

# [Usgaap and igaap](https://assignbuster.com/usgaap-and-igaap/)

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Similarities and differences between U. S. GAAP and iGAAP Grade (31, March. Similarities and differences between U. S. GAAPand iGAAP   
The accounting principles are developed to assist accountants to account for various aspects of businesses, especially regarding the incomes generated by the firm and the costs incurred by the firm, with a view to establishing whether the business is running at a profit or loss (Ochoa, 2010). Nevertheless, there has been some disparity in the way certain elements of the incomes and costs are accounted for, under different accounting methods. The US GAAP and iGAAP bears some similarities as well as differences, in accounting for certain element of income and cost, notably regarding the accounting for the intangible assets.   
Similarities   
There is a similarity between both the US GAAP and iGAAP, regarding the treatment of the impairment of assets that are held for disposal (Ochoa, 2010). Under both accounting methods, the impairment of the assets that is held for disposal is to be treated as the difference between the assets carrying amount, and the assets fair value. This difference becomes the amount of the loss of value of the asset, which is to be treated as expenditure.   
The other similarity in the treatment of intangible assets; is in the treatment of intangible assets acquired through business combination, especially when such intangible assets can be treated as different from the goodwill. The differentiation in such assets exists, if such assets can be transferred, licensed, rented, or exchanged (McClenahen & Jusko, 2002). Under both the US GAAP and iGAAP, such asset should be treated as normal business assets.   
Differences   
There is a major disparity in the treatment of expenditure in research and development, under both the US GAAP and iGAAP. The US GAAP requires that all the expenditure that is incurred in the generation of internal intangibles to be factored in, as expenditure (Crovitz, 2008). Therefore, any costs involved in research and development is to be treated as expenditure, under US GAAP. However, the case is different under the iGAAP, which provides that there should be a distinction between the research expenses and the development expenses. The argument is that, the cost incurred in research has no certainty of generating future economic value, and thus it should be treated as expenditure (McClenahen & Jusko, 2002). On the other hand, all the costs incurred in development, which could lead to the generation of future income benefits, such as the development of brand value, should be treated as capital expenditure, and thus placed under capital (Ochoa, 2010).   
While both US GAAP and iGAAP treat the assets acquired through business combination as normal assets; if it can be differentiated from the goodwill, the two methods of accounting treat the in-process research and development (IPR&D) differently (Crovitz, 2008). While the US GAAP requires that such asset be written off, the iGAAP requires that the value of such assets be measure reliably, and included as part of the business asset. The other difference between the US GAAP and iGAAP is that, the iGAAP allows for more recognition of the internally generated intangible assets. This has created the differences that require to be harmonized, so that the two accounting methods can operate under the same basis.   
References   
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