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.

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

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

It’s 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.

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!