to the entity. However, unlike IFRS Accounting Standards, the cash flows used to determine recoverability (before calculating an impairment loss) are not discounted. Unlike IFRS Accounting Standards, if a long-lived asset (asset group) is impaired, then the amount of the impairment loss is always measured with reference to assumptions that a market participant would make.
- Unlike IFRS Accounting Standards, an impairment loss for an asset group is allocated pro rata to the long-lived assets in the asset group based on the relative carrying amounts of those assets. Goodwill and indefinite-lived intangible assets are tested after the asset group has been tested for impairment and separately, unlike IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, impairment losses are always recognised directly in profit or loss and the revaluation of property, plant and equipment and intangible assets is not permitted.

3.10 Impairment of non-financial assets (cont.)

- Like IFRS Accounting Standards, estimates of future cash flows used in the value in use calculation are specific to the entity, and need not be the same as those of market participants. Conversely, like IFRS Accounting Standards, estimates of future cash flows used to estimate fair value less costs of disposal are consistent with those of a market participant. Like IFRS Accounting Standards, all cash flows used to estimate the recoverable amount are discounted to a present value. The discount rate used in the value in use calculation reflects the market's assessment of the risks specific to the asset or AGE.
- Like IFRS Accounting Standards, an impairment loss for an AGE is allocated first to any goodwill, and then pro rata to other assets in the AGE that are in the scope of the impairment standard.
- Like IFRS Accounting Standards, impairment losses are generally recognised in profit or loss. An exception relates to assets applying the revaluation model.

3.10 Impairment of non-financial assets (cont.)

- If there is an indication of reversal of impairment for an asset other than goodwill and recoverable amount of the impairment asset or CGU increases subsequently, then the impairment loss is generally reversed. A reversal of an impairment loss is generally recognised in profit or loss. An exception relates to assets revalued through OCI.
- An impairment loss for goodwill is never reversed.

3.10 Impairment of non-financial assets (cont.)

- Unlike IFRS Accounting Standards, reversals of impairment are prohibited.
- Like IFRS Accounting Standards, an impairment loss for goodwill is never reversed.

3.10 Impairment of non-financial assets (cont.)

- Like IFRS Accounting Standards, if there is an indication of reversal of impairment for an asset other than goodwill and recoverable amount of the impairment asset or CGU increases subsequently, then the impairment loss is generally reversed. A reversal of an impairment loss is generally recognised in profit or loss. An exception relates to assets applying the revaluation model.
- Like IFRS Accounting Standards, an impairment loss for goodwill is never reversed.

3.12 Provisions, contingent assets and liabilities

(IAS 37, IFRIC 1, IFRIC 5, IFRIC 6, IFRIC 21)

- A provision is recognised for a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. ‘Probable’ in this context means more likely than not.
- A ‘constructive obligation’ arises when an entity’s actions create valid expectations of third parties that it will accept and discharge certain responsibilities.
- A provision is measured at the ‘best estimate’ of the expenditure to be incurred.

3.12 Contingencies and other ‘provisions’

(Topic 450, Topic 410, Topic 420, Topic 460, Topic 710, Topic 712, Topic 720, SAB Topic 5Y)

- A loss contingency is recognised if it is probable that a liability has been incurred and the amount is reasonably estimable. ‘Probable’ in this context means likely to occur, which is a higher recognition threshold than IFRS Accounting Standards. Recognised loss contingencies are referred to as ‘provisions’ in this chapter.
- Under the legal doctrine of promissory estoppel, a constructive obligation may arise when an entity’s actions create reasonable expectations of third parties that it will accept and discharge certain responsibilities, which is narrower than the concept under IFRS Accounting Standards. In addition, unlike IFRS Accounting Standards, constructive obligations are recognised only if this is required by a specific Codification topic/subtopic.
- A provision is measured using a ‘reasonable estimate’, which differs in some respects from IFRS Accounting Standards. In addition, some obligations that would be deemed a provision under IFRS Accounting Standards are measured at fair value, unlike IFRS Accounting Standards.

3.12 Provisions and contingencies

(RT 59)

- Like IFRS Accounting Standards, a provision is recognised for a legal or for a voluntary obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. ‘Probable’ in this context means more likely than not.
- Like IFRS Accounting Standards, a ‘voluntary obligation’ arises when an entity’s actions create valid expectations of third parties that it will accept and discharge certain responsibilities.
- Like IFRS Accounting Standards, a provision is measured at the ‘best estimate’ of the expenditure to be incurred.

3.12 Provisions, contingent assets and liabilities

(cont.)

- If there is a large population of items, then the obligation is generally measured at its expected value.
- If there is a single item, then the obligation is generally measured at its individual most likely outcome. If there is a continuous range of equally possible outcomes for a single event, then the obligation is measured at the mid-point in the range.
- If the possible outcomes of a single obligation are mostly higher (lower) than the single most likely outcome, then the obligation is measured at an amount higher (lower) than the single most likely outcome.
- Provisions are discounted if the effect of discounting is material.
- A provision is not recognised for costs that need to be incurred to operate in the future or for expected future operating losses.

3.12 Contingencies and other 'provisions'

(cont.)

- Unlike IFRS Accounting Standards, US GAAP does not provide specific measurement guidance for provisions related to a large population of items.
- Unlike IFRS Accounting Standards, if no amount within a range is a better estimate than any other, then the obligation is measured at the low end of the range.
- Unlike IFRS Accounting Standards, an obligation is measured at the single most likely outcome even if the possible outcomes are mostly higher or lower than that amount.
- Provisions are not discounted except in limited cases, in which case the specific requirements may differ from IFRS Accounting Standards.
- Like IFRS Accounting Standards, a provision is not recognised for future operating losses.

3.12 Provisions and contingencies

(cont.)

- Like IFRS Accounting Standards, if there is a large population of items, then the obligation is generally measured at its expected value.
- Like IFRS Accounting Standards, if there is a single item, then the obligation is generally measured at its individual most likely outcome. Unlike IFRS Accounting Standards, NCP does not provide guidance on a continuous range of equally possible outcomes for a single event.
- Unlike IFRS Accounting Standards, an obligation is measured at the single most likely outcome even if the possible outcomes are mostly higher or lower than that amount.
- Unlike IFRS Accounting Standards, provisions are discounted if estimated outflows exceeds 12 months.
- Like IFRS Accounting Standards, a provision is not recognised for future operating losses.

3.12 Provisions, contingent assets and liabilities (cont.)

- A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.
- IFRS Accounting Standards do not specifically address provisions for contract termination costs.
- Provisions are not recognised for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.
- A provision is recognised for a contract that is onerous.
- ‘Contingent liabilities’ are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations whose existence is uncertain.

3.12 Contingencies and other ‘provisions’ (cont.)

- Like IFRS Accounting Standards, a provision for restructuring costs is not generally recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan, although certain benefits are subject to specific recognition requirements that differ from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, a liability for contract termination costs is recognised only when the contract has been terminated pursuant to its terms or the entity has permanently ceased using the rights granted under the contract.
- Like IFRS Accounting Standards, provisions are not recognised for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.
- Unlike IFRS Accounting Standards, there is no general requirement to recognise a loss for onerous contracts.
- Unlike IFRS Accounting Standards, ‘loss contingencies’ are uncertain obligations, both recognised and unrecognised.

3.12 Provisions and contingencies (cont.)

- Like IFRS Accounting Standards, a provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.
- Like IFRS Accounting Standards, there is no specific guidance on recognition of provisions for contract termination costs.
- Unlike IFRS Accounting Standards, there is no specific guidance on recognition of provision for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.
- Like IFRS Accounting Standards, a provision is recognised for a contract that is onerous.
- Like IFRS Accounting Standards, NCP defines ‘other contingent liabilities’ are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations whose existence is uncertain.

3.12 Provisions, contingent assets and liabilities

(cont.)

- Contingent liabilities are not recognised except for those that represent present obligations in a business combination.
- Details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote.
- ‘Contingent assets’ are possible assets whose existence is uncertain.

3.12 Contingencies and other ‘provisions’

(cont.)

- Unlike IFRS Accounting Standards, loss contingencies may be either recognised or unrecognised. Unlike IFRS Accounting Standards, loss contingencies are recognised in a business combination only when the acquisition date fair value is determinable within the measurement period, or if the contingency is likely to occur and the amount is reasonably estimable.
- Like IFRS Accounting Standards, information on contingencies is generally disclosed in the notes to the financial statements unless the probability of an outflow is remote; however, IFRS Accounting Standards requires more detailed disclosures about contingencies than US GAAP. Unlike IFRS Accounting Standards, certain loss contingencies are disclosed even if the likelihood of an outflow is remote.
- A ‘gain contingency’ is an item whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events, like IFRS Accounting Standards.

3.12 Provisions and contingencies

(cont.)

- Like IFRS Accounting Standards, other contingent liabilities are not recognised except for those that represent present obligations in a business combination.
- Like IFRS Accounting Standards, details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote.
- Unlike IFRS Accounting Standards, there is no definition of ‘contingent assets’.

3.12 Provisions, contingent assets and liabilities

(cont.)

- IFRS Accounting Standards set high threshold for contingent assets, which are not recognised in the statement of financial position until their realisation is virtually certain, at which point the assets are no longer considered contingent. In an inflow of economic benefits is probable (more likely than not), then details are disclosed in the notes.
- A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision. Any gain in excess of this amount is recognised only when it is realised.

3.12 Contingencies and other 'provisions'

(cont.)

- Like IFRS Accounting Standards, US GAAP sets a high threshold for gain contingencies. However, unlike IFRS Accounting Standards, they are not recognised until they are realised or realisable. Unlike IFRS Accounting Standards, there is no specific probability threshold for disclosing gain contingencies and disclosures should avoid misleading information about the likelihood of realisation.
- Unlike IFRS Accounting Standards, a reimbursement right is recognised when recovery is likely to occur (which is a lower threshold than 'virtually certain' under IFRS Accounting Standards) to the extent of any related loss or cost incurred. Unlike IFRS Accounting Standards, any gain in excess of this amount is recognised when it is realised or realisable. Like IFRS Accounting Standards, the reimbursement is recognised as a separate asset.

3.12 Provisions and contingencies

(cont.)

- Unlike IFRS Accounting Standards, contingent assets are not recognised in the statement of financial position.
- Unlike IFRS Accounting Standards, reimbursement right related to a provision is recognised as a separate asset when recovery is virtually certain.

3.13 Income taxes

(IAS 12, IFRIC 23, SIC-25)

- ‘Income taxes’ are taxes based on taxable profits, and taxes that are payable by a subsidiary, associate or joint arrangement on distribution to the reporting entity (e.g. withholding taxes).
- The total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss – i.e. in OCI or directly in equity, or arising from a business combination.
- ‘Current tax’ is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.
- ‘Deferred tax’ is generally recognised for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

3.13 Income taxes

(Topic 740, Subtopic 830-740)

- ‘Income taxes’ are all domestic federal, state and local (including franchise) taxes based on income, including foreign income taxes from an entity’s operations that are consolidated, combined or accounted for under the equity method, both foreign and domestic. Although the wording differs from IFRS Accounting Standards, we would not generally expect significant differences from IFRS Accounting Standards in practice.
- Like IFRS Accounting Standards, the total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss – i.e. in OCI or directly in equity, or arising from a business combination.
- Like IFRS Accounting Standards, ‘current tax’ is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.
- Like IFRS Accounting Standards, ‘deferred tax’ is generally recognised for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

3.13 Income taxes

(RT 59)

- Unlike IFRS Accounting Standards, ‘income taxes’ are taxes payable on taxable profit.
- Like IFRS Accounting Standards, the total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss.
- Like IFRS Accounting Standards, ‘current tax’ is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.
- Like IFRS Accounting Standards, ‘deferred tax’ is recognised for the estimated future tax effects of temporary differences, and unused tax losses carried forward.

3.13 Income taxes

(cont.)

- A deferred tax liability is not recognised if it arises from the initial recognition of goodwill.
- A deferred tax asset or liability is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences.
- A deferred tax liability (asset) is recognised for the step-up in tax bases as a result of an intra-group transfer of assets between jurisdictions.
- A deferred tax liability (asset) is recognised for exchange gains and losses related to foreign non-monetary assets and liabilities that are remeasured into the functional currency using historical exchange rates or indexing for tax purposes.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, a deferred tax liability is not recognised if it arises from the initial recognition of goodwill.
- Unlike IFRS Accounting Standards, there is no exemption from recognising a deferred tax asset or liability for the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences.
- Like IFRS Accounting Standards, a deferred tax liability (asset) is recognised for the step-up in tax bases as a result of an intra-group transfer of assets other than inventory between jurisdictions. Unlike IFRS Accounting Standards, when the asset transferred is inventory, the tax effects for the seller are deferred and a deferred tax asset is not recognised for the step-up in tax bases for the buyer.
- Unlike IFRS Accounting Standards, if the reporting currency is the functional currency, then a deferred tax liability (asset) is not recognised for exchange gains and losses related to foreign non-monetary assets and liabilities that are remeasured into the reporting currency using historical exchange rates or indexing for tax purposes.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, a deferred tax liability is not recognised if it arises from the initial recognition of goodwill.
- Like IFRS Accounting Standards, a deferred tax asset or liability is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable profit. However, unlike IFRS Accounting Standards, there is no guidance on transactions that give rise to equal taxable and deductible temporary differences.
- Unlike IFRS Accounting Standards, there is no specific guidance on deferred taxes related to the step-up in tax bases as a result of intra-group transfer of assets between jurisdictions.
- Unlike IFRS Accounting Standards, there is no specific guidance on deferred taxes related to exchange gains and losses on foreign non-monetary assets and liabilities that are remeasured into the functional currency using historical exchange rates or indexing for tax purposes.

3.13 Income taxes

(cont.)

- Deferred tax is not recognised in respect of investments in subsidiaries, associates and joint arrangements (both foreign and domestic) if certain criteria are met.
- A deferred tax asset is recognised to the extent that it is probable that it will be realised – i.e. a net approach.
- Current and deferred tax are measured based on rates and tax laws that are enacted or substantively enacted at the reporting date.
- Deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset).
- Deferred tax is measured on an undiscounted basis.
- Deferred tax assets and liabilities are classified as non-current in a classified statement of financial position.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, deferred tax is not recognised in respect of investments in foreign or domestic subsidiaries, foreign corporate joint ventures and equity-method investees if certain criteria are met; however, these criteria differ from IFRS Accounting Standards, which may give rise to differences from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, all deferred tax assets are recognised and a valuation allowance is recognised to the extent that it is more likely than not that the deferred tax assets will not be realised – i.e. a gross approach.
- Unlike IFRS Accounting Standards, current and deferred tax are only measured based on rates and tax laws that are enacted at the reporting date.
- Like IFRS Accounting Standards, deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset).
- Like IFRS Accounting Standards, deferred tax is measured on an undiscounted basis.
- Like IFRS Accounting Standards, deferred tax assets and liabilities are classified as non-current in a classified statement of financial position.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, deferred tax is not recognised in respect of investments in subsidiaries, associates and entities under joint control, if certain criteria are met.
- Like IFRS Accounting Standards, a deferred tax asset is recognised to the extent that it is probable that it will be realised.
- Unlike IFRS Accounting Standards, current and deferred tax are only measured based on rates and tax laws that are enacted at the reporting date.
- Unlike IFRS Accounting Standards, NCP does not include any assumption on how the underlying asset (liability) will be recovered (settled).
- Unlike IFRS Accounting Standards, the entity has the option to measure deferred tax on a discounted or undiscounted basis.
- Like IFRS Accounting Standards, deferred tax assets and liabilities are classified as non-current in the statement of financial position.

3.13 Income taxes

(cont.)

- Income tax relating to items recognised outside profit or loss, in the current or a previous period, is itself recognised outside profit or loss.
- Deferred tax assets recognised in relation to share-based payment arrangements are adjusted each period to reflect the amount of tax deduction that the entity would receive if the award were tax-deductible in the current period based on the current market price of the shares.
- Current tax assets and liabilities are offset only if there is a legally enforceable right to set off and the entity intends to offset or to settle simultaneously.
- Deferred tax liabilities and assets are offset if the entity has a legally enforceable right to set off current tax liabilities and assets, and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities that intend to settle current taxes on a net basis or their tax assets and liabilities will be realised simultaneously.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, income tax relating to items recognised outside profit or loss during the current reporting period is itself recognised outside profit or loss. However, unlike IFRS Accounting Standards, subsequent changes are generally recognised in profit or loss.
- Unlike IFRS Accounting Standards, temporary differences related to share-based payment arrangements are based on the amount of compensation cost that is recognised in profit or loss without any adjustment for the entity's current share price until the tax benefit is realised.
- Like IFRS Accounting Standards, current tax assets and liabilities are offset only if there is a legally enforceable right to set off and the entity intends to set off.
- For a particular tax-paying component of an entity and within a particular tax jurisdiction, entities offset and present as a single amount all deferred tax liabilities and assets (including any related valuation allowance), like IFRS Accounting Standards. Deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions may not be offset, which differs from IFRS Accounting Standards in certain aspects.

3.13 Income taxes

(cont.)

- Like IFRS Accounting Standards, income tax relating to items recognised outside profit or loss, in the current or a previous period, is itself recognised outside profit or loss.
- Unlike IFRS Accounting Standards, there is no guidance on deferred tax related to share-based payment arrangements.
- Like IFRS Accounting Standards, current tax assets and liabilities are offset only if there is a legally enforceable right to set off.
- Like IFRS Accounting Standards, deferred tax liabilities and assets are offset only if there is a legally enforceable right to set off.

3.13 Income taxes

(cont.)

- In the case of uncertainty about an income tax treatment, an entity considers whether it is probable that a tax authority will accept the treatment used in its tax filing. If the tax authority is unlikely to accept the entity's tax treatment, then the effect of the tax uncertainty is reflected in measuring current or deferred tax by using either the most likely amount or the expected value method.

3.13 Income taxes

(cont.)

- Unlike IFRS Accounting Standards, the benefits of uncertainty in income taxes are recognised only if it is more likely than not that the tax positions are sustainable based on their technical merits. Unlike IFRS Accounting Standards, neither the most likely amount nor the expected value method are accepted. For tax positions that are more likely than not to be sustained, the largest amount of tax benefit that is greater than 50 percent likely to be realised on settlement is recognised.

3.13 Income taxes

(cont.)

- Unlike IFRS Accounting Standards, NCP does not provide specific guidance on income tax exposures.

4 Specific items of profit or loss and OCI

4.1 General

(IAS 1)

- A statement of profit or loss and OCI is presented either as a single statement, or as a statement of profit or loss followed immediately by a statement of comprehensive income (beginning with profit or loss and displaying components of OCI).
- Although IFRS Accounting Standards require certain items to be presented in the statement of profit or loss and OCI, there is no prescribed format.

4.1 General

(Topic 205, Topic 220, Reg G, Reg S-X, SAB Topic 7D)

- Like IFRS Accounting Standards, an entity may present a statement of comprehensive income either as a single statement, or as an income statement followed immediately by a separate statement of comprehensive income (beginning with profit or loss and displaying components of OCI).
- Unlike IFRS Accounting Standards, SEC regulations prescribe the format and minimum line item presentation for SEC registrants. For non-SEC registrants, there is limited guidance on the presentation of the income statement or statement of comprehensive income, like IFRS Accounting Standards.

4.1 General

(RT 59)

- Unlike IFRS Accounting Standards, only a statement of profit or loss is presented.
- Like IFRS Accounting Standards, NCP requires certain items to be presented in the statement of profit or loss, however there is no prescribed format.

4.1 General

(cont.)

- Revenue comprises income arising in the course of an entity's ordinary activities, and is presented as a separate line item in the statement of profit or loss and OCI.
- An analysis of expenses is required, either by nature or by function, in the statement of profit or loss and OCI or in the notes.
- The presentation of alternative earnings measures is not prohibited, either in the statement of profit or loss and OCI or in the notes to the financial statements.

4.1 General

(cont.)

- Revenue comprises inflows or other enhancements of assets and/or settlements of an entity's liabilities from delivering or producing goods, rendering services or other activities that are the entity's ongoing major or central operations, like IFRS Accounting Standards. Unlike IFRS Accounting Standards, only SEC registrants are required to present revenue as a separate line item in the income statement (or single statement of comprehensive income).
- Unlike IFRS Accounting Standards, there is no requirement for expenses to be classified according to their nature or function. SEC regulations prescribe expense classification requirements for certain specialised industries, unlike IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the presentation of non-GAAP measures in the financial statements by SEC registrants is prohibited. In practice, non-GAAP measures are also not presented in the financial statements by non-SEC registrants, unlike IFRS Accounting Standards.

4.1 General

(cont.)

- Revenue comprises income arising in the course of an entity's ordinary activities and is presented as a separate line item in the statement of profit or loss.
- Unlike IFRS Accounting Standards, an analysis of expenses is required by function (in the statement of profit or loss) and by nature.
- Like IFRS Accounting Standards the presentation of alternative earnings measures is not prohibited, either in the statement of profit or loss or in the notes to the financial statements.

4.1 General (cont.)

- In our view, the use of the terms ‘unusual’ or ‘exceptional’ should be infrequent and reserved for items that justify greater prominence.
- The presentation or disclosure of items of income and expense characterised as ‘extraordinary items’ is prohibited.
- Items of income and expense are not offset unless required or permitted by another accounting standard, or if the amounts relate to similar transactions or events that are not material.

4.1 General (cont.)

- Unlike IFRS Accounting Standards, transactions of an ‘unusual’ nature are defined as possessing a high degree of abnormality and of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity. Unlike IFRS Accounting Standards, material events or transactions that are unusual and/or occur infrequently are presented separately in the income statement, and the nature and financial effects are described in the income statement or disclosed in the notes.
- Like IFRS Accounting Standards, the presentation or disclosure of items of income and expense characterised as ‘extraordinary items’ is prohibited.
- Like IFRS Accounting Standards, items of income and expense generally are not offset unless required or permitted by another Codification topic/subtopic, or if the amounts relate to similar transactions or events that are not material. However, offsetting is permitted in more circumstances than under IFRS Accounting Standards.

4.1 General (cont.)

- Unlike IFRS Accounting Standards, the term ‘unusual’ is defined by its nature, size or incidence, are not presented separately in the statement of profit or loss but disclosed in the notes.
- Like IFRS Accounting Standards, the presentation or disclosure of items of income and expense characterised as ‘extraordinary items’ is prohibited.
- Unlike IFRS Accounting Standards, there is no guidance on the offsetting of items of income and expense, other than refunds, clawbacks and tax reliefs.

4.1A General: IFRS 18

(IFRS 18)

- Profit or loss and OCI may be presented either a single statement, or as two separate statements: a ‘statement of profit or loss’ followed immediately by a ‘statement of comprehensive income’ beginning with profit or loss and displaying components of OCI.
- The structure of the statement of profit or loss is determined by specific requirements and the statement’s role of providing a useful structured summary of the entity’s income and expenses.
- Income and expenses included in profit or loss are classified in one of the five categories (operating, investing, financing, income taxes and discontinued operations). Classification is driven by an entity’s main business activities and the nature of the asset or liability given rise to the income or expense.

4.1A General: IFRS 18

(Topic 205, Topic 220, Reg G, Reg S-X, SAB Topic 7D)

- Like IFRS Accounting Standards, profit or loss and OCI may be presented in either a single statement, or as two separate statements: an ‘income statement’ followed immediately by a separate ‘statement of comprehensive income’ beginning with profit or loss and displaying components of OCI.
- Unlike IFRS Accounting Standards, US GAAP has limited guidance on the structure of the income statement for non-registrants. SEC regulations prescribe the format of the income statement, including minimum line item presentation, for SEC registrants.
- Unlike IFRS Accounting Standards, US GAAP does not require a five-category classification. However, like IFRS Accounting Standards, discontinued operations and income taxes are presented separately.

4.1A General: IFRS 18

(RT 59)

- Unlike IFRS Accounting Standards, only a statement of profit or loss is presented.
- Like IFRS Accounting Standards, the structure of the statement of profit or loss under NCP is determined by specific requirements and the statement’s role of providing a useful structured summary of the entity’s income and expense.
- Unlike IFRS Accounting Standards, NCP does not require a five-category classification. However, like IFRS Accounting Standards, discontinued operations and income taxes are presented separately.

4.1A General: IFRS 18 (cont.)

- Revenue comprises income arising in the course of an entity's ordinary activities, and is presented as a separate line item in the statement of profit or loss and OCI.
- An entity is required to present an analysis of operating expenses on the face of the statement of profit or loss – either by nature, function or a mixture of the both.
- The presentation and disclosure standard specifies minimum line items to be presented in the statement of profit or loss. However, an entity is not required to present a line item separately, if doing so would not fulfil the statement's role of providing a useful structured summary. Conversely, additional line items may be necessary to provide a useful structures summary.

4.1A General: IFRS 18 (cont.)

- Revenue comprises inflows or other enhancements of assets or settlements of an entity's liabilities from delivering or producing goods, rendering services or other activities that are the entity's ongoing major or central operations, like IFRS Accounting Standards. Unlike IFRS Accounting Standards, only SEC registrants are required to present revenue as a separate line item in the income statement (or single statement of comprehensive income).
- Unlike IFRS Accounting Standards, US GAAP does not generally require expenses to be classified according to their nature or function on the face of the income statement. However, SEC regulations prescribe minimum expense line items and expense classification requirements for SEC registrants in certain specialised industries.
- Unlike IFRS Accounting Standards, US GAAP does not provide a framework for omitting or adding line items based on the usefulness of the structured summary. SEC regulations specify minimum line item presentation in general and by industry. In our experience, the income statement of non-SEC registrant is generally presented similar to that of registrants.

4.1A General: IFRS 18 (cont.)

- Revenue comprises income arising in the course of an entity's ordinary activities and is presented as a separate line item in the statement of profit or loss.
- Unlike IFRS Accounting Standards, an analysis of expenses is required by function (in the statement of profit or loss) and by nature (in notes or in a specific annex).
- Like IFRS Accounting Standards, the presentation and disclosure standard specifies minimum line items to be presented in the statement of profit or loss. Generally, additional line items are not presented.

4.1A General: IFRS 18

(cont.)

- Items of income and expense are offset when required or permitted by an accounting standard or when the substance of the transaction or event is reflected by offsetting income and related expenses arising on the same transaction.
- Management-defined performance measures (MPMs) capture some, but not all, non-GAAP measures. An entity clearly labels and describes each MPM and discloses specific information on these measures in a single note.

4.1A General: IFRS 18

(cont.)

- Like IFRS Accounting Standards, items of income and expense generally are only offset when required or permitted by a Codification topic/subtopic, or when the substance of the transaction or event is reflected by offsetting income and related expenses arising on the same transaction. However, offsetting is permitted in more circumstances than under IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, does not include the concept of MPMs. The presentation and disclosure of non-GAAP measures in the financial statements is generally prohibited.

4.1A General: IFRS 18

(cont.)

- Like IFRS Accounting Standards, items of income and expense are offset when required or permitted by NCP.
- Unlike IFRS Accounting Standards, NCP does not include the concept of MPMs. The presentation and disclosure of non-GAAP measures in the financial statements is not specifically prohibited.

4.2 Revenue from contracts with customers

(IFRS 15)

- A five-step model is used to apply the core ‘transfer of control’ principle that is used to determine when to recognise revenue, and at what amount.
- Under Step 1 (identify the contract), an entity accounts for a contract under the model when it is legally enforceable and specific criteria are met. These criteria include that collection of consideration is ‘probable’, which means ‘more likely than not’.
- Under Step 2 (identify the performance obligations in the contract), an entity breaks down the contract into one or more distinct performance obligations.
- Under Step 3 (determine the transaction price), an entity determines the amount of consideration to which it expects to be entitled in exchange for transferring goods or services to a customer.

4.2 Revenue from contracts with customers

(Topic 606)

- Like IFRS Accounting Standards, a five-step model is used to apply the core ‘transfer of control’ principle that is used to determine when to recognise revenue, and at what amount.
- Like IFRS Accounting Standards, under Step 1 (identify the contract), an entity accounts for a contract under the model when it is legally enforceable and specific criteria are met. These criteria include that collection of consideration is ‘probable’, which, unlike IFRS Accounting Standards, means ‘likely’.
- Like IFRS Accounting Standards, under Step 2 (identify the performance obligations in the contract), an entity breaks down the contract into one or more distinct performance obligations.
- Like IFRS Accounting Standards, under Step 3 (determine the transaction price), an entity determines the amount of consideration to which it expects to be entitled in exchange for transferring goods or services to a customer.

4.2 Income on ordinary activities from transactions

(RT 59)

- Unlike IFRS Accounting Standards, income from ordinary activities from transactions is recognised when the transactions are concluded. The analysis is based on its substance rather than its legal or contractual format.
- Unlike IFRS Accounting Standards, NCP does not require a contract with a customer to be identified.
- Unlike IFRS Accounting Standards, NCP does not require to identify the performance obligations in the contract.
- Unlike IFRS Accounting Standards, transaction price is based on the supporting documentation without including any financial components (explicit or implicit).

4.2 Revenue from contracts with customers

(cont.)

- Consideration includes an estimate of variable consideration to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- Under Step 4 (allocate the transaction price to the performance obligations in the contract) an entity generally allocates the transaction price to each performance obligation in proportion to its stand-alone selling price.

4.2 Revenue from contracts with customers

(cont.)

- Like IFRS Accounting Standards, consideration includes an estimate of variable consideration to the extent it is 'probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Although 'probable' rather than 'highly probable' is used under US GAAP, the IASB and the FASB explain that these are intended to be the same threshold so differences of interpretation are not expected.
- Like IFRS Accounting Standards, under Step 4 (allocate the transaction price to the performance obligations in the contract) an entity generally allocates the transaction price to each performance obligation in proportion to its stand-alone selling price.

4.2 Income on ordinary activities from transactions

(cont.)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on variable considerations.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on allocation of transactions price to the performance obligations in the contract.

4.2 Revenue from contracts with customers

(cont.)

- Under Step 5 (recognise revenue) an entity recognises revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either at a point in time or over time. A good or service is transferred when or as the customer obtains control of it.
- An entity generally capitalises incremental costs to obtain a contract with a customer if it expects to recover those costs. An entity capitalises the costs of fulfilling a contract if certain criteria are met. An impairment loss recognised in respect of capitalised costs is reversed if the carrying amount is no longer impaired.
- A contract modification is accounted for prospectively or using a cumulative catch-up adjustment depending on whether the modification results in additional goods or services that are ‘distinct’.

4.2 Revenue from contracts with customers

(cont.)

- Like IFRS Accounting Standards, under Step 5 (recognise revenue) an entity recognises revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either at a point in time or over time. Like IFRS Accounting Standards, a good or service is transferred when or as the customer obtains control of it.
- Like IFRS Accounting Standards, an entity generally capitalises incremental costs to obtain a contract with a customer if it expects to recover those costs. Like IFRS Accounting Standards, an entity capitalises the costs of fulfilling a contract if certain criteria are met. Unlike IFRS Accounting Standards, an impairment loss recognised in respect of capitalised costs is not reversed.
- Like IFRS Accounting Standards, a contract modification is accounted for prospectively or using a cumulative catch-up adjustment depending on whether the modification results in additional goods or services that are ‘distinct’.

4.2 Income on ordinary activities from transactions

(cont.)

- NCP provides the following guidance on the recognition of revenue related to:
 - Sale of goods: revenue is recognised when the customer obtains the control of the goods;
 - Rendering of services: for continuous services when the service is provided, otherwise when the service is completed;
 - Construction, production or development of assets: depending on the characteristics of the transaction, by analogy of sale of goods or rendering of service; and
 - Agent activities: revenue is recognised for the commission the entity earns.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on incremental costs to obtain a contract with a customer.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on contract modifications.

4.2 Revenue from contracts with customers

(cont.)

- If the entity is a principal, then revenue is recognised on a gross basis – corresponding to the consideration to which the entity expects to be entitled. If the entity is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the entity expects to be entitled.
- An entity presents a contract liability or a contract asset in its statement of financial position when either party to the contract has performed. Any unconditional rights to consideration are presented separately as a receivable.
- The revenue standard contains extensive disclosure requirements designed to enable users of the financial statement to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. There are no exemptions from these disclosure requirements for specific types of entities.

4.2 Revenue from contracts with customers

(cont.)

- Like IFRS Accounting Standards, if the entity is a principal, then revenue is recognised on a gross basis – corresponding to the consideration to which the entity expects to be entitled. Like IFRS Accounting Standards, if the entity is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the entity expects to be entitled.
- Like IFRS Accounting Standards, an entity presents a contract liability or a contract asset in its statement of financial position when either party to the contract has performed. Like IFRS Accounting Standards, any unconditional rights to consideration are presented separately as a receivable.
- Like IFRS Accounting Standards, the revenue Codification Topic contains extensive disclosure requirements designed to enable users of the financial statement to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Unlike IFRS Accounting Standards, non-public entities may elect to present more simplified disclosures.

4.2 Income on ordinary activities from transactions

(cont.)

- Like IFRS Accounting Standards, if the entity is a principal, then revenue is recognised on a gross basis – corresponding to the consideration to which the entity expects to be entitled. If the entity is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the entity expects to be entitled.
- Unlike IFRS Accounting Standards, an entity presents a contract liability in its statement of financial position when it has received an asset (or a reduction of a liability) and the transactions has not been concluded. Like IFRS Accounting Standards, any unconditional rights to consideration are presented separately as a receivable.
- Unlike IFRS Accounting Standards, NCP does not contain disclosure requirements on revenue.

4.3 Government grants

(IAS 20, IAS 41, SIC-10)

- Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Government grants that relate to the acquisition of an asset, other than a biological asset measured at fair value less costs to sell, are recognised in profit or loss as the related asset is depreciated or amortised.
- If a government grant is in the form of a non-monetary asset, then both the asset and the grant are recognised either at the fair value of the non-monetary asset or at a nominal amount.
- Unconditional government grants related to biological assets measured at fair value less costs to sell are recognised in profit or loss when they become receivable; conditional grants for such assets are recognised in profit or loss when the required conditions are met.
- Interest is imputed on low-interest or interest-free loans from a government.

4.3 Government grants

- Unlike IFRS Accounting Standards, there is no specific US GAAP guidance on the accounting for grants from governments to profit-oriented entities. However, US practice may look to IFRS Accounting Standards as a source of non-authoritative guidance in some instances.
- Unlike IFRS Accounting Standards, a contributed non-monetary asset is generally recognised at fair value.
- Like IFRS Accounting Standards, government contributions of biological assets are recognised initially at fair value when they become unconditionally receivable; however, unlike IFRS Accounting Standards, there is no specific guidance on whether this amount should be recognised in profit or loss or in equity. In our experience, conditional grants for such assets are recognised when the required conditions are met, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, interest may not always be imputed on low-interest or interest-free loans from a government.

4.3 Government grants

(RT 59)

- Unlike IFRS Accounting Standards, government grants are recognised when the relevant conditions are met, and the grant will be received. Unlike IFRS Accounting Standards, NCP does not provide guidance on government grants that relate to the acquisition of an asset.
- Unlike IFRS Accounting Standards, a contributed non-monetary asset is generally recognised at fair value.
- Unlike IFRS Accounting Standards, NCP does not provide guidance on government grants related to biological assets.
- Like IFRS Accounting Standards, interest is imputed on low-interest or interest-free loans from a government.

4.3 Government grants

(cont.)

- The accounting for a financial guarantee provided by a government depends on whether an economic benefit is transferred and who receives it (i.e. the lender or the borrower).

4.3 Government grants

(cont.)

- Like IFRS Accounting Standards, the accounting for a financial guarantee provided by a government depends on whether an economic benefit is transferred and who receives it (i.e. the lender or the borrower). However, differences from IFRS Accounting Standards may arise in practice because of the underlying differences in accounting for government assistance and financial guarantees.

4.3 Government grants

(cont.)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on financial guarantee.

4.4 Employee benefits

(IAS 19, IFRIC 14)

- ‘Short-term employee benefits’ are employee benefits that are expected to be settled wholly within 12 months of the end of the period in which the services have been rendered, and are accounted for using normal accrual accounting.
- ‘Post-employment benefits’ are employee benefits that are payable after the completion of employment (before or during retirement).
- A ‘defined contribution plan’ is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are ‘defined benefit plans’.
- Contributions to a defined contribution plan are accounted for on an accrual basis.

4.4 Employee benefits

(Topic 715, Subtopic 710-10, Subtopic 712-10)

- Unlike IFRS Accounting Standards, US GAAP does not contain specific guidance on short-term employee benefits other than compensated absences. However, accrual accounting principles are generally applied in accounting for short-term employee benefits.
- Unlike IFRS Accounting Standards, post-employment benefits are divided into ‘post-retirement benefits’ (provided during retirement) and ‘other post-employment benefits’ (provided after the cessation of employment but before retirement). The accounting for post-employment benefits depends on the type of benefit provided, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, a ‘defined contribution plan’ is a post-retirement benefit plan under which the employer pays specified contributions into a separate entity and has no further obligations. All other post-retirement plans are ‘defined benefit plans’. However, unlike IFRS Accounting Standards, other post-employment benefit plans do not have to be classified as either defined contribution or defined benefit plans.
- Like IFRS Accounting Standards, contributions to a defined contribution plan are accounted for on an accrual basis.

4.4 Employee benefits

(RT 59)

- Like IFRS Accounting Standards, ‘short-term employee benefits’ are those expected to be settled wholly within 12 months of the end of the period in which the services have been rendered, and are accounted for using normal accrual accounting.
- Like IFRS Accounting Standards, ‘post-employment benefits’ are those payable after the completion of employment (before or during retirement).
- Like IFRS Accounting Standards, ‘defined contribution plan’ is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are ‘defined benefit plans’.
- Like IFRS Accounting Standards, contributions to a defined contribution plan are accounted for on an accrual basis.

4.4 Employee benefits

(cont.)

- Accounting for defined benefit plans involves the following steps:
 - determining the present value of the defined benefit obligation by applying an actuarial valuation method;
 - deducting the fair value of any plan assets;
 - adjusting the amount of the deficit or surplus for any effect of limiting a net defined benefit asset to the asset ceiling; and
 - determining service costs, net interest and remeasurements of the net defined benefit liability (asset).

- The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost and, if applicable, any past service cost.

- To qualify as plan assets, assets need to meet specific criteria, including a requirement that they be unavailable to the entity's creditors (even in bankruptcy).

4.4 Employee benefits

(cont.)

- Accounting for defined benefit plans involves the following steps:
 - determining the present value of the defined benefit obligation by applying an actuarial valuation method, which differs in some respects from IFRS Accounting Standards;
 - deducting the fair value of any plan assets, like IFRS Accounting Standards;
 - unlike IFRS Accounting Standards, there is no adjustment for any effect of limiting a net defined benefit asset to the asset ceiling; and
 - determining service costs, net interest and remeasurements of the net defined benefit liability (asset), which in a number of cases differ from IFRS Accounting Standards in terms of measurement, recognition and presentation.

- The liability and expense are generally measured actuarially under the projected unit credit method for pay-related plans, like IFRS Accounting Standards; and under the traditional unit credit method (projected unit credit method without future increases in salary) for certain cash balance plans, unlike IFRS Accounting Standards.

- Like IFRS Accounting Standards, to qualify as plan assets, assets need to meet specific criteria. However, unlike IFRS Accounting Standards, in general there is no requirement to affirmatively demonstrate that the assets would be unavailable to the entity's creditors in bankruptcy.

4.4 Employee benefits

(cont.)

- Like IFRS Accounting Standards, Accounting for defined benefit plans involves the following steps:
 - determining the present value of the defined benefit obligation by applying an actuarial valuation method;
 - deducting the fair value of any plan assets;
 - adjusting the amount of the deficit or surplus for any effect of limiting a net defined benefit asset to the asset ceiling; and
 - determining service costs, net interest and remeasurements of the net defined benefit liability (asset).

- Like IFRS Accounting Standards, the projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost and, if applicable, any past service cost.

- Like IFRS Accounting Standards, to qualify as plan assets, assets need to meet specific criteria, including a requirement that they be unavailable to the entity's creditors (even in bankruptcy).

4.4 Employee benefits (cont.)

- Insurance policies issued to the sponsor meet the definition of plan assets if they are issued by a party unrelated to the entity and meet certain other criteria.
- Insurance policies issued to the plan by the reporting entity meet the definition of plan assets if they are transferable and meet certain other criteria.
- Assets that meet the definition of plan assets, including qualifying insurance policies, and the related liabilities are presented on a net basis in the statement of financial position.
- If a defined benefit plan is in surplus, then the amount of any net asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (the 'asset ceiling').
- Minimum funding requirements to cover existing shortfalls give rise to a liability if payments under the requirement would create a surplus in excess of the asset ceiling.

4.4 Employee benefits (cont.)

- Unlike IFRS Accounting Standards, insurance policies issued to the sponsor do not meet the definition of plan assets.
- Unlike IFRS Accounting Standards, plan assets include insurance policies issued to the plan by the sponsor or a related party of the sponsor if the policies are transferable and meet certain other criteria. US GAAP does not require the insurance policy to be issued by the reporting entity.
- Like IFRS Accounting Standards, assets that meet the definition of plan assets and the related liabilities are presented on a net basis in the statement of financial position.
- Unlike IFRS Accounting Standards, the recognition of an asset in respect of a defined benefit plan is not restricted.
- Unlike IFRS Accounting Standards, the funded status is recognised as a liability if the plan is underfunded; the liability is not subject to additional adjustments related to minimum funding requirements.

4.4 Employee benefits (cont.)

- Like IFRS Accounting Standards, insurance policies issued to the sponsor are considered to be plan assets if they are issued by a party unrelated to the entity and meet certain criteria.
- Unlike IFRS Accounting Standards there is no guidance on insurance policies issued to the plan itself.
- Like IFRS Accounting Standards, plan assets, including insurance policies and the related liabilities are presented on a net basis in the statement of financial position.
- Like IFRS Accounting Standards, if a defined benefit plan is in surplus, then the amount of any net asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (the 'asset ceiling').
- Like IFRS Accounting Standards, minimum funding requirements to cover existing shortfalls give rise to a liability if payments under the requirement would create a surplus in excess of the limit on net assets recognition.

4.4 Employee benefits

(cont.)

- Benefits are attributed to periods of service in accordance with the plan's benefit formula unless that formula is back-end loaded, in which case straight-line attribution is used instead.
- Curtailments and other plan amendments are recognised at the same time as the related restructuring or related termination benefits if these events occur before the curtailment or other plan amendments occur.
- 'Multi-employer plans' are post-employment plans that pool the assets contributed by various entities that are not under common control to provide benefits to employees of more than one entity. Such plans are classified as defined contribution or defined benefit plans following the above definitions. However, if insufficient information is available to permit defined benefit accounting, then the plan is treated as a defined contribution plan and additional disclosures are required.
- If defined contribution plan accounting is applied to a multi-employer defined benefit plan and there is an agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded, then an asset or liability that arises from the contractual agreement is recognised.

4.4 Employee benefits

(cont.)

- Like IFRS Accounting Standards, benefits are attributed to periods of service in accordance with the plan's benefit formula unless that formula is back-end loaded, in which case a straight-line attribution is used instead.
- Unlike IFRS Accounting Standards, curtailment gains are recognised when they occur. Also unlike IFRS Accounting Standards, curtailment losses are recognised when they are probable.
- Like IFRS Accounting Standards, 'multi-employer plans' are post-retirement plans that pool the assets contributed by various entities to provide benefits to the employees of more than one entity. However, unlike IFRS Accounting Standards, all multi-employer plans are accounted for as defined contribution plans, supplemented with additional disclosures.
- Unlike IFRS Accounting Standards, even if there is an agreement that determines how the surplus in a multi-employer plan would be distributed or a deficit in the plan funded, an asset or liability is not recognised until the liability is assessed or the refund received.

4.4 Employee benefits

(cont.)

- Like IFRS Accounting Standards, benefits are attributed to periods of service in accordance with the plan's benefit formula. However, unlike IFRS Accounting Standards, when the formula is back-end loaded, under NCP requires the changes in the liability fair value be recognised in profit or loss.
- Like IFRS Accounting Standards, curtailments and other plan amendments are recognised at the same time as the related restructuring or related termination benefits if these events occur before the curtailment or other plan amendments occur.
- Like IFRS Accounting Standards, 'multi-employer plans' are post-employment plans that pool the assets contributed by various entities to provide benefits to the employees of more than one entity. Like IFRS Accounting Standards, such plans are classified as defined contribution or defined benefit plans. If insufficient information is available to permit defined benefit accounting, then the plan is treated as a defined contribution plan and additional disclosures are required.
- Unlike IFRS Accounting Standards, there is no specific guidance on defined contribution plan accounting applied to multi-employer defined benefit plans.

4.4 Employee benefits

(cont.)

- There is no specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees. In our view, a minimum benefit guarantee causes a plan to be a defined benefit plan.
- ‘Termination benefits’ are employee benefits provided as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.
- A termination benefit is recognised at the earlier of the date on which the entity recognises costs for a restructuring that includes the payment of termination benefits and the date on which the entity can no longer withdraw the offer of the termination benefits.
- ‘Other long-term employee benefits’ are all employee benefits other than short-term benefits, post-employment benefits and termination benefits.
- The expense for other long-term employee benefits, calculated on a discounted basis, is usually accrued over the service period. The computation is similar to defined benefit plans.

4.4 Employee benefits

(cont.)

- Unlike IFRS Accounting Standards, there is specific guidance on the application of defined benefit accounting to certain plans that would be defined contribution plans except that they contain minimum benefit guarantees. Depending on the form of the minimum guarantee, the plan would be accounted for as a defined benefit plan or as a cash balance plan.
- Unlike IFRS Accounting Standards, termination benefits are categorised into different types of benefits: ongoing benefit arrangements, contractual terminations, special terminations and one-time terminations.
- Unlike IFRS Accounting Standards, there is not a single model for the recognition of termination benefits, and the timing of recognition depends on the category of termination benefit.
- Unlike IFRS Accounting Standards, US GAAP does not distinguish between long- and short-term employee benefits.
- Like IFRS Accounting Standards, the expense for long-term employee benefits is accrued over the service period; however, the computation may differ from IFRS Accounting Standards.

4.4 Employee benefits

(cont.)

- Like IFRS Accounting Standards, there is no specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees.
- Like IFRS Accounting Standards, ‘termination benefits’ are employee benefits provided as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.
- Unlike IFRS Accounting Standards, there is no specific guidance on termination benefits except those included in restructuring costs.
- Like IFRS Accounting Standards, ‘other long-term employee benefits’ are all employee benefits other than short-term benefits, post-employment benefits and termination benefits.
- Like IFRS Accounting Standards, the expense for other long-term employee benefits, calculated on a discounted basis, is usually accrued over the service period; however, the computation may differ from IFRS Accounting Standards.

4.5 Share-based payments

(IFRS 2)

- Goods or services received in a share-based payment transaction are measured using a fair value-based measure.
- Goods are recognised when they are obtained and services are recognised over the period in which they are received.
- Equity-settled transactions with employees are generally measured based on the grant-date fair value of the equity instruments granted.
- ‘Grant date’ is the date on which the entity and the employee have a shared understanding of the terms and conditions of the arrangement.

4.5 Share-based payments

(Topic 718, Subtopic 505-50)

- Like IFRS Accounting Standards, goods or services received in a share-based payment transaction are measured using a fair value-based measure.
- Like IFRS Accounting Standards, goods are recognised when they are obtained and services are recognised over the period in which they are received.
- Like IFRS Accounting Standards, equity-classified transactions with employees are generally measured based on the grant-date fair value of the equity instruments granted.
- Like IFRS Accounting Standards, ‘grant date’ is the date on which the entity and the employee have a shared understanding of the terms and conditions of the arrangement. However, unlike IFRS Accounting Standards, employees should also begin to benefit from or be adversely affected by changes in the entity’s share price.

4.5 Share-based payments

- Unlike IFRS Accounting Standards, there is no guidance on share-based payments under NCP.
- Not applicable.
- Not applicable.
- Not applicable.

4.5 Share-based payments (cont.)

- Equity-settled transactions with non-employees are generally measured based on the fair value of the goods or services obtained. The measurement date is the date on which the goods or services are received, which means that there may be multiple measurement dates.
- An intrinsic value approach is permitted only in the rare circumstance that the fair value of the equity instruments cannot be estimated reliably.
- For equity-settled transactions, an entity recognises a cost and a corresponding increase in equity. For cash-settled transactions, an entity recognises a cost and a corresponding liability. For both, the cost is recognised as an expense unless it qualifies for recognition as an asset.

4.5 Share-based payments (cont.)

- Unlike IFRS Accounting Standards, for public entities, equity-classified transactions with non-employees are generally measured based on the grant-date fair value of the equity instruments granted. For public entities, the measurement date is the grant date, which may differ from IFRS Accounting Standards. Also, unlike IFRS Accounting Standards, for non-public entities, awards to non-employees are accounted for using measurement practical expedients, which generally results in different measurement approaches.
- Like IFRS Accounting Standards, an intrinsic value approach is permitted in the rare circumstance that the fair value of the equity instruments cannot be estimated reliably. However, unlike IFRS Accounting Standards, non-public entities may apply an intrinsic value approach for liability-classified share-based payments as an accounting policy choice.
- Like IFRS Accounting Standards, for equity-classified transactions an entity recognises a cost and a corresponding increase in equity. Like IFRS Accounting Standards, for liability-classified transactions, an entity recognises a cost and a corresponding liability. For both, the cost is recognised as an expense unless it qualifies for recognition as an asset, like IFRS Accounting Standards.

4.5 Share-based payments (cont.)

- Not applicable.
- Not applicable.
- Not applicable.

4.5 Share-based payments

(cont.)

- The liability for cash-settled transactions is remeasured, until settlement date, for subsequent changes in the fair value of the liability. The remeasurements are recognised in profit or loss and are not eligible for capitalisation.
- Market conditions are reflected in the measurement of the fair value of share-based payment transactions. There is no true-up if the expected and actual outcomes differ because of market conditions.
- Like market conditions, non-vesting conditions are reflected in the measurement of the fair value of share-based payment transactions and there is no subsequent true-up for differences between the expected and the actual outcome.

4.5 Share-based payments

(cont.)

- Like IFRS Accounting Standards, the liability is remeasured, until settlement date, for subsequent changes in the fair value of the liability. Unlike IFRS Accounting Standards, remeasurements are generally recognised as compensation cost, which is eligible for capitalisation.
- Like IFRS Accounting Standards, market conditions are reflected in the measurement of the fair value of share-based payment transactions and there is no true-up if the expected and actual outcomes differ because of market conditions.
- Unlike IFRS Accounting Standards, the concept of ‘non-vesting conditions’ is separated into two separate concepts: post-vesting restrictions and other conditions. Post-vesting restrictions are reflected in the initial measurement of fair value and there is no subsequent true-up for differences between the expected and the actual outcome, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, other conditions require the award to be liability-classified, irrespective of the settlement provisions of the award.

4.5 Share-based payments

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.

4.5 Share-based payments

(cont.)

- Service and non-market performance conditions are not reflected in the measurement of the fair value of share-based payment transactions, but are considered in estimating the number of instruments that are expected to vest. Initial estimates of the number of instruments that are expected to vest are adjusted to current estimates and on vesting date to the actual number of instruments that ultimately vest.
- Modification of an equity-settled share-based payment results in the recognition of any incremental fair value but not in any reduction in fair value. Replacements are accounted for as modifications.

4.5 Share-based payments

(cont.)

- Unlike IFRS Accounting Standards, an entity makes an accounting policy election to account for the effect of forfeitures using one of the following approaches.
 - *True-up approach:* Like IFRS Accounting Standards, the effect of service conditions and (non-market) performance conditions on vesting is estimated at grant date, but it is not reflected in the grant-date fair value itself. Subsequently, these estimates are trued up for differences between the number of instruments expected to vest and the actual number of instruments vested, like IFRS Accounting Standards.
 - *Actual approach:* Unlike IFRS Accounting Standards, the effect of forfeitures is recognised as they occur, and previously recognised compensation cost is reversed in the period that the award is forfeited.
- Like IFRS Accounting Standards, the modification of an equity-classified share-based payment results in the recognition of any incremental fair value but not in any reduction in fair value unless the modification is an 'improbable-to-probable' modification, unlike IFRS Accounting Standards. Like IFRS Accounting Standards, replacements are accounted for as modifications.

4.5 Share-based payments

(cont.)

- Not applicable.
- Not applicable.

4.5 Share-based payments

(cont.)

- When an entity modifies a cash-settled share-based payment transaction such that it becomes equity-settled, it measures the equity-settled award at its fair value and recognises any gain or loss in profit or loss.
- Cancellation of a share-based payment results in accelerated recognition of any unrecognised cost.
- Classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.
- Grants in which the employee has the choice of equity or cash settlement are accounted for as compound instruments. Therefore, the entity accounts for a liability component and an equity component separately.

4.5 Share-based payments

(cont.)

- Like IFRS Accounting Standards, when an entity modifies a liability-classified share-based payment transaction such that it becomes equity-classified, it measures the equity-classified award at its fair value and recognises any gain or loss in profit or loss.
- Like IFRS Accounting Standards, cancellation of a share-based payment by the entity results in accelerated recognition of any unrecognised cost. Unlike IFRS Accounting Standards, cancellation by the counterparty does not change recognition of the compensation cost.
- Like IFRS Accounting Standards, the classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.
- Unlike IFRS Accounting Standards, an award for which the employee has the choice of equity or cash settlement is generally liability-classified in its entirety unless the award is a 'combination' award, which might be treated like a compound instrument.

4.5 Share-based payments

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

4.5 Share-based payments

(cont.)

- Awards with graded vesting, for which the only vesting condition is service, are accounted for as separate share-based payment arrangements.
- There is specific guidance on group share-based payment arrangements, which are accounted for in each group entity's financial statements based on their own perspectives.

4.5 Share-based payments

(cont.)

- Awards with graded vesting, for which the only vesting condition is service, can be accounted for ratably over the longest vesting tranche, unlike IFRS Accounting Standards; or as separate share-based payment arrangements, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, US GAAP does not contain specific guidance on group share-based payment arrangements, which may give rise to differences in practice.

4.5 Share-based payments

(cont.)

- Not applicable.
- Not applicable.

4.6 Borrowing costs

(IAS 23)

- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset. Other borrowing costs are recognised as an expense.

- A 'qualifying asset' is one that necessarily takes a substantial period of time to be made ready for its intended use or sale. Financial assets, inventories that are manufactured or otherwise produced over a short period of time and contract assets that represent a conditional right to a financial asset, as well as investments (including in our view investments in subsidiaries and equity-accounted investees), are not qualifying assets. Property, plant and equipment, internally developed intangible assets and investment property can be qualifying assets.

- Borrowing costs may include interest calculated using the effective interest method, certain other interest charges and certain foreign exchange differences.

4.6 Capitalised interest

(Topic 835)

- Like IFRS Accounting Standards, interest costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset. However, the amount of interest cost capitalised may differ from IFRS Accounting Standards. Like IFRS Accounting Standards, other interest costs are recognised as an expense.

- Like IFRS Accounting Standards, financial assets, inventories that are manufactured or otherwise produced over a short period of time and contract assets that represent a conditional right to a financial asset are not qualifying assets. Like IFRS Accounting Standards, property, plant and equipment (including what would be investment property under IFRS Accounting Standards) can be a 'qualifying asset'. Unlike IFRS Accounting Standards, an equity-method investment might be a qualifying asset. However, like IFRS Accounting Standards, other investments cannot be qualifying assets. Unlike IFRS Accounting Standards, internally developed intangible assets generally do not qualify for capitalisation and therefore will not be qualifying assets.

- Like IFRS Accounting Standards, interest costs may include interest calculated using the effective interest method and certain other interest charges; but not foreign exchange differences, unlike IFRS Accounting Standards.

4.6 Borrowing costs

(RT 59)

- Unlike IFRS Accounting Standards, an entity may select an accounting policy:
 - to expense borrowing costs, or
 - to capitalise borrowing costs directly attributable to acquisition, construction or production of a qualifying asset, consider them as part of the cost of the asset, while other borrowing costs are recognised as an expense.
 Unlike IFRS Accounting Standards, the amount of capitalised interest on qualifying assets is reduced by the related gain/loss on net monetary position.

- Like IFRS Accounting Standards, a qualifying asset is one that necessarily takes a substantial period of time to be made ready for its intended use or sale.

- Unlike IFRS Accounting Standards, borrowing costs may include interest, indexations, foreign exchange differences, and cost of FX insurance, net of the related gain/loss on net monetary position.

5 Special topics

5.1 Leases

(IFRS 16)

- This leases standard applies to leases of property, plant and equipment and other assets, with limited exclusions.
- A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.1 Leases

(Topic 842)

- The leases Codification Topic applies to leases of property, plant and equipment. Unlike IFRS Accounting Standards, the scope excludes leases of inventory, leases of assets under construction and all leases of intangible assets.
- Like IFRS Accounting Standards, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.1 Leases

(RT 59)

- Like IFRS Accounting Standards, the leasing guidance applies to property, plant and equipment and other assets. Unlike IFRS Accounting Standards, there are no scope exclusions.
- Unlike IFRS Accounting Standards, there is no guidance on arrangements that contain a lease.

5.1 Leases

(cont.)

- Lessees apply a single on-balance sheet lease accounting model, except for leases to which they elect to apply the recognition exemptions for short-term leases or leases of low-value assets.
- A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments.
- After initial recognition, a lessee measures the lease liability at amortised cost under the effective interest method. The lease liability is also remeasured to reflect lease modifications and changes in the lease payments, including changes caused by a change in an index or rate.

5.1 Leases

(cont.)

- Unlike IFRS Accounting Standards, there is a dual classification on-balance sheet lease accounting model for lessees: finance leases and operating leases. Classification is determined by pass/fail tests intended to determine whether the lessee obtains control of the use of the underlying asset as a result of the lease. Classification is made at commencement of the lease and is reassessed only if there is a lease modification and that modification is not accounted for as a separate lease. Like IFRS Accounting Standards, the on-balance sheet accounting does not apply to short-term leases for which the lessee elects the recognition exemption; however, the definition of 'short-term' differs in some respects from IFRS Accounting Standards. Unlike IFRS Accounting Standards, there is no exemption for leases of low-value assets.
- Like IFRS Accounting Standards, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments.
- Like IFRS Accounting Standards, after initial recognition, a lessee measures the lease liability at amortised cost under the effective interest method. The lease liability is also remeasured to reflect lease modifications and changes in the lease payments, like IFRS Accounting Standards; however, unlike IFRS Accounting Standards, this does not include changes caused by a change in an index or rate unless the lease liability is remeasured for another reason.

5.1 Leases

(cont.)

- Unlike IFRS Accounting Standards, operating leases are treated as executory contracts.
- Unlike IFRS Accounting Standards, a lessee recognises the leased asset and a liability for future lease payments only for finance leases.
- Like IFRS Accounting Standards, after initial recognition a lessee measures the lease liability at amortised cost using the effective interest method. However, there are no guidance on changes in lease payments.

5.1 Leases

(cont.)

- A lessee measures the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses, except when it applies the alternative measurement models for revalued assets and investment property.
- Lessors classify leases as either finance or operating leases.
- Lease classification by lessors is made at inception of the lease and is reassessed only if there is a lease modification and that modification is not accounted for as a separate lease. The classification depends on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred, based on the substance of the arrangement.

5.1 Leases

(cont.)

- For a finance lease, a lessee measures the right-of-use asset at cost less accumulated amortisation and accumulated impairment losses, like IFRS Accounting Standards. For an operating lease, unless the right-of-use asset has been impaired or will be abandoned, a lessee amortises the right-of-use asset as a balancing amount that together with accretion on the lease liability generally produces straight-line total lease expense, unlike IFRS Accounting Standards. Unlike IFRS Accounting Standards, a lessee cannot revalue right-of-use assets, and there is no alternative measurement model for leases of investment property.
- Like IFRS Accounting Standards, lessors classify leases as either finance or operating leases. However, unlike IFRS Accounting Standards, finance leases are further classified as sales-type leases or direct financing leases.
- Lease classification by lessors is made at commencement of the lease, unlike IFRS Accounting Standards. In addition, unlike IFRS Accounting Standards, the classification is determined by a series of pass/fail tests intended to determine whether the lessee obtains control of the use of the underlying asset as a result of the lease. Like IFRS Accounting Standards, classification is reassessed only if there is a lease modification and that modification is not accounted for as a separate lease.

5.1 Leases

(cont.)

- Not applicable.
- Like IFRS Accounting Standards, lessors classify leases as either finance or operating leases.
- Like IFRS Accounting Standards, the lease classification is made at inception of the lease and is reassessed only if there is a lease modification. Like IFRS Accounting Standards, the classification depends on whether substantially all risks and rewards incidental to ownership of the underlying asset have been transferred, based on the substance of the arrangement.

5.1 Leases

(cont.)

- Under a finance lease, a lessor derecognises the underlying asset and recognises a net investment in the lease. A manufacturer or dealer lessor recognises the selling margin in a finance lease by applying its normal accounting policy for outright sales.
- Under an operating lease, the lessor recognises the lease payments as income over the lease term, generally on a straight-line basis. The lessor recognises the underlying asset in its statement of financial position.
- There is specific guidance on accounting for lease modifications by lessees and lessors. In addition, there is a practical expedient for lessees for COVID-19-related rent concessions.

5.1 Leases

(cont.)

- Like IFRS Accounting Standards, under a sales-type or direct financing lease, a lessor derecognises the underlying asset and recognises a net investment in the lease. Like IFRS Accounting Standards, a lessor recognises the selling margin in a sales-type lease by applying its normal accounting policy for outright sales. Unlike IFRS Accounting Standards, any selling margin in a direct financing lease is recognised over the lease term. In addition, unlike IFRS Accounting Standards, there is specific guidance on collectability that may affect timing of recognition of income for a sales-type lease and require classification of a lease as operating that would otherwise be classified as direct financing.
- Like IFRS Accounting Standards, under an operating lease, the lessor recognises the lease payments as income over the lease term, generally on a straight-line basis. Like IFRS Accounting Standards, the lessor recognises the underlying asset in its statement of financial position. Unlike IFRS Accounting Standards, there is specific guidance on collectability that may result in operating lease income being recognised on a cash basis (i.e. rather than on a straight-line basis).
- There is specific guidance on accounting for lease modifications by lessees and lessors, which differs in some respects from IFRS Accounting Standards. In addition, there is a practical expedient for COVID-19-related rent concessions, which differs in some respects from IFRS Accounting Standards, including that it also applies to lessors.

5.1 Leases

(cont.)

- Like IFRS Accounting Standards, under a finance lease, a lessor derecognises the underlying asset and recognises a finance lease receivable. Like IFRS Accounting Standards, a manufacturer or dealer lessor recognises the selling margin in a finance lease by applying its normal accounting policy for outright sales.
- Like IFRS Accounting Standards, under an operating lease, the lessor recognises the lease payments as income over the lease term; however, unlike IFRS Accounting Standards, the straight-line method is not required. Like IFRS Accounting Standards, the lessor recognises the underlying asset in its statement of financial position.
- Unlike IFRS Accounting Standards, there is no specific guidance on accounting for lease modifications.

5.1 Leases

(cont.)

- In a sale-and-leaseback transaction, the seller-lessee first determines if the buyer-lessor obtains control of the asset based on the revenue standard (see chapter 4.2). If not, then the transaction is accounted for as a financing arrangement.
- In a sub-lease transaction, the intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. An intermediate lessor classifies a sub-lease by reference to the right-of-use asset arising from the head lease.

5.1 Leases

(cont.)

- Like IFRS Accounting Standards, in a sale-leaseback transaction the seller-lessee first determines if the buyer-lessor obtains control of the asset based on the revenue Codification Topic (see chapter 4.2). However, unlike IFRS Accounting Standards, additional considerations apply if there is a seller-lessee repurchase option or if the leaseback would be classified as a finance lease by the seller-lessee (sales-type lease by the buyer-lessor). Like IFRS Accounting Standards, if the transaction does not qualify for sale accounting, then it is accounted for as a financing arrangement.
- Like IFRS Accounting Standards, in a sub-lease transaction, the intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. Unlike IFRS Accounting Standards, an intermediate lessor classifies a sub-lease by reference to the underlying asset.

5.1 Leases

(cont.)

- Unlike IFRS Accounting Standards, immediate gain recognition from the sale and leaseback of an asset depends on whether the leaseback is classified as finance or an operating lease and, if the leaseback is an operating lease, whether the sale takes place at market value.
- Unlike IFRS Accounting Standards, there is no guidance on sub-lease transactions.

5.2 Operating segments

(IFRS 8)

- Segment disclosures are required by entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- Segment disclosures are provided about the components of the entity that management monitors in making decisions about operating matters (the ‘management approach’).
- Such components (operating segments) are identified on the basis of internal reports that the entity’s CODM regularly reviews in allocating resources to segments and in assessing their performance.
- The aggregation of operating segments is permitted only when the segments have ‘similar’ economic characteristics and meet a number of other criteria.
- Reportable segments are identified based on quantitative thresholds of revenue, profit or loss or total assets.

5.2 Operating segments

(Topic 280)

- Like IFRS Accounting Standards, segment disclosures are required by entities whose debt or equity securities are traded in a public market, and by entities that are in the process of issuing such securities or that file their financial statements with the SEC.
- Like IFRS Accounting Standards, the Codification Topic is based on a ‘management approach’, which requires segment disclosures based on the components of the entity that management monitors in making decisions about operating matters.
- Like IFRS Accounting Standards, such components (operating segments) are identified on the basis of internal reports that the entity’s CODM regularly reviews in allocating resources to segments and in assessing their performance.
- Like IFRS Accounting Standards, the aggregation of operating segments is permitted only when the segments have ‘similar’ economic characteristics and meet a number of other criteria.
- Like IFRS Accounting Standards, reportable segments are identified based on quantitative thresholds of revenue, profit or loss or total assets.

5.2 Operating segments

- Entities whose debt or equity securities are traded in a public market, or that are in the process of issuing such securities applies IFRS Accounting standards. NCP does not provide guidance on operating segments.
- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

5.2 Operating segments (cont.)

- The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.
- As part of the disclosures, an entity reports a measure of profit or loss for each reportable segment and, if reported to the CODM, a measure of total assets and liabilities for each reportable segment.
- Disclosures are required for additions to non-current assets, with certain exceptions.
- Reconciliations between total amounts for all reportable segments and financial statement amounts are disclosed with a description of reconciling items.

5.2 Operating segments (cont.)

- Like IFRS Accounting Standards, the amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.
- Like IFRS Accounting Standards, as part of the disclosures, an entity reports a measure of profit or loss and, if reported to the CODM, a measure of total assets for each reportable segment. Unlike IFRS Accounting Standards, there is no requirement to disclose information about liabilities.
- Like IFRS Accounting Standards, disclosures are required for additions to long-lived assets, with certain exceptions. However, the exceptions differ in certain respects from IFRS Accounting Standards.
- Like IFRS Accounting Standards, reconciliations between total amounts for all reportable segments and financial statement amounts are disclosed, with a description of reconciling items.

5.2 Operating segments (cont.)

- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

5.2 Operating segments (cont.)

- General and entity-wide disclosures include information about products and services, geographic areas, major customers, the factors used to identify an entity's reportable segments, and the judgements made by management in applying the aggregation criteria. Such disclosures are required even if an entity has only one segment.
- Comparative information is normally revised for changes in reportable segments.

5.2 Operating segments (cont.)

- Like IFRS Accounting Standards, general and entity-wide disclosures are required, including information about products and services, geographic areas, major customers and factors used to identify an entity's reportable segments. Such disclosures are required even if an entity has only one segment, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, there is no explicit requirement to disclose the judgements made by management in applying the aggregation criteria.
- Like IFRS Accounting Standards, comparative information is normally revised for changes in operating segments.

5.2 Operating segments (cont.)

- Not applicable.
- Not applicable.

5.3 Earnings per share

(IAS 33)

- Basic and diluted EPS are presented by entities whose ordinary shares or potential ordinary shares are traded in a public market or that file, or are in the process of filing, their financial statements for the purpose of issuing any class of ordinary shares in a public market.
- Basic and diluted EPS for both continuing operations and profit or loss are presented in the statement of profit or loss and OCI, with equal prominence, for each class of ordinary shares that has a differing right to share in the profit or loss for the period.
- Separate EPS information is disclosed for discontinued operations, either in the statement of profit or loss and OCI or in the notes to the financial statements.
- Basic EPS is calculated by dividing the profit or loss attributable to holders of ordinary equity of the parent by the weighted-average number of ordinary shares outstanding during the period.

5.3 Earnings per share

(Subtopic 260-10)

- Like IFRS Accounting Standards, basic and diluted EPS are presented by entities whose common shares or potential common shares are traded in a public market or that file, or are in the process of filing, their financial statements for the purpose of issuing any class of common shares in a public market.
- Like IFRS Accounting Standards, basic and diluted EPS for both continuing operations and net income are presented in the statement that reports profit or loss, with equal prominence, for each class of common shares.
- Like IFRS Accounting Standards, separate EPS information is disclosed for discontinued operations either in the statement that reports profit or loss or in the notes to the financial statements.
- Like IFRS Accounting Standards, basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity (i.e. income available to common shareholders) of the parent by the weighted-average number of common shares outstanding during the period.

5.3 Earnings per share

- Entities whose ordinary shares or potential ordinary shares are traded in a public market, or that file, or are in the process of filing, their financial statements for purpose of issuing any class of ordinary shares in a public market applies IFRS Accounting Standards. NCP does not provide guidance on EPS.
- Not applicable.
- Not applicable.
- Not applicable.

5.3 Earnings per share

(cont.)

- To calculate diluted EPS, profit or loss attributable to ordinary equity holders, and the weighted-average number of ordinary shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares.
- Potential ordinary shares are considered dilutive only if they decrease EPS or increase loss per share from continuing operations. In determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately, rather than in aggregate.
- Contingently issuable ordinary shares are included in basic EPS from the date on which all necessary conditions are satisfied. When the conditions are not yet satisfied, such shares are included in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

5.3 Earnings per share

(cont.)

- Like IFRS Accounting Standards, diluted EPS is calculated based on income available to common shareholders and the weighted-average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.
- Like IFRS Accounting Standards, potential common shares are considered dilutive only if they decrease EPS or increase loss per share from continuing operations. Like IFRS Accounting Standards, in determining whether potential common shares are dilutive or anti-dilutive, each issue or series of potential common shares is considered separately, rather than in aggregate.
- Like IFRS Accounting Standards, contingently issuable common shares are included in basic EPS from the date on which all necessary conditions are satisfied. Like IFRS Accounting Standards, when the conditions are not yet satisfied, such shares are included in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

5.3 Earnings per share

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.

5.3 Earnings per share

(cont.)

- If a contract may be settled in either cash or shares at the entity's option, then the presumption is that it will be settled in ordinary shares. If the resulting potential ordinary shares are dilutive, then they are used to calculate diluted EPS.
- If a contract may be settled in either cash or shares at the holder's option, then the more dilutive of cash and share settlement is used to calculate diluted EPS.
- For diluted EPS, diluted potential ordinary shares are determined independently for each period presented.

5.3 Earnings per share

(cont.)

- Like IFRS Accounting Standards, if a contract may be settled in either cash or shares at the entity's option, then the presumption is that it will be settled in shares and the resulting potential common shares are used to calculate diluted EPS, if this is more dilutive. However, unlike IFRS Accounting Standards, for liability-classified share-based payment awards, existing practice or a stated policy of settling in cash may provide a reasonable basis to overcome the presumption of share settlement.
- Unlike IFRS Accounting Standards, if a contract may be settled in either cash or shares at the holder's option, then share settlement is presumed, if this is more dilutive. However, for liability-classified share-based payment awards, existing practice or a stated policy of settling in cash may provide a reasonable basis to overcome the presumption of share settlement.
- Unlike IFRS Accounting Standards, the computation of diluted EPS for year-to-date (including annual) periods is based on the weighted average of incremental shares included in each interim period resulting in the year-to-date period, considering previously anti-dilutive instruments and their dilution in the year-to-date period, in certain circumstances.

5.3 Earnings per share

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.

5.3 Earnings per share

(cont.)

- When the number of ordinary shares outstanding changes, without a corresponding change in resources, the weighted-average number of ordinary shares outstanding during all periods presented is adjusted retrospectively for both basic and diluted EPS.
- Adjusted basic and diluted EPS based on alternative earnings measures may be disclosed and explained in the notes to the financial statements.

5.3 Earnings per share

(cont.)

- Like IFRS Accounting Standards, when the number of common shares outstanding changes without a corresponding change in resources, the weighted-average number of common shares outstanding during all periods presented is adjusted retrospectively for both basic and diluted EPS.
- Like IFRS Accounting Standards, entities may choose to present basic and diluted other per-share amounts that are not required under US GAAP only in the notes to the financial statements. However, unlike IFRS Accounting Standards, presentation of cash flow per share is explicitly prohibited. Additionally, SEC regulations restrict the use of 'non-GAAP' measures in filings by SEC registrants, which is more restrictive than IFRS Accounting Standards.

5.3 Earnings per share

(cont.)

- Not applicable.
- Not applicable.

5.4 Non-current assets held for sale and discontinued operations

(IFRS 5, IFRIC 17)

- Non-current assets and some groups of assets and liabilities ('disposal groups') are classified as held-for-sale if their carrying amounts will be recovered principally through sale and specific criteria related to their sale are met.
- Non-current assets and some groups of assets and liabilities ('disposal groups') are classified as held-for-distribution when the entity is committed to distributing the asset or disposal group to its owners.
- The classification, presentation and measurement requirements that apply to items that are classified as held-for-sale generally also apply to a non-current asset or disposal group that is classified as held-for-distribution.
- Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position.

5.4 Long-lived assets held for sale and discontinued operations

(Subtopic 205-20, Subtopic 360-10)

- Like IFRS Accounting Standards, long-lived assets (or disposal groups) are classified as held-for-sale if specific criteria related to their sale are met.
- Unlike IFRS Accounting Standards, there is no special designation for assets held for distribution.
- Unlike IFRS Accounting Standards, there is no special designation for assets held for distribution.
- Like IFRS Accounting Standards, long-lived assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position.

5.4 Non-current assets held for sale and discontinued operations

(RT 59)

- Like IFRS Accounting Standards, non-current assets are classified as held-for-sale if their carrying amounts will be recovered principally through sale and specific criteria related to their sale are met.
- Unlike IFRS Accounting Standards, there is no special designation for assets held for distribution.
- Unlike IFRS Accounting Standards, there is no special designation for assets held for distribution.
- Unlike IFRS Accounting Standards, non-current assets held for sale are measured at the lower of their carrying amount and net realisable value.

5.4 Non-current assets held for sale and discontinued operations

(cont.)

- Assets held for sale or distribution are not amortised or depreciated.
- The comparative statement of financial position is not re-presented when a non-current asset or disposal group is classified as held-for-sale.
- A ‘discontinued operation’ is a component of an entity that either has been disposed of or is classified as held-for-sale. Discontinued operations are limited to those operations that are a separate major line of business or geographic area, and subsidiaries acquired exclusively with a view to resale.

5.4 Long-lived assets held for sale and discontinued operations

(cont.)

- Like IFRS Accounting Standards, assets held for sale are not amortised or depreciated. Unlike IFRS Accounting Standards, assets to be distributed to owners continue to be depreciated or amortised.
- Unlike IFRS Accounting Standards, the comparative statement of financial position is re-presented for discontinued operations. Unlike IFRS Accounting Standards, there is no specific guidance for held-for-sale long-lived assets or disposal groups that are not discontinued operations.
- Like IFRS Accounting Standards, a discontinued operation is component of an entity that has been disposed of or is classified as held-for-sale. Unlike IFRS Accounting Standards, discontinued operations are limited to (1) those operations that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results; and (2) a business or non-profit activity that, on acquisition, meets the criteria to be classified as held-for-sale.

5.4 Non-current assets held for sale and discontinued operations

(cont.)

- Like IFRS Accounting Standards, assets held for sale are not amortised or depreciated. Unlike IFRS Accounting Standards, there is no guidance on assets held for distribution.
- Like IFRS Accounting Standards, the comparative statement of financial position is not re-presented when a non-current asset or disposal group is classified as held-for-sale.
- Unlike IFRS Accounting Standards, a ‘discontinued operation’ is a component of the entity that has been disposed of, spun off, or abandoned. It is a separate line of business or a separate geographical area of operations, and it can be differentiated for operational and accounting purposes. Unlike IFRS Accounting Standards, discontinued operations are limited to operations that are a separate line of business or geographical area. Subsidiaries are not considered to be an operation.

5.4 Non-current assets held for sale and discontinued operations

(cont.)

- Discontinued operations are presented separately in the statement of profit or loss and OCI, and related cash flow information is disclosed.
- The comparative statements of profit or loss and OCI and cash flow information is re-presented for discontinued operations.

5.4 Long-lived assets held for sale and discontinued operations

(cont.)

- Like IFRS Accounting Standards, discontinued operations are presented separately in the statements that report profit or loss and cash flows.
- Like IFRS Accounting Standards, the comparative statements that report profit or loss and cash flows are re-presented for discontinued operations.

5.4 Non-current assets held for sale and discontinued operations

(cont.)

- Like IFRS Accounting Standards, discontinued operations are presented separately in the statement of profit or loss. However, unlike IFRS Accounting Standards, the related cash flow information is disclosed in notes.
- Like IFRS Accounting Standards, the comparative statements of income are re-presented for discontinued operations. Unlike IFRS Accounting Standards, cash flow information is not re-presented.

5.5 Related party disclosures

(IAS 24)

- ‘Related party relationships’ are those involving control (direct or indirect), joint control or significant influence.
- Key management personnel and their close family members are parties related to an entity.
- There are no special recognition or measurement requirements for related party transactions.
- The disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.

5.5 Related party disclosures

(Topic 850)

- Like IFRS Accounting Standards, ‘related party relationships’ include those involving direct or indirect control (including common control), joint control or significant influence. Unlike IFRS Accounting Standards, entities that are under significant influence of the same third party could be related parties in certain circumstances.
- Like IFRS Accounting Standards, management and management’s immediate family members are parties related to an entity.
- Generally, there are no special recognition or measurement requirements for related party transactions; however, unlike IFRS Accounting Standards, certain Codification topics/subtopics have specific guidance.
- Unlike IFRS Accounting Standards, there is no requirement to disclose related party relationships between a parent and its subsidiaries if there have been no transactions between them.

5.5 Related party disclosures

(RT 59)

- Like IFRS Accounting Standards, ‘related party relationships’ are those involving control (direct or indirect), joint control, or significant influence.
- Unlike IFRS Accounting Standards, ‘key management personnel’ is not defined, but considered to be related parties. Like IFRS Accounting Standards, close family members of those who have control, joint control, or significant influence are considered to be ‘related parties’.
- Like IFRS Accounting Standards, there are no special recognition or measurement requirements for related party transactions.
- Like IFRS Accounting Standards, the disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.

5.5 Related party disclosures

(cont.)

- No disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.
- Comprehensive disclosures of related party transactions are required for each category of related party relationship.
- Key management personnel compensation is disclosed in total and is analysed by component.
- In certain cases, government-related entities are allowed to provide less detailed disclosures of related party transactions.

5.5 Related party disclosures

(cont.)

- Like IFRS Accounting Standards, no disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.
- Like IFRS Accounting Standards, comprehensive disclosures of related party transactions are required. However, unlike IFRS Accounting Standards, there is no requirement for the disclosures to be grouped into categories of related parties.
- Unlike IFRS Accounting Standards, management compensation is not required to be disclosed in the financial statements; however, SEC registrants are required to provide compensation information outside the financial statements for specified members of management and the board.
- Unlike IFRS Accounting Standards, there is no partial disclosure exemption for government-related entities that prepare financial statements in accordance with US GAAP. However, such entities' financial statements will often be prepared in accordance with US governmental accounting standards, rather than in accordance with US GAAP.

5.5 Related party disclosures

(cont.)

- Like IFRS Accounting Standards, no disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.
- Like IFRS Accounting Standards, comprehensive disclosures of related party transactions are required for each category of related party relationship.
- Like IFRS Accounting Standards, transactions with key management personnel compensation are required to be disclosed.
- Like IFRS Accounting Standards, in certain cases, government-related entities are allowed to provide less detailed disclosures of related party transactions.

5.6 Investment entity consolidation exception

(IFRS 10)

- Only an entity that meets the definition under the consolidation standard can qualify as an ‘investment entity’.
- The definition of an investment entity requires an entity to meet certain criteria relating to its activities and its measurement and evaluation of the performance of its investments.
- In addition, an entity considers ‘typical’ characteristics in assessing whether it meets the definition of an investment entity.

5.6 Investment company consolidation exception

(Topic 946)

- An entity that meets the definition under US GAAP can qualify as an ‘investment company’, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, an entity also qualifies as an investment company by virtue of being regulated under the Investment Company Act of 1940.
- Like IFRS Accounting Standards, the definition of an investment company requires an entity to meet certain criteria relating to its activities and its evaluation of investments; however, these criteria differ from IFRS Accounting Standards in certain respects.
- In addition, an entity considers ‘typical’ characteristics in assessing whether it meets the definition of an investment company, like IFRS Accounting Standards; however, these characteristics differ from IFRS Accounting Standards in certain respects.

5.6 Investment company consolidation exception

(RT 59)

- Unlike IFRS Accounting Standards, there is no investment entity consolidation exception.
- Not applicable.
- Not applicable.

5.6 Investment entity consolidation exception

(cont.)

- An investment entity measures its subsidiaries at fair value, with changes in fair value recognised in profit or loss. As an exception, an investment entity consolidates a subsidiary that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities.
- An investment entity measures all of its investments in associates and joint ventures at fair value, regardless of whether they provide services that relate to the investment entity's investment activities.

5.6 Investment company consolidation exception

(cont.)

- In general, an investment company measures investments in non-investment company subsidiaries at fair value, with changes in fair value recognised in profit or loss, like IFRS Accounting Standards. As an exception, an investment company consolidates a subsidiary that is an operating entity providing services to it (such that the purpose of the investment is to provide services to the investment company, rather than to realise a gain on such an investment) if the investment company holds a controlling financial interest in the operating entity.
- In general, an investment company measures investments in non-controlled entities at fair value, with changes in fair value recognised in profit or loss, like IFRS Accounting Standards. As an exception, an investment company applies the equity method to an operating entity that provides services to the investment company and otherwise qualifies for use of the equity method of accounting, unlike IFRS Accounting Standards.

5.6 Investment company consolidation exception

(cont.)

- Not applicable.
- Not applicable.

5.6 Investment entity consolidation exception (cont.)

- An investment entity prepares a complete set of financial statements in the usual way, including comparative information.
- The investment entity consolidates exception is mandatory for the parent of an investment entity that itself meets the definition of an investment entity.
- A parent that is not itself an investment entity consolidates all subsidiaries, including those controlled through an investment entity subsidiary.

5.6 Investment company consolidation exception (cont.)

- Unlike IFRS Accounting Standards, an investment company's financial statements include a schedule of investments and financial highlights; a statement of cash flows is not always required. In addition, unlike IFRS Accounting Standards, there is no requirement to present comparative information except for the statement of changes in net assets and financial highlights for registered investment companies.
- Unlike IFRS Accounting Standards, consolidation by an investment company of an investment company subsidiary is not precluded.
- Unlike IFRS Accounting Standards, for the purpose of consolidating an investment company, a non-investment company parent retains the investment company accounting applied by a subsidiary if that subsidiary meets the definition of an investment company.

5.6 Investment company consolidation exception (cont.)

- Not applicable.
- Not applicable.
- Not applicable.

5.7 Non-monetary transactions

(IFRS 15, IAS 16, IAS 20, IAS 38, IAS 40)

- If an entity enters into a non-monetary exchange with a customer as part of its ordinary activities, then generally it applies the guidance on non-cash consideration in the revenue standard.
- Non-monetary exchanges with non-customers do not give rise to revenue. If a non-monetary exchange of assets with a non-customer has commercial substance, then the transaction gives rise to a gain or loss. The cost of the asset acquired is generally the fair value of the asset surrendered, adjusted for any cash transferred.

5.7 Non-monetary transactions

(Topic 845, Topic 606, Subtopic 610-20)

- If a non-monetary exchange is with a customer because the asset given up or service provided is part of the entity's ordinary activities, then generally it falls under the guidance on non-cash consideration in the revenue Codification Topic, which differs from IFRS Accounting Standards in some respects.
- Like IFRS Accounting Standards, if the exchange of non-monetary assets with a non-customer has commercial substance, then the transaction generally gives rise to a gain or loss. However, unlike IFRS Accounting Standards, additional criteria are required to be met before recognition of a gain or loss. Unlike IFRS Accounting Standards, the cost of the asset acquired is generally its fair value, measured at the date of the contract inception.

5.7 Non-monetary transactions

(RT 59)

- Unlike IFRS Accounting Standards, if an entity enters into a non-monetary exchange with a customer as part of its ordinary activities, the transaction is measured at the amount agreed with the customer.
- Unlike IFRS Accounting Standards, assets received in a barter transaction are measured at fair value, except when the transaction involves the exchange of assets of similar nature or intended use, with similar replacement costs, in which case assets received are measured at the carrying value of the asset rendered.

5.8 Accompanying financial and other information

(IAS 1, IFRS Practice Statement 1)

- IFRS Accounting Standards do not require supplementary financial and operational information to be presented.
- An entity considers its particular legal or regulatory requirements in assessing what information is disclosed in addition to that required by IFRS Accounting Standards.
- IFRS Accounting Standards do not contain any requirements for MD&A, either as part of the financial statements or outside the financial statements.

5.8 Accompanying financial and other information

(Reg G, Reg S-K, Reg S-X)

- Like IFRS Accounting Standards, a financial and operational review is not required. However, unlike IFRS Accounting Standards, SEC registrants are required to include MD&A in their annual and interim reports. Such information is presented outside the financial statements.
- Like IFRS Accounting Standards, an entity considers the legal, securities exchange or SEC requirements in assessing the information to be disclosed in addition to US GAAP requirements.
- Unlike IFRS Accounting Standards, SEC registrants are required to include MD&A in their annual and interim reports. Although this is not required for non-SEC registrants, sometimes they include MD&A in their annual reports.

5.8 Accompanying financial and other information

- Like IFRS Accounting Standards supplementary financial and operational information are not required to be presented.
- Like IFRS Accounting Standards, an entity considers its legal or other regulatory requirements.
- Unlike IFRS Accounting Standards, entities are required to include a Board of Directors' Report ('Memoria'), while public entities also provide the Additional information required by National Securities Commission.

5.9 Interim financial reporting

(IAS 34, IFRIC 10)

- Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.
- At least the following are presented in condensed interim financial statements: condensed statement of financial position, condensed statement of profit or loss and OCI, condensed statement of changes in equity, condensed statement of cash flows, and selected explanatory notes.
- Other than income tax, items are recognised and measured as if the interim period were a discrete stand-alone period.
- Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

5.9 Interim financial reporting

(Topic 270, Subtopic 740-270)

- Like IFRS Accounting Standards, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.
- Like IFRS Accounting Standards, at least the following are presented in condensed interim financial statements: condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, and selected explanatory notes. Changes in equity may be presented either in a separate statement (like IFRS Accounting Standards) or in the notes to the financial statements (unlike IFRS Accounting Standards).
- Unlike IFRS Accounting Standards, each interim period is viewed as an integral part of the annual period to which it relates.
- Like IFRS Accounting Standards, income tax expense for an interim period is based on an estimated average annual effective income tax rate. However, US GAAP has more detailed guidance than IFRS Accounting Standards.

5.9 Interim financial reporting

(RT 59)

- Like IFRS Accounting Standards, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.
- Like IFRS Accounting Standards, at least the following are presented in condensed interim financial statements: condensed statement of financial position, condensed statement of profit or loss, condensed statement of changes in equity, condensed statement of cash flows, and selected explanatory notes.
- Like IFRS Accounting Standards, other than income tax, items are recognised and measured as if the interim period were a discrete stand-alone period.
- Like IFRS Accounting Standards, income tax expense for an interim period is based on an estimated average annual effective income tax rate.

5.9 Interim financial reporting

(cont.)

- The accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

5.9 Interim financial reporting

(cont.)

- Like IFRS Accounting Standards, the accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

5.9 Interim financial reporting

(cont.)

- Like IFRS Accounting Standards, the accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

5.10 Disclosure of interests in other entities

(IFRS 12)

- A single accounting standard deals with the disclosure of information about an entity's interests in other entities.
- An entity discloses information that helps users of its financial statements to understand the composition of the group and the interests of NCI in the group's activities and cash flows.
- An entity discloses information that helps users of its financial statements to evaluate the nature, extent and financial effects of its interests in joint arrangements and associates and the risks associated with them.

5.10 Disclosure of interests in other entities

(Topic 320, Topic 808, Topic 810, Topic 946)

- Unlike IFRS Accounting Standards, there is no single Codification Topic under US GAAP that deals with the disclosure of information about an entity's interests in other entities.
- In general, the disclosure requirements related to the composition of the group and the interests of NCI in the group's activities and cash flows are not as extensive as under IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, US GAAP does not explicitly require disclosure about an entity's interests in joint arrangements except for collaborative arrangements. While disclosures are required about corporate joint ventures and other equity-method investees that are material in aggregate, the overall approach to disclosure may result in differences from IFRS Accounting Standards in practice.

5.10 Disclosure of interests in other entities

(RT 59)

- Like IFRS Accounting Standards, a single accounting standard (RT 59) provides the requirements of disclosure of information about an entity's interests in other entities.
- Like IFRS Accounting Standards, an entity discloses information that helps users of its financial statements to understand the composition of the group and the interests of NCI in the group's activities and cash flows.
- Like IFRS Accounting Standards, an entity discloses information that helps users of its financial statements to evaluate the nature, extent and financial effects of its interests in joint arrangements and associates and the risks associated with them.

5.10 Disclosure of interests in other entities (cont.)

- Disclosures are required about an entity's involvement with both consolidated and unconsolidated 'structured entities'.
- An investment entity discloses information about the nature of its involvement with investees.

5.10 Disclosure of interests in other entities (cont.)

- Disclosures are required about an entity's involvement with both consolidated and unconsolidated 'variable interest entities', which may be different from 'structured entities' under IFRS Accounting Standards. In addition, certain of the disclosure requirements are more extensive than IFRS Accounting Standards.
- The disclosures required by investment companies in respect of investees are more extensive than IFRS Accounting Standards.

5.10 Disclosure of interests in other entities (cont.)

- Unlike IFRS Accounting Standards, disclosure requirements do not include entity's involvement with unconsolidated 'structured entities'.
- Unlike IFRS Accounting Standards, there is no different disclosure requirements for investment companies.

5.11 Extractive activities

(IFRS 6, IFRIC 20)

- IFRS Accounting Standards provide specialised extractive industry guidance only in respect of expenditure incurred on the E&E of mineral resources after obtaining a legal right to explore and before being able to demonstrate technical feasibility and commercial viability.
- There is no industry-specific guidance on the recognition or measurement of pre-exploration expenditure or development expenditure. Pre-E&E expenditure is generally expensed as it is incurred.
- Entities identify and account for pre-exploration expenditure, E&E expenditure and development expenditure separately.

5.11 Extractive activities

(Topic 930, Topic 932)

- Unlike IFRS Accounting Standards, US GAAP provides detailed guidance on the accounting and reporting by oil- and gas- producing entities for expenditure incurred before, during and after E&E activities. US GAAP does not contain extensive authoritative guidance for other extractive industries. SEC guidelines are used for other extractive industries.
- Unlike IFRS Accounting Standards, there is industry-specific guidance on the recognition and measurement of pre-exploration expenditure and development expenditure for oil- and gas-producing entities. For other extractive industries, pre-E&E expenditure is generally expensed as it is incurred, like IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the accounting for oil- and gas-producing activities covers pre-exploration expenditure, E&E expenditure and development expenditure. Other extractive industries account for pre-exploration and E&E separately from development expenditure.

5.11 Extractive activities

- Unlike IFRS Accounting Standards, there is no specific guidance on extractive activities.
- Not applicable.
- Not applicable.

5.11 Extractive activities

(cont.)

- Each type of E&E cost may be expensed as it is incurred or capitalised, in accordance with the entity's selected accounting policy.
- Capitalised E&E costs are classified as either tangible or intangible assets, according to their nature.
- The test for recoverability of E&E assets can combine several CGUs, as long as the combination is not larger than an operating segment.
- Stripping costs incurred during the production phase of surface mining are included in the cost of inventory extracted during the period, if appropriate, or are capitalised as a non-current asset if they improve access to the ore body.

5.11 Extractive activities

(cont.)

- Unlike IFRS Accounting Standards, all costs related to oil- and gas-producing activities are accounted for under either the successful-efforts method or the full-cost method, and the type of E&E costs capitalised under each method differs. For other extractive industries, E&E costs are generally expensed as they are incurred unless an identifiable asset is created by the activity.
- Like IFRS Accounting Standards, in extractive industries (other than oil- and gas-producing industries), capitalised costs are classified as either tangible or intangible assets, according to their nature. Unlike IFRS Accounting Standards, oil- and gas-producing entities do not segregate capitalised E&E costs into tangible and intangible components; all capitalised costs are classified as tangible assets.
- Unlike IFRS Accounting Standards, the test for recoverability is usually conducted at the oil and gas field level under the successful-efforts method, or by geographic region under the full-cost method. For other extractive industries, the test for recoverability is generally at the mine or group of mines level, which may differ from IFRS Accounting Standards.
- Unlike IFRS Accounting Standards, the guidance on production stripping applies to all extractive activities other than oil and gas. Unlike IFRS Accounting Standards, stripping costs incurred during the production phase of a mine are included in the cost of inventory extracted during the period.

5.11 Extractive activities

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

5.12 Service concession arrangements

(IFRIC 12, SIC-29)

- The interpretation on service concession arrangements provides guidance on the accounting by private sector entities (operators) for public-to-private service concession arrangements. The guidance applies only to service concession arrangements in which the public sector (the grantor) controls or regulates:
 - the services provided with the infrastructure;
 - to whom the operator should provide the services;
 - the prices charged to end users; and
 - any significant residual interest in the infrastructure.
- Legal ownership of the infrastructure during the term of the arrangement is not relevant in determining whether an arrangement is in the scope of the interpretation on service concession arrangements.
- For service concession arrangements in the scope of the guidance, the operator does not recognise public service infrastructure as its property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or if the infrastructure is built or acquired by the operator as part of the service concession arrangement.

5.12 Service concession arrangements

(Topic 853, Topic 980)

- US GAAP provides limited guidance on the accounting by operators for service concession arrangements. Unlike IFRS Accounting Standards, the guidance applies only to service concession arrangements that are not regulated operations. Like IFRS Accounting Standards, the guidance applies only to service concession arrangements in which the public sector (the grantor) controls:
 - the services provided with the infrastructure;
 - to whom the operator must provide those services;
 - the price charged for the services; and
 - any residual interest in the infrastructure at the end of the term of the arrangement.
- Unlike IFRS Accounting Standards, some entities choose to account for a service concession arrangement as a lease if the operator is the legal owner of the infrastructure during the term of the arrangement.
- Like IFRS Accounting Standards, for service concession arrangements in the scope of the guidance, the operator does not recognise public service infrastructure as its property, plant and equipment.

5.12 Service concession arrangements

(Resolution 433/12 FACPCE)

- Unlike IFRS Accounting Standards, there is no specific guidance on service concession arrangements; however, an entity may opt to apply IFRIC 12.
- Not applicable.
- Not applicable.

5.12 Service concession arrangements

(cont.)

- If the grantor provides other items to the operator that the operator may retain or sell at its discretion and those items form part of the consideration for the services provided, then the operator accounts for the items as part of the transaction price as defined in the revenue standard.
- The operator recognises and measures revenue for providing construction or upgrade services, and revenue for other services, in accordance with the revenue standard.
- The operator recognises a contract asset during the construction or upgrade phase.
- The operator recognises a financial asset to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure.
- The operator recognises an intangible asset to the extent that it has a right to charge for use of the infrastructure.

5.12 Service concession arrangements

(cont.)

- Like IFRS Accounting Standards, if the grantor provides other items to the operator that the operator may retain or sell at its discretion and those items form part of the consideration for the services provided, then the operator accounts for the items as part of the transaction price under the revenue Codification Topic.
- Like IFRS Accounting Standards, the operator recognises and measures revenue for providing construction or upgrade services, and revenue for other services, in accordance with the revenue Codification Topic.
- Unlike IFRS Accounting Standards, further evaluation of the construction activities is required to determine the appropriate classification of the resulting asset.
- Like IFRS Accounting Standards, the operator recognises a receivable to the extent that it has an unconditional right to receive cash (or another financial asset), irrespective of the use of the infrastructure.
- Unlike IFRS Accounting Standards, the operator recognises a contract asset to the extent that it does not have an unconditional right to receive cash (or another financial asset).

5.12 Service concession arrangements

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

5.12 Service concession arrangements

(cont.)

- Any financial asset recognised is accounted for in accordance with the financial instruments standard, and any intangible asset in accordance with the intangible assets standard. There are no exemptions from these accounting standards for operators.
- The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard.
- The operator generally capitalises attributable borrowing costs incurred during construction or upgrade periods to the extent that it has a right to receive an intangible asset. Otherwise, the operator expenses borrowing costs as they are incurred.

5.12 Service concession arrangements

(cont.)

- Any financial asset recognised is accounted for in accordance with the relevant financial instruments Codification Topics, which differ in certain respects from IFRS Accounting Standards. Unlike IFRS Accounting Standards, an intangible asset is never recognised.
- Unlike IFRS Accounting Standards, the operator recognises revenue and costs related to maintenance activities in accordance with the revenue Codification Topic and related cost guidance.
- Like IFRS Accounting Standards, the operator capitalises interest costs when it concludes that the construction service gives rise to a qualifying asset and it has net accumulated expenditure on the qualifying asset. Otherwise, the operator expenses interest costs as they are incurred.

5.12 Service concession arrangements

(cont.)

- Not applicable.
- Not applicable.
- Not applicable.

5.13 Common control transactions and Newco formations

- In our view, the acquirer in a common control transaction has a choice of applying either book value accounting or acquisition accounting in its consolidated financial statements.
- The transferor losing control in a common control transaction that is not a demerger applies the general guidance on loss of control in its consolidated financial statements.
- In our view, the transferor in a common control transaction that is a demerger has a choice of applying either book value accounting or fair value accounting in its consolidated financial statements.
- Newco formations generally fall into one of two categories: to effect a business combination involving a third party, or to effect a restructuring among entities under common control.
- In a Newco formation to effect a business combination involving a third party, acquisition accounting generally applies.

5.13 Common control transactions and Newco formations

(Subtopic 805-50)

- Unlike IFRS Accounting Standards, the acquirer in a common control transaction applies book value accounting in its consolidated financial statements.
- Like IFRS Accounting Standards, the transferor losing control in a common control transaction that is not a spin-off applies the general guidance on loss of control in its consolidated financial statements.
- Unlike IFRS Accounting Standards, the transferor in a common control transaction that is a spin-off applies book value accounting in its consolidated financial statements.
- The formation of a Newco is often to effect a business combination or a restructuring among entities under common control, like IFRS Accounting Standards.
- Like IFRS Accounting Standards, in a Newco formation to effect a business combination, acquisition accounting generally applies.

5.13 Common control transactions and Newco formations

(RT 59)

- Like IFRS Accounting Standards, there is no specific guidance on common control transactions.
- Not applicable.
- Not applicable.
- Not applicable.
- Not applicable.

5.13 Common control transactions and Newco formations

(cont.)

- In a Newco formation to effect a restructuring among entities under common control, in our view it is first necessary to determine whether there has been a business combination. If there has been, then the same accounting choices are available as for common control transactions in consolidated financial statements.

5.13 Common control transactions and Newco formations

(cont.)

- In a Newco formation to effect a restructuring among entities under common control, the transaction is accounted for using book values, which may result in differences from IFRS Accounting Standards.

5.13 Common control transactions and Newco formations

(cont.)

- Not applicable.

7 Financial instruments

7.1 Scope and definitions

(IAS 32, IFRS 9)

- The financial instruments standards apply to all financial instruments, except for those specifically excluded from their scope.
- Financial instruments include a broad range of financial assets and financial liabilities. They include both primary financial instruments (e.g. cash, receivables, debt and shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps and currency swaps).
- A ‘financial instrument’ is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

7.1 Scope and definitions

(Subtopic 320-10, Topic 321, Topic 326, Subtopic 505-10, Subtopic 815-10, Subtopic 820-10, Subtopic 825-10, Topic 860, Subtopic 946-320)

- Like IFRS Accounting Standards, the financial instruments standards apply to all financial instruments, except for those specifically excluded from their scope.
- Like IFRS Accounting Standards, financial instruments include a broad range of financial assets and financial liabilities. They include both primary financial instruments (e.g. cash, receivables, debt and shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps and currency swaps).
- Like IFRS Accounting Standards, a ‘financial instrument’ is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

7.1 Scope and definitions

(RT 59)

- Unlike IFRS Accounting Standards, there is no specific standard on financial instruments, rather NCP includes guidance on receivables and liabilities derived from sales/purchases of goods or services, lending, restructured balances and other receivables/payable; investments in debt and shares in another entity and derivative financial instruments.
- Like IFRS Accounting Standards, NCP provides guidance on both primary financial instruments (as described in the previous bullet) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps and currency swaps).
- Like IFRS Accounting Standards, a ‘financial instrument’ is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

7.1 Scope and definitions (cont.)

- A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due. Certain financial guarantee contracts are in the scope of IFRS 9, the financial instruments standard.
- A loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loan commitments are fully or partially in the scope of the financial instruments standard.
- A contract to buy or sell a non-financial item may be required to be accounted for as a derivative, even though the contract itself is not a financial instrument.

7.1 Scope and definitions (cont.)

- Unlike IFRS Accounting Standards, US GAAP does not define a financial guarantee contract. Instead, US GAAP provides guidance on when to account for a financial guarantee contract as a derivative or as a guarantee.
- Like IFRS Accounting Standards, a loan commitment is a legally binding commitment to provide credit under pre-specified terms and conditions. Certain loan commitments are in the scope of the financial instruments standards.
- Like IFRS Accounting Standards, a contract to buy or sell a non-financial item may be required to be accounted for as a derivative, even though the non-financial item itself may be outside the scope of the financial instruments standards.

7.1 Scope and definitions (cont.)

- Like IFRS Accounting Standards, a financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due. However, unlike IFRS Accounting Standards, NPC does not provide guidance on its accounting, apart from that financial guarantees are not accounted for as a derivative.
- Unlike IFRS Accounting Standards, NCP does neither define a loan commitment nor provide any accounting guidance.
- Like IFRS Accounting Standards, a contract to buy or sell a non-financial item may be required to be accounted for as a derivative.

7.2 Derivatives and embedded derivatives

(IAS 32, IFRS 9, IFRIC 9)

- A ‘derivative’ is a financial instrument or other contract in the scope of the financial instruments standards:
 - the value of which changes in response to some underlying variable;
 - that has an initial net investment smaller than would be required for other instruments that have a similar response to changes in market factors; and
 - that will be settled at a future date.

- An ‘embedded derivative’ is a component of a hybrid contract that affects the cash flows of the hybrid contract in a manner similar to a stand-alone derivative instrument.

7.2 Derivatives and embedded derivatives

(Subtopic 470-20, Subtopic 815-10, Subtopic 815-15)

- A ‘derivative’ is a financial instrument or other contract in the scope of the financial instruments Codification Topics:
 - that has one or more underlyings, and one or more notional amounts or payment provisions or both, unlike IFRS Accounting Standards;
 - that has an initial net investment smaller than would be required for other instruments that would be expected to have a similar response to changes in market factors, like IFRS Accounting Standards; and
 - that, unlike IFRS Accounting Standards:
 - requires or permits net settlement;
 - can readily be settled net through a market mechanism outside the contract; or
 - provides for delivery of an asset that is readily convertible into cash.

- Like IFRS Accounting Standards, an ‘embedded derivative’ is one or more implicit or explicit terms in a host contract that affect the cash flows of the contract in a manner similar to a stand-alone derivative instrument.

7.2 Derivatives and embedded derivatives

(RT 59)

- Like IFRS Accounting Standards, a ‘derivative’ is a financial instrument or other contract:
 - the value of which changes in response to some underlying variable;
 - that has an initial net investment smaller than would be required for other instruments that have a similar response to changes in market factors; and
 - that will be settled at a future date.

- Like IFRS Accounting Standards, an ‘embedded derivative’ is a component of a hybrid contract that affects the cash flows of the hybrid contract in a manner similar to a stand-alone derivative instrument.

7.2 Derivatives and embedded derivatives

(cont.)

- A hybrid instrument also includes a non-derivative host contract that may be a financial or a non-financial contract. The requirements on separation of embedded derivatives do not apply when the host contract is a financial asset in the scope of IFRS 9, the financial instruments standard.
- An embedded derivative is not accounted for separately from the host contract if it is closely related to the host contract or if the entire contract is measured at FVTPL. In other cases, an embedded derivative is accounted for separately as a derivative.

7.2 Derivatives and embedded derivatives

(cont.)

- Like IFRS Accounting Standards, a ‘host contract’ may be a financial or a non-financial contract. However, unlike IFRS Accounting Standards, the US GAAP guidance on separation of embedded derivatives also applies to all hybrid contracts with financial asset hosts.
- Like IFRS Accounting Standards, an embedded derivative is not accounted for separately from the host contract if it is clearly and closely related to the host contract or if the entire contract is measured at FVTPL. However, the US GAAP guidance on the term ‘clearly and closely related’ differs from IFRS Accounting Standards in certain respects. In other cases, an embedded derivative is accounted for separately as a derivative, like IFRS Accounting Standards.

7.2 Derivatives and embedded derivatives

(cont.)

- Like IFRS Accounting Standards, a hybrid instrument also includes a non-derivative host contract that may be a financial or a non-financial contract. Unlike IFRS Accounting Standards, the requirements on separation of embedded derivatives do not apply when the host contract is measured at fair value.
- Like IFRS Accounting Standards, an embedded derivative is not accounted for separately from the host contract if it is closely related to the host contract or if the entire contract is measured at FVTPL. In other cases, an embedded derivative is accounted for separately as a derivative.

7.3 Equity and financial liabilities

(IAS 1, IAS 32, IFRS 9, IFRIC 17)

- An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.
- A financial instrument is a financial liability if it contains a contractual obligation to transfer cash or another financial asset.

7.3 Equity and financial liabilities

(Topic 815, Subtopic 470-10, Subtopic 470-20, Subtopic 480-10, Subtopic 505-10, Subtopic 505-20, Subtopic 505-30, Subtopic 810-10, Subtopic 815-40, CON8)

- An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the applicable Codification topics/subtopics, which may result in differences from IFRS Accounting Standards.
- Like IFRS Accounting Standards, financial instruments that can oblige the issuer to settle in cash or by delivering another financial asset are classified as liabilities. Unlike IFRS Accounting Standards, certain securities with redemption features that are outside the control of the issuer that would not otherwise be classified as liabilities are presented as ‘temporary equity’.

7.3 Equity and financial liabilities

(RT 59)

- Like IFRS Accounting Standards, an instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.
- Like IFRS Accounting Standards, a financial instrument is a liability if it contains a contractual obligation to transfer cash or another financial asset.

7.3 Equity and financial liabilities

(cont.)

- A financial instrument is also classified as a financial liability if it is a derivative that will or may be settled in a variable number of the entity's own equity instruments or a non-derivative that comprises an obligation to deliver a variable number of the entity's own equity instruments.
- An obligation for an entity to acquire its own equity instruments gives rise to a financial liability, unless certain conditions are met.

7.3 Equity and financial liabilities

(cont.)

- Like IFRS Accounting Standards, a financial instrument is a financial liability if the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception that will or may be settled in a variable number of the entity's own equity instruments. Unlike IFRS Accounting Standards, a financial instrument that is an outstanding share that only conditionally obliges settlement in a variable number of shares is equity if other criteria are met. Unlike IFRS Accounting Standards, a financial instrument that is predominantly indexed to the entity's own stock and is settleable in a variable number of shares is equity if other criteria are met.
- Unlike IFRS Accounting Standards, an obligation for an entity to acquire its own equity instruments creates a financial liability only if it has certain characteristics.

7.3 Equity and financial liabilities

(cont.)

- Unlike IFRS Accounting Standards, there is no specific guidance on the classification of instruments that will or may be settled in a variable number of the entity's own equity instruments.
- Unlike IFRS Accounting Standards, NCP only provides guidance on 'preferred shares'. Preferred shares are classified as liability when the issuer is obliged to its redemption or the preferred shares are redeemable at the holder's request. Like IFRS Accounting Standards, 'preferred shares' redeemable at the issuers' option are classified as equity.

7.3 Equity and financial liabilities

(cont.)

- As an exception to the general principle, certain puttable instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation are classified as equity instruments if certain conditions are met.
- The contractual terms of preference shares and similar instruments are evaluated to determine whether they have the characteristics of a financial liability.
- The components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately.

7.3 Equity and financial liabilities

(cont.)

- Unlike IFRS Accounting Standards, the accounting for a puttable instrument depends on whether the entity is publicly or privately held and on whether it is conditionally or unconditionally puttable. Like IFRS Accounting Standards, certain instruments that can be required to be redeemed only in the event of the liquidation of the issuer are equity; however, the conditions for such treatment differ from IFRS Accounting Standards.
- Like IFRS Accounting Standards, an instrument issued in the legal form of a preferred share and similar instruments may be, in whole or in part, a liability based on an analysis of the contractual terms of the instrument. However, differences between IFRS Accounting Standards and US GAAP exist in treating preferred shares as liability, equity or temporary equity.
- Unlike IFRS Accounting Standards, instruments with characteristics of both liability and equity are not always split between their liability and equity components; and when they are, the basis of separation may differ from IFRS Accounting Standards.

7.3 Equity and financial liabilities

(cont.)

- Unlike IFRS Accounting Standards, there is no specific guidance on instruments redeemable only on liquidation.
- Like IFRS Accounting Standards, the contractual terms of preference shares and similar instruments are evaluated to determine whether they have the characteristics of a financial liability.
- Like IFRS Accounting Standards, the components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately.

7.3 Equity and financial liabilities

(cont.)

- A non-derivative contract that will be settled by an entity delivering its own equity instruments is an equity instrument if, and only if, it will be settled by delivering a fixed number of its own equity instruments.
- A derivative contract that will be settled by the entity delivering a fixed number of its own equity instruments for a fixed amount of cash is an equity instrument. If such a derivative contains settlement options, then it is an equity instrument only if all settlement alternatives lead to equity classification.
- Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognised directly in equity.

7.3 Equity and financial liabilities

(cont.)

- Unlike IFRS Accounting Standards, a non-derivative contract in the form of a share that the issuer must or may settle by issuing a variable number of its equity shares is recorded as equity, unless it is known at inception that the monetary value of the obligation is based solely or predominantly on a fixed monetary amount; will vary based on something other than the fair value of the issuer's equity shares; or will vary inversely related to changes in the fair value of the issuer's equity shares.
- Instruments indexed to an entity's own stock that will be settled by the entity delivering a fixed number of own equity instruments for a fixed amount of cash may meet the definition of equity; however, the criteria for determining whether they meet the definition of equity or liability differ from IFRS Accounting Standards. Additionally, US GAAP contains more guidance on what constitutes 'indexed to an entity's own stock'. Also, instruments indexed to an entity's own stock may be treated as equity if they can be net share-settled where certain criteria are met, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, incremental costs that are directly attributable to issuing or buying back an entity's own equity instruments are recognised directly in equity.

7.3 Equity and financial liabilities

(cont.)

- Unlike IFRS Accounting Standards, NCP only provide guidance on 'irrevocable contributions for future capital increases', which are classified as equity only when certain criteria are met, including formal documentation on the conversion terms.
- Unlike IFRS Accounting Standards, there is no specific guidance on derivatives that will be settled by the entity delivering its own equity instruments.
- Unlike IFRS Accounting Standards, there is no specific guidance on incremental costs that are directly attributable to issuing or redeeming own equity instruments. In practice, they are recognised in profit or loss.

7.3 Equity and financial liabilities

(cont.)

- Treasury shares are presented as a deduction from equity.
- Gains and losses on transactions in an entity's own equity instruments are reported directly in equity.
- Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity.
- Non-redeemable NCI are classified within equity, but separately from equity attributable to shareholders of the parent.

7.3 Equity and financial liabilities

(cont.)

- Like IFRS Accounting Standards, treasury shares are presented as a deduction from equity.
- Like IFRS Accounting Standards, gains and losses on transactions in own equity instruments are reported directly in equity.
- Like IFRS Accounting Standards, dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity.
- Like IFRS Accounting Standards, non-redeemable NCI are classified within equity, but separately from equity attributable to shareholders of the parent.

7.3 Equity and financial liabilities

(cont.)

- Not applicable, since only listed companies are allowed to buy back their own shares, and listed companies apply IFRS.
- Not applicable.
- Like IFRS Accounting Standards, dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity.
- Like IFRS Accounting Standards, non-redeemable NCI are classified within equity, but separately from equity attributable to shareholders of the parent.

7.4 Classification of financial assets

(IFRS 9)

- Financial assets are classified into one of three measurement categories:
 - amortised cost;
 - FVOCI; or
 - FVTPL.

- A financial asset is classified as subsequently measured at amortised cost if it is held within a held-to-collect business model and its contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI).

- A financial asset is classified as subsequently measured at FVOCI if it is held within a held-to-collect and for-sale business model and the contractual cash flows meet the SPPI criterion.

7.4 Classification of financial assets

(Subtopic 310-10, Subtopic 310-20, Subtopic 310-25, Subtopic 320-10, Subtopic 321-10, Subtopic 815-10, Subtopic 815-15, Subtopic 815-25, Subtopic 825-10, Subtopic 948-310)

- Unlike IFRS Accounting Standards, US GAAP does not have classification categories that are broadly applied to all financial assets. However, US GAAP does have classification categories for certain financial assets. Debt securities are classified as held-for-trading, available-for-sale or held-to-maturity, unlike IFRS Accounting Standards. Also unlike IFRS Accounting Standards, loans are either classified as held-for-sale or held-for-investment.

- Unlike IFRS Accounting Standards, debt securities classified as held-to-maturity, loans and trade receivables classified as held-for-investment are subsequently measured at amortised cost.

- Unlike IFRS Accounting Standards, there is no prescribed 'FVOCI' subsequent measurement classification for financial assets. Debt securities that are not classified as held-for-trading or held-to-maturity are classified as available-for-sale. Available-for-sale debt securities are subsequently measured at fair value, like IFRS Accounting Standards.

7.4 Classification of financial assets

(RT 59)

- Unlike IFRS Accounting Standards, financial assets are generally measured at fair value, at amortised cost or acquisition cost (equity instruments of private entities); depending on the entity's intention: to hold the instrument for sale, or to collect the contractual cash flows of the instrument.

- Unlike IFRS Accounting Standards, debt securities, loans and trade receivables classified are measured at amortised cost if the entity does not have the intention and feasibility of selling it before its maturity.

- Not applicable.

7.4 Classification of financial assets

(cont.)

- On initial recognition, an entity may choose to irrevocably designate a financial asset that would otherwise qualify for amortised cost or FVOCI as subsequently measured at FVTPL if this designation eliminates or significantly reduces a measurement or recognition inconsistency.
- Investments in equity instruments fail the SPPI criterion and are therefore generally measured at FVTPL. On initial recognition, an entity may elect to present in OCI changes in the fair value of an investment in an equity instrument if it is not held for trading.
- Reclassifications of financial assets are made only on a change in an entity's business model that is significant to its operations. These are expected to be very infrequent. No other reclassifications are permitted.

7.4 Classification of financial assets

(cont.)

- On initial recognition, certain financial assets can be irrevocably designated as at FVTPL, like IFRS Accounting Standards. However, the eligibility criteria and financial assets to which the fair value option can be applied differ from IFRS Accounting Standards in certain respects.
- Unlike IFRS Accounting Standards, an entity may not elect to present in OCI changes in the fair value of any investments in equity securities.
- Unlike IFRS Accounting Standards, certain financial assets (i.e. debt securities, loans and trade receivables) may be reclassified if there are changes in management's intent and ability with respect to holding the financial assets. The requirements for reclassification of these financial assets differ from IFRS Accounting Standards and the frequency of reclassifications may also differ. Under US GAAP, the circumstances in which transfers of debt securities into and out of the held-for-trading category would be permitted are expected to be rare.

7.4 Classification of financial assets

(cont.)

- Not applicable.
- Unlike IFRS Accounting Standards, investments in equity instruments (where the holder does not have control, joint control or significant influence) are measured at fair value, at quotation price when there is no active market for the instrument or at cost when there is no market for the instrument.
- Unlike IFRS Accounting Standards, there is no guidance on the entity changing its intention and reclassifying items in or out the fair value category after initial recognition.

7.5 Classification of financial liabilities

(IFRS 9)

- Financial liabilities are generally classified into two measurement categories:
 - amortised cost; or
 - FVTPL.
- Financial liabilities classified as at FVTPL are further subcategorised as held-for-trading (which includes derivatives) or designated as at FVTPL on initial recognition.
- Reclassification of financial liabilities is not permitted.

7.5 Classification of financial liabilities

(Subtopic 470-10, Subtopic 480-10, Subtopic 405-10, Subtopic 815-10, Subtopic 815-15, Subtopic 825-10)

- Unlike IFRS Accounting Standards, classification categories for financial liabilities are not prescribed. However, like IFRS Accounting Standards, financial liabilities that are not measured at fair value are generally measured at amortised cost.
- Unlike IFRS Accounting Standards, there is no subcategorisation of financial liabilities as held-for-trading. Like IFRS Accounting Standards, financial liabilities may be designated as at FVTPL. However, the eligibility criteria for fair value option designation differ from IFRS Accounting Standards in certain respects.
- Like IFRS Accounting Standards, reclassification of financial liabilities is not permitted.

7.5 Classification of financial liabilities

(RT 59)

- Unlike IFRS Accounting Standards, financial liabilities are measured at amortised cost.
- Unlike IFRS Accounting Standards, there is no subcategorisation of financial liabilities as held-for-trading.
- Not applicable.

7.6 Recognition and derecognition

(IFRS 9, IFRIC 19)

- Financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position when the entity becomes a party to the instrument. However, ‘regular-way’ purchases and sales of financial assets are recognised and derecognised using either trade date or settlement date accounting.
- A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain conditions.
- A financial asset is ‘transferred’ if an entity transfers the contractual rights to receive the cash flows from the financial asset or enters into a qualifying ‘pass-through’ arrangement. If a financial asset is transferred, then an entity evaluates whether it has retained the risks and rewards of ownership of the transferred financial asset.

7.6 Recognition and derecognition

(Subtopic 310-20, Subtopic 405-20, Subtopic 470-50, Subtopic 470-60, Subtopic 815-40, Topic 848, Topic 860, Subtopic 940-320, Subtopic 942-325, Subtopic 946-320)

- Like IFRS Accounting Standards, financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position when an entity becomes a party to the instrument. However, unlike IFRS Accounting Standards, certain industries are required to use trade date accounting for ‘regular-way’ transactions; otherwise US GAAP is silent and practice varies.
- Unlike IFRS Accounting Standards, the derecognition model for transfers of financial assets focuses on surrendering control over the transferred assets; the transferor has ‘surrendered’ control over transferred assets only if certain conditions are met.
- Unlike IFRS Accounting Standards, a financial asset is ‘transferred’ when it has been conveyed by and to someone other than its issuer.

7.6 Recognition and derecognition

(RT 59)

- Unlike IFRS Accounting Standards, NCP does not provide guidance on recognition of financial instruments apart from derivatives. Derivatives are recognised in the statement of financial position when the entity has contractual rights or becomes the liable party.
- Like IFRS Accounting Standards, a financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain conditions.
- Unlike IFRS Accounting Standards, there is no specific guidance on transference of financial assets.

7.6 Recognition and derecognition

(cont.)

- An entity derecognises a transferred financial asset if it has: transferred substantially all of the risks and rewards of ownership; or neither retained nor transferred substantially all of the risks and rewards of ownership and has not retained control of the financial asset.
- An entity continues to recognise a financial asset to the extent of its continuing involvement if it has neither retained nor transferred substantially all of the risks and rewards of ownership and it has retained control of the financial asset.
- A financial liability is derecognised when it is extinguished or when its terms are substantially modified.

7.6 Recognition and derecognition

(cont.)

- Unlike IFRS Accounting Standards, ‘risks and rewards’ is not an explicit consideration when testing a transfer for derecognition. Rather, an entity derecognises a transferred financial asset or a participating interest therein if it surrenders legal, actual and effective control of the financial asset or participating interest.
- After a transfer of a financial asset, or a participating interest therein, an entity continues to recognise the financial assets that it controls, which may be different from the treatment required by IFRS Accounting Standards.
- Like IFRS Accounting Standards, a financial liability is derecognised when it is extinguished or when its terms are substantially modified. However, unlike IFRS Accounting Standards, there is specific guidance on the modification of terms in respect of convertible debt and troubled debt restructuring. Also unlike IFRS Accounting Standards, there is specific guidance on modifications of freestanding equity-classified warrants that relate to issuances or modifications of financial liabilities.

7.6 Recognition and derecognition

(cont.)

- Like IFRS Accounting Standards, an entity derecognises a transferred financial asset if it has: transferred all of the risks and rewards of ownership.
- Unlike IFRS Accounting Standards, an entity continues to recognise a financial asset if it maintains the credit risk of the asset.
- Like IFRS Accounting Standards, a liability is derecognised when it is extinguished or when its terms are substantially modified.

7.7 Measurement

(IFRS 9, IFRS 13, IAS 21, IAS 32)

- Generally, financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs, except for:
 - financial instruments classified as at FVTPL, which are initially measured at fair value; and
 - trade receivables that are initially measured at the transaction price as defined in the revenue standard.

- Financial assets are subsequently measured at fair value or amortised cost.

7.7 Measurement

(Subtopic 310-10, Subtopic 310-20, Subtopic 320-10, Subtopic 320-20, Subtopic 325-20, Subtopic 405-20, Topic 450-20, Subtopic 460-10, Subtopic 470-20, Subtopic 470-50, Subtopic 470-60, Subtopic 480-10, Subtopic 805-20, Subtopic 815-10, Subtopic 815-15, Subtopic 815-25, Subtopic 815-40, Subtopic 820-10, Subtopic 825-10, Subtopic 830-20, Subtopic 835-30, Subtopic 860-20, Subtopic 946-320, Subtopic 946-830, Subtopic 948-10)

- The initial measurement of financial assets and financial liabilities, including accounting for transaction costs, differs in certain respects from IFRS Accounting Standards. The measurement bases include:
 - fair value (like IFRS Accounting Standards); and
 - cost (unlike IFRS Accounting Standards).

- Like IFRS Accounting Standards, certain financial assets are subsequently measured at fair value or amortised cost. Unlike IFRS Accounting Standards, loans held for sale are measured at the lower of cost and fair value. Also unlike IFRS Accounting Standards, an alternative measurement basis is available for equity securities without readily determinable fair values.

7.7 Measurement

(RT 59)

- Unlike IFRS Accounting Standards, accounts receivable and liabilities are initially measured at transaction price less any implicit financial component, when significant. However, transactions with related parties are recognised at face value. Unlike IFRS Accounting Standards, investments are initially measured at acquisition cost plus or minus directly attributable cost if they will be subsequently measured at amortised cost; while investments are initially measured at fair value if they will be subsequently measured at fair value.

- Unlike IFRS Accounting Standards, financial assets are subsequently measured at fair value, or at amortised cost, depending on the entity's intention: to hold the instrument for sale or to collect the contractual cash flows of the instrument. Unlike IFRS Accounting Standards, interests in other entities with no control, joint control or significant influence are measured at fair value, at quotation price when there is no active market for the instrument or at cost when there is no market for the instrument.

7.7 Measurement (cont.)

- If a financial asset is measured at fair value, then changes in its fair value are recognised as follows.
 - *Debt financial assets at FVOCI*: Gains and losses are recognised in OCI, except for interest, foreign exchange gains and losses and expected credit losses, which are recognised in profit or loss. On derecognition, any gains or losses accumulated in OCI are reclassified to profit or loss.
 - *Equity financial assets at FVOCI*: Gains and losses are recognised in OCI, except for dividends, which are generally recognised in profit or loss. The amounts in OCI are not reclassified to profit or loss.
 - *Financial assets at FVTPL*: All changes in fair value are recognised in profit or loss.

- Financial liabilities, other than those measured at FVTPL, are generally measured at amortised cost subsequent to initial recognition.

- If a financial liability is mandatorily measured at FVTPL, then all changes in fair value are recognised in profit or loss.

7.7 Measurement (cont.)

- If a financial asset is measured at fair value, then changes in its fair value are recognised as follows.
 - *Available-for-sale debt securities*: Changes in fair value are recognised in OCI, except for interest and credit losses, which are recognised in profit or loss. The recognition and measurement of credit losses differs from IFRS Accounting Standards. Unlike IFRS Accounting Standards, the amount recognised in OCI includes foreign exchange gains and losses. Like IFRS Accounting Standards, on derecognition any gains or losses accumulated in OCI are reclassified to profit or loss.
 - *Equity Securities with readily determinable fair values*: Unlike IFRS Accounting Standards, there is no 'FVOCI' category for investments in equity securities. All changes in fair value are recognised in profit or loss.
 - *Financial assets for which the fair value option is elected and debt securities held for trading*: All changes in fair value are recognised in profit or loss, like IFRS Accounting Standards.

- Like IFRS Accounting Standards, financial liabilities that are not measured at fair value are generally measured at amortised cost subsequent to initial recognition.

- Like IFRS Accounting Standards, if a financial liability is mandatorily measured at FVTPL, then all changes in fair value are recognised in profit or loss.

7.7 Measurement (cont.)

- Unlike IFRS Accounting Standards, changes in fair value, are always recognised in profit or loss.

- Unlike IFRS Accounting Standards, financial liabilities are measured at amortised cost subsequent to initial recognition.

- Not applicable.

7.7 Measurement

(cont.)

- If a financial liability is designated as at FVTPL, then the portion of the fair value changes that is attributable to changes in the financial liability's credit risk is generally recognised in OCI. The amount presented in OCI is never reclassified to profit or loss.
- All derivatives (including separated embedded derivatives) are measured at fair value, with changes in fair value generally recognised in profit or loss.

7.7 Measurement

(cont.)

- Like IFRS Accounting Standards, if a financial liability is measured at fair value under the fair value option, then changes in fair value due to instrument-specific credit risk are recognised in OCI. Unlike IFRS Accounting Standards, the amount presented in OCI is reclassified to profit or loss on derecognition.
- Like IFRS Accounting Standards, all derivatives (including separated embedded derivatives) are measured at fair value, with changes in fair value generally recognised in profit or loss.

7.7 Measurement

(cont.)

- Not applicable.
- All derivatives (including separated embedded derivatives) are measured at fair value, with changes in fair value generally recognised in profit or loss.

7.8 Impairment

(IFRS 9)

- The impairment model in the financial instruments standard (ECL model) covers financial assets measured at amortised cost, investments in debt instruments measured at FVOCI, certain loan commitments and financial guarantee contracts issued, lease receivables and contract assets.
- Investments in equity instruments are outside the scope of the ECL requirements.
- Impairment is recognised using an expected loss model, which means that it is not necessary for a loss event to occur before an impairment loss is recognised.

7.8 Impairment

(Subtopic 321-10, Subtopic 326-20,
Subtopic 326-30)

- Like IFRS Accounting Standards, the expected credit loss model (Subtopic 326-20) covers financial assets measured at amortised cost, net investments in leases, contract assets and certain loan commitments and issued financial guarantee contracts not accounted for as insurance or derivatives. Unlike IFRS Accounting Standards, other off-balance sheet credit exposures may also be in scope. In addition, unlike IFRS Accounting Standards, a separate credit loss model covers debt securities classified as available for sale (AFS) (Subtopic 326-30).
- Like IFRS Accounting Standards, investments in equity instruments are outside the scope of the expected credit loss model. However, investments in equity instruments that do not have a readily determinable fair value for which an entity has elected the measurement alternative are subject to a qualitative impairment assessment, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, for instruments in the scope of the expected credit loss model, impairment is recognised before a loss event occurs. However, for AFS debt securities and investments in equity instruments that do not have a readily determinable fair value for which an entity has elected the measurement alternative, an impairment loss is recognised in profit or loss only when incurred.

7.8 Impairment

(RT 59)

- Unlike IFRS Accounting Standards, under NCP ECL model is not used. Instead, an entity assesses whether there are indications of impairment of financial assets measured at amortised cost or at cost. When there are indications of impairment, any impairment loss is recognised in profit or loss.
- Unlike IFRS Accounting Standards, investments in equity instruments measured at cost applies the same guidance described in the previous bullet.
- Unlike IFRS Accounting Standards, impairment is recognised when a loss event has already occurred.

7.8 Impairment (cont.)

- The general approach of the ECL model uses two measurement bases: 12-month ECLs and lifetime ECLs, depending on whether the credit risk on a financial instrument has increased significantly since initial recognition.
- ECLs on trade receivables and contract assets that do not have a significant financing component are always measured at lifetime ECLs. There is an accounting policy choice to measure ECLs on trade receivables that have a significant financing component and on lease receivables either under the general approach or at lifetime ECLs.
- For financial assets that are credit-impaired on initial recognition, ECLs are measured as the change in lifetime ECLs since initial recognition. Accordingly, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset.

7.8 Impairment (cont.)

- Unlike IFRS Accounting Standards, the ECL model uses a single measurement approach based on lifetime ECLs. Lifetime ECLs are recorded upon initial recognition of an instrument. The measurement approach remains consistent throughout the life of the instrument.
- Unlike IFRS Accounting Standards, ECLs on all trade receivables, contract assets and lease receivables are based on the same single measurement approach of lifetime ECLs.
- Unlike IFRS Accounting Standards, there is no concept of credit-impaired financial assets at initial recognition. Instead, there is a concept of assets that are purchased credit deteriorated (PCD). Also unlike IFRS Accounting Standards, for PCD assets lifetime ECL is recognised on acquisition through a balance sheet gross-up that increases the amortised cost basis of the asset with no effect on profit or loss. Like IFRS Accounting Standards, subsequent changes in ECLs are recognised in profit or loss.

7.8 Impairment (cont.)

- Not applicable.
- Not applicable.
- Unlike IFRS Accounting Standards, there is no guidance on credit-impaired financial assets on initial recognition.

7.8 Impairment (cont.)

- ECLs are measured in a way that reflects:
 - a probability-weighted amount determined by evaluating a range of possible outcomes;
 - the time value of money; and
 - reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

7.8 Impairment (cont.)

- Unlike IFRS Accounting Standards, a probability-weighted ECL measure determined by evaluating a range of possible outcomes is permitted, but not required. Also, unlike IFRS Accounting Standards, methods of estimating ECLs that include the impact of the time value of money are permitted, but not required. Like IFRS Accounting Standards, ECLs are measured in a way that reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

7.8 Impairment (cont.)

- Not applicable.

7.9 Hedge accounting: IFRS 9

(IFRS 9, IAS 39, IFRIC 16)

- Hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in IFRS Accounting Standards, or to defer the recognition in profit or loss of gains or losses on derivatives. Entities may apply the hedge accounting requirements in the financial instruments standard, IFRS 9, or in the old accounting standard, IAS 39.
- There are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations.
- Hedge accounting is permitted only when specific requirements related to documentation and effectiveness are met.

7.9 Hedge accounting: IFRS 9

(Topic 815, Topic 848)

- Like IFRS Accounting Standards, hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in US GAAP, or to defer the recognition in profit or loss of gains or losses on derivatives.
- Like IFRS Accounting Standards, there are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations. However, the requirements differ from IFRS Accounting Standards in certain respects.
- Like IFRS Accounting Standards, hedge accounting is permitted only when specific requirements related to documentation and effectiveness are met.

7.9 Hedge accounting: IFRS 9

(RT 59)

- Like IFRS Accounting Standards, hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in NCP, or to defer the recognition in profit or loss of gains or losses on derivatives.
- Like IFRS Accounting Standards, there are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations.
- Like IFRS Accounting Standards, hedge accounting is permitted only when specific requirements related to documentation and effectiveness are met.

7.9 Hedge accounting: IFRS 9 (cont.)

- Hedge accounting is required to be closely aligned with an entity's actual risk management objectives.
- Qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, a highly probable forecast transactions, net investments in foreign operations or aggregated exposures (a combination of a non-derivative exposure and a derivative exposure).
- The hedged risk should be one that could affect profit or loss or OCI only if the hedged item is an investment in equity instruments for which changes in fair value are presented in OCI.
- An entity can designate an item in its entirety or a component of an item as the hedged item. However, only certain components may be designated as the hedged item.

7.9 Hedge accounting: IFRS 9 (cont.)

- Although US GAAP does not specifically require an entity's hedge accounting to be 'closely aligned' with its actual risk management objectives, the intent of the hedging guidance is to enable an entity to closely align hedge accounting with risk management strategies and to accurately reflect hedging results in the financial statements.
- Like IFRS Accounting Standards, qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, probable forecast transactions or net investments in foreign operations. Unlike IFRS Accounting Standards, aggregated exposures do not qualify as a hedged item.
- Like IFRS Accounting Standards, the hedged risk should be one that could affect profit or loss; an equity investment is not permitted to be designated as a hedged item, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, an entity can designate an item in its entirety or only a component (portion) of an item as the hedged item. Like IFRS Accounting Standards, only certain components of financial and non-financial items may be designated, although the requirements are more specific and restrictive under US GAAP.

7.9 Hedge accounting: IFRS 9 (cont.)

- Like IFRS Accounting Standards, hedge accounting is required to be closely aligned with an entity's actual risk management objectives.
- Like IFRS Accounting Standards, qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions, or net investments in foreign operations. Unlike IFRS Accounting Standards, aggregated exposures do not qualify as a hedged item.
- Unlike IFRS Accounting Standards, the hedged risk should be one that could affect profit or loss or 'deferred results' (it is not limited to equity investments measured at FVOCI).
- Unlike IFRS Accounting Standards, an entity can designate an item in its entirety as the hedged item. However, only certain components may be designated as the hedged item, like IFRS Accounting Standards.

7.9 Hedge accounting: IFRS 9 (cont.)

- The following contracts with a party external to the reporting entity qualify as hedging instruments: derivative instruments (with some exceptions), non-derivative financial instruments measured at FVTPL (with some exceptions) and for hedges of foreign exchange risk only, the foreign currency risk component of a non-derivative financial instrument.
- An entity may exclude the time value of a purchased option, forward element of a forward contract and foreign currency basis spread from the designation of a hedging instrument.

7.9 Hedge accounting: IFRS 9 (cont.)

- Unlike IFRS Accounting Standards, in general only derivative instruments with a party external to the reporting entity qualify as hedging instruments. Non-derivative financial instruments may qualify as hedging instruments only for hedges of foreign exchange risk exposure in (1) hedges of a net investment in a foreign operation, or (2) hedges of unrecognised firm commitments, unlike IFRS Accounting Standards.
- Certain components of a hedging instrument's fair value or cash flows may be excluded from the assessment of hedge effectiveness, which differs from IFRS Accounting Standards.

7.9 Hedge accounting: IFRS 9 (cont.)

- Like IFRS Accounting Standards, the following contracts with a party external to the reporting entity qualify as hedging instruments: derivative instruments (with some exceptions), non-derivative financial instruments measured at FVTPL (with some exceptions) and for hedges of foreign exchange risk only, the foreign currency risk component of a non-derivative financial instrument.
- Unlike IFRS Accounting Standards, may not exclude the time value of a purchased option, forward element of a forward contract and foreign currency basis spread from the designation of a hedging instrument.

7.9 Hedge accounting: IFRS 9 (cont.)

- For a hedge to meet the effectiveness requirement, there has to be an economic relationship between the hedged item and the hedging instrument. Also, the value changes should not be dominated by the effect of credit risk and specific requirement relating to the hedge ratio should be met. Having an 'economic relationship' means that the hedging instrument and the hedge items have values that generally move in the opposite direction because of the same (hedge) risk. The assessment relates to expectations about hedge effectiveness; therefore, the test is only forward-looking or prospective.
- Rebalancing of the hedge ratio in a hedging relationship is a mandatory requirement if certain conditions are met.

7.9 Hedge accounting: IFRS 9 (cont.)

- Although the requirements differ, there are certain hedge effectiveness requirements that need to be met for a hedging relationship to be eligible for hedge accounting, like IFRS Accounting Standards. Also like IFRS Accounting Standards, to qualify for hedge accounting at inception a hedge should be 'expected to be' (prospectively) highly effective (effective as an economic hedge for net investment hedges). However, unlike IFRS Accounting Standards, to qualify for hedge accounting subsequently a hedge should be 'expected to be' (prospectively) and 'actually have been' (retrospectively) highly effective (effective as an economic hedge for net investment hedges). Also unlike IFRS Accounting Standards, certain derivatives may be considered to be perfectly effective hedging instruments without quantitatively assessing hedge effectiveness (e.g. critical terms match and shortcut methods). However, this is allowed only in very limited circumstances.
- Unlike IFRS Accounting Standards, rebalancing of the hedge ratio is not mandatory.

7.9 Hedge accounting: IFRS 9 (cont.)

- Like IFRS Accounting Standards, for a hedge to meet the effectiveness requirement, there has to be an economic relationship between the hedged item and the hedging instrument. Also, the value changes should not be dominated by the effect of credit risk and specific requirement relating to the hedge ratio should be met. Having an 'economic relationship' means that the hedging instrument and the hedge items have values that generally move in the opposite direction because of the same (hedge) risk. The assessment relates to expectations about hedge effectiveness; therefore, the test is only forward-looking or prospective.
- Like IFRS Accounting Standards, balancing of the hedge ratio in a hedging relationship is a mandatory requirement if certain conditions are met.

7.9 Hedge accounting: IFRS 9 (cont.)

- For a cash hedge and a net investment hedge, the ineffective portion on the gain or loss on the hedging instrument is recognised in profit or loss, even if the hedge has been highly effective.
- Hedge accounting is discontinued prospectively if the hedging relationship ceases to meet the qualifying criteria after considering rebalancing. Voluntary discontinuation when the qualifying criteria are met is prohibited.
- If an entity uses a credit derivative that is measured at FVTPL to manage the credit risk of all, or a part, of a credit exposure, and other criteria are met, then it can designate the exposure as at FVTPL as an alternative to hedge accounting.

7.9 Hedge accounting: IFRS 9 (cont.)

- Unlike IFRS Accounting Standards, when a cash flow hedging relationship is deemed highly effective the entire change in the fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness is recognised in OCI and becomes a component of accumulated OCI. For a net investment hedge, the entire gain or loss on the hedging instrument that is included in the assessment of hedge effectiveness is recognised in OCI as an offset to the foreign currency translation of that foreign operation.
- Like IFRS Accounting Standards, hedge accounting is discontinued prospectively if the hedging relationship ceases to meet the qualifying criteria. Unlike IFRS Accounting Standards, voluntary discontinuation when the qualifying criteria are met is permitted.
- Unlike IFRS Accounting Standards, there is no specific guidance on designating credit exposures as at FVTPL. The general requirements for fair value option designation would apply under US GAAP.

7.9 Hedge accounting: IFRS 9 (cont.)

- Like IFRS Accounting Standards, for a cash flow hedge and a net investment hedge, the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss, even if the hedge has been highly effective.
- Like IFRS Accounting Standards, hedge accounting is discontinued prospectively if the hedging relationship ceases to meet the qualifying criteria after considering rebalancing. Voluntary discontinuation when the qualifying criteria are met is prohibited.
- Unlike IFRS Accounting Standards, there is no specific guidance on credit derivatives.

7.9 Hedge accounting: IFRS 9 (cont.)

- The IASB has a separate active project to address dynamic risk management. In the meantime, an entity may apply the hedge accounting requirements of the old standard, IAS 39, for a portfolio fair value hedge of interest rate risk. This policy choice is also available if an entity applies the hedge accounting requirements in financial instruments standard, IFRS 9.

7.9 Hedge accounting: IFRS 9 (cont.)

- Unlike the IASB, the FASB does not have a project to address dynamic risk management activities.

7.9 Hedge accounting: IFRS 9 (cont.)

- Unlike the IASB, the FACPCE does not have a project to address dynamic risk management activities.

7.9B Hedge accounting: IAS 39

(IAS 39, IFRIC 16)

- Hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in IFRS Accounting Standards, or to defer the recognition in profit or loss of gains or losses on derivatives.
- There are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations.
- Hedge accounting is permitted only when strict requirements related to documentation and effectiveness are met.
- Qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions or net investments in foreign operations.

7.9B Hedge accounting: IAS 39

(Topic 815, Topic 848)

- Like IFRS Accounting Standards, hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated, or to defer the recognition in profit or loss of gains or losses on derivatives.
- Like IFRS Accounting Standards, there are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations. However, the requirements differ from IFRS Accounting Standards in certain respects.
- Like IFRS Accounting Standards, hedge accounting is permitted only when strict requirements related to documentation and effectiveness are met.
- Like IFRS Accounting Standards, qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, probable forecast transactions or net investments in foreign operations.

7.9B Hedge accounting: IAS 39

(RT 59)

- Like IFRS Accounting Standards, hedge accounting is voluntary and, if it is elected, allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in NCP, or to defer the recognition in profit or loss of gains or losses on derivatives.
- Like IFRS Accounting Standards, there are three hedge accounting models: fair value hedges of fair value exposures; cash flow hedges of cash flow exposures; and net investment hedges of foreign currency exposures on net investments in foreign operations.
- Like IFRS Accounting Standards, hedge accounting is permitted only when specific requirements related to documentation and effectiveness are met.
- Like IFRS Accounting Standards, qualifying hedged items can be recognised assets or liabilities, unrecognised firm commitments, highly probable forecast transactions, or net investments in foreign operations.

7.9B Hedge accounting: IAS 39 (cont.)

- In general, only derivative instruments entered into with an external party qualify as hedging instruments. However, for hedges of foreign exchange risk only, non-derivative financial instruments may qualify as hedging instruments.
- The hedged risk should be one that could affect profit or loss.
- Effectiveness testing is conducted on both a prospective and a retrospective basis. A hedge is 'highly effective' if changes in the fair value or cash flows of the hedged item attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument within a range of 80-125 percent.

7.9B Hedge accounting: IAS 39 (cont.)

- Like IFRS Accounting Standards, in general only derivative instruments qualify as hedging instruments. Non-derivative financial instruments may qualify as hedging instruments only for hedges of foreign exchange risk exposure in (1) hedges of a net investment in a foreign operation, or (2) hedges of unrecognised firm commitments, unlike IFRS Accounting Standards.
- Like IFRS Accounting Standards, the hedged risk should be one that could affect profit or loss.
- Although the requirements differ, there are certain hedge effectiveness requirements that need to be met for a hedging relationship to be eligible for hedge accounting like IFRS Accounting Standards, including that a hedge needs to be 'highly effective' (effective as an economic hedge for net investment hedges). Like IFRS Accounting Standards, effectiveness testing is conducted on both a prospective and a retrospective basis. Unlike IFRS Accounting Standards, the 80-125 percent range to be 'highly effective' is not specified. However, this range is very commonly used in practice and the SEC Staff has indicated that this is an acceptable range. Unlike IFRS Accounting Standards, in limited cases, hedging instruments meeting very restrictive criteria are accounted for as if they are perfectly effective without quantitatively testing effectiveness.

7.9B Hedge accounting: IAS 39 (cont.)

- Unlike IFRS Accounting Standards, the following contracts with a party external to the reporting entity qualify as hedging instruments: derivative instruments (with some exceptions), non-derivative financial instruments measured at FVTPL (with some exceptions) and for hedges of foreign exchange risk only, the foreign currency risk component of a non-derivative financial instrument.
- Unlike IFRS Accounting Standards, the hedged risk should be one that could affect profit or loss or 'deferred results' (it is not limited to equity investments measured at FVOCI).
- Unlike IFRS Accounting Standards, for a hedge to meet the effectiveness requirement, there has to be an economic relationship between the hedged item and the hedging instrument. Also, the value changes should not be dominated by the effect of credit risk and specific requirement relating to the hedge ration should be met. Having an 'economic relationship' means that the hedging instrument and the hedge items have values that generally move in the opposite direction because of the same (hedge) risk. The assessment relates to expectations about hedge effectiveness; therefore, the test is only forward-looking or prospective.

7.9B Hedge accounting: IAS 39 (cont.)

- For a cash flow hedge and a net investment hedge, the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss, even if the hedge has been highly effective.
- Hedge accounting is discontinued prospectively if: the hedged transaction is no longer highly probable; the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; the hedge is no longer highly effective; or the entity revokes the designation.

7.9B Hedge accounting: IAS 39 (cont.)

- Unlike IFRS Accounting Standards, when a cash flow hedging relationship is deemed highly effective the entire change in the fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness is recognised in OCI and becomes a component of accumulated OCI. For a net investment hedge, the entire gain or loss on the hedging instrument that is included in the assessment of hedge effectiveness is recognised in OCI as an offset to the foreign currency translation of that foreign operation.
- Like IFRS Accounting Standards, hedge accounting is discontinued prospectively if: the hedge transaction is no longer probable; the hedging instrument expires or is sold, terminated or exercised; the hedged items is sold, settled or otherwise disposed of; the hedge is no longer highly effective (effective as an economic hedge for net investment hedges); or the entity revokes the designation. However, the requirements differ in certain respects from IFRS Accounting Standards.

7.9B Hedge accounting: IAS 39 (cont.)

- Like IFRS Accounting Standards, for a cash flow hedge and a net investment hedge, the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss, even if the hedge has been highly effective.
- Unlike IFRS Accounting Standards, hedge accounting is discontinued prospectively if the hedging relationship ceases to meet the qualifying criteria after considering rebalancing. Voluntary discontinuation when the qualifying criteria are met is prohibited.

7.10 Presentation and disclosure

(IFRS 7, IFRS 9, IFRS 13, IAS 1, IAS 32)

- IFRS Accounting Standards mandate separate presentation of certain amounts in the statement of financial position and in the statement of profit or loss and OCI. Additional line items may also be presented.
- A financial asset and a financial liability are offset only if there are both a current legally enforceable right to set off and an intention to settle the asset and the liability either on a net basis or simultaneously.

7.10 Presentation and disclosure

(Subtopic 210-10, Subtopic 210-20, Subtopic 235-10, Subtopic 320-10, Subtopic 321-10, Subtopic 326-20, Subtopic 326-30, Subtopic 405-50, Subtopic 470-10, Subtopic 815-10, Subtopic 815-20, Subtopic 815-35, Subtopic 825-10, Subtopic 835-30, Subtopic 842-50, Subtopic 860-10, Reg S-K, Reg S-X)

- Like IFRS Accounting Standards, separate presentation of certain amounts in the statement of financial position and in the statement of profit or loss and other comprehensive income is required. Additional line items may also be presented.
- A financial asset and a financial liability may be offset only if there are both a legally enforceable right to set off and an intention to settle the asset and the liability either on a net basis or simultaneously, like IFRS Accounting Standards. However, unlike IFRS Accounting Standards, derivatives with the same counterparty, and related collateral, may be offset, provided that they are subject to a master netting arrangement and certain other criteria are met. Also, unlike IFRS Accounting Standards, repurchase agreements and reverse repurchase agreements that clear through a qualified clearing house may be offset, provided that they are subject to a master netting arrangement and certain other criteria are met. Once the applicable criteria are met, offsetting is a policy choice, unlike IFRS Accounting Standards.

7.10 Presentation and disclosure

(RT 59)

- Like IFRS Accounting Standards, separate presentation of certain amounts in the statement of financial position and in the statement of profit or loss is required. Additional line items may also be presented.
- Like IFRS Accounting Standards, a financial asset and a financial liability are offset only if there are both a current legally enforceable right to set off and an intention to settle the asset and liability either on a net basis or simultaneously.

7.10 Presentation and disclosure

(cont.)

- Disclosure is required in respect of the significance of financial instruments.
- The overriding principle is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.
- Disclosure is also required about the nature and extent of risks arising from financial instruments and how the entity manages those risks. This includes both qualitative and quantitative information.

7.10 Presentation and disclosure

(cont.)

- Like IFRS Accounting Standards, disclosures are required to enable users to evaluate the significance of financial instruments.
- Like IFRS Accounting Standards, the overriding principle is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance. However, the specific requirements differ from IFRS Accounting Standards.
- Like IFRS Accounting Standards, disclosures are also required about the extent of risk arising from financial instruments. However, risk disclosure requirements differ for public and non-public entities under US GAAP. Public entities are required to disclose qualitative and quantitative information; however, the specific disclosure requirements differ from IFRS Accounting Standards. The disclosure requirements for non-public entities are primarily qualitative and much less detailed than for public entities under US GAAP or under IFRS Accounting Standards.

7.10 Presentation and disclosure

(cont.)

- Unlike IFRS Accounting Standards, there is no specific requirement in respect of the significant of financial instruments.
- Unlike IFRS Accounting Standards, there is no specific requirement to provide information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.
- Not applicable.

7.10 Presentation and disclosure

(cont.)

- Qualitative disclosures describe management's objectives, policies and processes for managing risks arising from financial instruments.
- Quantitative data about the exposure to risks arising from financial instruments is based on information provided internally to key management personnel. However, certain disclosures about the entity's exposures to credit risk (including amounts arising from expected credit losses), liquidity risk and market risk and concentration risk arising from financial instruments are required, irrespective of whether this information is provided to management.

7.10 Presentation and disclosure

(cont.)

- Unlike IFRS Accounting Standards, US GAAP does not require specific qualitative disclosures in respect of financial instruments other than related to credit risk. Instead, qualitative disclosures about market risk including interest rate risk, foreign currency risk, commodity price risk and other relevant price risk are required to be disclosed by SEC registrants outside the financial statements in MD&A.
- Unlike IFRS Accounting Standards, non-SEC registrants are not required to make specific quantitative risk-related disclosures in respect of financial instruments, other than related to credit risk. Non-SEC registrants are encouraged, but not required, to disclose quantitative information about market risks of financial instruments. The SEC does require certain quantitative disclosures; however, unlike IFRS Accounting Standards, these disclosures are limited to market risk disclosures and are provided outside the financial statements in MD&A.

7.10 Presentation and disclosure

(cont.)

- Not applicable.
- Not applicable.

8 Insurance contracts

8.1 Insurance contracts

(IFRS 17)

- The insurance contracts standard applies generally to all insurance contracts (including reinsurance contracts) that an entity issues and reinsurance contracts that it holds, regardless of the type of entity that issued the contract.
- The aggregation of contracts into groups is required on initial recognition for all contracts in the scope of the insurance contracts standard. Individual contracts are grouped in a way that limits the offsetting of profitable contracts against onerous ones, and also considering how an entity manages and evaluates the performance of its business.

8.1 Insurance contracts

(Topic 944)

- Unlike IFRS Accounting Standards, the financial services - insurance Codification Topic applies to all insurance or reinsurance companies in its scope; there are no specific requirements in this Codification Topic for other entities that accept significant insurance risk.
- Unlike IFRS Accounting Standards, US GAAP does not have level of aggregation requirements, except for traditional and limited-payment long-duration contracts.

8.1 Insurance contracts

(Law 20 091; General Rules on Insurance Activity – National Insurance Superintendence)

- Unlike IFRS Accounting Standards, insurance guidance is provided by the local regulator and applies to all insurance contracts issued by an insurance company.
- Unlike IFRS Accounting Standards, NCP does not have level of aggregation requirements.

8.1 Insurance contracts

(cont.)

- An entity recognises a group of insurance contracts that it issues from the earliest of:
 - the start of the coverage period of the group of contracts;
 - the due date of the initial payment from a policyholder; and
 - the date when a group of contracts becomes onerous.

- The insurance contracts standard introduces the general measurement model (GMM). This is the default measurement model for insurance contracts.

- For contracts that meet certain criteria, an entity is permitted to use a simplified measurement approach – the premium allocation approach (PAA). For issued contracts with direct participation features, an entity is required to use a modified measurement model – the variable fee approach (VFA).

- Under the GMM, on initial recognition and subsequently a group of insurance contracts is measured as:
 - the sum of the estimates of expected cash flows, adjusted to reflect the time value of money and financial risk, plus a risk adjustment for non-financial risks; and
 - the contractual service margin (CSM) for profitable groups of contracts, representing the unearned profit.

8.1 Insurance contracts

(cont.)

- Unlike IFRS Accounting Standards, under US GAAP the recognition of an insurance contract that is issued by an insurance entity varies and depends on the type of contract.

- Unlike IFRS Accounting Standards, under US GAAP there is no default measurement model for insurance contracts. The specific measurement model to apply depends on the type of contracts.

- Like IFRS Accounting Standards, under US GAAP the measurement of an insurance contract that is issued by an insurance entity varies and depends on the type of contract.

- Unlike IFRS Accounting Standards, under US GAAP there is no default measurement model for insurance contracts. The initial recognition and subsequent measurement of insurance contracts depend on the type of contract.

8.1 Insurance contracts

(cont.)

- Unlike IFRS Accounting Standards, under NCP the recognition of an insurance contract that is issued by an insurance entity varies and depends on the type of contract.

- Unlike IFRS Accounting Standards, under NCP there is no default measurement model for insurance contracts. The specific measurement model to apply depends on the type of contracts.

- Under NCP the measurement of an insurance contract that is issued by an insurance entity varies and depends on the type of contract.

- Unlike IFRS Accounting Standards, under NCP the initial recognition and subsequent measurement of insurance contracts depend on the type of contract.

8.1 Insurance contracts

(cont.)

- The requirements of the insurance contracts standard apply equally to reinsurance contracts issued. The GMM and PAA requirements are modified for reinsurance contracts held by an entity.
- An insurance contract is derecognised when it is extinguished or when the terms of the contract are modified in a way that would have significantly changed the accounting the contract had the new terms always existed.
- Insurance contracts acquired in a business combination or portfolio transfer are classified and measured as if they were newly written. Contracts acquired in a business combination are measured at the date of acquisition under the insurance contracts standards.
- The insurance contracts standard requires separate presentation of amounts relating to insurance contracts issued and reinsurance contracts held in the primary statements.

8.1 Insurance contracts

(cont.)

- Unlike IFRS Accounting Standards, under US GAAP all contracts, including contracts that may not be structured or described as reinsurance, and contract amendments are accounted for as reinsurance if they qualify for reinsurance accounting. To qualify for reinsurance accounting, a contract must indemnify the ceding entity against loss or liability relating to insurance risk.
- Like IFRS Accounting Standards, an insurance contract is derecognised when it is extinguished or in some cases when its terms are modified.
- Unlike IFRS Accounting Standards, under US GAAP the acquirer's classification of insurance contracts acquired in a business combination is carried forward by the acquirer. Like IFRS Accounting Standards, under US GAAP a liability for the acquired insurance contracts is measured in accordance with the acquirer's existing accounting policies.
- Like IFRS Accounting Standards, US GAAP requires the ceding entity to present amounts relating to insurance contracts issued separately from reinsurance contracts on the balance sheet.

8.1 Insurance contracts

(cont.)

- Like IFRS Accounting Standards, the requirements of the insurance contracts standard apply equally to reinsurance contracts issued.
- Like IFRS Accounting Standards, an insurance contract is derecognised when it is extinguished or when the terms of the contract are modified in a way that would have significantly changed the accounting the contract had the new terms always existed.
- Unlike IFRS Accounting Standards, insurance contracts acquired in a business combination or portfolio transfer are classified and measured following the same regulator rules as the previous owner, consequently, generally no measurement or classification changes.
- Unlike IFRS Accounting Standards, an entity presents in the primary statements a net amount for insurance contract and the related reinsurance contract.

8.1 Insurance contracts

(cont.)

- The insurance contracts standard contains extensive disclosure requirements to enable users of the financial statements to assess the impacts that insurance contracts have on an entity's financial position, financial performance and cash flows.

8.1 Insurance contracts

(cont.)

- Like IFRS Accounting Standards, there are extensive disclosure requirements under US GAAP, enabling users of the financial statements to understand the amount, timing and uncertainty of risks arising from insurance cash flows and the significant inputs, judgements, assumptions and methods used in measurement.

8.1 Insurance contracts

(cont.)

- Unlike IFRS Accounting Standards, local regulator provides a template for financial statements, in which an extensive split of primary statements figures is provided. In addition, local regulator requires the disclosure in notes of certain information in order to enable users of the financial statements to assess the impacts of insurance contracts on the entity's financial position and financial performance.

Appendix I - Effective dates: US GAAP

The following table shows the effective dates of Accounting Standards Updates (ASUs) issued by 31 October 2025 that are not yet effective for all entities. The titles have been condensed and are not necessarily the exact titles of the ASUs. For completeness, this table also includes the interim periods in which ASUs are effective. Not-for-profit entities and employee benefit plans are not in the scope of this publication and are therefore excluded. Amendments that comprise minor Codification improvements and conforming SEC content updates are also excluded.

For many ASUs, the effective date distinguishes between entities that are public business entities and other entities; the comparisons in this publication typically refer to public and non-public entities for simplicity. In some cases, the FASB may make a further distinction between SEC filers and non-SEC filers.

Since 2019, the FASB has sometimes made a further distinction in effective dates between SEC filers that are eligible to be 'smaller reporting companies' (under the SEC's definition) and other SEC filers. A smaller reporting company is a registrant that generally has a public float of less than \$250 million, or annual revenues of less than \$100 million (as of the most recent annual period for which audited financial statements are available) and a public float ranging from \$0 to less than \$700 million

A public business entity is a business entity (which excludes not-for-profit entities and employee benefit plans) that meets any of the following criteria.

- It is required by the SEC to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC.
- It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- It has issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market.
- It has one or more securities that are not subject to contractual restrictions on transfer, and is required by law, contract or regulation to prepare US GAAP financial statements (including notes) and make them publicly available on a periodic basis (e.g. interim or annual periods). An entity is required to meet both of these conditions to meet this criterion.

An entity may meet the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC. In this case, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC.

Unless otherwise noted, the effective dates in the following table should be read as periods in fiscal years beginning **after** the stated date.

In this table:

A = annual periods

I = interim periods

SRC = smaller reporting company

In this table:
A = annual periods
I = interim periods
SRC = smaller reporting company

	Chapter		Public business entities			All other entities	Early adoption allowed?
			SEC filers		Not an SEC filer		
			Not eligible to be an SRC	Eligible to be an SRC			
ASU 2025-07: Derivatives scope refinements and scope clarification for share-based non-cash consideration from a customer in a revenue contract	7.2	A	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	Yes
		I	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	
ASU 2025-06: Targeted improvements to the accounting for internal-use software	3.3	A	15 Dec 2027	15 Dec 2027	15 Dec 2027	15 Dec 2027	Yes
		I	15 Dec 2027	15 Dec 2027	15 Dec 2027	15 Dec 2027	
ASU 2025-05: Measurement of credit losses for accounts receivable and contract assets	7.8	A	15 Dec 2025	15 Dec 2025	15 Dec 2025	15 Dec 2025	Yes
		I	15 Dec 2025	15 Dec 2025	15 Dec 2025	15 Dec 2025	
ASU 2025-04: Clarifications to share-based consideration payable to a customer	4.2, 4.5	A	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	Yes
		I	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	
ASU 2025-03: Determining the accounting acquirer in the acquisition of a variable interest entity	2.6	A	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	Yes
		I	15 Dec 2026	15 Dec 2026	15 Dec 2026	15 Dec 2026	
ASU 2024-04: Induced conversions of convertible debt instruments	7.3	A	15 Dec 2025	15 Dec 2025	15 Dec 2025	15 Dec 2025	Yes
		I	15 Dec 2025	15 Dec 2025	15 Dec 2025	15 Dec 2025	
ASU 2024-03: Disaggregation of income statement expenses; ASU 2025-01: Clarifying the effective date	4.1, 4.1A	A	15 Dec 2026	15 Dec 2026	15 Dec 2026	N/A	Yes
		I	15 Dec 2027	15 Dec 2027	15 Dec 2027	N/A	
ASU 2024-01: Stock compensation – Scope application of profit interest and similar awards	.1	A	Effective	Effective	Effective	15 Dec 2025	Yes
		I	Effective	Effective	Effective	15 Dec 2025	
ASU 2023-09: Improvements to income tax disclosures	.2	A	Effective	Effective	Effective	15 Dec 2025	Yes
		I	N/A	N/A	N/A	N/A	
ASU 2022-05: Financial services – Insurance – Transition for sold contracts	8.1	A	Effective	Effective	Effective	Effective	Yes
		I	Effective	15 Dec 2025	15 Dec 2025	15 Dec 2025	

In this table:

A = annual periods

I = interim periods

SRC = smaller reporting company

In this table:
A = annual periods
I = interim periods
SRC = smaller reporting company

	Chapter		Public business entities			All other entities	Early adoption allowed?
			SEC filers		Not an SEC filer		
			Not eligible to be an SRC	Eligible to be an SRC			
ASU 2020-11: Finance services – Insurance – Effective date and early application	8.1	A	Effective	Effective	Effective	Effective	Yes
		I	Effective	15 Dec 2025	15 Dec 2025	15 Dec 2025	
ASU 2018-12: Financial services - Insurance – Targeted improvements to the accounting for long-duration contracts; ASU 2020-11: Financial services – Insurance - Deferral of effective date	8.1	A	Effective	Effective	Effective	Effective	Yes
		I	Effective	15 Dec 2025	15 Dec 2025	15 Dec 2025	

Notes:

1. The amendments in this ASU are not (fully) included in this publication because they are too detailed relative to the differences highlighted.
2. The amendments in this ASU are not included because they impact disclosures that are not the focus of this publication.

Appendix II - Effective dates: NCP

Effective dates of RT 54, RT 56 and RT 59 by jurisdiction follows:

Jurisdiction	Effective date
Buenos Aires	January 1, 2025. Early adoption is allowed.
Catamarca	July 1, 2024. Early adoption is allowed.
City of Buenos Aires	January 1, 2025. Early adoption is allowed.
Chaco	January 1, 2025. Early adoption is allowed.
Chubut	January 1, 2025. Early adoption is allowed.
Córdoba	January 1, 2025. Early adoption is allowed.
Corrientes	July 1, 2024. Early adoption is allowed.
Entre Ríos	January 1, 2025. Early adoption is allowed.
Formosa	July 1, 2024. Early adoption is allowed.
Jujuy	January 1, 2025. Early adoption is allowed.
La Pampa	January 1, 2025. Early adoption is allowed.
La Rioja	RT 56: July 1, 2024. Early adoption is allowed.
Mendoza	RT 56: January 1, 2025. Early adoption is allowed.
Misiones	July 1, 2024. Early adoption is allowed.
Neuquén	July 1, 2024. Early adoption is not allowed.
Río Negro	July 1, 2024. Early adoption is allowed.
Salta	January 1, 2025.
San Juan	January 1, 2025. Early adoption is not allowed.
San Luis	RT 56: January 1, 2025. Early adoption is not allowed.
Santa Cruz	January 1, 2025. Early adoption is allowed.
Santa Fe	July 1, 2024. Early adoption is allowed.
Santiago del Estero	January 1, 2026. Early adoption is allowed.
Tierra del Fuego, Antártida e Isla del Atlántico Sur	January 1, 2025. Early adoption is allowed.
Tucumán	January 1, 2025. Early adoption is allowed.

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