

END OF QUARTER IAS



CHAPTER 12- INTANGIBLES

Contrary to my prior assertions, IAS has many differences with respect to intangibles. Consequently MUCH convergence (and probably controversy) will be required.

09:17

Chapter 12

SIMILARITIES:

- Expense Research
- In process R&D acquired may be capitalized under both (not emphasized in initial Chapter 12 discussion)

R & D gets split

DIFFERENCES:

- Capitalize Development costs once the technology's feasibility is established.
- Capitalize some internally generated intangibles (like branding), when (1) measurable and (2) future benefit reasonably assured.
- Impairment testing required each period.
 - Measured as Book value compared to the higher of (a) fair value less cost to sell and (b) present value of future cash flows.
- Impairment reversal for held for use assets permitted.

CHAPTER 13- LIABILITIES & CONTINGENT LIABILITIES

GAIN CONTINGENCY:

USGAAP says insurance recoveries may be recorded as an asset (and a reduction to the loss) if Probable, IAS requires that the recovery be "Virtually Certain".

LOSS CONTINGENCY:

If a range of probable loss exists, then IAS books midpoint (USGAAP books the lower end of the range)

NOTE: Recording the fair value of guarantees that we covered in this chapter is an example of already completed "convergence" which results in such similarity.

CHAPTER 14

Its not in the chapter, but what the heck:
USGAAP allows for recording a liability for
"restructuring" charges, but the criteria are
pretty stringent and include a provision that
the employees impacted by the restructuring
be notified

- . IAS is more lax and allows for booking the
restructuring charge once management has
committed to a plan.

Chapter 15

As discussed in 136A IAS reports fair value of
fixed assets: unrealized gains & losses of
fixed assets go directly to equity (similar to
OCI/ AOCI but called "Valuation Surplus")

- IAS can report this in SoRIE OR a more
traditional USGAAP statement of
stockholder's equity.

09:17

CHAPTER 16

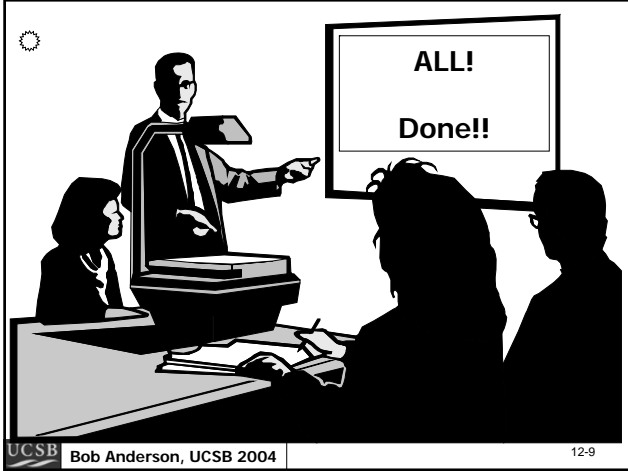
New term: Bifurcate
Split one combined thing into two things.

IAS "Bifurcates" convertible debt by allocating the
value of the stock feature to equity (USGAAP puts it
all to debt and deals with the conversion if it
happens).

Some differences exist related to complex GAAP and
those differences are "converging"... we'll let those
slide and wait to see where it comes out.

CHAPTER 17

- IAS calls Equity Investments "Associate
Investment"
- Your text indicates that USGAAP uses a
"Bipolar" approach to consolidation (because
variable interest entities don't use a "control"
based framework), however that ignores the
updates to FIN 46 via FAS 167 which makes
it a "circle" back to control and hence,
perfectly in line with IAS!



09:17