

lfrs, us and prc gaap essay



**ASSIGN
BUSTER**

1. What is PRC GAAP? Generally accepted accounting principles ("GAAP") of the People's Republic of China ("PRC") come from a number of sources, majority of which represent the laws and regulations issued by the Ministry of Finance ("MOF"), and, listed company disclosures issued by the China Securities Regulatory Commission ("CSRC").

2. What is IFRS?

International Financial Reporting Standards ("IFRS"), often known the original International Accounting Standards ("IAS"), are a set of accounting standards. They are issued by the International Accounting Standards Board ("IASB"), an independent, international organization supported by the professional accountancy bodies. The objective is to achieve uniformity and transparency in the accounting principles that are used by businesses and other organizations for financial reporting around the world.

3. What is US GAAP? US GAAP represents a set of accounting rules used to prepare financial statements for publicly traded companies and many private companies in the United States. In order to administer the sophisticated capital market over the past one hundred years, US GAAP has been developed to one of the most comprehensive GAAPs in the world and is still being updated very frequently.

4. What are the main differences between PRC GAAP, IFRS and US GAAP??

Topic PRC GAAP | IAS/IFRS | US GAAP | General approach | Principle-based standards accompanied by detailed application guidance. | Principle-based standards with limited application guidance. | Same as IFRS | Ability to make

accounting choice| Few choices. | Some accounting choices allowed. Same as IFRS| Financial year end date| Required to be 31 December. | Not specified. | Same as IFRS| Complete set of financial statements| Balance sheet, income statement, equity statement, cash flow statement, statement of allowance for impairment, profit appropriation statement, statement segmental information, plus notes. | Balance sheet, income statement, equity statement, cash flow statement, plus notes. | Similar to IFRS| Classifications of assets in the balance sheet| Assets must be classified into current assets, long-term investments, fixed assets, intangible assets, and other assets.

Assets either are not classified or are classified into current and non-current.

| Same as IFRS| Classifications of liabilities in the balance sheet| Liabilities must be classified into current and non-current. | Liabilities either are not classified or are classified into current and non-current. | Same as IFRS|

Classification of expenses in the income statement| Classification by function| Classification by nature or by function. | Classification by function| Presentation of cash flows from operating activities| Must be presented using both direct method and indirect method. | May use either direct method or indirect method. Same as IFRS| Classification of interest received and paid in the cash flow statement| Interest paid must be classified as a financing activity. Classification of interest received depends on its nature. | May be classified as an operating, investing, or financing activity.

Must be classified as operating cash flows. | Presentation of extraordinary items in the income statement| " Abnormal" items, such as loss from a natural disaster, etc. , are presented as non-operating expenses or income in the income statement. Notes to disclose the nature are required if the

amounts are material. Rare, generally limited to expropriations, natural disasters, and acts of war. | Rare, negative goodwill is presented as an extraordinary item. | Non-mandated changes in accounting policy| Must restate prior financial statements unless impracticable. | May either restate prior financial statements or include as a cumulative effect in net profit and loss in the current financial statements. | Include effect in current year income statement.

Disclose pro-forma comparatives. | Short-term investments| Measured at the lower of cost and market value, with a write-down recognised in net profit or loss. Measured at fair value. If classified as held for trading, value changes are recognised in net profit or loss. If classified as available for sale, measured at fair value with value changes recognised either (a) in income statement or (b) in equity until the investment is sold. | Same as IFRS

5. What are the main differences between PRC GAAP, IFRS and US GAAP?? | Topic| PRC GAAP| IAS/IFRS| US GAAP| Dividends received on short-term investments| Reduce the carrying amount of the investment when received. | Recognised as revenue when received. | Similar to IFRS| Inventory| Use of LIFO permitted.

Reversal is required for subsequent increase of value of previous write-downs. | LIFO is prohibited. Reversal of write down is required. | Use of LIFO permitted. Reversal of write-down is prohibited. | Long-term investments in equity securities| Measured at cost less impairment, with a write-down recognised in income statement. | Measured at fair value with value changes recognised either (a) in income statement or (b) in equity until the

investment is sold. | Same as IFRS| Long-term investments in debt securities| Measured at amortised cost subject to impairment. If classified as held to maturity, measured at amortised cost subject to impairment.

If classified as available for sale, measured at fair value with value changes recognised either (a) in income statement or (b) in equity until the investment is sold. | Same as IFRS| Amortisation of premium or discount on long-term debt investments| May use the effective interest method or the straight line method. | Effective interest method. | Same as IFRS| Investment in convertible bonds| Conversion feature is not separately accounted for. Conversion feature is accounted for as an embedded derivative. | Same as IFRS| Basis of property, plant, and equipment| Generally required to use historical cost. Revaluations are not permitted. | May use either re-valued amount or historical cost which is lower. | Same as PRC GAAP| Property, plant, and equipment received as a capital contribution from owners| Measured at an amount agreed by all investing parties. | Fair value| Fair value| Exchanges of dissimilar fixed assets| Measured at the carrying amount of the asset surrendered.

No gain or loss is recognised. | Measured at fair value. Gain or loss is recognised. | Similar to IFRS| Profit or loss on disposal of fixed assets| Presented as a non-operating gain or loss. | Included in operating profit or loss. | Similar to IFRS| Measuring goodwill| Generally measured at the difference between the cost of the acquisition and the acquirer's share of the carrying amounts (book value) of net assets acquired. May be measured based on " appraised value" of net assets acquired if 100% of the shares of a company are acquired.

Measured at the difference between the cost of the acquisition and the acquirer's share of the fair values of net assets acquired. | Excess of cost of acquired entity over net of amounts assigned to identifiable assets and liabilities assumed. | Amortisation of goodwill| Amortise over the investment period, if any, stipulated in the investment contract. If none, amortise over not more than 10 years. | Amortise over its estimated useful life, which is presumed to be 20 years or less, subject to an impairment test. | Not amortised.

6. What are the main differences between PRC GAAP, IFRS and US GAAP?? | Topic| PRC GAAP| IAS/IFRS| US GAAP| Intangible asset received as a capital contribution from an owner| Measured at an amount agreed by all investing parties, except measured at the investor's carrying amount when contributed at the time of an initial issue of shares. | Measured at fair value. | Same as IFRS| Intangible assets received in a non-monetary transaction| Measured at carrying amount of asset surrendered.

Measured at fair value. Similar to IFRS| Amortisation of intangible assets| Amortise over the shorter of the estimated useful life and the contractual or legal life or, if no contractual or legal life, amortise over the estimated useful life, but not more than 10 years. | Amortise over the estimated useful life, which is presumed to be 20 years or less. | Not subject to regular amortization. The carrying amount is to be tested for impairment annually. | Land use right| Accounted for as a purchased asset until the construction or development commences; then accounted for as fixed assets under construction or as property development costs.

On completion, total costs are transferred to property, plant, and equipment or property held for sale. | Accounted for as an operating lease. Cost of land use rights is treated as prepaid lease payments. | Accounted for as fixed assets. Not amortised or depreciated unless impairment occurs. |

Measurement of revenue| Amount stipulated in the contract or an amount agreed to by the buyer and seller. | Fair value of the consideration received or receivable. | Similar to IFRS| Measurement of revenue when payment is deferred| Undiscounted amounts to be received. | Discounted present value of amounts to be received.

Fair value| Recognition of cash discounts for prompt payment| Expense. |

Either expense or reduction of revenue. | Same as IFRS| Research and development costs| Expense all research and development costs (except that patent registration and legal costs are capitalised). | Expense all research cost. Capitalise development costs if certain criteria are met. |

Same as PRC GAAP| Pre-operating expenses| Deferred until the entity begins operations. Then charged to expense. | Charged to expense when incurred. | Same as IFRS| Companies required to present segment information| Listed companies and other enterprises.

Listed companies only. | Same as IFRS| Disclosure items required for segments information| Both business and geographical segments. | More disclosure for primary segments than for secondary segments. | Similar to IFRS| Translation of a foreign operation that is integral to the parent's operations| Translation adjustments are deferred in equity. | Translation adjustments are included in income statement. | Similar to IFRS| Disclosure

of related party information in financial statements of wholly owned subsidiaries| Required. | Exempted. | Similar to IFRS