



**The Adoption of the IFRS in the United States
Capital Markets and its Impact on the Consolidated
Financial statements of American Multinational
Corporations .**

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<p>Abstract:</p> <p>As Globalization continue to shape the world and making it one small village .the financial world has not been left behind in its quest to be integrated as a universal language.</p> <p>The purpose of this paper is to make a literature study which focuses on the International Financial Reporting Standards (IFRS). which is the most used in the accounting world .and how if adopted in the US financial market by the securities and exchange commission (SEC) could harmonize the workload of Auditors, Investors, Government and the General public in understanding, evaluating and reporting of the consolidated financial statements of American conglomerates Trading with the US Capital market and currently mandated to report only with the US-GAAP , and how the shift to the IFRS could be adjusted and consequently eliminating the cross boarder hitches often experienced in international trade.</p> <p>The paper also scrutinized the similarities and the differences of the IFRS and the US-GAAP. And also observe the benefits and challenges of the IFRS adoption.</p> <p>In order to make an informed decision, the author applied the qualitative research method by studying earlier updated literature on the subject from experts in the field through the books and academic journals that where easily accessed from Arcada university of applied Sciences library, google scholar as well as online articles written by academic experts on the subject from university professors to IFRS foundation to SEC website to FASB and IASB and the big four accounting firms KPMG,PWC, Deloitte and EY respectively.</p> <p>The outcome of the revision recommended that the world is ready and the world is waiting for the country with the biggest market capitalization to adopt the IFRS. with the vast majority of partakers in the American financial markets having the positive view of the adoption that includes the American corporations themselves and its capital markets i.e. NASDAQ,NYSE and OTC, however a few number of experts have a negative view on the adoption as they point on the case of sovereignty of standard setting .the mixed outlooks from the policy makers sets the delay tone for the adoption ,As every administration from policy makers comes with its own agenda and perception on how the financial system of the United States should be governed .</p> <p>Overall, the benefits of adoption outweigh the challenges regardless of the current political rhetoric coming from Washington.it is no longer the question of if but that of when for the full adoption of the IFRS in the united states capital market.</p>	
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TABLE OF CONTENTS

1. INTRODUCTION	6
1.1 Background	6
1.2 Research aim	9
1.4 Limitations	10
2.0 METHODOLOGY	11
2.1 Research Design	11
2.2 Data collections and Approach	12
3.0 THEORETICAL FRAMEWORK.....	13
3.1 International Financial Reporting Standards- IFRS	13
3.2 Historical background of the IFRS in the US capital market	13
3.2.1 <i>Notable milestones on the road to adoption of The IFRS.</i>	14
3.3 Comparisons between the US GAAP and the IFRS	15
3.4 Fundamental differences between IFRS and GAAP	19
3.5 Consolidation Procedure at a glance for US-GAAP and the IFRS	22
3.6 Consolidated financial statements - (CFS).....	23
3.6.2 <i>Consolidated financial statements difference between the US GAAP and the IFRS.</i>	24
3.7 Some IFRS Standards on Consolidation	24
3.7.1 <i>IFRS 1</i>	24
3.7.2 <i>The IFRS 10</i>	25
3.7.3 <i>The IFRS 3</i>	25
3.7.4 <i>IAS 1- Presentation of Financial Statements</i>	25
3.8 Benefit of IFRS adoption in the U.S	26
3.8.1 <i>on Corporate Management</i>	26
3.8.2 <i>on Investors</i>	26
3.9 Challenges of IFRS adoption in the U.S	27
3.9.1 <i>from law makers</i>	27
3.9.2 <i>On Human capital readiness</i>	27
3.9.3 <i>On Independence of standard setting process</i>	28
3.10 Current Developments	28
3.11 Case Study	29
4.0 Discussion and Conclusion	30
4.1 The Trump Effect.....	32
5.0 recommendations for future studies	33
6.0 LIST OF REFERENCES.....	34

7.0 Appendices	39
7.1 Appendix 1: Email reply from Philip	39
7.2 Appendix 2: Ford mail on IFRS Incorporation	40
7.3 Appendix 3: IFRS/US-GAAP Cash flow statement	41
7.4 Appendix 4: IFRS/US-GAAP Income statement	42
7.5 Appendix 5: IFRS/US-GAAP Balance sheet statement	43
7.6 Appendix 6: IFRS/US-GAAP Balance sheet statement	44
7.7 Appendix 7: IFRS/US-GAAP Cash flow statement	45

Figures

Fig 1- IFRS jurisdictions (Aug 2017) pwc.....	6
Fig 2. IFRS jurisdictions by region (2018).	7
Figure 3. IFRS consolidated financial statements (2014).	23
Figure 4, IFRS consolidation procedure (2014)	25

Tables

Table 1 Timeline of IFRS in US (2014)	15
Table 2. IFRS/US-GAAP Comparisons (kpmg, 2017).....	16
Table 3 IFRS/ US-GAAP Consolidation (2015).	22

Abbreviations

FASB	Financial Accounting Standards Board
G20	Group of Twenty
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
NAFTA	North American Free Trade Agreement
NASDAQ	N ational A ssociation of S ecurities D ealers A utomated Q otations
NYSE	New York Stock Exchange
SEC	Securities and Exchange Commission
SOX	Sarbanes–Oxley Act
US- GAAP	United States Generally Accepted Accounting Principles
XBRL	Extensible Business Reporting Language

1. INTRODUCTION

1.1 Background

Capital no longer respect national borders, investors seek for diversification of opportunities on a global scale, the need for multinationals wanting to maintain one set of books around the globe and the policy makers desire to have a level playing field for financial reporting are some of the major forces of Financial Globalization. (Hans Hoogervorst Nov 2012).



Fig 1- IFRS jurisdictions (Aug 2017) pwc.

And the IFRS proves to be the inevitable trendsetters for Global reporting standards fit for global capital markets as seen in the figure above.

The International Financial reporting Standards (IFRS) are the most harmonized financial reporting ethics that are adopted by more than 140 countries and structured by the International accounting standards board (IASB).

The international capital market has embraced the ideals and have made it is easy for the accounting world to have one universal accounting language.

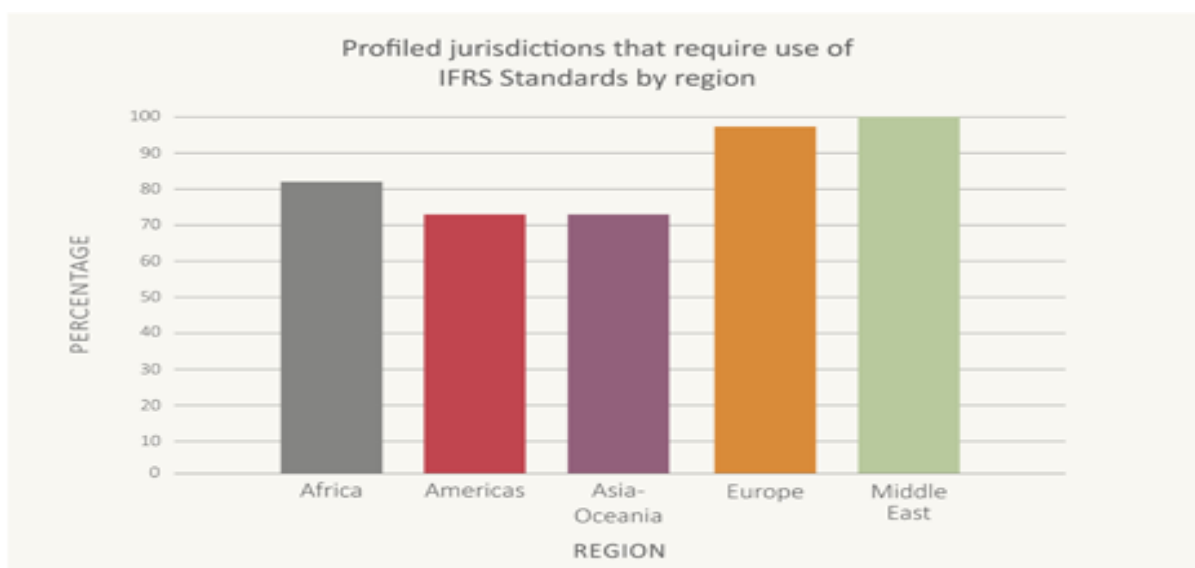


Fig 2. IFRS jurisdictions by region (2018).

The US however is a major global economy who speaks with another accounting code the (US-GAAP) which is created and maintained by the Financial accounting standards board (FASB) having significant differences in ideals from the widely adopted IFRS, this in turn makes the preparations of consolidated financial statements for US multinationals a bit complicated as they are supposed to be translated to and from US GAAP. Which is time consuming and costly at the end.

As the biggest economy in the world by GDP with the biggest market capitalization of almost USD 30 trillion as of December 2017 from its two major stock exchanges – the New York stock exchange (NYSE) and the NASDAQ,

The international capital market can never overlook the dominance the United States has on the stage of global Finance. It is in this regard that the writer focuses on understanding the insight of introducing the already recognized global

accounting standards IFRS in the US capital markets and how beneficial this will be primarily to the vast amount of American Multinationals and the entire financial world. It is believed that with the adoption of the IFRS in the US will facilitate the free flow of capital across the world in the fastest way possible and boost investor confidence In general.

Having the same set of rules and regulations will level the playing field and eliminate the middle men that are involved in translating the financial documents from the US GAAP and the IFRS. Therefore reducing the accounting risks that are involved with cross-border investments. It will also reduce on the burden of technical knowledge framework.

The security and exchange Commission (SEC) stipulates that for every American firm to be listed on the American market it has to be in conformity with the local set of rules – the US GAAP but once the IFRS adoption is done this can be not a necessity hence making it easier for investors and the accounting community to do their job. American Organizations and their subsidiaries operating around the IFRS zones will no longer have to deal with the dual auditing standards when reporting their financial activities.

In 2010 David Tweedie the chair of IASB once said “We can have international standards, but we will never have global standards without the United States” this shows the influence of the United States economy on the global stage hence the need for it to jump on board and integrate the IFRS as an alternative reporting standards for its registrants. (Kranacher, 2010).

In 2002 there was a historic agreement called the Norwalk agreement which called for the convergence of the FASB and the IASB standards. Which subsequently led to a number of revisions being made by the two boards to implement the commitment of harmonization.

Academicians also suggest that the adoption will kick start the US economy as it will create more access to finance, create much needed jobs. (Fosbre, Kraft 2011).

The G20 is also very persuasive in terms of having convergence global accounting principles with its leaders calling on intensifying the efforts towards the goal.

Studies shows that the appetite for the IFRS is so high in the US from academicians to investors to accountants and companies themselves. Therefore lack of political will is one of the major setbacks at hand.

A number of joint projects have been undertaken over time in order to try reduce the differences that the two boards have the projects includes the conceptual framework, business combinations, presentation of financial statements, intangible assets and fair value.

In 2006 SEC reviewed more than 100 foreign issuers which filed the IFRS statements and they were some concerns over certain elements in the statements presentations and notes required. thus there is need for intense education for these standards and the government has to play its part in making sure that the political will needed to succeed at this venture is given and also foresee the long term benefits this gives to the US organizations and the influence of the US economy in the world.

1.2 Research aim

The prime aims of this project is to make a literature study about the implications of adopting the International financial reporting standards (IFRS) alongside the US-GAAP in the United States financial markets, and how this convergence can result in the Harmonization of preparing consolidated financial statements for US multinational corporations having subsidiaries in other parts of the world who's the majority jurisdictions conform to the IFRS. At the same time pointing out the many benefits of filling with the standards.

The project also wishes to analyze the influence the US can play in an effort to spearhead the introduction of global accounting framework suitable for global

capital markets as recommended by the G20 leaders' declarations in 2012 and the World Bank in 2017.

1.3 Research Question

The IFRS are a wide topic and a number of good questions can be raised from them.

The author however focuses his interest in trying to make a literature study regarding the full adoption of the IFRS standards primarily for the domestic registrants of the Securities and Exchange Commission (SEC) in the US financial markets on the case of Consolidation of the financial statements of American firms. Therefore no specific question is poised.

1.4 Limitations

Financial statements are one of the fundamental part of any organizations day to day activities, it becomes increasingly vital when those statements involves multinational corporations having subsidiaries operating in different jurisdictions with a complex set of accounting reporting rules different from those used at their Parent headquarters.

It is in this regard that the author feels the need to study the ways of eliminating the unnecessary burden that the global accounting industry has been subjected to and how to come up with the concrete logical financial reporting standards which can be applied globally in a uniform mode when it comes to the preparations of consolidated financial statements.

The focal point has been on the preparations of consolidated financial statements for corporations who are American by nature and listed on wall street which happens to be the biggest capital market in the world with the market capitalization of almost USD 30 trillion as of December 2017.

And yet The Security and Exchange Commission (SEC) do not permit its domestic registrants an option of filling its financial statements using the IFRS framework.

In an effort to reach comprehension the study targeted a number of American multinationals listed on the New York stock exchange (NYSE) exchange and the

NASDAQ and evaluate their management of consolidated financial statements reporting involving them being the parent companies and obliged to abide to the US GAAP restrictions and their subsidiaries from around the world under the guidelines of the IFRS.

The investigation pinpoints the performance of these US based firms as a niche of understanding how the IFRS has influenced their business operations when it comes to the preparations of the fundamental consolidated financial statements and how they can help in regulating the process of integration the standards in the whole US market.

Therefore the boundaries of the study has been researching the various consolidated financial statements that are applied with the IFRS standards and those that are applied with the US GAAP standards, identifying the difference in elements of reporting and how to adjust them in order align them with the IFRS. So that the importance of being financially bilingual in the US can be realized.

2.0 METHODOLOGY

The framework listed below is the guideline of the structure in which the author intends to undertake the literature study of the project.

2.1 Research Design

This is a blue print for the data collections it shows the roadmap of how the research will be belt.

There are basically two main categories of research designs namely the qualitative and the quantitative research.

Quantitative – Is directed in a large scale with the aim of receiving large sums of data to create statistical and numerical outcomes, (Saunders; Lewis; and Thornhill, 2009, pp. 482-484).

Qualitative: Qualitative research is investigative research arranged to comprehend reasons, opinions, and motivations. Qualitative research method assists researcher in finding insights and developing hypotheses for potential quantitative research by uncovering trends in thoughts, opinions and deeper into the problems (Susan E. DeFranzo September 2011).

2.2 Data collections and Approach

The author intends to use only qualitative method in the project by exploring the literature available online for IFRS in connection with Consolidations of financial statements of the American firms listed on the NYSE and the NASDAQ respectively.

And explore the fundamental differences on consolidations of financial statements from

Historical literature studies from Books written by experts on the topic and academic journals about the topic obtained from Arcada University of Applied Sciences thru its e-library called eBook central are also fundamental parts of the research material. The author also had email Conversations with experts in the field of finance from different countries such as the US itself, Switzerland and Finland.

The approach of the research was to look at the General differences between the US GAAP and the IFRS and how over the years they have been evolving in order to be aligned with each other. And what other features needs to be adjusted to reach a common consensus in the preparations of consolidated financial statements of American multinationals. Like the revenue recognition, leases, financial instruments and the GAAP's Sarbanes-Oxley Act (SOX) registrations.

3.0 THEORETICAL FRAMEWORK

3.1 International Financial Reporting Standards- IFRS

These are the accounting reporting standards issued by the International Accounting Standards Board (IASB) and the IFRS foundation with a mission of providing global accounting standards suitable for the global capital market with ever increasing desire for international trade. (IFRS foundation 2017)

Its main object is to foster global transparency, accountability and efficiency to capital markets around the globe through the perpetual improvement of its standards.

In today's capital markets it is very significant for a country like the US to be financially bilingual meaning that both the US GAAP and the IFRS be applied in their financial markets, many US firms are either direct or indirect affected by the IFRS reporting's as they operate on a global marketplace through mergers and acquisition and cross border trade (IFRS foundation 2017)

The need to recognize the IFRS is perhaps even greater, as American investors have a kin interest for investment opportunities abroad. Current evaluations suggest that more than \$7 trillion of US capital value is invested in the IFRS jurisdictions. (Pwc 2017)

3.2 Historical background of the IFRS in the US capital market

Since 2002 the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have been working together towards the process of convergence for the standards.

The first meeting called Norwalk agreement was held in Norwalk Connecticut United States in which the two boards signed the memorandum of understanding formally citing the convergence as an ultimate goal. Since then there have been a number of significant effort on reducing the differences that are found between the IFRS and the US GAAP. (Ram Mohan R, 2014).

3.2.1 Notable milestones on the road to adoption of The IFRS.

October 2002; Norwalk Agreement:

- Formally citing the convergence as an ultimate goal of the two organizations (RamMohan R, 2014).

February 2006; Drafting of the Memorandum of Understanding (MoU)

- The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) drafted a Memorandum of Understanding in which they acknowledged major merging missions. (RamMohan R, 2014)

December 2007; the SEC Drops the Reconciliation Requirement

Foreign registrants operating in the US markets permitted to use IFRS standards in their reporting thus exempted from filling 2 financial statements simultaneously. (RamMohan R, 2014)

August 2008; SEC Road Map

The SEC suggested a plan with deadlines specifying US corporations to adopt IFRS. (RamMohan R, 2014)

February 2010; SEC Work Plan

SEC publish a work plan with The purpose of considering specific areas and issues significant to a Commission determination in 2011 (RamMohan R, 2014)

October 2010; SEC Progress Report

Progress Report had contained discussions on sections of the Work Plan published the same year and provided an update of the Staff's efforts and some earlier notes (Ram Mohan R, 2014)

May 2011 SEC Staff Paper

The SEC Staff Paper introduces a new probable scheme of IFRS integration now notably recognized as "condorsement." The method, discussed has the aim

of allowing a SEC domestic registrant that is in compliance with the US GAAP to be able to state as well that it is in compliance with the IFRS. (RamMohan R, 2014)

July, 2012 SEC Final Staff Report

The SEC publishes a final staff report without providing an endorsement on IFRS implementation. (RamMohan R, 2014)

Table 1 Timeline of IFRS in US (2014)

The Road to IFRS

2002	IASB and FASB jointly agree to work toward making IFRS and United States GAAP compatible.
2005	EU adopts IFRS for all companies engaged in international markets. SEC and European Commission jointly agree to work toward a "Roadmap for Convergence".
2007	SEC allows foreign (non-U.S.) companies to use IFRS financial statements to meet U.S. filing requirements.
2008	SEC issues proposed "Roadmap" with timeline and key milestones for adoption to IFRS.
2010	SEC reiterates milestones in the proposed "Roadmap."
2013	Target date for FASB and IASB convergence on major standard-setting projects. Target date for SEC's tentative decision regarding IFRS adoption.
2015	Earliest date the SEC would require IFRS for U.S. public companies.



Source: Warren, Reeve, & Dachau, 2014

3.3 Comparisons between the US GAAP and the IFRS

The US GAAP and the IFRS have a number of similar financial components classifications , Both accounting structures are used by multinational corporations and other major financial bodies that deal with cross-border business dealings and hold cross boarder securities ,they both have a policy of not allowing businesses to change accounting rules thru the disclosure of accounting rules by way of notes or illustrative material thereby making it easier to comprehend financial statements to the user , they both have similar guidelines in how they permit firms to present their information to the public (Popatia, Karim,2017).

Comparisons

Table 2. IFRS/US-GAAP Comparisons (kpmg, 2017)

COM- PO- NENT	IFRS	US-GAAP	SIMI- LARI- TIES
Nature	principle based	Rule based	
Juris- diction			Both in- terested in the conver- gence
Au- thori- ties	IFRS foundation, IASB	SEC, FASB	
orien- tation	profit oriented entities only	Both profit oriented and Non- profit oriented entities	
Objec- tive	Fair presentation of finan- cial statements (true and fair view)	fair presentation in accordance with GAAP	
Legal frame- work	not applicable	Applicable thru SEC regulations	
Effic- tive dates	1 per year	2 per year	
XBRL re- quire- ment	not required	required	

Assets and liabilities	defines the same except for probable and executory contract	same as IFRS	Similar
History of conversion	fair value emphasis	fair value emphasis	
Materiality	not applicable to Immaterial elements	same as IFRS but goes further requiring its registrants to use a dual method rollover and the iron curtain	
Equity holders transactions	direct recognition of transfers between an entity and the equity holder	same as IFRS	
Emerging from Bankruptcy	No special guidance provided	Fresh start reporting is applied	
Financial statements preparations	AS1 ongoing concern unlimited to 12 months	topic 205 subtopic 855-10 ongoing concern limited to 12 months	Everything is the same except on going concern issues.
Statement of cash flow	IAS 7 separate components of a single transaction classified as operations ,investment and financing	TOPIC 230 cash receipts and payments	

fair value measurements	IFRS 13 no practical expedient	TOPIC 820 practical expedient allows	
Consolidation	topic 10 power to direct	topic 810 controlling financial interest model	Mostly different
Business combinations	IFRS 3 push down accounting not permitted	Topic 805 push down accounting permitted	mostly similar
Foreign currency translation	IAS 21, IAS 29 if the functional currency of the foreign operations is of hyperinflationary economy the adjustments are made to its financial statements	TOPIC 830 the financial statements of a foreign operations of a highly inflationary economy are measured as if of that of a parent reporting currency were its currency	Mostly similar
Accounting policies, errors and estimates	AS 1 AS 8 statement of financial position at the beginning of a preceding period is required	Subtopic 250-10 not required	mostly similar
Events after the reporting date	AS 1 AS 10 Liabilities classification is based on situation at a reporting date	Subtopic 855-10 Identical as IFRS but only in some examples based on events after the reporting date	similar

Above is a more comprehensive comparison of the two standards (KPMG, Dec 2017).

3.4 Fundamental differences between IFRS and GAAP

International Financial Reporting Standards (IFRS) are principles based whilst U.S. Generally Accepted Accounting Principles (US GAAP) are more rules based. Meaning that nations that monitor the IFRS have procedures they monitor with enough room for more analysis. In the US GAAP, corporations tend to follow certain rules when reporting. (Pwc 2017).

The financial statement presentation. Under the US GAAP, requires current assets and liabilities to be presented before noncurrent assets and liabilities on the balance sheet. Whilst the IFRS has no specific layout but mostly firms tend to have noncurrent items reported first instead. (ey.com 2017).

The income statement under the IFRS, the reporting of extraordinary items is forbidden and unlike the IFRS the US GAAP on the other hand permits the reporting of the extraordinary items provided the items in question are rare in occurrence and are unfamiliar in nature. (Grant Thornton 2014).

Under the IFRS, in the statement of comprehensive income report it is permitted for firms to choose the reporting method in regards to reporting other comprehensive income (OCI) in a sole statement of comprehensive income or have an option of reporting them in a separate income statement which is then accompanied by a statement of comprehensive income and as for the US GAAP it also permits the dual method of reporting as the IFRS. (Kpmg, 2017).

When it comes to the cash flows statement, under the IFRS the classification of items can be grouped into operating, investing, and financing respectively, having a different approach and meaning from The US GAAP. For instance under US GAAP the interest of payment are labeled as operating cash flow whilst under the IFRS they can be labeled either as operating cash flow or financing (Spice land, 2011).

The variations in revenue recognition. Is another major difference when it comes to the IFRS it tends to have few industry specific guidance than its counterpart the U.S. GAAP having only two necessities as requirement before something can attain the virtual of being recognized as revenue. These are (a) reasonable certainty of asset collectability (b) the process of earning is viewed as complete. Whilst as for the US GAAP it has numerous procedures of industry specifications.

Hence the various exceptions to attain revenue recognition. (Lin, Jason; Fink, Patrick, 2013).

The leases usually under the IFRS, it is called finance lease whilst in American US GAAP the term used is capital lease, under the IFRS When risks and rewards of proprietorship are viewed to have been conveyed to the leaseholder. When not all the dangers and rewards of proprietorship have been moved, the lease is then categorized as an operating lease. The notion is the same under the U.S. GAAP but they have bright line rules that stipulates the verification of ownership transferring. These bright lines are what makes a fundamental deference on leases between the two standards. (Lin, Jason; Fink, Patrick, 2013).

The Financial instruments are another important component of vital deference between the two standards having conversation about impairment. The variances between the U.S. GAAP and the IFRS are prominent in various capacities in regards to impairments comprising when to test, ability to recover, dimension, and the capacity to reverse. When it comes to the IFRS, there is need to test assets for impairment during the end of every reporting period at the same time under the US GAAP, it permits that testing of assets for impairment can only be taken when circumstances change and it shows the threat to book value recovery (Lin, Jason; Fink, Patrick, 2013).

On Financial Statements, the balance sheet of the U.S GAAP and its IFRS counterpart comprises of the differences on how the inventory, property and equipment, and Goodwill are recorded.

The US GAAP permits the option to use FIFO (first-in, first-out) and Last in First out (LIFO) valuation approach for inventory however the IFRS on the other hand does not authorize the usage of LIFO. (McAfee, Kimberly; Guth, LuMarie 2014)

Under the IFRS, asset componentization is permitted for substantial components like that of plant, property and equipment of the firm to be devalued on a yearly basis in regards to their value. Whilst US GAAP does not permit the process of annual depreciation but is committed to the devaluation of an item based on its entire use life span (McAfee, Kimberly; Guts, LuMarie 2014).

Recoverability; under IFRS an impairment loss is obligatory when an asset's book value surpasses the present value of projected future cash flows and the fair value less costs to sell, under US GAAP however An impairment loss is obligatory when an asset's book value tops the undiscounted sum of the asset's projected future cash flows . The value of the impairment loss is revealed to be in contrast between the book value and present value of estimated future cash flows and fair value less costs to sell. But if the firm is using the US GAAP the loss of impairment only between book value and fair value. In case of events coursing the loss of impairment are corrected the IFRS allows the reversal of the loss unlike the IFRS there are no reversals allowed under the US GAAP. (Lin, Jason; Fink, Patrick, 2013).

3.5 Consolidation Procedure at a glance for US-GAAP and the IFRS

Table 3 IFRS/ US-GAAP Consolidation (2015).

	U.S. GAAP	IFRS
Relevant guidance	ASC 810	IFRS 10, 12
Consolidation model(s)	<p>There are two consolidation models. First, entities are subjected to the variable interest entity (VIE) model. If the VIE model is not applicable, then entities are subjected to the voting interest model.</p> <p>Under the VIE model, a reporting entity has a controlling financial interest in a VIE if it has:</p>	<p>The basis for consolidation focuses on control, regardless of the form of the investee.</p> <p>An investor controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.</p>
	U.S. GAAP	IFRS
Consolidation model(s) (cont.)	<p>(a) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and (b) the obligation to absorb losses or the rights to receive benefits that could be significant to the VIE.</p> <p>Under the voting interest model, a controlling financial interest generally exists if a reporting entity has a majority voting interest in another entity. In certain circumstances, the power to control may exist when one entity holds less than a majority voting interest (e.g., because of contractual provisions or agreements with other shareholders).</p>	<p>This notion of control requires that the investor have all three of the following characteristics:</p> <ul style="list-style-type: none"> · Power over the investee · Exposure (or rights) to variable returns from its involvement with the investee · The ability to exercise its power over the investee to affect the amount of the investor's returns.
De facto control	<p>The concept of "de facto control" does not exist. The concept of "effective control" exists in connection with contracts, as indicated in the previous row.</p>	<p>De facto control is acknowledged by the existence of situations in which a parent company may have control over another entity despite: (a) holding less than a 50 percent voting interest and (b) lacking legal and (or) contractual rights that would permit the entity to control the investee's voting power or board.</p> <p>For example, de facto control may exist in a situation in which a major shareholder holds a less than majority stake in an entity, but the other ownership holdings are widely dispersed. To determine if control exists in this situation, all relevant facts and circumstances, including the ability of the other owners to vote in a block, would need to be considered.</p>
Potential voting rights	<p>Under the VIE model, potential voting rights might enter into the determination of: (a) whether the entity is a VIE or (b) which party is the primary beneficiary of a VIE.</p>	<p>Potential voting rights are considered only if substantive; that is, they must give the holder the ability to direct the relevant activities of an investee and the holder must have the ability to exercise those rights. An investor with potential voting rights might have power over an investee, even if the rights are not currently exercisable.</p>

3.6 Consolidated financial statements - (CFS)

These are combined financial statements of a parent firm and its subsidiaries or divisions it displays the balance sheet, income statement, Cash Flow Statement, Statement of Retained Earnings and the statement of comprehensive income of the parent firm and its associates representing the entire financial position of the corporation's financial condition as a single financial entity and not as a group of units. (FASB 2015)

Consolidation is attainable when a parent firm is able to control the decision making process of another entity. Without even having total ownership of the firm. (Pwc, 2017).

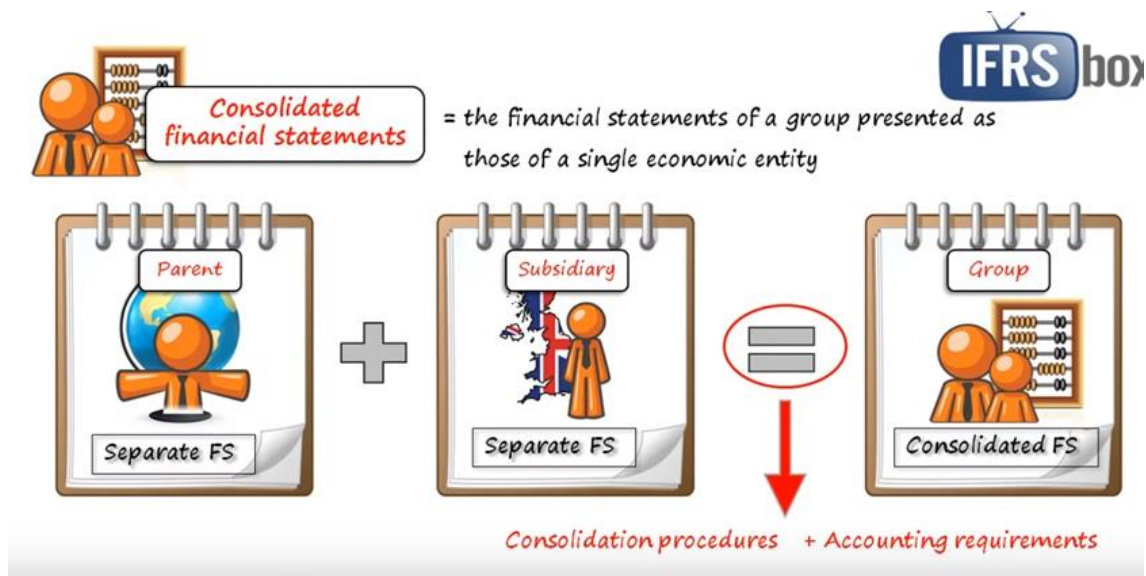


Figure 3. IFRS consolidated financial statements (2014).

3.6.1 Reporting Requirements

The Consolidated financial statements requires to be organized by using the same accounting approaches across the entities involved. I.e. US GAAP or IFRS the equity accounts such as common stock or retained earnings of subsidiaries must be removed. (Ernst young 2015).

When arranging the consolidated financial statements of the firm, the subsidiary's balance sheet accounts are realigned to fit the present fair market value of the financial assets. (Deloitte 2017).

3.6.2 Consolidated financial statements difference between the US GAAP and the IFRS.

Key financial statements required for both the IFRS and GAAP are comparable in so many ways however they are a number of areas where they differ for instance IFRS standards require two years of data for the income statements, changes in equity, and cash flow statements, whilst US GAAP requires three years of data for American companies registered under SEC.

Control is the basis of consolidation under the IFRS whilst under the US-GAAP entities are subjected to variable interest entity (VIE) (Lita Epstein 2015).

3.7 Some IFRS Standards on Consolidation

3.7.1 IFRS 1

IFRS 1, is the standard crafted for first-Time Adoption of International Financial Reporting Standards, specifically made for companies migrating to the IFRS and therefore offer practical guidance for the IFRS world. Its main goal is a complete reflective presentation of all IFRS standards that are effective as of reporting date of the first presentation of IFRS financial statements. The adoption is very puzzling for firms in most cases. Thus the foundation gives a lot of exceptions to reflective applications. Firms are required to apply for this standard when they formulate their financial statements for the first time into IFRS. (PWC, 2014).

3.7.2 The IFRS 10

This is the standard that supersede the sic 12 and was issued in 2011 and made applicable in 2013 with the sole purpose of consolidation, it deals with the consolidated financial statements preparations of group entities it entails the requirement for control as a basis for a parent entity to consolidate the financial statements of the group (deloitte 2017).

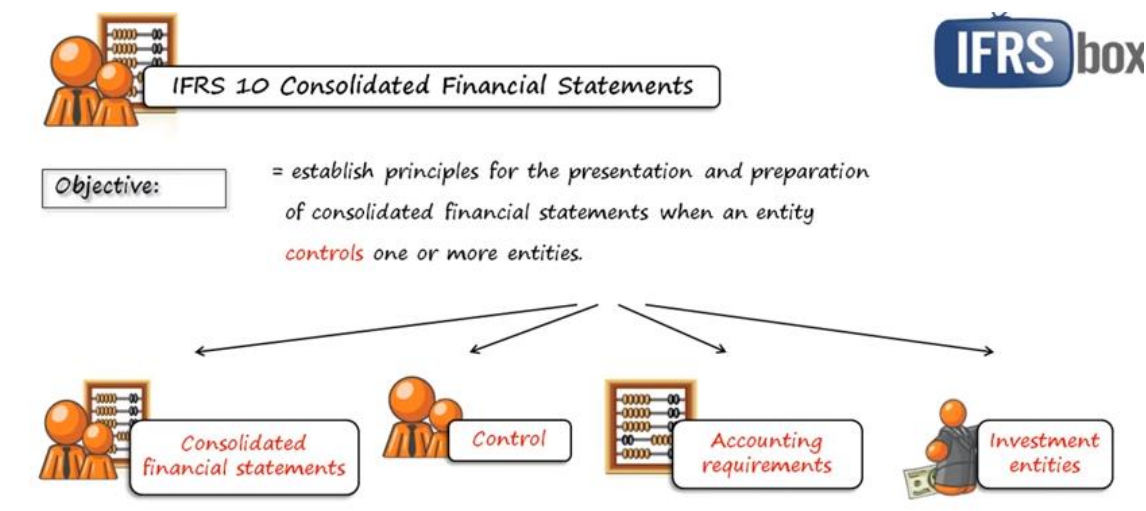


Figure 4, IFRS consolidation procedure (2014)

3.7.3The IFRS 3

IFRS 3 deals with Business Combinations reporting and it is as a result of the joint project with FASB SFAS 141(R). It entails the accounting ways when a buyer gets control of the entity like in the case of M&A's.

The standard outlines the values pertaining to recognition and measurement of attained assets and liabilities, goodwill determination and disclosures, (Deloitte, 2017).

3.7.4 IAS 1- Presentation of Financial Statements

IAS 1 is a standard fixed for the Financial Statements Presentations it sets out the general rules and necessities for the firm's financial statements such as the

way they should be structured the content necessities for ideas like the current or non-current distinction, going concern and the accrual basis of accounting. The IAS1 standard calls for thorough set of financial statements to comprising of a statement of financial position,(balance sheet) a statement of cash flow ,a statement of profit or loss(income statement) and other comprehensive income and a statement of changes in equity.(ifrs.org,2017).

3.8 Benefit of IFRS adoption in the U.S

3.8.1 on Corporate Management

By adopting the IFRS American multinationals can present their financial statements on the same platform as its foreign competitors thereby leveling the playing field .parent corporations with subsidiaries around the globe will be able to save time by using one accounting language thru out their operations. (AICPA, 2013)

When accounting standards are universal, rules and processes can be simplified unanimously. Procedures and internal controls can be uniform since all players involved use the same financial reporting language. The cost of raising capital is decreased and all the capital markets are easily reachable. Which is also very advantageous for mergers and acquisitions.

3.8.2 on Investors

Investors around the world will be exposed to one single type of financial statements and understanding of accounting reporting with simplified information which does not require conversion at the same time. Increasing much needed international capital flow. The comparability and uniformity potential of financial statements globally, will enable stakeholders to have an opportunity to compare corporations' financial information easily due to the universal Standardization of the financial statements preparations, thereby promoting transparency, efficiency and accountability (Chris Dumont, March 2018).

3.9 Challenges of IFRS adoption in the U.S

3.9.1 from law makers

Even though the Security and exchange Commission –SEC have always in favor of the global accounting standards there has always been some hesitation from its leadership which has direct relations with the political elite of the United States. Because the US GAAP is rule based the United States leadership thru its Security and exchange Commission -SEC has been reluctant with the process of the convergence as they are uncertain with the regulations of the IFRS .in regards to the policy of curbing fraud practices in the capital market. some analysts suggest that the IFRS lacks the fundamental acts like the Sarbanes-Oxley Act of 2002 (SOX) of the US GAAP that the US congress passed in 2002 with the aim of protecting investors from the possibility of dishonest accounting actions by conglomerates in the US stock markets this act was a response to the accounting malpractices that engulfed the US. In 2000s, that shook the investors' confidence in regards to their financial statements some of the firms involved in the scandals include companies such as Tyco international plc and Enron corporation (SEC 2015).

3.9.2 On Human capital readiness

The US will pay a high cost on realigning the accounting tutoring over the accounting shifting process from the changing of the accounting curriculums in the universities for academicians to the cost of the multinationals financial statement adjustments on preparations, the tax authorities as well as investor's reorientation of their knowledge of financial statements understanding (Gornik-Tomaszewski, Sylwia Shower man, Steve 2010).

3.9.3 On Independence of standard setting process

The conversion of the IFRS will take away the authority of the FASB from its sole responsibility of accounting setting decisions in the U S. thru sharing with the IASB which is not in the nature of American culture to give away power (Ray Ball, 2015)

3.10 Current Developments

Both the International Accounting standard board –IASB and the United States through its security and exchange commission –SEC and the financial accounting standard board –FASB have clearly shown enthusiasm in the convergence of the accounting standards over a period of time now a number of joint projects have been organized in order to identify the ways of reducing or eliminating the differences and finally adopt the IFRS. (Journal of accountancy, 2016)

However the SEC have been offering conflicting remarks in regards to the process of the adoption as they insist on more time to work on the differences without having a key time line of adoption .with a new chair of the SEC comes new deployments in the process . (Alex Bogopolsky, 2015).

Although the buzz about adoption has dwindled in the US, SEC chief accountant Wesley Bricker noted that just like his predecessor James Schnurr has said there is room to allow U.S. issuers an option to have a supplementary filling of the IFRS alongside the US GAAP failed to give a timeline. (Ken Tysiac, 2016).

The flexibility from the SEC in regards to the permission given to firms in respect to the application of the inline extensible Business Reporting Language-XBRL for both the US GAAP and the IFRS fillers outlines the value it has towards the financial bilingual attainment (SEC 2017).

3.11 Case Study

A study conducted by Sun, Cahan, and Emanuel in 2011 observed that the financial statements of foreign firms that are listed in the United States to see the effect of mandatorily IFRS requirement. They applied five processes of earnings quality to experiment whether IFRS or U.S. GAAP delivered greater earnings quality for corporations. Two out of the five methods exhibited a higher earnings quality after the IFRS adoption and the rest three methods did not show any difference.

The compulsory adoption of IFRS has improved the liquidity of the market, cost of capital reduction, and enlarged the valuation of equity (Lin, Jason; Fink, Patrick, 2013).

4.0 DISCUSSION AND CONCLUSION

The whole concept of consolidation is about control and power of entities over one another. And the controlling company becomes responsible to consolidate the group financial statement .under the IFRS the principle states that when an investor (parent) controls an investee (subsidiary) it must consolidate except in some exceptions.

Under the IFRS the consolidated financial statements of American firms will be streamlined to less details and its items will be of a different terminology for instance;

- Turnover—sales
- .-Stocks—inventory
- .-Share issue premium—additional paid-in capital
- Debtors—accounts receivable
- Creditors—accounts payable
- .-Revenue reserves—retained earnings

Preparation of consolidated financial statements will require subsidiaries to prepare additional financial statements that will mirror the activities in the same fiscal period as the parent firm.

Their financial statements will not be subjected to a particular format like the US-GAAP which sets the format for the financial statements. The balance sheet presentation will likely use the format: $\text{Assets} - \text{Liabilities} = \text{Stockholders' Equity}$, instead of $\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$. The items on the balance sheet will show from the least liquid to the most liquid one. The exact opposite of the US-GAAP. The fixed assets of the firm will be valued by using the revaluation model which is based on the fair value at the current date then subtract any accrued devaluation and impairment losses. Unlike the cost mode practiced under the US GAAP which takes into account an assets historical value minus any amassed devaluation. On the case of financial period's requirements, firms will only be required to provide the last period of the balance sheet for presentation Companies will have an option of up front revenue recognition

on the cash flow, the firms will reporting Interest paid, interest received, and dividends received will be reported as operating , Sometimes Interest paid, however, may be reported as a financing cash flow, while interest and dividends received may be reported as investing.

The inventory valuation method will eliminate the Last in, first out (LIFO) and maintain only the First in, first out (FIFO) and the weighted average method.

The reversal of inventory will be allowed on the financial statements under certain conditions.

Extraordinary items in the income statement will not be segregated like they are under the US-GAAP which shows them below the statement.

Development costs will no longer be reported as an expense but capitalized under certain conditions.

The notes which are vital components of the standards will outline general information and the firm's compliance with the IFRS. Accounting policies applied and judgments used, sources of estimation uncertainty such as assumptions about the future. Disclosures on capital management, disclosures on puttable financial instruments classified as equity and some dividends disclosure.

The international investment community will have less bureaucracy to deal with when handling the consolidated financial statements of American based corporations meaning that they will be no need to hire auditors for further understanding of the standards.

The human resource in the accounting world will have common understanding and knowledge of the financial statements and the general rules of the American capital markets. Thus bringing the world to another step closer of financial globalization.

International trade will be transformed immensely as the biggest economy in the world will jump in the IFRS wagon.

Economic organizations such as the North American Free Trade Agreement (NAFTA) which is a three member state organization evolving Canada, The United States and Mexico. Will greatly improve its financial transactions between member states by completely eliminating the burden of financial statement conversion of American corporations.

The FASB and the IASB accounting boards will strengthen and improve even more the quality of the accounting community globally by merging their ideas.

The American firms will be exposed to the same level of operations as their foreign counterparts when it comes to rules and regulations to apply when dealing with financial statements, access to capital and general accounting regulations. This in turn will help ease the work load of the Securities and Exchange Commission (SEC) and eventually the International Organization of Securities Commissions (IOSCO).

The tagging of financial data in the Extensible Business Reporting Language (XBRL) will be simplified and lessened as they will be consistency in comparisons of financial data and the taxonomies of SEC domestic registrants and the rest of IFRS jurisdictions.

Although a number of adoption conferences have been organized since 2002 there have never been tangible zeal towards the full adoption of the IFRS standards in the United States from the Securities and Exchange Commission (SEC). Different heads of the SEC comes with different views about the adoptions. It is not known exactly how long it will take for the SEC to eventually adopt the standard fully but there have been making progress in the adoption process like the reduction of differences between the two standards and giving SEC foreign registrants an option to fill their financial reports with the IFRS which is one positive step ahead and ultimately signaling the inevitable full adoption.

4.1 The Trump Effect

With the current political rhetoric from Washington of Isolation from the global stage as potraid by President Donald Trump at every international platform such as the 2018 G7 meeting in Quebec, Canada. Where he blasted his allies on the issue of trade among others it is unlikely to see the full adoption of the standard in the foreseeable future, the Trump administration has been seen as a protective one with the tendency of keeping America for itself with less interaction from the outside world. Therefore this has been translated into the reluctant approach of the progress.as the administration continue with the sermon of putting America first.

5.0 RECOMMENDATIONS FOR FUTURE STUDIES

The author recommends more emphasis should be paid on how to adjust and analyze the financial statements from the US-GAAP to the IFRS standards on the basis of consolidation the accounting community needs to understand with clarity on how the shift to the IFRS will impact the actual financial statements of American multinationals.

Some lessons can be drawn from the SEC foreign registrants who fill their financial statements under the IFRS and how they deal with Consolidation issues. Such as Nokia Corporation and Metso oy.

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7.0 APPENDICES

7.1 Appendix 1: Email reply from Philip



Vroe, Philip de <philip@devroe.org>

9:33 PM
(14
minutes
ago)

to me

Hello Ackim!

Good to hear from you.

American multinationals use US GAAP for management reporting and external (SEC) reporting, both for their US and non-US operations. I have worked at US multinationals General Electric and Applied Bio systems, in both cases in their European operations, and this was the case at both companies. Neither of these companies had subsidiaries using IFRS for their non-US operations, for the simple reason that they did not have filing requirements to the stock market in those countries. Non-US subsidiaries do have to keep a parallel accounting system for statutory reporting purposes in each country.

So the underlying principle is: if you are listed on a US stock exchange, use US GAAP to report to the stock market. If you are listed on a non-US stock exchange, use IFRS to report to the stock market. There are some special cases, with companies that have a double listing (e.g. New York as well as Frankfurt). As far as I know, if the primary listing is outside the US, hence the company primarily reports in IFRS, then the US authorities no longer require the company to also report in US GAAP. That rule changed about 10 years ago, prior to that a company with a double listing had to publish both US GAAP and IFRS annual reports. Check up on how that works currently, I haven't looked into that special situation in a while, it may have changed again.

Example from my GE Capital days: we had P, G and S books in our Oracle accounting system. P for Primary, G for GAAP, S for statutory. The bulk of the regular journal entries would go into the P books. US GAAP specific entries (that did not affect statutory accounts) would go into the G books. Country-specific statutory related entries (not affecting US GAAP) would go in to the S books. We could then run reports for US GAAP purposes by selecting the combination of P+G, and run report for local statutory purposes by selecting P+S.

Hope that helps!

Met vriendelijke groet, Kind Regards,

Philip de Vroe

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7.2 Appendix 2: Ford mail on IFRS Incorporation



Ford Motor Company

World Headquarters
One American Road
Dearborn, MI 48126

October 18, 2010

Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street NE Washington, DC

VIA EMAIL: rule-comments@sec.gov

SUBJECT: RESPONSE TO THE SOLICITATION FOR COMMENT ON CONSIDERATION OF INCORPORATING IFRS INTO THE FINANCIAL REPORTING SYSTEM FOR U.S. ISSUERS (File No. 4-608)

Ford Motor Company ("Ford"), a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. Ford Motor Credit Company LLC ("Ford Credit"), an indirect, wholly-owned subsidiary of Ford, is one of the world's largest automotive finance companies, and has provided dealer and customer financing to support the sale of Ford Motor Company products since 1959. Ford files consolidated financial statements reflecting two business sectors, Automotive and Financial Services; Ford Credit also files financial statements as a separate registrant.

We appreciate the opportunity to comment on the work plan being considered by the Securities and Exchange Commission ("SEC") for incorporating International Financial Reporting Standards ("IFRS") into the financial reporting system for U.S. registrants.

We enthusiastically anticipate the adoption of one global financial reporting standard. We believe that the introduction of one global financial reporting standard will provide opportunities for global enterprises to eliminate multi-jurisdictional accounting standards, simplify their business, improve communications with stakeholders, more efficiently leverage resources, and standardize internal controls. Several of our foreign affiliates already have adopted jurisdictional versions of IFRS, or have begun preparations for near-term adoption. We also have begun preparing for the opportunity to incorporate IFRS into our U.S. financial reporting.

The specific questions raised in the Notice of Solicitation represent only a small fraction of the planning and work that must be accomplished as global companies like Ford consider the total impact of incorporating IFRS. Because there is enormous work to be done to prepare people, systems and processes, we believe that it is imperative that the SEC issue a statement that sets a specific date as of which the SEC will accept IFRS-compliant statements from its registrants.

Whether the SEC decides to *mandate* an adoption date for all registrants is less important in our view than providing for a date at which registrants *may* begin filing IFRS-compliant financial statements. Unfortunately, we believe that failure to set a date as of which IFRS-compliant filings will be accepted prolongs the uncertainty registrants are currently experiencing. The price of this lingering uncertainty is compounded by the unprecedented rate at which updates to existing accounting standards are being proposed by regulators around the world.

In our opinion, the lack of a set date as of which U.S. registrants may adopt IFRS has major implications for the three of the topics that are subject to your solicitation for comment.

- **Contractual Arrangements.** We are party to hundreds of contractual arrangements involving such diverse counterparties as debtholders, suppliers, dealers, employees, lessors/lessees, and taxing authorities. We are party to several collective bargaining agreements with labor groups and unions in various countries as well, including the United States. In order to transition to IFRS, we

Ford motors recommendation of IFRS mail.

7.3 Appendix 3: IFRS/US-GAAP Cash flow statement

Statement of Cash Flows

2014 Iberdrola USA Statement of Cash Flows

(\$ Millions)	IFRS	US GAAP
Operating Activities		
Net Income	446	424 Net Income
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	725	629 Depreciation and amortization 14 Accretion expenses (38) Regulatory assets/liabilities amortization 35 Regulatory assets/liabilities carrying cost (116) Unrealized (losses)gains on marked to market derivative contracts
Realized gain on derivative contracts	(28)	
Investment in joint arrangements	38	(12) (Earnings) Losses from equity method investments
Impairments and writedowns	81	25 Impairment of non-current assets
Pension	40	74 Pension cost
Pension contribution	(69)	
Deferred taxes and investment tax credits	202	261 Deferred Taxes
Change in provision	(49)	
Working capital and other adjustments		
Change in trade and other assets	163	(1) Decrease (increase) in accounts receivable and unbilled revenues, net (101) Decrease (increase) in other assets, net
Change in inventories	68	58 Decrease (increase) in inventories
Amounts due to/from affiliates	(32)	
Change in trade and other payables, accruals and provisions	(93)	27 Increase (decrease) in accounts payable
Change in tax receivable/payables	3	
Income tax (paid) received	(22)	(13) Increase (decrease) in taxes accrued 175 Increase (decrease) in regulatory assets/liabilities
Other	(18)	(110) Increase (decrease) in other liabilities
Net cash flows provided by operating activities	1,458	1,331
Investing Activities		
Capital Expenditures	(1,185)	(1,030) Capital Expenditures
Grants and contributions in aid of construction	71	43 Contributions in aid on construction 4 Government grants
Proceeds from sale of asstes	31	31 Proceeds from sale of businesses, net of cash 10 Receipts from affiliates 54 Other investments and equity method investments
Purchase of intangible assets	(2)	
Net cash flows used in investing activities	(1,086)	(888)
Financing Activities		
Changes in borrowings from affiliates	199	
Change in Aeolus debt	(110)	(119) payments on tax equity financing arrangements
Repayment of long-term debt and related interest	(177)	(27) Repayments of non-current debt
Financial lease	(21)	(21) Repayments of capital leasees
Interest paid	(8)	4 Contribution from noncontrolling interest (3) Dividends to noncontrolling interest
Notes payable three months or less, net	8	(14) Proceeds (repayments) of other short-term debt,net
Net cash flows used in financing activities	(109)	(180)
Change in cash and cash equivalents	263	263 Change in cash and cash equivalents
Cash and cash equivalents beginning of year	201	219 Cash and cash equivalents beginning of year
Cash and cash equivalents at year end	464	482 Cash and cash equivalents at year end

Statement of cash flow IFS/US-GAAP (seekingalpha.com2014)

7.4 Appendix 4: IFRS/US-GAAP Income statement

Income Statement

2014 Iberdrola USA Income Statement

(\$ Millions)	IFRS	US GAAP	
Revenues	4,350	4,594	Operating Revenues
Cost of sales	(1,342)		Operating Expenses
Gross Margin	3,008	1,181	Purchased power, natural gas and fuel used
Operating costs	(1,026)	1,552	Operations and maintenance
Other operating income	54	25	Impairment of non-current assets
	(972)	629	Depreciation and amortization
Taxes other than income tax	(366)	322	Taxes other than income taxes
	(1,338)	3,709	Total Operating Expenses
Depreciation, amortization, and provisions	(724)	885	Operating Income from Continuing Operations
Income from operations	946	52	Other Income and (Expense)
Share of profit of joint operations	6	12	Other income and (expense)
Finance income	37	12	Earnings (losses) from equity method investments
Finance costs	(216)	(243)	Interest expense, net of capitalization
Results on disposal of noncurrent assets	(2)	706	Income (Loss) Before Income Tax
Income before Income Tax	770	282	Income tax expense
Income Tax	(324)	424	Net Income
Net Income	446		

Income statement IFRS/US-GAAP (seekingalpha.com2014)

7.5 Appendix 5: IFRS/US-GAAP Balance sheet statement

Balance Sheet Assets

2014 Iberdrola USA Balance Sheet

(\$ Millions)

	IFRS	US GAAP	
Assets			Assets
Current assets			Current Assets
Cash and cash equivalents	464	482	Cash and cash equivalents
Inventories	230	229	Fuel and gas in storage
Current trade and other receivables	855	841	Accounts receivable and unbilled revenues, net
Current financial assets	270	50	Accounts receivable from affiliates
Derivative financial instruments	129	134	Derivative assets
Other financial investments	141	98	Materials and supplies
Income tax and other taxes receivables	191	68	Deferred income taxes
Total current assets	2,009	288	Prepayments and other current assets
		80	Regulatory assets
		29	Deferred income taxes regulatory
		2,299	Total Current Assets
Noncurrent assets			
		21,499	Property, plant and equipment, at cost
		(5,796)	Less: accumulated depreciation
		15,703	Net Property, Plant and Equipment in Service
		1,396	Construction work in progress
Property, plant, and equipment	17,397	17,099	Total Property, Plant and Equipment
Investments in joint arrangements	179	262	Equity method investments
Financial assets	196	91	Other investments
other noncurrent financial investments	109	2,399	Regulatory assets
Derivative financial instruments	87		
Other noncurrent recivables	4		Other Assets
Intangible assets	1,187	93	Derivative assets
Goodwill	982	1,361	Goodwill
Other intangible assets	206	569	Intangible assets
Deferred tax assets	2,389	79	Other
Total noncurrent assets	21,353	2,102	Total Other Assets
TOTAL ASSETS	23,362	24,252	Total Assets

.Balance sheet IFRS/US-GAAP (seekingalpha.com2014)

7.6 Appendix 6: IFRS/US-GAAP Balance sheet statement

Balance Sheet Equity and Liabilities

2014 Iberdrola USA Balance Sheet

(\$ Millions)	IFRS	US GAAP
Liabilities		Liabilities
Current liabilities		Current Liabilities
Other provisions	37	148
Other financial liabilities	293	124
Other financial debts	190	39
Derivative financial instruments	103	103
Trade and other payables	1,274	684
Trade payables	694	239
Current tax liabilities and other tax payables	187	8
Other current liabilities	394	275
Total current liabilities	1,604	153
		1,773
		Non-Current Liabilities
		1,206
		Regulatory liabilities
		462
		Deferred income taxes regulatory
		277
		Tax equity financing arrangements
Capital instruments with debt-like characteristic	344	
		Other Non-current Liabilities
Non-current liabilities		
Deferred income	1,968	1,621
Provisions	1,778	
Provisions for pensions and similar obligations	819	785
Other provisions	959	234
Other financial liabilities	2,485	284
Other financial debts	2,447	
Derivative financial instruments	39	38
Other noncurrent liabilities	60	278
Deferred tax liabilities	4,540	2,322
Total Non-current liabilities	10,831	5,562
		Total Other Non-current Liabilities
		2,516
		Non-current Debt
		9,746
		Total Non-current Liabilities
		11,519
		Total Liabilities
		Equity
Equity and liabilities		Stockholder's Equity:
Shareholder's equity	10,508	-
Share capital and premium	9,280	11,378
Other reserves	1,228	1,161
Non-controlling interest	75	(99)
Total equity	10,583	12,440
		Total Stockholder's Equity
		16
		Non-controlling interests
		12,456
		Total Equity
TOTAL EQUITY AND LIABILITIES	23,362	23,975
		Total Liabilities and Equity

.Balance sheet IFRS/US-GAAP for equity and liabilities, (seekingalpha.com2014)

7.7 Appendix 7: IFRS/US-GAAP Cash flow statement

Conversion to IFRS

Alphabet Inc., Consolidated Statement of Cash Flows

USD \$ in millions

	12 months ended
Net income	CASH FLOW FROM OPERATING ACTIVITIES
Depreciation and impairment of property and equipment	Purchases of property and equipment
Amortization and impairment of intangible assets	Proceeds from disposals of property and equipment
Stock-based compensation expense	Purchases of marketable securities
Excess tax benefits from stock-based award activities	Maturities and sales of marketable securities
Deferred income taxes	Maturities and sales of non-marketable investments
Gain on divestiture of business	Cash collateral related to securities lending
(Gain) loss on marketable and non-marketable investments, net	Proceeds from divestiture of business
Other	Acquisitions, net of cash acquired, and purchases of sets
Accounts receivable	Proceeds from collection of notes receivable
Income taxes, net	Net income
Other assets	Depreciation and impairment of property and equipment
Accounts payable	Amortization and impairment of intangible assets
Accrued expenses and other liabilities	Stock-based compensation expense
Accrued revenue share	Excess tax benefits from stock-based award activities
Deferred revenue	Deferred income taxes
Changes in assets and liabilities, net of effects of acquisitions	Gain on divestiture of business
Adjustments	(Gain) loss on marketable and non-marketable investments
Net cash provided by operating activities	Other
Purchases of property and equipment	Accounts receivable
Proceeds from disposals of property and equipment	Income taxes, net
Purchases of marketable securities	Other assets
	Accounts payable

Purchases of non-marketable investments
Maturities and sales of non-marketable investments
Cash collateral related to securities lending

Proceeds from divestiture of business
Acquisitions, net of cash acquired, and purchases of intangible assets

Net cash used in investing activities

Net payments related to stock-based award activities
Excess tax benefits from stock-based award activities
Adjustment Payment to Class C capital stockholders
Repurchases of capital stock
Proceeds from issuance of debt, net of costs
Repayments of debt
Proceeds from sale of subsidiary shares

Net cash used in financing activities

Effect of exchange rate changes on cash and cash equivalents

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Accrued expenses and other liabilities

Accrued revenue share

Deferred revenue

Changes in assets and liabilities, net of effects of accounting

Adjustments

Net Cash flow from operating activities (A)

CASH FLOW FROM INVESTING ACTIVITIES

Net payments related to stock-based award activities

Excess tax benefits from stock-based award activities

Adjustment Payment to Class C capital stockholders

Repurchases of capital stock

Proceeds from issuance of debt, net of costs

Repayments of debt

Proceeds from sale of subsidiary shares

Net Cash flow from investing activities (B)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from long-term liabilities

Payments of long-term liabilities

Change in short-term liabilities

Dividends paid to the owners of the parent

Other financing items

Net cash used in financing activities(C)

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of period

Translation difference

Cash and cash equivalents at end of period

Source: Alphabet Inc., Annual Reports

Source: <https://www.stock-analysis-on.net>

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