



On the Radar

Comparing IFRS Accounting Standards and U.S. GAAP: Bridging the Differences

Although U.S. GAAP and IFRS® Accounting Standards are built on largely similar concepts and often lead to similar accounting outcomes, there are many differences in the specific accounting requirements. Therefore, it can be difficult to directly compare financial statements that have been prepared under these different standards. Accordingly, professionals need to be mindful of the differences between U.S. GAAP and IFRS Accounting Standards when preparing, aggregating, consolidating, comparing, or interpreting financial information that involves both sets of accounting standards. For example, knowledge of such differences may be important when:

- U.S. entities negotiate transaction terms with entities that report under IFRS Accounting Standards (and vice versa).
- U.S. entities acquire entities that report under IFRS Accounting Standards (and vice versa).
- U.S. entities consolidate subsidiaries or other foreign operations that report under IFRS Accounting Standards (and vice versa).
- U.S. entities raise capital in foreign markets (or vice versa).
- U.S. entities provide financial statement information to a parent entity or other investors that report under IFRS Accounting Standards (and vice versa).

- Entities transition from IFRS Accounting Standards to U.S. GAAP (or vice versa).
- Practitioners seek to compare financial statement information prepared under U.S. GAAP and IFRS Accounting Standards.

Background

In 2002, the FASB and the International Accounting Standards Board (IASB®) set up a formal collaboration program that aimed to achieve convergence on major financial reporting topics. As a result of their collaboration, the boards issued largely converged accounting guidance on revenue recognition, business combinations, and fair value measurement, and the accounting guidance on stock compensation and earnings per share is also largely converged. However, the boards were unable to reach agreement on converged solutions in all areas; for example, despite initially working together on leases and credit losses, they were unable to converge their guidance on those topics. In addition, their objective of developing converged guidance on the classification and measurement of financial instruments, the distinction between liabilities and equity, derecognition of financial assets, and the accounting for postemployment benefits never made significant progress and proved unattainable. After the boards issued a largely converged revenue recognition standard in 2014, their joint work program was discontinued.

Although the differences between U.S. GAAP and IFRS Accounting Standards that are most significant to an entity will depend on its industry and activities, there are certain differences that entities commonly encounter. Some of these more significant differences pertain to financial assets (e.g., classification, derecognition, and measurement of credit impairments), financial liabilities (e.g., distinguishing liabilities from equity and bifurcation of convertible debt), and leases (e.g., subsequent measurement of right-of-use assets and presentation for certain leases). See Deloitte’s Roadmap [Comparing IFRS Accounting Standards and U.S. GAAP: Bridging the Differences](#) for more detailed discussions of these topics.

In recent years, the two boards have been working largely independently of each other. For example, the IASB has issued a new standard on insurance contracts, and the FASB has issued ASUs to refine its guidance on revenue recognition, leases, stock compensation, and hedge accounting and has made significant changes to its guidance on convertible debt. Even when addressing similar issues, the boards have often formed different views; for example, they have each issued different guidance to address reference rate reform. Differences can be highlighted by interpretive bodies. For example, the IFRS Interpretations Committee has issued a large number of agenda decisions that affect how IFRS Accounting Standards are interpreted and applied.

Looking Ahead

As of the date of this publication, both the FASB and the IASB have a significant number of projects on their respective agendas to consider improvements to their existing guidance. Some look at common issues, but many of the issues are being addressed by only one board. During 2021, both the FASB and the IASB invited stakeholders to provide feedback as part of their agenda consultation processes. This feedback is likely to shape the boards’ respective agendas for several years into the future. Thus, both sets of accounting standards are likely to continue to change over the foreseeable future, and the issuance of new or revised guidance has the potential to create even more differences between the two sets of standards or to change the nature of existing differences.

Deloitte’s Roadmap [Comparing IFRS Accounting Standards and U.S. GAAP: Bridging the Differences](#) provides an overview of key differences between IFRS Accounting Standards and U.S. GAAP. Entities should also consider other Deloitte Roadmaps, which contain more detailed descriptions of the differences between the two standards on specific financial reporting topics.

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