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DIFFERENCES AND REASONS IN IASB ACCOUNTING STANDARDS BETWEEN SMALL AND LARGE COMPANIES

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Abstract

This paper studies the main differences in accounting standards of the International Accounting Standards Board (IASB) between small and large companies, materialised in the dissimilarities between the International Financial Reporting Standard for Small and Medium-sized Entities and the full International Financial Reporting Standards, as of 2010. Another element of this project is the analysis of the reasons behind the differences between the two aforementioned frameworks, which intends to expose the rationale and the mindset that led to an adaptation of the full standards in a stand-alone document designed for small companies.

Introduction

Since 2001, the International Accounting Standards Board (IASB) aimed at developing global accounting standards and promoting their rigorous application, as well as finding solutions for the convergence of national accounting standards, always taking into account the difference in scope between large and small-sized entities.

While numerous full standards were continuously released, the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), a publication which aggregated all standards adapted for SMEs, was only issued in July 2009 after years of preliminary discussion.

According to IFRS for SMEs, small and medium-sized entities are entities that do not have public accountability and publish general purpose financial statements for external users. For the scope of this analysis, a company is *small* if it falls in this definition and *large* otherwise, which turns the comparison between IFRS for SMEs and full IFRSs (as of 2010) into the main purpose of this research.

However, it would be virtually unattainable, to the extent of this research, to specify all dissimilarities that could possibly arise between two broad sets of accounting frameworks. Thus, this report is only intended to analyse the main differences between IFRS for SMEs and the corresponding full standards.

The main motivation to do this work is the fact that Portugal, instead of producing its own framework, could adopt IFRS for SMEs in which case it would have to determine what entities should use the standard, what could represent an important policy instrument. With this in mind, a relevant study would be to identify and explain the main differences between IFRS for SMEs and full IFRSs. Another reason is that IASB is nowadays the most important organism in the world setting accounting standards.

Differences between full IFRS and IFRS for SMEs[i]

With the objective of better analyzing the differences between the two accounting standards, all financial assets and liabilities were excluded from the scope of this study. Each of the following sections will cover an item of the IFRS for SMEs and the corresponding full standard, following the order of appearance in IFRS for SMEs.

Inventories

IAS 2 *Inventories*[ii] and section 13 of IFRS for SMEs

Both standards define inventories as assets held for sale in the normal course of business, in the process of production for such sale or in the form of supplies to be consumed in either the production process or rendering of services. Section 13 of IFRS for SMEs and the full standard also coincide in scope: each standard applies to all inventories except work in progress arising under construction contracts, financial instruments, biological assets from agricultural activity and agricultural produce at the point of harvest. Inventories held by producers of agricultural or forest products and commodity brokers or dealers are measured at fair value less costs to sell in income, in profit or loss (P&L), and are not covered by this standard.

Regarding measurement, standards do not differ much as they define that inventories should be measured at the lower of two criteria: cost or net realisable value (estimated selling price less costs to complete and sell). Any costs incurred in the purchase, conversion or in bringing the assets to their present location and condition are considered under both IFRS for SMEs and IAS 2, and the accepted techniques for measuring costs comprise standard cost method, retail method or most recent purchase price, while cost formulas can be either First In First Out (FIFO) or weighted average cost for each class of inventories with similar nature and use (LIFO is not allowed under both standards).

The two frameworks again coincide by stating that impairment should be assessed at the end of each reporting period: inventories should be accounted at net realisable value, and if inventories are damaged, obsolete or simply less valuable in the market, the impairment loss is recognised in P&L. And when inventories are sold, their carrying amount should be recognised as an expense in the same period of the related revenue. As we could see, there are no significant differences between IFRS for SMEs and full IFRS concerning inventories.

Investment property

IAS 40 *Investment Property*[iii] and section 16 of IFRS for SMEs

In terms of scope, the only difference between IFRS for SMEs and full IFRS is that investment properties, where its fair value cannot be measured reliably without undue cost or effort, are explicitly excluded for the purpose of this analysis under IFRS for SMEs, being accounted as property, plant and equipment. However, there is no further guidance on what should be understood as undue cost or effort.

The definition of investment property, either under IFRS for SMEs or full IFRS, covers property held by the owner, or by the lessee under a finance lease, to earn rentals and/or to benefit from capital appreciation.

At initial recognition, investment property should be measured at its cost. The only difference between full IFRS and IFRS for SMEs is the fact that borrowing costs are capitalised under the full standard if they are directly attributable to the acquisition, construction or production of a qualifying asset. Subsequently, under IFRS for SMEs, investment property must be measured at fair value at the end of each reporting period, if fair value can be reliably measured without undue cost or effort, with changes being recognised in profit or loss. On the other hand, under full IFRS there are two methods for subsequent measurement of investment property: cost or revalued amount, less accumulated amortisation and impairment losses.

Property, plant and equipment

IAS 16 *Property, Plant and Equipment*[iv] and section 17 of IFRS for SMEs

In terms of scope, there is no significant difference between IFRS for SMEs and full IFRS, as both standards refer to the same field of analysis. Due to this, it is not surprising that the definitions of property, plant and equipment proposed by the two sets of standards coincide word by word, covering any tangible asset that is "held for use in the production or supply of goods and services, for rental to others or for administrative purposes", and at the same time is "expected to be used during more than one period".

Regarding recognition, both frameworks determine that entities shall recognise the cost of property, plant and equipment as an asset only if two conditions are met: firstly, it has to be expected that future economic benefits associated with the item will flow to the entity; and secondly, it has to be possible to measure the cost of the item reliably.

Concerning initial measurement, IFRS for SMEs explicitly excludes borrowing costs from the cost of property, plant and equipment, while the other components are the same as the ones in full IFRS, namely "purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management", and "the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located".

For subsequent measurement, IFRS for SMEs accepts only the cost model - cost less accumulated depreciation or impairment losses - while full IFRS allows the entity to choose between the cost model and the revaluation model - revaluated amount less accumulated depreciation and impairment losses - with a special remark stating that the model should be the same for items on the same class of property, plant and equipment.

Furthermore, the standards agree that “the depreciable amount of an asset must be allocated on a systematic basis over its useful life”. However, the depreciation method, useful life or residual value can vary if current expectations differ - due to technological advancement, or changes in the market prices, for example - and so it is possible for the company to review its assumptions. Under IFRS for SMEs the review can occur only if there is evidence that it is necessary, while under full IFRS the review occurs at the end of each financial year. A special note under both standards for assets with major components: if major components have different patterns of consumption, the firm must allocate the initial asset cost to the major components and depreciate them separately.

Furthermore, an asset of property, plant and equipment must be derecognised either on disposal or when no future economic benefits are expected, and the entity must recognise the subsequent profit or loss on derecognition. In this section, full IFRS has some additional information on the gains or losses at disposal, but only in details.

Intangible assets other than goodwill

IAS 38 *Intangible Assets*[v] and section 18 of IFRS for SMEs

In terms of scope, IFRS for SMEs includes all intangible assets held for sale in the normal course of the business activities, except for goodwill, financial assets, mineral rights and mineral reserves. Full IFRS goes one step further and also excludes from scope exploration and evaluation assets, as well as extraction of minerals, oil, natural gas and similar resources.

The definition of intangible asset is the same under both full IFRS and IFRS for SMEs, and classifies it as an identifiable (meaning separable or arising from contractual/legal rights) non-monetary asset with no physical substance.

Regarding recognition, an important difference exists between full IFRS and IFRS for SMEs. The full standard defines that an intangible asset is recognised if it is expected that there will be future benefits to the firm and at the same time its cost can be reliably measured, while the standard for SMEs accepts these two conditions but excludes any internally generated items to be capitalised to the balance sheet. This could affect for instance the pharmaceutical industry or any other sectors related to research, where intangible assets are internally generated.

Concerning initial measurement, the only difference between the two standards refers to when the asset is acquired by way of a government grant, as under full IFRS these assets can be measured at fair value of the grant or at the nominal amount, while IFRS for SMEs defines fair value as the only measure.

For subsequent measurement, the standard for SMEs is again autocratic and defines cost less accumulated amortisation and impairment losses as the single way to measure intangible assets, while full IFRS adds the option of revalued amount less accumulated amortisation and impairment losses, by reference to an active market.

As to amortisation, an interesting difference exists between the two standards, as SMEs are not allowed to have intangible assets classified as assets with indefinite useful life, while companies under the full standard are. In the case of SMEs, if the useful life of the asset is not determinable then it is assumed to be 10 years, a period seen as normal.

The residual value is permitted if there is a commitment to acquire the asset by a third party, or an active market, and here there is no difference between the two sets of standards. However, IFRS for SMEs differs from IFRS as there is no requirement to review residual values, useful life and amortisation method at each reporting date. Furthermore, full IFRS contains some additional guidance on the derecognition details, but the standards do not differ in substance, and an intangible asset can be derecognised on disposal or when no future economic benefits are expected.

Goodwill

IFRS 3 *Business Combinations*[vi] and section 19 of IFRS for SMEs

Both frameworks define goodwill as an asset representing the "future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised". However, there are significant differences when it comes to measurement.

Under IFRS for SMEs goodwill is initially measured as the excess of cost of the business combination in the net fair value of the recognised assets and liabilities (including contingent liabilities), while full IFRS initially measures goodwill as the excess of the aggregate value of the business combination (fair value of the consideration transferred + any non-controlling interests in the acquiree + fair value of the acquirer's previous equity holdings in the acquiree) over the net fair value of the assets and liabilities assumed, with all fair values being measured at acquisition date.

Regarding amortisation, IFRS for SMEs differs from the full standard by requiring that goodwill is amortised over its useful life (which is assumed to be 10 years if there is no reliable measure), as well as by demanding that goodwill is tested for impairment when there is indication that it might exist. In contrast, full IFRS does not allow the amortisation of goodwill but requires impairment testing at least annually.

Leases

IAS 17 *Leases*[vii] and section 20 of IFRS for SMEs

A lease is an agreement for the transfer of the right to use an asset in return for payment. It is possible to distinguish two types of leases: a finance lease transfers all risks and rewards accompanying ownership, while an operating lease does not[1]. In general terms there are no differences between the two standards.

IFRS for SMEs and full IFRS apply to the same kind of leases, and regarding recognition again there is no difference between IFRS for SMEs and full IFRS, as both define that leases are classified as either finance or operating leases at inception. Lessors face finance income over the lease term and profit or loss from the sale of the leased asset, while lessees recognise the rights and obligations of use under finance leases as assets and liabilities, and lease payments under operating leases as expenses.

Initial measurement is different for each party and type of lease, but approximately the same under the two standards. Concerning lessees, finance leases are initially measured at fair value or the present value of minimum lease payments if lower, while operating leases are expensed on a basis that represents the use of the asset. IFRS for SMEs introduces the only difference by stating that if payments increase with expected inflation they are expensed only when payable.

[1] An exposure draft was issued on 17 August 2010 with the goal of creating a new accounting model, introducing “right-of-use” concepts instead of operating and capital leases

With respect to lessors, finance leases are receivables at the gross investment in the lease discounted at the implicit interest rate, while operating leases are presented as assets in the balance sheet according to its nature and are recognised on a basis that represents the use of the asset (unless payments increase with expected inflation, in which case they are expensed when payable, again under IFRS for SMEs). A special note regarding operating leases: the two sets of standards agree in adding initial costs of the lease arrangement to the carrying amount of the asset, which will be expensed over the lease term on the same basis as the lease income.

In terms of subsequent measurement of finance leases, lessors allocate finance income over the lease term reflecting constant periodic rate of return on lessor's net investment, while lessees use effective interest method to apportion minimum lease payments between finance charges and reduction of the liability and again the standards coincide.

Provisions

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*[viii] and section 21 of IFRS for SMEs

Both full IFRS and IFRS for SMEs apply to all provisions, with the exclusions from scope being also very similar and referring to items related to construction contracts, executory contracts unless they are onerous, employee benefit obligations, income tax and leases, in general terms[2]. The two definitions also coincide by stating that provisions are liabilities of uncertain timing or amount, while liabilities are present obligations of the entity arising from past events.

Concerning recognition the similarities arise again and it is said in both sets of standards that an entity recognises a provision only when it has a present obligation as a result of a

[2] In June 2005 the Board published an Exposure Draft of proposed amendments to IAS 37

past event. With respect to initial measurement, the standards are identical and impose the amount recognised as provision to be the best estimate of the expenditure required, defining the details the details of what is the best estimate, as well as the rules applicable to the case in which there is the effect of time value of money (the solution is to use a pre-tax discount rate reflecting current market assessments).

Subsequently, the two standards determine that entities shall review the estimate of provisions at the end of each reporting period and adjust through profit or loss. Regarding derecognition, there are some minor differences between the two frameworks, but in general terms both determine that a provision should be derecognised when all obligations were settled.

Government grants

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*[ix] and section 24 of IFRS for SMEs

Government grants include any assistance from the government in return for past or future compliance with certain conditions relating to the operations of the entity, according to both full IFRS and IFRS for SMEs. The standards also determine that any assistance in the form of tax benefits or similar is not covered by this section. There are no significant differences between the two standards in terms of scope for government grants, only in details. IFRS for SMEs explicitly excludes forms of government assistance where value cannot be assessed reliably, as well as normal trading transactions. On the other hand, full IFRS excludes from scope government participation in the ownership of the entity, as well as government grants covered by IAS 41 (Agriculture).

Grants are measured at fair value of the asset received or receivable under IFRS for SMEs, and are recognised according to its nature. A grant with no future performance conditions imposed is recognised in income when the proceeds are receivable, while a grant with future performance conditions is recognised in income only when the conditions are complied with. In case grants are received before the income recognition criteria are satisfied, grants will be recognised as liability at a first moment and they can only move to income when the conditions are met.

However, under full IFRS the rule is that all grants, including non-monetary grants, are not recognised until there is reasonable assurance that the grants will be received and the entity will meet the underlying conditions. Furthermore, under IAS 20, grants are recognised in profit or loss over the periods in which the entity recognises as expenses the related costs.

Borrowing costs

IAS 23 *Borrowing Costs*[x] and section 25 of IFRS for SMEs

Borrowing costs include interest and other costs that the firm necessarily incurs when it decides to borrow funds. This concept includes interest expense (under the effective interest method), finance charges (in respect of finance leases) and exchange differences that can occur when the firm is borrowing money in a different currency. In terms of scope, the only difference between the two frameworks is the fact that IFRS does not include any scope exemption, while full IFRS does not apply to borrowing costs related to the acquisition, construction or production of qualifying assets provided that they are measured at fair value (e.g. biological assets), or inventories that are produced in large scale.

With respect to recognition, IFRS for SMEs determines that all borrowing costs are expensed in profit or loss in the period in which they occur, while the full standard states that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised (all other borrowing costs are expensed). IFRS for SMEs seems simpler as entities will not need to compute borrowing costs to capitalise, however that can vary according to the industry.

Impairment of assets

IAS 36 *Impairment of Assets*[xi] and section 27 of IFRS for SMEs

The impairment of assets section applies to all assets other than those which have specific impairment rules on their section. Between IFRS for SMEs and full IFRS, although the wording of scope requirements differs, and the full standard has an extended list of exclusions (the same as IFRS for SMEs plus inventories, assets from construction contracts and from insurer's contractual rights, and non-current assets held for sale), in practice there are no relevant differences.

Both standards define that an asset is impaired when its carrying amount is greater than its recoverable amount, which in turn is the higher of its value in use (present value of all future cash flows derived from the asset) and its fair value less costs to sell (this measure can be better obtained in an arm's length transaction or in an active market). Regarding recognition, IFRS for SMEs differs from full IFRS as it does not allow the use of revaluation models, forcing all losses to be recognised in P&L immediately.

At the end of each reporting period, both types of entities must assess whether there is evidence that an asset is impaired considering both internal and external sources of information, and the existence of such indication forces the entity to estimate the recoverable amount of the asset. Full IFRS goes one step further and apart from the general rule it requires an annual impairment test specifically for intangible assets and goodwill, and that is the only difference between the two standards regarding the issue.

With respect to goodwill impairment there are no relevant differences between the two standards. Both define that goodwill acquired should be allocated to each cash-generating units profiting from the synergies of the combination, an only if this cannot be done the impairment of goodwill is tested by determining the recoverable amount of the entire acquired entity or the entire group of entities. Additionally, regarding reversals, IFRS contains some further information on the topic but both frameworks state that an impairment loss recognised for goodwill must not be reversed in a subsequent period.

Employee benefits

IAS 19 *Employee Benefits*[xii] and section 28 of IFRS for SMEs

Under both sets of standards, employee benefits are all forms of benefits given in exchange for service of employees, including directors and management. The two scope sections apply only to employee benefits that are not covered specifically.

Regarding short-term employee benefits, no differences exist between the two standards, and the entity recognises these benefits when an employee has rendered a service during the reporting period, measuring them at the undiscounted amount of the benefits expected to be paid.

As to post-employment benefit plans, these are classified as either defined contribution plans (the entity pays fixed contributions into a separate entity and has no obligation to pay further contributions) or defined benefit plans (the remaining plans) and there is no relevant difference between the standards.

Regarding defined contribution plans, an entity recognises the contribution payable for a period as a liability after deducting the amounts paid, and as an expense unless another section requires differently, and the only difference between the two frameworks is that full IFRS defines the details for discounting contributions that do not fall within 12 months after the end of the period of the service rendering.

Concerning defined benefit plans, some relevant differences exist between the standard for SMEs and the full standard, one of them being the fact that IFRS for SMEs allows the projected credit unit method to be simplified. The second major difference is that under the standard for SMEs all actuarial gains and losses must be recognised in full, but entities can choose between the recognition through profit and loss or in other comprehensive income, while under IAS 19 firms can also use the “corridor approach”, a way to delay recognition of losses.

Other long-term employee benefits are recognised as a liability measured at the present value of the obligations less the fair value of any assets, at reporting date. The requirements are the same under both frameworks, but IFRS for SMEs does not state how to measure the defined benefit obligation, while IAS 19 requests the use of the projected credit unit method. As to termination benefits, these are recognised as a liability and an expense if the entity is committed either (i) to terminate the employment of workers before normal retirement date or (ii) to provide termination benefits under an offer to encourage voluntary redundancy, and the two sets of standards only differ in details.

Income tax

IAS 12 *Income Taxes*[xiii] and section 29 of IFRS for SMEs

Regarding scope, income taxes are defined under both sets of standards as all domestic and foreign taxes based on taxable profit, including taxes payable by a subsidiary, associate or joint venture on distributions to the reporting entity. Full IFRS explicitly excludes taxes that are not based on taxable profit, such as value-added taxes or stamp duties, as these should be accounted for according to the standards applying to the underlying item, while IFRS for SMEs does it implicitly.

Under IFRS for SMEs, the tax base of an asset (liability) is determined by the tax consequences that would arise if it were recovered through sale (settled) for its carrying amount at the reporting date. However, under the full standard, "the tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to the entity when it recovers the carrying amount of the asset" (symmetric definition is provided for the liability case). In other words, under the full standard, management's expectation on the recovery of the carrying amount of the asset can affect the tax base.

Regarding deferred tax assets that were not recorded under the full standard, they will have to be recorded under IFRS for SMEs with offsetting valuation allowances, and this will force SMEs to do some additional tracking.

Concerning uncertain tax positions, the additional requirements for SMEs will enforce them to a greater effort, when compared to companies under full IFRS, to document and measure their positions. As to backward tracing, tax expenses must be recognised in the same component of comprehensive income or equity as the event that resulted in the tax expense, and there are no relevant differences between the two standards.

Furthermore, the full standard currently requires a deferred tax asset (or liability) to be recognised for all deductible (or taxable) temporary differences except for the initial recognition exceptions detailed in IAS 12, while IFRS for SMEs only describes how to account for temporary differences on the initial recognition of goodwill. Regarding investments, the standard for SMEs limits the exception (of not recognising deferred tax assets or liabilities for temporary differences) to foreign subsidiaries, branches, associates and joint ventures.

The applicable tax rate for measuring current and deferred taxes, under both sets of standards, is the rate applicable to undistributed profits until the entity recognises a liability to pay a dividend.

Summary of main differences and reasons

This section is intended to capture the fundamentals and the rationale supporting the differences between the two standards, since it is possible to identify the logic behind the process that led to an adaptation of the full standards in a stand-alone document for SMEs.

IFRS for SMEs was written in a very simple and clear language, which makes it easier to translate. The standard is directed to a different audience, and there was an obvious intention of making it simple to use as well as to facilitate the convergence of the different national laws, with the ultimate goal of normalizing the accounting standards for small entities worldwide, which would offer them credibility and access to capital, for example.

Furthermore, SMEs are different from large companies, being more averse to risk and less capable to cope with change and complexity, and that is the reason why revisions to the IFRS for SMEs will be limited to once every three years. Also, several rules for the recognition and measurement of classes of items are simplified in IFRS for SMEs, such as the principles of amortising goodwill and expensing all borrowing and costs.

Again for simplicity reasons, IFRS for SMEs only allows the easier option of the accounting policies available in full IFRS. For example, there is no option to revalue property or intangibles, and there is no option for subsequent measurement of investment property if fair value is determinable without undue cost or effort.

Finally, as mechanisms of control, IFRS for SMEs explicitly excludes internally generated intangible assets to be capitalised to the balance sheet, and it does not allow SMEs to have intangible assets classified as assets with indefinite useful life, defining 10 years as a rule of thumb when useful life is not determinable. Additionally, for SMEs, grants are only recognized when receivable.

Conclusion

The global difference in accounting standards of the International Accounting Standards Board between small and large companies was introduced in July 2009 under the title of International Financial Reporting Standard for Small and Medium-sized Entities.

The IFRS for SMEs is a self-contained and globally recognised set of financial reporting principles specifically tailored for the needs and capabilities of smaller businesses. Written in a very simple language, it aims at homogenizing the accounting standards for small companies all over the world, bringing them enormous gains of different natures and ultimately contributing to their growth and development.

References

[i] **International Accounting Standards Board**, 2009, International Financial Reporting Standard for Small and Medium-sized Entities. London: IFRS Foundation

[ii] **International Accounting Standards Board**, 2010, International Accounting Standard 2 *Inventories*. London: IFRS Foundation

[iii] **International Accounting Standards Board**, 2010, International Accounting Standard 40 *Investment Property.* London: IFRS Foundation

[iv] **International Accounting Standards Board**, 2010, International Accounting Standard 16 *Property, Plant and Equipment.* London: IFRS Foundation

[v] **International Accounting Standards Board**, 2010, International Accounting Standard 38 *Intangible Assets.* London: IFRS Foundation

[vi] **International Accounting Standards Board**, 2010, International Financial Reporting Standard 3 *Business Combinations.* London: IFRS Foundation

[vii] **International Accounting Standards Board**, 2010, International Accounting Standard 17 *Leases.* London: IFRS Foundation

[viii] **International Accounting Standards Board**, 2010, International Accounting Standard 37 *Provisions, Contingent Liabilities and Contingent Assets.* London: IFRS Foundation

[ix] **International Accounting Standards Board**, 2010, International Accounting Standard 20 *Accounting for Government Grants and Disclosure of Government Assistance.* London: IFRS Foundation

[x] **International Accounting Standards Board**, 2010, International Accounting Standard 23 *Borrowing Costs.* London: IFRS Foundation

[xi] **International Accounting Standards Board**, 2010, International Accounting Standard 36 *Impairment of Assets*. London: IFRS Foundation

[xii] **International Accounting Standards Board**, 2010, International Accounting Standard 19 *Employee Benefits.* London: IFRS Foundation

[xiii] **International Accounting Standards Board**, 2010, International Accounting Standard 12 *Income Taxes.* London: IFRS Foundation

Appendix 1 – Table summarizing the main differences between the two standards

	IFRS for SMEs	Full IFRS
Inventories	No significant differences	No significant differences
Impairment of assets	Use of revaluation models is not allowed	Extended list of exclusions from scope. An annual impairment test is required
Investment property	Items are excluded if fair value cannot be measured reliably without undue cost or effort. Measurement at fair value only	Borrowing costs are capitalised if directly attributable to the acquisition. Measurement at cost or revalued amount less amortisation and impairment
Property, plant and equipment	Borrowing costs are explicitly excluded. Measurement only by cost model. Reviews on depreciation occur if there is evidence	Measurement by cost or revaluation models. Reviews on depreciation occur at year end
Intangible assets other than goodwill	It excludes any internally generated items to be capitalised to the balance sheet. Items acquired with government grants cannot be measured at nominal amount. Useful life cannot be indefinite (10-year rule)	Exploration and evaluation assets are excluded from scope. Measurement option of revalued amount less accumulated amortisation and impairment, in active market. Requirement to review amortisation
Goodwill	Initially measured as the excess of cost of the business combination in the net fair value of the recognised assets and liabilities. Impairment testing after evidence	Initially measured as the excess of the aggregate value of the business combination over the net fair value of the assets and liabilities assumed. Annual test of impairment, but no amortisation
Income taxes	Deferred tax assets have to be recorded. Additional requirements concerning uncertain tax positions. Only describes how to account for temporary differences on initial recognition	Taxes that are not based on taxable profit are excluded. Management's expectation on the asset's carrying amount recovery can affect the tax base
Employee benefits	Allows the projected credit unit method to be simplified. No corridor approach for recognition of actuarial gains and losses	The use of projected credit unit method is requested for the measurement of defined benefit obligations
Leases	If payments increase with expected inflation they are expensed only when payable	No mechanism regarding inflation
Provisions	No significant differences	No significant differences
Government grants	Any forms of government assistance where value cannot be assessed reliably, as well as normal trading transactions, are excluded. Grants are only recognized when receivable	It excludes from scope government participation in the ownership of the entity, as well as government grants covered by other standards. Grants are recognized if there is reasonable assurance
Borrowing costs	All borrowing costs are expensed in profit or loss in the period in which they occur.	It does not apply to borrowing costs related to the acquisition, construction or production of qualifying assets if they are measured at fair value, or large scale inventories. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.