

IFRS  
US GAAP  
Swiss GAAP FER

Summary of similarities  
and differences

2007/2008 Edition

# IFRS – US GAAP – Swiss GAAP FER

## Summary of similarities and differences

2007/2008 Edition

This PricewaterhouseCoopers publication is for those who wish to gain a broad understanding of the key similarities and differences between **IFRS, US GAAP** and **Swiss GAAP FER**. No summary publication can do justice to the many differences of detail that exist between **IFRS, US GAAP** and **Swiss GAAP FER**. Even if the guidance is similar, there can be differences in the detailed application, which could have a material impact on the financial statements. It needs to be stressed that this brochure deals with the main differences only. Many more pages would be needed to be more comprehensive, but that was not our objective with this publication.

This publication focuses on the measurement similarities and differences most commonly found in practice. When applying the individual accounting frameworks, readers should consult all the relevant accounting standards and, where applicable, their national law. Listed companies should also follow relevant securities regulations.

**IFRS** and **US GAAP** are globally acknowledged accounting standards for which a broad range of theoretical background, interpretations and literature is available. **Swiss GAAP FER** focuses on accounting for small and medium sized organisations and groups based in Switzerland; if there are questions that are not answered by a respective standard, the general principle of a true and fair view should be applied.

This summary is based on **IFRS** and **US GAAP** developments up to August 2007 and on **Swiss GAAP FER** as applicable from January 1, 2007. It does not cover Swiss GAAP FER 14 Consolidated financial statements of insurance companies, Swiss GAAP FER 21 Accounting for charitable, social non-profit organisations and Swiss GAAP FER 26 Accounting of pension plans.

We trust you will find this publication useful in helping you identify the key differences between **IFRS, US GAAP** and **Swiss GAAP FER**.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
<b>Accounting framework</b>			
Historical cost or valuation	Generally uses historical cost, but intangible assets, property, plant and equipment (PPE) and investment property may be revalued to fair value. Derivatives, certain other financial instruments and biological assets are revalued to fair value.	No revaluations except for certain types of financial instrument.	Basically, historical cost convention applies. However, for several balance sheet positions <b>Swiss GAAP FER</b> defines deviations from that convention (fair value) or allows choices between two options.
First-time adoption of accounting framework	Full retrospective application of all <b>IFRS</b> effective at the reporting date for an entity's first <b>IFRS</b> financial statements, with some optional exemptions and limited mandatory exceptions. Reconciliations of profit or loss in respect of the last period reported under previous GAAP, of equity at the end of that period and of equity at the start of the earliest period presented in comparatives must be included in an entity's first <b>IFRS</b> financial statements.	First-time adoption of <b>US GAAP</b> requires retrospective application. There is no requirement to present reconciliations of equity or profit or loss on first-time adoption of <b>US GAAP</b> .	First-time adoption requires a presentation of the prior year balance sheet in compliance with <b>Swiss GAAP FER</b> only.
<b>Financial statements</b>			
Components of financial statements	Two years' balance sheets, income statements, cash flow statements, changes in equity and accounting policies and notes.	Similar to <b>IFRS</b> , except three years required for SEC registrants for all statements except balance sheet. Specific accommodations in certain circumstances for foreign private issuers that may offer relief from the three-year requirement.	Similar to <b>IFRS</b> .
Balance sheet	Does not prescribe a particular format. A liquidity presentation of assets and liabilities is used, instead of a current/non-current presentation, only when a liquidity presentation provides more relevant and reliable information. Certain minimum items are presented on the face of the balance sheet.	Entities may present either a classified or non-classified balance sheet. Items on the face of the balance sheet are generally presented in decreasing order of liquidity.  SEC registrants should follow SEC regulations.	A minimum structure is required. Several items have to be disclosed separately on the face of the balance sheet or within the notes.
Income statement	Does not prescribe a particular format. A current/non-current presentation of assets and liabilities is used unless a liquidity presentation provides more relevant and reliable information. Certain minimum items are presented on the face of the balance sheet.	Present as either a single-step or multiple-step format.  Expenditures are presented by function.  SEC registrants should follow SEC regulations.	A minimum structure is required, either by nature or by function. Several items have to be disclosed separately on the face of the income statement or within the notes.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Exceptional (significant) items	Does not use the term but requires separate disclosure of items that are of such size, incidence or nature that separate disclosure is necessary to explain the performance of the entity.	Similar to <b>IFRS</b> , but individually significant items are presented on the face of the income statement and disclosed in the notes.	Does not use the term exceptional, but significant items are to be disclosed separately.
Extraordinary items	Prohibited.	Defined as being both infrequent and unusual, and are rare. Negative goodwill is presented as an extraordinary item.	Defined as being extremely rare in the context of the ordinary operations and as being not predictable.
Statement of recognised income and expense (SoRIE)/ Other comprehensive income and statement of accumulated other comprehensive income	A SoRIE can be presented as a primary statement, in which case a statement of changes in shareholders' equity is not presented. Alternatively, it may be disclosed separately within the primary statement of changes in shareholders' equity.	Total comprehensive income and accumulated other comprehensive income are disclosed, presented either as a separate primary statement or combined with the income statement or with the statement of changes in stockholders' equity.	Not addressed.
Statement of changes in shareholders' (stockholders') equity	Statement shows capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity. The statement is presented as a primary statement except when a SoRIE is presented. In this case, only disclosure in the notes applies.	Similar to <b>IFRS</b> except that <b>US GAAP</b> does not have a SoRIE, and SEC rules permit the statement to be presented either as a primary statement or in the notes.	Similar to <b>IFRS</b> except SoRIE alternative. Certain minimum disclosures of components of equity and changes in equity.
Cash flow statements – format and method	Standard headings but limited guidance on contents. Use direct or indirect method.	Similar headings to <b>IFRS</b> , but more specific guidance for items included in each category. Direct or indirect method used.	Similar to <b>IFRS</b> , but with more guidance regarding contents and with examples of non-cash transactions.
Cash flow statements – definition of cash and cash equivalents	Cash includes cash equivalents with maturities of three months or less from the date of acquisition and may include bank overdrafts.	Similar to <b>IFRS</b> , except that bank overdrafts are excluded.	Cash includes cash equivalents with maturities of three months or less from the balance sheet date and may include bank overdrafts.
Cash flow statements – exemptions	No exemptions.	Limited exemptions for certain investment entities and defined benefit plans.	Similar to <b>IFRS</b> .
Changes in accounting policy	Comparatives and prior year are restated against opening retained earnings, unless specifically exempted.	Similar to <b>IFRS</b> .	Prior year financial statements have to be restated. The notes need to disclose why the accounting principle has changed, the nature of the change and its financial impact.
Correction of errors	Comparatives are restated and, if the error occurred before the earliest prior period presented, the opening balances of assets, liabilities and equity for the earliest prior period presented are restated.	Similar to <b>IFRS</b> .	Prior year financial statements have to be restated. Explanation and quantitative disclosure of the effects of errors within the notes.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Changes in accounting estimates	Reported in income statement in the current period and future, if applicable.	Similar to <b>IFRS</b> .	Changes in accounting estimates are to be reported in the income statement in the current period and future, if applicable, and to be disclosed within the notes.

### Consolidated financial statements

Consolidation model	Based on control, which is the power to govern the financial and operating policies. Control is presumed to exist when parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power. Control also exists when the parent owns half or less of the voting power but has legal or contractual rights to control, or de facto control (rare circumstances). The existence of currently exercisable potential voting rights is also taken into consideration.	A bipolar consolidation model is used, which distinguishes between a variable interest model and a voting interest model.  The variable interest model is discussed below. Under the voting interest model, control can be direct or indirect and may exist with less than 50% ownership. 'Effective control', which is a similar notion to de facto control under <b>IFRS</b> , is very rarely if ever employed in practice.	Control principle applies. Control is presumed to exist when parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power.  Control also exists when the parent owns half or less of the voting power but has legal or contractual rights to control (e.g. shareholder commitment contract, majority in the supervisory body/management body).
Special purposes entity (SPE)	Consolidated where the substance of the relationship indicates control.	Variable interest entities (VIEs) are consolidated when the entity has a variable interest that will absorb the majority of the expected losses, receive a majority of the expected returns, or both.  A voting interest entity, in which the entity holds a controlling financial interest, is consolidated.  If a SPE meets the definition of a qualified SPE (QSPE), the transferor does not consolidate the QSPE.	Organisations with a differing business activity are to be considered in the scope of consolidation. This also applies, as a matter of principle, for SPEs.
Definition of associate	Based on significant influence, which is the power to participate in the financial and operating policy decisions; presumed if 20% or greater interest.	Similar to <b>IFRS</b> , although the term "equity investment" is used instead of "associate".	Comparable to <b>IFRS</b> . Voting rights $\geq 20\%$ and $< 50\%$ and control cannot be exercised.
Presentation of associate results	Equity method is used. Share of post-tax results is shown.	Similar to <b>IFRS</b> .	Comparable to <b>IFRS</b> .
Disclosures about associates	Detailed information on associates' assets, liabilities, revenue and profit/loss is required.	Similar to <b>IFRS</b> .	Not addressed. However, significant balance sheet information of non-consolidated organisations has to be disclosed if the value of those investments exceeds 20% of the group's equity. If associated organisations report goodwill such goodwill will need to be disclosed within the notes.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Associate's accounting policies	Adjustments are made for consolidation purposes to the associate's policies to conform to those of the investor.	No adjustment to accounting policies is required if the associate follows an acceptable alternative <b>US GAAP</b> treatment.	Similar to <b>IFRS</b> .
Presentation of jointly controlled entities (joint ventures)	Both proportional consolidation and equity method permitted.	Equity method required except in specific circumstances.	Similar to <b>IFRS</b> .
Employee share (stock) trusts	Consolidated where substance of relationship indicates control (SIC-12 model). Entity's own shares held by an employee share trust are accounted for as treasury shares.	Similar to <b>IFRS</b> except where specific guidance applies for Employee Stock Ownership Plans (ESOPs) in SOP 93-6.	Not addressed.

### Business combinations

Types: acquisitions or mergers	All business combinations are acquisitions, thus the purchase method is the only method of accounting that is allowed.	Similar to <b>IFRS</b> .	Not addressed.
Purchase method – fair values on acquisition	<p>Assets, liabilities and contingent liabilities of acquired entity are fair valued. If control is obtained in a partial acquisition of a subsidiary, the full fair value of assets, liabilities and contingent liabilities, including portion attributable to the minority (non-controlling) interest, is recorded on the consolidated balance sheet. Goodwill is recognised as the residual between the consideration paid and the percentage of the fair value of the business acquired.</p> <p>Liabilities for restructuring activities are recognised only when acquiree has an existing liability at acquisition date. Liabilities for future losses or other costs expected to be incurred as a result of the business combination cannot be recognised.</p>	<p>There are specific differences to <b>IFRS</b>.</p> <p>Contingent liabilities of the acquiree are recognised if, by the end of the allocation period:</p> <ul style="list-style-type: none"> <li>• their fair value can be determined, or</li> <li>• they are probable and can be reasonably estimated.</li> </ul> <p>Specific rules exist for acquired in-process research and development (generally expensed).</p> <p>Some restructuring liabilities relating solely to the acquired entity may be recognised if specific criteria about restructuring plans are met.</p>	<p>Comparable to <b>IFRS</b>. Net assets taken over in an acquisition are to be valued at fair values. Goodwill is recognised as the surplus of acquisition cost over the newly valued net assets and to be capitalised as an intangible asset.</p> <p>Contingent liabilities and restructuring liabilities not specifically addressed.</p>
Purchase method – contingent consideration	Included in cost of combination at acquisition date if adjustment is probable and can be measured reliably.	Generally, not recognised until contingency is resolved and the amount is determinable.	Not addressed.
Purchase method – minority interests at acquisition	Stated at minority's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities.	Stated at minority's share of pre-acquisition carrying value of net assets.	Not addressed, but treatment would need to be disclosed as part of the consolidation principles.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Purchase method – intangible assets with indefinite useful lives and goodwill	Capitalised but not amortised. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually at either the cash-generating unit (CGU) level or groups of CGUs, as applicable.	Similar to <b>IFRS</b> , although the level of impairment testing and the impairment test itself are different.	Goodwill: Either capitalise and amortise over useful life (normally five years; disclose the goodwill separate in the balance sheet or within the notes) or allocate directly to retained earnings at acquisition date only (in this case separate disclosure within the statement of changes in equity necessary and the effects of a theoretical capitalisation as well as of any impairment and ordinary amortisation have to be presented within the notes).  For intangible assets with a useful life that cannot be clearly determined an amortisation period of five years is applied, in justified cases a period of twenty years at the most.
Purchase method – negative goodwill	The identification and measurement of acquiree's identifiable assets, liabilities and contingent liabilities are reassessed. Any excess remaining after reassessment is recognised in income statement immediately.	Any remaining excess after reassessment is used to reduce proportionately the fair values assigned to non-current assets (with certain exceptions). Any excess is recognised in the income statement immediately as an extraordinary gain.	Not addressed, but treatment would need to be disclosed as part of the consolidation principles.
Business combinations involving entities under common control	Not specifically addressed. Entities elect and consistently apply either purchase or pooling-of-interest accounting for all such transactions.	Generally recorded at predecessor cost; the use of predecessor cost or fair value depends on a number of criteria.	Not addressed.

### Revenue recognition

Revenue recognition	Based on several criteria, which require the recognition of revenue when risks and rewards and control have been transferred and the revenue can be measured reliably.	Similar to <b>IFRS</b> in principle, although there is extensive detailed guidance for specific types of transactions that may lead to differences in practice.	Comparable to <b>IFRS</b> . Income is the inflow of benefits in the reporting period through increase of assets and/or decrease of liabilities that increase shareholders' equity without receiving an investment from the shareholders. Income is only recognised if the related changes of assets and/or liabilities may be reliably determined.
Multiple-element arrangements	Revenue recognition criteria are applied to each separately identifiable component of a transaction to reflect the substance of the transaction – e.g. to divide one transaction into the sale of goods and to the subsequent servicing of those goods. No further detailed guidance exists.	Arrangements with multiple deliverables are divided into separate units of accounting if deliverables in arrangement meet specified criteria outlined in EITF 00-21. Specific guidance exists for software vendors with multiple-element revenue arrangements.	Not addressed.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Construction contracts	Accounted for using percentage-of-completion (PoC) method. Completed contract method is prohibited.	Similar to <b>IFRS</b> ; however, completed contract method is permitted in rare circumstances.	Accounted for using the PoC method. Completed contract method required if preconditions for PoC method are not met.

### Expense recognition

Interest expense	<p>Recognised on an accruals basis using the effective interest method.</p> <p>Interest incurred on borrowings to construct an asset over a substantial period of time is capitalised as part of the cost of the asset.</p>	<p>Similar to <b>IFRS</b>.</p> <p>Similar to <b>IFRS</b> with some differences in the detailed application.</p>	<p>Not addressed, in practice similar to <b>IFRS</b>.</p> <p>Interest incurred on borrowings to construct tangible fixed assets and inventories including long-term contracts may be capitalised.</p>
Employee benefits: pension costs – defined benefit plans	<p>Projected unit credit method is used to determine benefit obligation and plan assets are recorded at fair value. Actuarial gains and losses can be deferred. If actuarial gains and losses are recognised immediately, they can be recognised outside the income statement.</p>	<p>Similar to <b>IFRS</b> but with several areas of difference in detailed application. Actuarial gains and losses cannot be deferred and are recognised in accumulated other comprehensive income with subsequent amortisation to the income statement.</p>	<p><b>Swiss GAAP FER</b> make use of the financial statements of the respective pension fund, if any. An organisation has to assess annually whether an economical benefit or economical obligations from a pension plan (and from a patronage fund) exists. <b>Swiss GAAP FER</b> alternatively allow the application of an international accounting standard (e.g. <b>IFRS, US GAAP</b>) in presenting the economical impact of pension obligations; however, entities applying this option only use respective prescriptions for pension obligations.</p>
Employee share-based payment transactions	<p>Expense for services purchased is recognised based on the fair value of the equity awarded or the liability incurred.</p>	<p>Similar model to <b>IFRS</b>, although many areas of difference exist in application.</p>	<p>Not addressed.</p>
Termination benefits	<p>Termination benefits arising from redundancies are accounted for similarly to restructuring provisions. Termination indemnity schemes are accounted for based on actuarial present value of benefits.</p>	<p>Four types of termination benefits with three different timing methods for recognition. Termination indemnity schemes are accounted for as pension plans; related liability is calculated as either a vested benefit obligation or according to the actuarial present value of benefits.</p>	<p>Termination benefits are accounted for as provisions and do not fall within the scope of <b>Swiss GAAP FER 16</b> Pension benefit obligations.</p>

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
<b>Assets</b>			
Acquired intangible assets	Capitalised if recognition criteria are met; amortised over useful life. Intangibles assigned an indefinite useful life are not amortised but reviewed at least annually for impairment. Revaluations are permitted in rare circumstances.	Similar to <b>IFRS</b> , except revaluations are not permitted.	Capitalised if they yield measurable economic benefits over several years. Amortisation over useful life. If the useful life cannot be clearly determined an amortisation period of five years is applied, in justified cases one of twenty years at the most. For intangible assets related to individuals the useful life may not exceed five years.
Internally generated intangible assets	Research costs are expensed as incurred. Development costs are capitalised and amortised only when specific criteria are met.	Unlike <b>IFRS</b> , both research and development costs are expensed as incurred, with the exception of some software and website development costs that are capitalised.	Capitalisation allowed if recognition criteria are met. <b>Swiss GAAP FER</b> also mention expenses which cannot be capitalised (e.g. basic and applied research, internally generated goodwill).
Property, plant and equipment	Historical cost or revalued amounts are used. Regular valuations of entire classes of assets are required when revaluation option is chosen.	Historical cost is used; revaluations are not permitted.	Comparable to <b>IFRS</b> .
Non-current assets held for sale or disposal group	Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Comparative balance sheet is not restated.	Similar to <b>IFRS</b> .	Not addressed. Practical interpretations comparable to <b>IFRS</b> .
Leases – classification	A lease is a finance lease if substantially all risks and rewards of ownership are transferred. Substance rather than form is important.	Similar to <b>IFRS</b> , but with more extensive form-driven requirements.	Comparable to <b>IFRS</b> .
Leases – lessor accounting	Amounts due under finance leases are recorded as a receivable. Gross earnings allocated to give constant rate of return based on (pre-tax) net investment method.	Similar to <b>IFRS</b> , but with specific rules for leveraged leases.	Not addressed.
Impairment of long-lived assets held for use	Impairment is a one-step approach under <b>IFRS</b> and is assessed on the basis of discounted cash flows. If impairment is indicated, assets are written down to higher of fair value less costs to sell and value in use. Reversal of impairment losses is required in certain circumstances, except for goodwill.	Impairment is a two-step approach under <b>US GAAP</b> . Firstly, impairment is assessed on the basis of undiscounted cash flows. If less than carrying amount, the impairment loss is measured as the amount by which the carrying amount exceeds fair value. Reversal of losses is prohibited.	Similar to <b>IFRS</b> .

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Investment property	Measured at depreciated cost or fair value, with changes in fair value recognised in the income statement.	Treated the same as for other properties (depreciated cost). Industry-specific guidance applies to investor entities (for example, investment entities).	Measured at historical cost or market value. Revaluation adjustments on fixed assets kept for investment purposes and recognised at market value must be recognised in the income statement.
Inventories	Carried at lower of cost and net realisable value. FIFO or weighted average method is used to determine cost. LIFO prohibited.  Reversal is required for subsequent increase in value of previous write-downs.	Similar to <b>IFRS</b> ; however, use of LIFO is permitted.  Reversal of write-down is prohibited.	Comparable to <b>IFRS</b> , except that besides FIFO and weighted average method also LIFO and other methods are allowed to determine cost.
Biological assets	Measured at fair value less estimated point-of-sale costs, with changes in valuation recognised in the income statement.	Not specified. Generally historical cost used.	Comparable to <b>US GAAP</b> .
Financial assets – measurement	Depends on classification of investment – if held to maturity or loans and receivables, they are carried at amortised cost; otherwise at fair value. Gains/losses on fair value through profit or loss classification (including trading instruments) are recognised in income statement. Gains and losses on available-for-sale investments, whilst the investments are still held, are recognised in equity.	Similar accounting model to <b>IFRS</b> , with some detailed differences in application.	Financial assets (“Finanzanlagen”) are to be recognised at acquisition value. Securities as part of current assets are to be valued at fair value. Receivables are valued at par value. Liabilities are normally recorded at par value. Derivatives have to be valued depending on their classification (trading, hedging or other than trading or hedging).
Derecognition of financial assets	Financial assets are derecognised based on risks and rewards first; control is secondary test.	Significantly different model to <b>IFRS</b> and derecognition is based on control. Requires legal isolation of assets even in bankruptcy.	Only derecognition of derivatives addressed.

#### Liabilities

Provisions – general	Liabilities relating to present obligations from past events recorded if outflow of resources is probable (defined as more likely than not) and can be reliably estimated.	Similar to <b>IFRS</b> . However, ‘probable’ is a higher threshold than ‘more likely than not’.	Similar to <b>IFRS</b> .
Provisions – restructuring	Restructuring provisions recognised if detailed formal plan (identifying specified information) announced or implementation effectively begun.	Recognition of liability based solely on commitment to plan is prohibited. In order to recognise, restructuring plan has to meet the definition of a liability, including certain criteria regarding likelihood that no changes will be made to plan or that plan will be withdrawn.	General recognition criteria apply also for restructuring provisions. Decisions taken may allow recognising provision, also before detailed formal plan is announced.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Contingencies	Disclose unrecognised possible losses and probable gains.	Similar to <b>IFRS</b> .	Contingent liabilities need to be disclosed within the notes.
Deferred income taxes – general approach	Full provision method is used (some exceptions) driven by balance sheet temporary differences. Deferred tax assets are recognised if recovery is probable (more likely than not).	Similar to <b>IFRS</b> but with specific differences in application.	Comparable to <b>IFRS</b> . Deferred tax assets on temporary differences and on tax losses carried forward may only be capitalised if it is probable that they can be realised in the future through sufficient taxable profits.
Government grants	Recognised as deferred income and amortised when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. Entities may offset capital grants against asset values.	Similar to <b>IFRS</b> , except when conditions are attached to grant. In this case, revenue recognition is delayed until such conditions are met. Long-lived asset contributions are recorded as revenue in the period received.	Not addressed.
Leases – lessee accounting	Finance leases are recorded as assets and obligations for future rentals. Depreciated over useful life of asset. Rental payments are apportioned to give constant interest rate on outstanding obligation. Operating lease rentals are charged on straight-line basis.	Similar to <b>IFRS</b> . Specific rules should be met to record operating or capital lease.	Comparable to <b>IFRS</b> .
Leases – lessee accounting: sale and leaseback transactions	Profit arising on sale and finance leaseback is deferred and amortised. If an operating lease arises, profit recognition depends on whether the transaction is at fair value. Substance/linkage of transactions is considered.	Timing of profit and loss recognition depends on whether seller relinquishes substantially all or a minor part of the use of the asset. Losses are immediately recognised. Specific strict criteria should be considered if the transaction involves real estate.	For finance leases, profit arising on sale and finance leaseback is deferred and amortised. Losses have to be recognised immediately.
Financial liabilities versus equity classification	Capital instruments are classified, depending on substance of issuer's contractual obligations, as either a liability or equity.  Mandatorily redeemable preference shares are classified as liabilities.	Application of the <b>US GAAP</b> guidance may result in significant differences to <b>IFRS</b> , for example, certain redeemable instruments are permitted to be classified as “mezzanine equity” (i.e. outside of permanent equity but also separate from debt).	Not addressed.
Convertible debt	Convertible debt (fixed number of shares for a fixed amount of cash) is accounted for on split basis, with proceeds allocated between equity and debt.	Conventional convertible debt is usually recognised entirely as a liability, unless there is a beneficial conversion feature.	Not addressed.
Derecognition of financial liabilities	Liabilities are derecognised when extinguished. Difference between carrying amount and amount paid is recognised in income statement.	Similar to <b>IFRS</b> .	Not addressed.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
<b>Equity instruments</b>			
Capital instruments – purchase of own shares	Show as deduction from equity.	Similar to <b>IFRS</b> .	Similar to <b>IFRS</b> .
<b>Derivatives and hedging</b>			
Derivatives	<p>Derivatives not qualifying for hedge accounting are measured at fair value with changes in fair value recognised in the income statement.</p> <p>Hedge accounting is permitted provided that certain stringent qualifying criteria are met.</p>	Similar to <b>IFRS</b> . However, differences can arise in the detailed application.	Derivatives for trading purposes are to be recognised at fair value. For derivatives for hedging purposes, the same valuation principles as for the underlying hedged position can be applied instead of the valuation at fair values. Derivatives held for other motives than hedging or trading are to be valued at fair values or according to the lower of cost or market principle (in all cases consistent criteria for valuation have to be applied).
<b>Other accounting and reporting topics</b>			
Functional currency definition	Currency of primary economic environment in which entity operates.	Similar to <b>IFRS</b> .	Not addressed.
Functional currency – determination	If indicators are mixed and functional currency is not obvious, judgement is used to determine functional currency that most faithfully represents economic results of entity's operations by giving priority to currency that mainly influences sales prices and currency that mainly influences direct costs of providing the goods and services before considering the other factors.	Similar to <b>IFRS</b> ; however, no specific hierarchy of factors to consider. In practice, currency in which cash flows are settled is often key consideration.	Not addressed.
Presentation currency	When financial statements are presented in a currency other than the functional currency, assets and liabilities are translated at exchange rate at balance sheet date. Income statement items are translated at exchange rate at dates of transactions, or average rates if rates do not fluctuate significantly.	Similar to <b>IFRS</b> .	Financial statements in a foreign currency that are consolidated must be converted to the currency of the consolidated financial statements. Balance sheet items are to be converted at the exchange rates at the balance sheet date (alternatively use of average exchange rate for the last week or for the last month of the business period). Income statement and cash flow statement items may be converted at the exchange rates at the balance sheet date or at an average exchange rate for the period.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Earnings per share – diluted	IAS 33 is prescriptive about the procedure and methods used to determine whether potential shares are dilutive.  ‘Treasury share’ method is used for share options/warrants.	Similar in principle to <b>IFRS</b> , although there are differences in application.	Not addressed.
Related-party transactions – definition	Determined by level of direct or indirect control, joint control and significant influence of one party over another or common control by another entity.	Similar to <b>IFRS</b> .	Comparable to <b>IFRS</b> .
Related-party transactions – disclosures	Name of the parent entity is disclosed and, if different, the ultimate controlling party, regardless of whether transactions occur. For related-party transactions, nature of relationship (seven categories), amount of transactions, outstanding balances, terms and types of transactions are disclosed. Disclosure of compensation of key management personnel is required within the financial statements.	Similar to <b>IFRS</b> except that disclosure of compensation of key management personnel is not required within the financial statements.	Disclose a description, the volume and other significant conditions of the transaction. The identity of the related party has to be disclosed only if this is necessary for the understanding of the transaction. Related parties with whom no transactions have been carried out during the reporting period do not need to be disclosed.
Segment reporting – scope and basis of disclosures	Applies to public entities and entities that file, or are in the process of filing, financial statements with a regulator for the purposes of issuing any instrument in a public market. Reporting of operating segments is based on those segments reported internally to entity’s chief operating decision-maker for purposes of allocating resources and assessing performance.	Applies to SEC registrants. Basis of reporting is similar to <b>IFRS</b> .	Geographic market and business segment information necessary if business sectors differ significantly. Geographical markets may comprise more than one country.
Segment reporting – disclosures	Disclosures for operating segments are profit or loss, total assets and, if regularly reported internally, liabilities. Other items, such as external revenues, intra-segment revenues, depreciation and amortisation, tax, interest income, interest expense and various material items, are disclosed by segment where such items are included in the segment profit/loss or are reported internally. For geographical areas in which the entity operates, revenues and non-current assets are reported. Disclosure of factors used to identify segments and about major customers is required.	Similar disclosures to <b>IFRS</b> .	Breakdown of net sales from goods and services by geographic and business segments only.

SUBJECT	IFRS	US GAAP	Swiss GAAP FER
Discontinued operations – definition	Operations and cash flows that can be clearly distinguished for financial reporting and represent a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale.	Wider definition than <b>IFRS</b> . Component that is clearly distinguishable operationally and for financial reporting can be a reportable segment, operating segment, reporting unit, subsidiary or asset group.	Not addressed.
Discontinued operations – presentation and main disclosures	At a minimum, a single amount is disclosed on face of income statement, and further analysis disclosed in notes, for current and prior periods.	Similar to <b>IFRS</b> . Discontinued operations are reported as separate line items on face of income statement before extraordinary items.	Not addressed.
Post-balance-sheet events	Financial statements are adjusted for subsequent events providing evidence of conditions that existed at the balance sheet date and materially affecting amounts in financial statements (adjusting events). Non-adjusting events are disclosed.	Similar to <b>IFRS</b> .	Similar to <b>IFRS</b> .
Interim financial reporting	Contents are prescribed and basis should be consistent with full-year statements. Frequency of reporting (e.g. quarterly, half-year) is imposed by local regulator or is at discretion of entity.	Similar to <b>IFRS</b> . Additional quarterly reporting requirements apply for SEC registrants (domestic US entities only). Interim reporting requirements for foreign private issuers are based on local law and stock exchange requirements.	Preparation of an interim report optional, it might be required by local regulators. Condensed income statement and condensed balance sheet as a minimum. Those must include at least the major captions and subtotals that were reflected in the most recent annual financial statements. Financial information contained in the interim report must be prepared on the basis of the same principles as the annual financial statements.

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