

US GAAP vs. IFRS: Key Differences

Category	US GAAP	IFRS
Inventory Valuation	Allows both FIFO and LIFO methods	Only FIFO is permitted; LIFO is prohibited
Fixed Assets	Uses historical cost model; fair value revaluation is rare	Allows revaluation to fair value for property, plant & equipment
Revenue Recognition	Follows ASC 606 with detailed guidance	Follows IFRS 15, similar principles but less prescriptive
Development Costs	Expensed as incurred	Capitalized if certain criteria are met
Impairment of Assets	Two-step test for impairment (recoverability and measurement)	One-step test based on recoverable amount
Leases	ASC 842 requires most leases to be capitalized	IFRS 16 requires nearly all leases to be on the balance sheet
Contingent Liabilities	Recognized when probable and estimable	Recognized when more likely than not
Financial Statement Format	Prescribed formats and terminology	More flexibility in presentation
Extraordinary Items	Permitted under specific conditions	Not allowed
Fair Value Measurement	Detailed guidance under ASC 820	Less prescriptive, broader principles