

US GAAP, Indian GAAP and IAS/IFRS

Summary Of Significant Differences between US GAAP, Indian GAAP and International Accounting Standards.

Particulars	Indian GAAP	US GAAP	IFRS
1. Revenue Recognition	Revenues are recognized when all significant risks and rewards of ownership are transferred or on a percentage of completion basis. No detailed industry specific guidelines.	Industry specific revenue recognition guidelines. Could be different from what I-GAAP has recognized.	Revenues are recognized when all significant risks and rewards of ownership are transferred.
2. Balance sheet	Conforms to statute and captions are in the following order : --Equity and reserves --Debt --Fixed assets --Investments --Net current assets --Deferred expenditure and --Accumulated losses Required only for the current year with the prior year comparatives.	Balance sheet captions are presented in order of liquidity starting with the most liquid assets, cash. Also requires disclosure of movements in stockholders' equity, including the number of shares outstanding for all years presented.	Balance sheet captions are presented in the inverse order of liquidity i.e. illiquid items appear earlier. Requires disclosure of either changes in equity or changes in equity other than those arising from capital transactions with owners and distribution of owners.
3. Correction of fundamental errors	Include effect in current year income Statement.	Restate comparatives. Adjustments required to be made to previously issued financial statements.	Include cumulative effect in current year income statement. For material items, restate comparatives.
4. Derivative and other financial instrument- Measurement of hedges of foreign entity investments.	No definitive standard yet. New standard on financial instruments: Recognition and Measurement is presently under formulation.	Gains/losses on hedges of foreign entity investments recognized in equity. All hedge ineffectiveness recognize in the income statement. Gains/losses held in equity must be transferred to the income statement on disposal of investment.	Similar to US GAAP. Except, ineffectiveness of non-derivatives recognized in equity.

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5. Comprehensive income	No standards, not required.	Unrealized gains/losses on investment and Foreign currency translation disclosed as a separate component of equity.	Option to present a statement that shows all changes or only those changes in equity that did not arise from capital transactions with owners or distributions to owners.
6. Derivatives and other financial instruments – measurement of derivative instruments and hedging activities.	No definitive standard yet. New Standard on financial instruments: Recognition and Measurement is presently under formulation.	Measure derivatives and hedge instrument at fair value: recognize changes in fair value in income statement except for effective cash flow hedges, defer in equity until effect of the underlying transaction is recognized in the income statement. Gains/losses on hedge instrument used to hedge forecast transaction, included in cost of asset/liability.	Similar to US GAAP. Gains/losses on hedge instrument used to hedge forecast transaction, included in the cost of asset/liability (basis adjustment).
7. Business Combinations	Restricts the use of pooling of interest method to circumstances which meet the criteria listed for an amalgamation in the nature of a merger. In all other cases, the purchase method is used.	Only accounted for by the purchase method. Several differences can arise in terms of date of combination, calculation Of share value to use for purchase price, especially if the I-GAAP method is 'amalgamation'.	Business combinations under IFRS should be accounted for as an acquisition (purchase method). Where an acquirer cannot be identified then the pooling of interests method should be adopted.
8. Cash Flow Statement	Mandatory only for listed companies and companies meeting certain turnover conditions.	Mandatory for all entities.	Mandatory for all entities.

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9. Property, Plant and Equipment	Use historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or selection of assets for revaluation is made on a systematic basis. No current restriction on frequency of valuation.	Revaluations not permitted. Tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.	Use historical cost or revalued amounts. . On revaluation, an entire class of assets is revalued.
10. Share Issue Expenses	May be accounted for as deferred expenses and amortized.	Expenses are written off when incurred against proceeds of capital.	There is no specific requirement under IFRS.
11. Dividends	Dividends are reflected in the financial statements of the year to which they Relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the Board/shareholders. If the approval is after the year end, the dividend is not considered as a subsequent event to adjust the financials.	Dividends are classified as a financial liability and are reported in the income statement as an expense. If dividends are declared subsequent to the balance sheet date, it is not recognized as a liability.
12. Leases	Similar to US GAAP but, no quantitative thresholds defined.	Leases are classified as capital and operating leases as per certain criteria. Capital leases are included under property, plant and equipment of the lessor. Lease rentals on operating leases are expensed as incurred. Quantitative thresholds have been defined.	Similar to US except that the criteria for distinguishing between capital and revenue leases is different.
13. Prior period adjustments	Prior period items are separately disclosed in the current statement of Profit and Loss together with their nature and amount in a manner that their impact on current profit and loss can be perceived.	Correction of an error in previously issued financial statement is recognized by restating previously issued financial statements.	Prior period errors are generally corrected in the current financial statements. However, where the error is of such significance that the prior period financial statements cannot be considered to have been reliable at the date of their issue, the error should be corrected by adjusting the opening retained earnings.

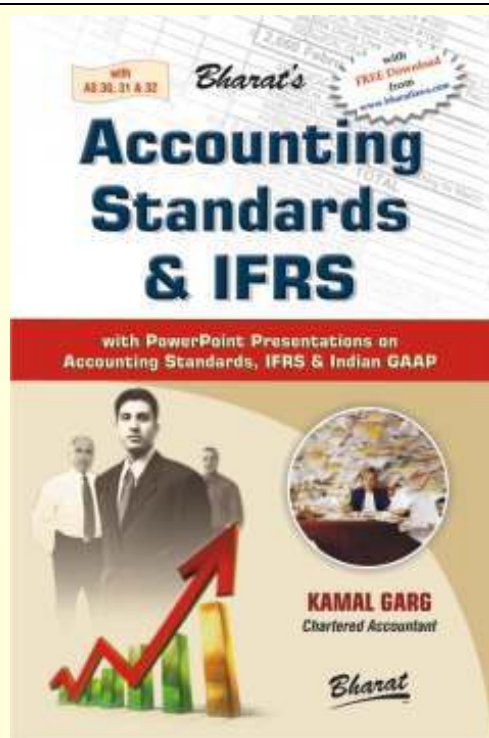
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14. Accounting for Foreign Currency Transactions	Exchange differences on foreign currency transactions are recognized in the profit and loss account with the exception that exchange differences related to the acquisition of fixed assets adjusted to the carrying cost of the relevant fixed asset.	All exchange differences are included in determining net income for the period in which differences arise.	All exchange differences are included in determining net income for the period in which differences arise.
15. Goodwill	Goodwill is capitalized and tested for impairment annually. Except for goodwill from amalgamation, which is amortized over 3-5 years.	Goodwill is not amortized but goodwill is to be tested for impairment annually.	Goodwill is amortized to expense on a systematic basis over its useful life with a maximum of twenty years. The straight line method should be adopted unless the use of any other method can be justified.
16. Negative Goodwill (i.e. the excess of the fair value of net assets acquired over the aggregate purchase consideration)	Negative goodwill is credited to the capital reserve account, which is a component of stockholders' equity.	Negative goodwill is allocated to reduce proportionately the value assigned to non-current assets. Any remaining excess is considered to be extraordinary gain.	Negative goodwill that relates to expectations of future losses and expenses should be recognized as income when the future losses and expenses are recognized. Where it does not relate to identifiable future losses and expenses, an amount not exceeding the fair values of the acquired identifiable non-monetary Assets should be recognized as income on a systematic basis over the remaining weighted average useful life of such assets and the balance, if any immediately charged to income.
17. Related parties	Determined by ability to control or to exercise significant influence over the other party. Detailed disclosure required of all material related party transactions. Mandatory for listed companies and companies meeting certain turnover threshold.	Related parties are determined based on common ownership and control. Disclosure required of all material related party transactions, in particular, the nature of relationship involved, a description of the transactions, the amounts of the transactions, the amounts of the transactions for the financial year and the amount due from or to related parties at the end of the financial year.	Similar to US GAAP except that the existence of related parties are to be disclosed even if there are no transactions during the period.

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18. Pension / Gratuity / Post Retirement Benefits	Required to be mandatorily provided Based on either actuarial valuation or Contribution to a defined plan. Follows AS-15, Acturial gain/losses are recognized immediately.	To be provided for and funded based on acturial valuation. Significant disclosure requirements exist. Acturial gains/losses are amortized.	To be provided for and funded based on acturial valuation. Significant disclosure requirements exist. Acturial gains/losses are amortized.
19. Stock Options to Non-Employees	No specific guidance	Complex guidance with respect to measurement date and timing of recognition of expense.	Disclosures required but, no guidance on recognition and measurement.
20. Balance sheet	Does not need segregation of current and non-current portions of assets and liabilities. .	Segregation necessary.	Disclosed only as part of the footnotes.
21. Stock based Compensation	SEBI requires compensation cost to be recognized based on intrinsic value or fair value. Not mandatory for un-listed companies.	US GAAP had similar rules as what SEBI later required. However, there is new standard effective 2005, which requires fair value to be expensed for all options.	Compensation costs to be disclosed. Recognition of compensation costs is not mandatory.
22. Investment and Marketable Securities.	Only unrealized depreciation on AFS (Available-For-Sale) securities is recognized in the income statement.	Both appreciation and depreciation (if unrealized) is recognized as Other Comprehensive Income. Separate standard for treatment of cost of development of computer software.	Similar to US GAAP. Except option to recognize gains/losses in AFS e either income statement or equity. However, the selection is a one-time option. No guideline under IFRS.

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23. Segment Information	Specific requirements govern the format and content of a reportable segment and the basis of identification of a reportable segment. The information for disclosure is to be prepared in conformity with the accounting standards used for the company as a whole.	Disclose revenues, profits and assets identified by product and geographically of each reportable segment. Segments based on information reviewed by CODM (Chief Operating Decision Maker)	Largely similar to US GAAP requirements however, mandatory only for listed companies. Segment liabilities are also to be shown.
24. JV (Jointly controlled assets or corporation)	Allows proportionate consolidation	Generally only uses Equity method of accounting except certain specified industries such as Oil and Gas.	Allows either Equity method or proportionate consolidation.
25. Research and development costs	Deferred where technical or commercial feasibility is established and the enterprise has adequate resources to enable the product or process to be marketed.	Research costs can be capitalized and amortized as intangible assets in the following cases: Research costs related to activities conducted for others, costs unique to extractive industries and cost of intangibles which have alternative future uses. All other costs are Charged to expense as and when incurred.	Deferred where technical or commercial feasibility is established and the enterprise has adequate resources to enable the product or process to be marketed.

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