

FASB-IASB Convergence 2026: IFRS vs US GAAP Differences

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Executive Summary

Efforts to align U.S. GAAP with International Financial Reporting Standards (IFRS) continue to evolve, but genuine convergence remains a distant goal as of 2026. Although landmark joint projects in revenue recognition (IFRS 15/ASC 606) and lease accounting (IFRS 16/ASC 842) were completed in the mid-2010s, the two standard-setters now largely pursue independent agendas (Source: www.iasplus.com) (Source: www.cpajournal.com). Today, both the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) advance their own projects (e.g. revisions to equity-method accounting, financial instruments, and consolidation rules), often on similar issues but without formal joint outputs. As a result, meaningful differences persist—and in some areas are growing—between IFRS and U.S. GAAP. For example, U.S. GAAP recently began requiring [cryptocurrency assets](http://www.crowe.com) like Bitcoin and Ether to be measured at fair value (Source: www.crowe.com), whereas IFRS still treats such holdings as (primitive) intangibles with historical-cost accounting. Other key differences include inventory valuation (IFRS prohibits LIFO; U.S. GAAP allows it (Source: www.cpajournal.com), [impairment reversal rules](http://www.crowe.com), and financial-instrument impairment models (IFRS 9's forward-looking expected credit loss vs. [ASC 326's Current Expected Credit Loss model](http://www.crowe.com)).

These differences have real-world implications. The largest non-U.S. companies overwhelmingly use IFRS – e.g. 50 of the Fortune Global 100 use IFRS for consolidated reporting (Source: www.cpajournal.com) – whereas U.S. domestic companies must still use U.S. GAAP. The U.S. SEC has postponed any mandatory switch, meaning most large U.S. firms continue with GAAP. CFOs of global enterprises, in particular, must “be financially bilingual,” versed in both systems, to ensure their financial statements can be understood across jurisdictions (Source: www.cpajournal.com). Finance leaders should closely watch both Boards’ activities on overlapping topics (e.g. the IASB’s equity-method ED and FASB’s new equity-method project) and key divergences (such as the new U.S. GAAP crypto guidance (Source: www.crowe.com) or IFRS’s ongoing Leases post-implementation review) to anticipate impacts on their companies’ reporting, capital structures, and strategic decisions.

This report provides an in-depth analysis of IASB–FASB convergence as it stands in 2026. It reviews the **history and current state of convergence efforts**, catalogs **active projects and their alignment or divergence**, analyzes **significant differences in IFRS vs. U.S. GAAP**, and highlights **what CFOs should monitor** (including pending standards, regulatory proposals, and implementation issues). We incorporate empirical data – such

as IFRS adoption statistics and studies of foreign issuers in U.S. markets – and leverage authority from standard-setting releases, professional analyses, and expert commentary. By drawing on these multiple perspectives, the report illuminates the challenges of achieving a “single set of global standards” and suggests how financial executives can stay informed and prepared amidst diverging accounting regimes.

Introduction and Background

Global Accounting Standards and the Convergence Agenda

For decades, regulators and standard-setters have sought to harmonize financial reporting. A **single set of high-quality global standards** promises comparability and efficiency for multinationals, investors, and capital markets (Source: www.cpajournal.com). In 2002 the U.S. FASB and the IASB (successor to the older IASC) formally agreed in the *Norwalk Agreement* to an ambitious **convergence program**. This Memorandum of Understanding set out dozens of joint projects aimed at eliminating differences between U.S. GAAP and IFRS (Source: www.iasplus.com) (Source: www.cpajournal.com). For almost a decade, the boards worked in tandem on “major projects” (e.g. revenue, leases, business combinations) and others. By the early 2010s they had issued **converged standards** for many core topics:

- *Revenue Recognition*: The IASB and FASB jointly issued IFRS 15/ [ASC 606](http://www.iasplus.com) (effective 2018), aligned on a principles-based five-step model (Source: www.iasplus.com).
- *Leases*: Both boards collaborated on IFRS 16/ [ASC 842](http://www.iasplus.com) (effective 2019 for most entities), imposing a right-of-use model for lessees (Source: www.iasplus.com).
- *Business Combinations*: IFRS 3 (2008) and FASB’s ASC 805 converged on a purchase method approach (Source: www.iasplus.com).
- *Fair Value Measurement*: FASB (FAS 157) and IASB (IFRS 13) issued harmonized fair-value rules in 2011 (Source: en.wikipedia.org) (Source: www.iasplus.com).
- *Derecognition of Financial Assets*: Both boards revised rules on selling vs. servicing assets around 2014 (Source: en.wikipedia.org).
- *Other Short-term Projects*: Convergence efforts also addressed impairment tests, post-employment benefits disclosures, and more; some led to joint pronouncements or aligned amendments (Source: www.iasplus.com).

These achievements were hailed as the fruits of convergence. Notably, by 2012 the SEC, which had been considering mandatory IFRS adoption for U.S. registrants, took stock: the SEC’s 2012 “Final Staff Report” effectively deferred any decision, largely on grounds that convergence was not yet complete (Source: www.cpajournal.com). Economist and standard-setter surveys at the time estimated majority adoption of IFRS globally (outside the U.S. only) and encouraged remaining alignment (Source: www.cpajournal.com) (Source: www.cpajournal.com). Even well into the 2010s, FASB continued to signal intent toward convergence. For example, the FASB’s 2010 agenda stated that aligning with IFRS remained a “high priority” in principle (Source: www.iasplus.com).

But policy goals proved more elusive than anticipated. By 2011-2012 it became clear that earlier convergence hopes (for a 2011 G20 goal) would not be met. Both boards had to pivot. When FASB and IASB refreshed their MoU in 2011, they acknowledged incomplete convergence and eventually scaled back the agenda. In practice, FASB and IASB have since largely operated separately on new projects, even if on overlapping themes. **Major differences remain entrenched**, and neither side has committed to a further roadmap of joint projects beyond the completed standards (Source: www.iasplus.com) (Source: www.cpajournal.com).

Current Landscape (as of 2026)

Today, IFRS constitutes the official financial reporting framework for most jurisdictions worldwide, except notably for the United States. As of 2026, the IFRS Foundation reports complete adoption profiles for **169 jurisdictions** (Source: www.ifrs.org). The European Union, Australia, Canada, China (via converged national standards), Japan (corporate groups can use IFRS or GAAP), and many other markets require or permit IFRS for domestic and listed companies. By contrast, the U.S. SEC continues to require domestic issuers to use U.S. GAAP, with no official timetable to change.

This split means that global corporates often prepare financial statements under both systems. For example, 36 of the Fortune Global 100 large companies are U.S.-headquartered (using GAAP) and 64 are non-U.S., of which 50 (78%) use IFRS as issued by the IASB (Source: www.cpajournal.com). All eight of the largest foreign private issuers in the U.S. file IFRS-based 20-F statements; the majority of those (e.g. Toyota, Shell, BP, TotalEnergies) are used to IFRS rather than GAAP. In sum, **89 of the 100 largest global companies use either IFRS or IFRS-like national standards** (Source: www.cpajournal.com). This underscores IFRS’s global dominance outside the U.S., and highlights why cross-border investors and U.S.-listed foreign firms must navigate dual GAAP frameworks.

At the same time, the FASB and IASB have diverged in practice on many topics. Prioritized joint projects are now mostly complete, and each Board's **current agenda** focuses on separate issues. For example:

- The IASB has active research projects on *intangibles*, *amortized cost measurement*, *cash flow statements*, *nature-related disclosures*, etc., as well as narrow-scope amendments (e.g. to IAS 28 on the equity method) (Source: www.ifrs.org) (Source: www.iasplus.com).
- The FASB's agenda (as of early 2026) includes projects on *equity method improvements*, *commodities inventory accounting*, *goodwill post-implementation review*, and long-standing projects like *intangible asset research*, along with regulatory-mandated tasks (e.g. XBRL taxonomy updates) (Source: dart.deloitte.com) (Source: dart.deloitte.com).

The historical **Convergence project is effectively “winding down”**. The IASplus site notes that no new convergence initiatives will be added, and remaining differences will be handled as separate agenda items (Source: www.iasplus.com). In plain terms, “the convergence project is coming to an end” (Source: www.iasplus.com). The SEC's stance reflects this reality: with each Board issuing standards on its own timeline, the idea of unifying IFRS and U.S. GAAP (for the U.S. market) remains unpursued.

Critically, both Boards continue to emphasize investor information and comparability, but through different lenses. As CPA Journal analysis observes, preparers must stay aware of dual regimes: “*given the many ongoing differences, it is important for preparers and users of financial information in the United States to be financially bilingual*” (Source: www.cpajournal.com). Indeed, the largest accounting firms publish extensive manuals (over 200 pages each) on IFRS–U.S. GAAP differences (Source: www.cpajournal.com). Thus, to understand **FASB–IASB convergence in 2026**, one must review (1) the remains of joint or similar projects on each side, and (2) the domains where IFRS and GAAP continue to diverge in effect. CFOs and financial officers, who must implement these standards, need to track both Boards' output carefully, even though the results may differ.

Active Joint and Parallel Projects

As of 2026, **no sweeping new “joint” convergence initiatives** per se have been launched by the FASB and IASB together under a common MoU. Both Boards now define their agendas independently. However, several areas of accounting remain under concurrent review by both Boards, meaning the outcomes will either converge incidentally or diverge further. We review key topics where FASB and IASB are each working on related issues, summarizing the current status and any joint history.

Equity Method and Joint Ventures

One prominent area is the equity method of accounting for associates and joint ventures. IFRS requires equity-method accounting under IAS 28. In Sept 2024 the IASB issued an **Exposure Draft on IAS 28** proposing amendments to clarify the equity-method application and adding related disclosures to IFRS 12 and IAS 27 (Source: www.ifrs.org). That ED seeks to resolve practical application issues (for instance, how to account for subsequent contributions or partial disposals) and reorganize IAS 28 for better clarity (Source: www.ifrs.org). Comments were open until January 2025, with finalized amendments expected later in 2025 or 2026.

Meanwhile, the FASB in late 2025 added a project on the **equity method**. At its November 12, 2025 meeting, the FASB voted to improve certain aspects of U.S. GAAP's equity-method guidance (Source: dart.deloitte.com). The project aims to address issues such as the accounting for an investor's share of acquired in-process R&D and the recognition of an investor's share of “global intangible value”. The FASB's initiative is narrower and is not formally linked to the IASB's, but conceptually they cover overlapping ground. CFOs should note both bodies are revisiting equity accounting simultaneously, though changes will come from each Board's due process independently.

A related topic is **joint ventures and associates** (Investments in Associates and Joint Ventures, IAS 28/ASC 323). On the FASB side, ASU 2023-05 (effective Jan 1, 2025) already changed U.S. GAAP for joint-venture formations: a new rule requires a newly formed J/V to recognize its assets and liabilities at fair value on formation (Source: rsmus.com). The IASB, for its part, has proposed amendments to IAS 28 (the “Amendments to IAS 28—Fair Value Option” ED) that would ensure equity-method investors reclassify certain profits directly to equity and clarify when fair-value measurement is available (Source: news.bloomberglaw.com). (For instance, the IASB's 2026 ED would speed up allowing J/V investors to group their share of an associate at fair value under certain conditions, with a comment period closing April 2026 (Source: news.bloomberglaw.com.) While both Boards are acting in the J/V space, the U.S. changes (ASU 2023-05) focus on formation measurement, whereas the IASB changes address equity method and disclosure. They are not a coordinated joint project, but a CFO should track both.

Financial Instruments and Credit Losses

Financial instruments have been difficult to fully converge. The IASB completed IFRS 9 (Financial Instruments, 2014) introducing a forward-looking expected credit loss (ECL) model. The FASB took a different route: initially moving to a similar ECL model, but after lengthy debate it adopted the CECL (Current Expected Credit Loss) model in ASC 326 in 2016, which accelerates U.S. GAAP impairment alignment with IFRS. However, in implementation, IFRS and GAAP still differ in detail (e.g. how to measure credit losses, presentation of allowances, etc.).

As of 2026, the IASB has an **open project on amortised cost measurement**, an IFRS 9 follow-up. The IASB is working to **clarify and improve amortized-cost requirements** (for example, by defining the criteria for amortized cost and elaborating measurement guidance). A staff paper posted in April 2026 indicates an Exposure Draft is expected in the second half of 2026 (Source: www.iasplus.com). The FASB meanwhile has **no current project** to further refine ASC 326 (CECL). Thus, IFRS may soon issue targeted improvements (potentially impacting financial institutions' credit-loss accounting) that have no U.S. equivalent. CFOs in banking and finance should monitor this, as any new IFRS guidance on amortised cost could widen the gap or, conversely, prompt FASB reconsideration in future.

Another IFRS-only project is **Financial Instruments with Characteristics of Equity (FICE)**. Originally a joint project, it became an IASB research project. In November 2023 the IASB published ED 2023/5 proposing narrow amendments to clarify IAS 32 (see [67]) – essentially allowing entities to present some interest payments as equity distributions if particular, mandatory criteria are met. The comment period closed in early 2024, and the IASB is expected to issue final amendments in 2024 or 2025. FASB has no active project on so-called “liabilities-vs-equity” (it dropped a 2008 project on this topic). Thus, any IFRS change on FICE will be unique to IFRS. CFOs should take note: U.S. GAAP retains its existing bright-line tests (ASC 480 vs 815) for equity vs liability, which do not match any new IFRS rules.

Leases and Post-Implementation Reviews

Leases (IAS 17/IFRS 16 and FASB ASC 840/842) were once a major joint project, culminating in converged standards in 2016 (Source: www.iasplus.com). Since then, each Board has conducted post-implementation reviews. The IASB's review of IFRS 16 is ongoing: in early 2026 they continued to discuss feedback from a request-for-info and plan to decide later in 2026 (Source: www.ifrs.org). Meanwhile, FASB completed a targeted improvements ASU (ASU 2023-01) to address lease payments variability issues. The reviews are independent, but both speak to a similar goal: refining lower-level guidance. CFOs should follow these developments; although both IFRS and GAAP keep lease capitalization on balance sheet, details (like disclosure requirements or lease definition nuances) could diverge slightly.

Revenue, Borrowing Costs, and Other Concluded Areas

Earlier convergence projects have concluded. Revenue recognition (IFRS 15/ASC 606) is a textbook success: the standards are essentially identical, and both Boards consider the project closed (Source: www.iasplus.com). Borrowing costs (IAS 23, reissued 2007 and ASC 835) converged in 2008 (Source: www.iasplus.com). The conceptual framework was jointly revised in 2018 (though some final pieces remain separate for each Board). Insurance contracts was once joint but then “discontinued” as a joint project (Source: www.iasplus.com): IASB issued IFRS 17 (2017) independently, while FASB issued targeted improvements (for U.S. GAAP insurances) through several ASUs in 2018, which diverge from IFRS 17. Business combinations, consolidation, and fair-value projects were largely completed together (Source: www.iasplus.com).

Today, those completed projects are effectively “in maintenance mode.” Any differences under those standards persist, but active joint work on them is absent. For example, the IASB may issue amendments to IFRS 3 and IFRS 10 in the future (it did so in a narrow way for interests acquired in business combinations), but those changes are not coordinated with FASB. Similarly, FASB continues making piecemeal GAAP updates (e.g. the recent ERCAPASU) without IASB participation.

Summary of Major Convergence Projects: The table below summarizes key convergence projects and their current status under IFRS and U.S. GAAP (in many cases citing IASB/IFRS standards and FASB ASC topics). (This draws on IASplus project reports (Source: www.iasplus.com), complemented by current knowledge of U.S. GAAP.)

PROJECT / TOPIC	IFRS (IASB STANDARD)	U.S. GAAP (ASC TOPIC)	STATUS / NOTE (CONVERGENCE)
Revenue Recognition	IFRS 15 (2014, effective 2018)	ASC 606 (2014 update, effective 2018)	Fully converged; common 5-step model.
Leases	IFRS 16 (2016, effective 2019)	ASC 842 (2016, effective 2019)	Largely converged (right-of-use model), minor differences in practical relief.
Business Combinations	IFRS 3 (2008)	ASC 805 (2007)	Converged long ago; both use acquisition method (Source: www.iasplus.com).
Fair Value Measurement	IFRS 13 (2011)	ASC 820 (2006ly)	Converged (Source: en.wikipedia.org) (Source: www.iasplus.com).
Financial Instruments	IFRS 9 (2014); IFRS 7; IFRS 13	ASC 825/ASC 320/ASC 326 (CECL)	Diverged. IFRS uses 3-category model (FV/AC/FVTOCI) and ECL; GAAP uses several categories and CECL for credit impairment. IFRS completed IFRS 9; GAAP completed CECL. Ongoing IFRS narrow-scope amendments (FICE, etc.) (Source: www.iasplus.com).
Insurance Contracts	IFRS 4 (2004, superseded by IFRS 17 in 2023)	ASC 944 (current, insurance contracts)	Joint project discontinued. IASB issued IFRS 17 (2017); FASB issued targeted improvements (2018) – results differ.
Consolidation	IFRS 10 (2011)	ASC 810	Converged in 2011 (Source: www.iasplus.com) (control model/variable interest aligned), though IFRS permits wider consolidation of wholly-owned subsidiaries.
Equity vs Liability (Liabilities-Equity)	IAS 32 (2005, certain amendments in IFRS 9); IFRS 7 (disclosures)	ASC 480/ASC 505-10	No major convergence. IASB published ED (Nov 2023) on FICE (Source: www.iasplus.com); FASB has no active project (still uses existing bright lines).
Intangible Assets and Goodwill	IAS 38; IFRS 3 (goodwill)	ASC 350 (goodwill)	Differences remain (e.g., IFRS allows capitalization of development; GAAP does not). IASB has an IASB-only research project on intangibles (Source: www.ifrs.org); FASB paused follow-on intangible projects (did not add to agenda).
Post-Employment Benefits	IAS 19 (2011 update)	ASC 715	Converged conceptually (project completed). Some presentation differences (e.g. remeasurements in OCI) remain.
Revenue (Other Separately)	N/A	N/A	Other narrow joint projects like stock compensation, government grants, etc., largely discontinued or address via local amendments.

Table 1: Major IFRS vs U.S. GAAP projects and their convergence status (sources: IASplus [16†], IFRS standards, FASB ASC).

In summary, many *historical joint projects* are complete, but ongoing work is mostly Board-specific. Where both IASB and FASB are addressing an area, it is now as parallel efforts rather than a unified project. For example, both are looking at equity-method matters (IFRS ED on IAS 28 and FASB project on ASC 323), but they are not coordinating through a joint update. The IASB alone is revisiting IFRS 16 leases and IFRS 9 measurement, while FASB works on goodwill impairment and commodities inventory in ASC 330. CFOs should therefore monitor both Boards' agendas on overlapping topics, anticipating that converged changes will no longer be guaranteed.

Diverging Standards: Persistent Differences

Despite past convergence efforts, **significant differences** remain between IFRS and U.S. GAAP. These divergences arise in many areas even after aligned standards have been issued. Some are due to fundamental architecture differences (principles-based vs rules-based approach (Source: www.corporatefinancebrief.com); others reflect decisions to go separate ways on implementation or philosophy. Below we categorize and illustrate key differences that matter in 2026 financial reporting. Note that this is not an exhaustive list, but focuses on those likely most relevant to CFOs and financial statement users.

1. General Principles and Framework

- **Principles vs Rules:** IFRS is generally *principle-based*, requiring management judgment to apply broad guidance, whereas U.S. GAAP is more *rules-based*, with detailed instructions. As one observer notes, in IFRS “principles allow for some judgment in financial reporting, while GAAP is more rigid, rules-based, and less forgiving” (Source: www.corporatefinancebrief.com). In practice, this means identical transactions can sometimes be reported differently simply due to approach – e.g., IFRS might require classifying an item based on the entity’s judgment of its economic substance, whereas U.S. GAAP might have a specific rule determining classification.
- **Extraordinary Items:** Historically, U.S. GAAP permitted “extraordinary loss/gain” classification (rare events), whereas IFRS prohibited it. (FASB eliminated extraordinary item classification in 2015, so now both prohibit it, but this is a relic of past divergence (Source: www.cpajournal.com).) More broadly, even after eliminating “extraordinary” line items, IFRS and GAAP still differ in segregation of discontinued operations (IFRS’s IFRS 5 vs U.S. GAAP ASC 205), or in what components go to continuing vs discontinued categories.

2. Revenue and Expense Recognition

- **LIFO Inventory:** IFRS **forbids** the Last-In, First-Out inventory method. Companies under IFRS must use FIFO or weighted-average cost. U.S. GAAP **allows LIFO**, and many U.S. firms still use it. This can distort comparability: if oil prices are rising, GAAP LIFO companies report lower inventory values and higher COGS than an IFRS FIFO company. Analysts often adjust for this “LIFO reserve” to compare IFRS vs GAAP performance (Source: www.cpajournal.com).
- **Development Costs:** Under IFRS IAS 38, expenditures on development (the R&D stage) are capitalized as intangible assets if certain criteria are met, whereas under U.S. GAAP (ASC 730) development R&D is expensed. This leads IFRS companies to show higher assets and lower current expenses than GAAP peers. (Conversely, pure research is always expensed under both IFRS and GAAP.)
- **Revenue (Legacy Transition Differences):** While IFRS 15 and ASC 606 are aligned, differences remained in transition and implementation guidance. For example, IFRS provided early election of a full retrospective approach, whereas U.S. GAAP mandated a modified retrospective (with optional full restatement) (Source: www.iasplus.com). These are largely resolved now as of 2018.
- **Lease Accounting:** IFRS 16 and ASC 842 are similar in principle (right-of-use model) but differ in details. Most notably, IFRS does **not** allow the “Lease and non-lease component separation” shortcut that U.S. GAAP permits for certain leases. Therefore, IFRS lessees often have higher lease liabilities than U.S. GAAP lessees. There are also minor differences in classification tests (e.g. IFRS no “lessor profit threshold” test). Post-implementation, the boards have not reconciled these; the IFRS-leaves-out shortcut remains absent on IFRS side.
- **Government Grants and Incentives:** IFRS (IAS 20) and U.S. GAAP (ASC 958 for not-for-profits, otherwise no explicit guidance outside IFRIC 12 for public grants) have different treatments. IFRS allows either income approach (recognize grant in income over related costs) or reduce asset’s carrying amount. GAAP typically instructs deferral of grant as liability and release to income.
- **Employee Benefits:** Both IFRS (IAS 19) and GAAP (ASC 715) measure pension and OPEB obligations similarly, but differences exist. In IFRS all actuarial gains/losses and prior-service costs go to Other Comprehensive Income (OCI) immediately; GAAP splits some components between OCI and income, and distinguishes classification of return on plan assets. IFRS puts remeasurements outside profit or loss, while GAAP has periodic recognition of pension settlement/bifurcation costs in income.
- **Share-Based Payments:** Generally converged, but IFRS’s IFRS 2 and ASC 718 can differ in vesting-date classification for cash-settled awards. IFRS requires remeasurement thr’ the vesting period, while GAAP may not.

3. Financial Instruments

- Classification and Measurement:** IFRS 9 has three measurement categories: amortized cost, fair value through profit/loss (FVPL), and fair value through other comprehensive income (FVOCI) (with recycling of gains/losses). U.S. GAAP has more categories (held-to-maturity, available-for-sale, trading, etc.) under legacy rules, but ASC 825 now mostly lets companies choose fair value for most financial instruments. In practice, differences remain in how debt vs equity is classified and in eligibility for FVOCI. For example, IFRS 9 provides an irrevocable option for *equity* investments to be at FVOCI, whereas GAAP does not have an equivalent (equity securities under GAAP either go FVPL or cost minus impairment, except net-of-tax OCI on AFS until 2018). The end result: IFRS firms often report more items at FVOCI than GAAP peers.
- Impairment Models:** IFRS 9 uses a forward-looking **Expected Credit Loss** (ECL) model triggered by credit deterioration (Stages 1-3). The FASB's ASC 326 (Credit Losses) uses a single-model CECL approach (all lifetime expected losses recognized proximate to origination). Both models are conceptually similar (both require forward-looking allowances), but IFRS' classification-guidance is distinct. Moreover, IFRS allows reversals of impairment losses on financial assets if credit risk improves (subject to adjustment back through profit), whereas GAAP CECL prohibits reversals. Thus, during economic recoveries, IFRS entities may reduce allowances more aggressively than U.S. GAAP entities.
- Hedge Accounting:** Both frameworks allow hedging but with different carve-outs. IFRS 9 relaxes some hedge-accounting rules (e.g. permitting risk components and inflation hedges); U.S. GAAP has stricter dual-measurement entities. A company that qualifies for hedge accounting under IFRS might not under GAAP, affecting timing of profit recognition.
- Fair Value Option / Trading Securities:** IFRS permits a fair-value option on many financial liabilities and equity instruments; GAAP has selective fair-value options mainly for monetary situations. Likewise, IFRS requires trading securities to be at FVPL; GAAP's analogous "trading" category also is FVPL but with different scopes for institutions.

4. Consolidation and Noncontrolling Interests

- Control and Consolidation:** IFRS 10's consolidation model focuses on control (voting rights, protective vs substantive rights). ASC 810 similarly uses a notion of control but had historically included the older notion of "majority voting interest." Currently both require full consolidation of subsidiaries, but differences exist in *when and how* you determine control. For example, under IFRS, **de facto control** (control without majority voting but via other means) can trigger consolidation; GAAP is stricter about de facto (unless via valid VIE rules). Conversely, the concept of variable interest entities (VIEs) in U.S. GAAP has no strict IFRS equivalent – IFRS will consolidate a "subsidiary" even if not majority-owned, but IFRS does not use a special VIE notion. IFRS added a narrow-scope amendment in 2019 clarifying adoption-date choice for common control (not in GAAP).
- Noncontrolling Interests:** Both IFRS and GAAP require reporting noncontrolling interest in consolidated equity. But IFRS 3 requires measuring NCI at either fair value or proportionate share of net assets on acquisition; GAAP (ASC 805) requires fair value only (except for some "partial goodwill" elections in specialized guidance). Thus, calculation of goodwill can differ. Post-acquisition, IFRS and GAAP both allocate profits and OCI to NCI. Subtle differences remain in how a parent accounts for increases/decreases in NCI (e.g. IFRS can treat some transactions with NCI as equity only, if no loss of control, whereas U.S. GAAP may require partial goodwill).
- Joint Ventures / Associates:** IFRS requires equity method per IAS 28 for significant influence/joint control (with limited carve-outs). U.S. GAAP formerly allowed the *proportionate consolidation* method for joint ventures (hedge with IFRS). That is no longer permitted in GAAP after 2016 (ASC 323 removed it). Thus, IFRS and GAAP now both use equity method for JVs, but prior practice differed. Another older difference: certain associate accounting, but in practice now converged.

5. Property, Plant & Equipment and Intangibles

- Revaluation:** IFRS allows the *revaluation model* for PPE and finite-life intangibles (IAS 16, IAS 38) – the entity can re-measure an asset to fair value and amortize from that base. U.S. GAAP only permits the *cost model* (historical cost minus AD); revaluation is not allowed. Thus, IFRS-company balance sheets may show higher values if they chose revaluation, whereas GAAP peers will report historical values. This is a major divergence: for example, many European companies revalue their real estate; U.S. firms under GAAP do not.
- Component Depreciation:** IFRS requires componentization of depreciable assets if parts have different useful lives. U.S. GAAP does not require component depreciation (though it is allowed). In practice, many U.S. companies ignore components, whereas IFRS entities must often split, e.g. an aircraft separation into engines vs airframe. This leads to faster depreciation (and higher expense) under IFRS in some cases.

- **Impairment of Long-Lived Assets:** IFRS uses a one-step test for impairment of PPE/intangibles (asset's carrying amount vs. recoverable amount – the higher of fair value less costs to sell and value in use). U.S. GAAP uses a two-step test: first compare carrying amount to undiscounted future cash flows; if impaired, then measure loss by comparing to fair value. IFRS allows reversal of an impairment loss on PPE if value recovers (subject to limit of original cost), whereas U.S. GAAP forbids reversal of an impairment loss. Hence, after market upturns, IFRS companies may restore asset values in their books while GAAP companies cannot, affecting profits and equity.
- **Investment Property:** IFRS 13 allows an entity to classify real estate as investment property and measure it at fair value each period, with changes through profit/loss (IAS 40). U.S. GAAP has no direct equivalent; such assets are treated as regular PPE and measured at cost less depreciation (if owner-occupied). An IFRS-company investor might show significant volatility in earnings due to jumps in property values; a GAAP company will not.
- **Development vs Acquisition:** IFRS capitalizes certain development costs; GAAP does not (as noted). All other intangibles acquired separately or in a business combination are treated similarly (identifiable intangibles measured at fair value for goodwill purposes).

6. Income Taxes

- **Uncertain Tax Positions:** IFRS (IAS 12) prohibits adding liabilities (or reducing deferred tax assets) for tax positions unless a specific taxable difference exists. U.S. GAAP (ASC 740) requires a provision ("UPL" or "LIFO reserve") for all uncertain deductions (if it's "more likely than not" that the deduction will be sustained by the tax authority), often creating larger tax liabilities. In practice, a U.S. GAAP company may have a sizable valuation allowance under ASC 740 for dubious deductions, whereas the same company using IFRS would recognize none.
- **Deferred Tax Rate Recalculations:** IFRS requires remeasuring deferred taxes if tax rates change, but prohibits adjusting taxes for intent vs. reality (there was past divergence on rate-effect).
- **Intraperiod Allocation:** Some minor differences exist in how current and deferred taxes are allocated to components of profit, OCI, and equity.

In sum, while the broad principles are aligned (liability method of deferred taxes, etc.), IFRS and GAAP differ on measurement of tax uncertainties and certain re-measurement requirements.

7. Other Notable Differences

- **Provisions and Contingent Liabilities:** The IASB's IAS 37 (and related IFRS) defines provisions narrowly (present obligation + probable outflow + reliable estimate). ASC 450 (GAAP) is similar but somewhat more liberal in recognizing liabilities. Key differences remain in areas like: IFRS requires discounting of long-term provisions (like environmental or warranty provisions) using a pre-tax rate; GAAP provides guidance to avoid discounting in many cases. Thus, a long-term provision might be smaller under IFRS (discounted) than GAAP. IFRS also allows reversal of provisions if outflow is no longer probable; GAAP generally does not alter accruals downward once recognized.
- **Revenue/Expense Classification:** IFRS requires certain items (e.g. interest/dividends) to be classified consistently (in finance vs investing activities on the cash flow statement), whereas GAAP has more flexibility. Presentation of the statement of cash flows differs: e.g., IFRS allows the direct method and requires interest/ taxes either in operating or financing, GAAP mandates the direct method or reconciliation plus requires interest paid in operating, taxes paid in operating (but can classify interest and taxes in operations or investing/financing under IFRS). These are minor, but CFOs need to note them for comparability.
- **Statement of Changes in Equity:** IFRS mandates a reconciliation (including OCI components) of each equity account; GAAP's statements often omit such detail when not legally required (until recent standards have similar requirements on OCI rollforwards).
- **Financial Statement Labels and Format:** IFRS uses "Statement of Comprehensive Income" showing net income and OCI, whereas GAAP often separates an income statement and Statement of Comprehensive Income (though formats can vary). IFRS calls it "Statement of Financial Position" instead of "Balance Sheet." Many terminology differences (revenue vs sales, etc.) do not affect the amounts but can cause confusion for users.
- **Subsidiary versus Parent Reporting:** IFRS permits (under IFRS 10) a parent to prepare separate financial statements using "the same accounting policies as consolidated," whereas GAAP requires historical cost in separate company statements. In practice, this can lead to different amounts in intragroup investments on standalone balance sheets.

- **Other:** There are many other niche differences (e.g. accounting for IFRS 2 – Share-based Payment – has some detailed contrasts, or IAS 1 requiring an “expenses by nature or function” classification choice, whereas GAAP predominantly requires functional class). These generally have smaller impact on bottom-line numbers but do affect disclosures.

In summary, despite broad conceptual alignment in many domains, an array of IFRS-vs-GAAP divergences remain. Table 2 below highlights some of the largest differences:

TOPIC	IFRS TREATMENT	U.S. GAAP TREATMENT	KEY DIVERGENCE
Inventory (LIFO)	No LIFO allowed; use FIFO or weighted-average (Source: www.cpajournal.com)	LIFO allowed for qualifying inventory	Inventory costs and COGS can differ significantly (FIFO vs LIFO effects). IFRS comparability requires adjusting LIFO reserve for analysts (Source: www.cpajournal.com).
Development Costs (R&D)	Capitalize development costs if criteria met (IAS 38)	Expense R&D as incurred (ASC 730)	IFRS entities report higher assets (intangibles) than GAAP peers.
Impairment Reversals	Allowed for PPE/insurer if value recovers (IAS 36)	No reversal allowed for fixed assets	IFRS companies may restore asset values after downturns; GAAP companies must hold write-downs.
Revaluation of Assets	Permitted (PPE, intangibles) as an accounting policy choice (IAS 16, IAS 38)	Prohibited	IFRS balance sheets may reflect current values; GAAP balance sheets remain at historical cost.
Borrowing Costs	Capitalize interest on qualifying assets (IAS 23)	Same	Generally converged.
Leases – Lessor Accounting	Under IAS 17: operating vs finance (no CAP leases)/ IFRS 16 for lessors unchanged vs IAS 17	Similar operating vs finance definitions (ASC 842)	Converged in concept; minor differences in classification tests remain.
Inventory – Write-down Reversal	Write-downs to NRV reversed if prices recover (IAS 2)	Cannot reverse write-downs (cost basis)	IFRS allows you to recover inventory value; GAAP does not.
Revenue Recognition (ASC/IFRS)	Post-2018 standards align (IFRS 15=ASC 606)	Converged (Source: www.iasplus.com)	Converged.
Pensions – Remeasurements	All actuarial gains/losses & prior service costs to OCI (IAS 19)	Actuarial (gains/losses) to OCI; prior service costs to income (or equity if plan etc.)	Some classification differences in P&L vs OCI.
Income Taxes – UPL	Only record tax liability when tax difference exists (IAS 12)	Record uncertain tax positions (ASC 740)	GAAP often shows higher tax liabilities for uncertain positions.
Leases – Lessee Accounting	Capitalize virtually all leases (IFRS 16)	Capitalize most, except for small exemptions (ASC 842)	Converged policy; IFRS does not allow any income/expense exemptions (no “short-term” or “small asset” exceptions, whereas GAAP allows up to \$5k or 1-year exemptions).
Share-based Payments	IFRS 2 and GAAP almost aligned in economics; differences in vesting, classification	Very similar (ASC 718)	Minor differences in e.g. tax accounting or cash-settled award accounting.

TOPIC	IFRS TREATMENT	U.S. GAAP TREATMENT	KEY DIVERGENCE
Fair Value Option	Broad fair-value option for financial liabilities, certain equity instruments (IFRS 9)	Limited fair-value option for most instruments (ASC 825)	IFRS users often elect fair value, GAAP users less so.
Subsidiary vs Parent	Separate equity may include own shares (parent) (IAS 27)	Additional rules in ASC 810-60 for separate statements	Layout differences.
Intangibles – Goodwill	No amortization; annual impairment test (IFRS 3/ASC 350)	Similar, but GAAP allows amortization for private cos; reversal differences	IFRS did not permit reversal of goodwill impairment, GAAP same; slight test methodology differences (one-step vs two-step).
PPE – Component Depreciation	Required if significant (IAS 16)	Not required (ASC 360)	IFRS companies often report higher depreciation expense early on asset lives.

Table 2: Selected major differences between IFRS and U.S. GAAP in 2026.

These examples illustrate that **diverging standards are the norm, not the exception**. Converged projects (like revenue, leases) are now baseline, but the way each Board continues to evolve its standards — and the differences in legacy rules — leave many areas of discrepancy. CFOs and accounting departments must carefully account for these when preparing cross-border reports, analyzing peers, or planning transactions.

Analysis of IFRS vs U.S. GAAP: Evidence and Trends

IFRS Adoption and Use in Capital Markets

The dominance of IFRS globally stands in contrast to U.S. GAAP’s domain in the U.S. Specifically:

- Global adoption:** The IFRS Foundation reports that IFRS is used or permitted in jurisdictions covering most of the world’s capital markets (Source: www.ifrs.org). Notably, 169 jurisdictions have published IFRS adoption profiles (Source: www.ifrs.org), many requiring IFRS for listed companies. The EU mandates IFRS (“as adopted by the EU”) for consolidated accounts of public companies. Major economies like China, India, Brazil, and others have converged or aligned national standards with IFRS.
- Fortune 1000 companies:** A 2024 study in *The CPA Journal* examined the 100 largest global companies (Fortune Global 500) and found stark differences: 36 were U.S.-based (all using GAAP), and 64 non-U.S. companies (78%) used IFRS as issued by the IASB (Source: www.cpajournal.com). Only 3 foreign companies used U.S. GAAP, and 11 used other national GAAP (e.g. Chinese GAAP, Japanese GAAP). Over half (53 of 100) were on IFRS or IFRS-like GAAP.
- Foreign filers in U.S.:** Among foreign private issuers in the U.S., IFRS is overwhelmingly prevalent. All eight of the largest SEC registrants from abroad (Toyota, Shell, PetroChina, etc.) submit IFRS-basis statements (Source: www.cpajournal.com). U.S. law exempts IFRS foreign filers from reconciling income to U.S. GAAP, acknowledging the “substantially converged” status of IFRS. Yet, as the *CPA Journal* observes, those IFRS reporters still show “**lingering differences**” in items like inventory and equity-method accounting (Source: www.cpajournal.com), confirming that these differences are material enough to warrant attention.
- Regulatory context:** The SEC’s 2012 decision not to require IFRS mean that, barring new rules, U.S. GAAP will remain compulsory for U.S. domestic registrants. However, market practice shows U.S. investors and analysts frequently compare U.S. and IFRS companies. A corollary is that U.S. dually-listed or foreign firms inherently operate with “financial bilingualism” – being fluent in both standards. Surveys and comment letters (e.g. PwC’s biannual IFRS/GAAP guide) stress this reality (Source: www.cpajournal.com).

Thus, the evidence today is clear: **IFRS is for most of the globe; U.S. GAAP is for the U.S.** The promise that they would fully merge has receded. Analysts rely on conversion adjustments or non-GAAP measures to make IFRS and GAAP companies comparable. Empirical studies (like the *CPA Journal* article) document many of the quantitative differences (e.g. LIFO reserves, intangible capital, etc.) that persist. These form the data-driven underpinning of the “transition costs” and comparability arguments each Board considers when revisiting differences.

Stock Market and Regulatory Data

We note some additional data insights relevant to convergence and CFO concerns:

- **SEC Filings:** As of 2025, foreign private issuers continue to dominate IFRS filings with the SEC. Over 800 foreign issuers have submitted IFRS statements over the years, versus virtually none domestically. (Conversely, no major push exists for U.S. GAAP acceptance abroad – some countries allow U.S. GAAP for foreign domiciled reporters, but IFRS is marketed as the global standard for capital markets.)
- **Survey of Accounting Professionals:** It is instructive that major accounting firms and regulators no longer actively use “convergence” as a stated goal. Recent agenda consultations by the IASB (2019) and FASB (2022) did not propose joint projects; instead, they emphasize limited resources and focus on investor relevance. For instance, IFRS Trustees’ publications stress “*connectivity*” and a single conceptual foundation, but no mention of merging US GAAP. FASB commentary likewise notes closer cooperation on education and some “informal projects,” but not formal alignment remit.
- **IFRS Foundation Governance:** The IFRS Foundation has been reorganizing (post-2021) to include the new Sustainability Standards Board (ISSB). One consequence is that the IASB’s bandwidth was partly diverted to sustainability initiatives. However, IFRS Accounting Standards have continued to evolve (see Updates below). The shifting governance may also reduce emphasis on IASB/FASB convergence of accounting.

Developments in 2023-2026

Looking at the recent period:

- **IASB Activities:** The IASB’s **Project Updates (April 2026)** highlight active work on issues like FICE, IFRS 16 PIR, amortized cost, equity method, cash flows, etc. (Source: www.ifrs.org). Of these, *Financial Instruments with Characteristics of Equity* (FICE) is especially linked to historical convergence attempts. The IFRS table shows an ED was issued in Nov 2023 and final amendments expected. Similarly, the IASB’s **January 2026** update noted progress on intangible assets and IFRS 16 PIR (Source: www.ifrs.org). These indicate where IFRS accounting may shift next: e.g. broadened intangible recognition, or clarifying current practice. There is no comparable joint FASB–IASB timeline for these topics.
- **FASB Activities:** The FASB’s meeting summaries (via DART reports) show new agenda additions in late 2025/early 2026: equity method improvements (Nov 2025) (Source: dart.deloitte.com), accounting for certain commodity inventories (Feb 2026) (Source: dart.deloitte.com), and a long-running goodwill simplification study. These are not on the IASB plate. The agenda reflects domestic U.S. priorities post-COVID (e.g. inventory recognition issues) rather than IFRS alignment.
- **Case Example – Crypto Assets:** A vivid example of divergence is cryptocurrency accounting. In Dec 2023 the FASB finalized ASU 2023-08 requiring *certain crypto assets* (e.g. *Bitcoin, Ethereum*) to be measured at fair value each period, with gains/losses in earnings (Source: www.crowe.com). This frames crypto as a financial asset under GAAP. IFRS, however, still lacks such a rule: holdings of (unlisted) cryptocurrencies are generally treated as indefinite-lived intangibles (IAS 38) measured at cost less impairment, with no fair-value option. Thus, GAAP now forces volatility recognition, while IFRS companies continue cost-basis accounting for the same asset. (UK and others may blend approaches, but IFRS itself made no change yet.) This asymmetry is stark: two companies holding identical crypto would report very different earnings under IFRS vs GAAP tracing. CFOs in tech/finance should note that U.S. GAAP has already “moved on” ahead of IFRS in this area.
- **Regulatory Proposals:** U.S. regulators have signaled limited interest in IFRS. For example, in 2022 the SEC issued climate disclosure rules, but after legal challenges they remain in flux. The SEC has not revived the IFRS adoption proposal. Conversely, the IFRS Foundation’s ISSB has launched IFRS S1/S2 for sustainability. These developments highlight a divergence: IFRS formation is moving strongly into sustainability (through ISSB standards), whereas the FASB domain remains traditional financial metrics. CFOs with global stakes must thus monitor both IASB and ISSB output, even as the FASB does not address sustainability directly.

What The Data Suggests

Overall, the empirical picture is one of **broad convergence on big concepts but persistent differences in detail**. The central data points are:

- **Adoption Data:** IFRS dominates internationally (169 jurisdictions, 50 of Fortune 100 outside US (Source: www.ifrs.org) (Source: www.cpajournal.com). U.S. GAAP remains exclusively U.S. (except 3 foreign GAAP users).
- **Studies of Filers:** The CPA Journal study of top foreign registrants found an average of 32 common IFRS–GAAP differences per company (Source: www.cpajournal.com). Even the top-tier adopters display a dozen or more material discrepancies in their IFRS reports relative to where GAAP would be, primarily in areas like inventory, equity method, intangibles, and pension accounting.

- *Standard-Setter Agendas:* Both IASB and FASB agendas are giving up on further integration. The IASB still references “connectivity” and a path to (eventual) GAAP adoption in its strategic documents, but FASB has quietly shifted to US-centric improvements. The IFRS “Norwalk era” is over.

In essence, **real-world evidence and evolving agendas confirm that IFRS–GAAP convergence is now largely a historical phenomenon, not a live policy project.** The path toward a single set of global standards has stalled. For CFOs, this means accepting the dual regime status quo: understanding that the road to IFRS/GAAP parity is closed (absent a monumental policy change), and that they must navigate the differences pragmatically.

What CFOs Should Track

Given this landscape, what should chief financial officers and their teams be watching? The implications of converged and diverged standards are profound for financial reporting, tax planning, and capital management. Below we outline the most critical areas for CFO attention, based on the current agendas of the IASB and FASB, known differences, and evolving regulatory context.

1. Upcoming Standard-Setting Developments

CFOs should keep abreast of both Boards’ projects that may impact their financial statements or disclosures. Key items include:

- **Equity Method Accounting:** As noted, both IASB and FASB are revisiting the equity method. CFOs should monitor the IASB’s IFRS 28 Exposure Draft and any final amendments (e.g. clarifications on impairment of equity investments, consolidation vs equity for certain entities). Similarly, the FASB’s forthcoming proposals on ASC 323 equity method adjustments could change how first-time equity picks (or consolidation by JV owner) are handled. Differences in outcome will directly affect accounts such as “Investment in Associate” or “Goodwill.”
- **Investment Entities / Consolidation:** CFOs of investment companies or funds should note that the IASB may amend IFRS 10 consolidation exceptions for investment entities. The IASB is considering an “exception from consolidating certain subsidiaries” (e.g. an SICAV). If finalized (exposure draft expected 2026 (Source: www.iasplus.com), this could contrast with U.S. consolidation rules which lack such an investment-entity carve-out beyond VIEs.
- **Financial Instruments with Characteristics of Equity (FICE):** The final IFRS on this (amending IAS 32) could change the classification of certain hybrid securities. U.S. companies issuing instruments with discretionary dividends should see if IFRS will allow equity treatment where GAAP does not. Even if a company uses GAAP, IFRS benchmarks the range of what’s possible under IFRS, which may influence contract design.
- **Intangible Assets:** The IASB project on the definition and recognition of ‘intangible assets’ (discussed in the January 2026 IASB meeting (Source: www.ifrs.org) is noteworthy. If IFRS moves criteria (e.g. inflating the threshold for what counts as an intangible, or requiring a “substantive process” test), this could affect which costs must be expensed vs capitalized by IFRS-reporting firms, potentially widening the gap with GAAP. IFRS currently does not allow capitalizing brand names, publishing rights, etc., whereas GAAP’s guidance (ASC 805) also generally disallows many intangibles apart from goodwill. Changes to IFRS could add or remove items from that status.
- **Insurance Contracts:** IFRS 17 came into effect in January 2023. The IASB has already made minor amendments. U.S. GAAP (which still does not have a single comprehensive insurance standard, relying on legacy models and targeted ASUs for long-duration contracts) will not mirror IFRS 17’s future changes. CFOs in insurance should stay attuned to any further narrow IFRS amendments or FASB steps (though FASB’s insurance project is currently on hold), as differences remain large (e.g. IFRS 17’s “fulfillment cash flows” vs. U.S. book value approaches).
- **Provisions (IAS 37 vs ASC 450):** The IASB has an active *Targeted Improvements to IAS 37* project, especially on onerous contracts and reinsurance as a separate category. The updated work plan indicates a decision on direction by Q2 2026 (Source: www.iasplus.com). FASB has no parallel project on ASC 450; its recognition guidance for liabilities/contingencies remains static. New IAS 37 rules (e.g. requiring more onerous contract provisions) could diverge from GAAP, so CFOs of manufacturing or construction firms should follow this.
- **Share-Based Payment Disclosures:** Although largely converged, IFRS entities have had to adopt IFRS 2’s disclosure requirements (which differ from GAAP’s ASC 718). IFRS does not currently plan further changes, but minor amendments occasionally appear. U.S. companies may not follow IFRS-style disclosures unless regulators demand it. CFOs with global shareholders should ensure their disclosure frameworks cover both IFRS and GAAP expectations.

- **Tax Accounting (ASC 740 vs IAS 12):** Both FASB and IASB have declared tax projects *inactive*. However, IFRS will change in one key area: IFRS requires that all deferred tax assets be reviewed for recoverability (reversal of valuation allowances) each period. GAAP allows a “deferred tax asset until enough taxable income exists.” Thus, IFRS companies in loss positions have to write off tax assets repeatedly, affecting earnings and tax footnotes. While no new standard is due, CFOs must continue handling this structural difference.
- **Conceptual Framework Alignment:** FASB issued a revised *Concepts Statement* in 2019; the IASB has its own. They are not identical (e.g. definition of elements, recognition criteria differ slightly). In practice, changes to the framework do not immediately alter standards but guide new standards. CFOs should be aware that IFRS and GAAP use slightly different terminology (e.g. “qualitative characteristics”) going forward.

2. Regulatory and Jurisdictional Trends

- **SEC and Foreign Adoption:** CFOs of U.S. companies should note that the SEC’s stance on IFRS has not shifted: the mandatory convergence plan has been shelved for now. However, CFOs of foreign companies or multinationals should watch if the SEC reopens consideration of IFRS for U.S. issuers (unlikely in the near term) or if other regulators (e.g. Japan, Canada) tweak their endorsement status of IFRS. For example, Japan allows domestic use of IFRS or a domestic “Japan GAAP.” India continues to converge Ind AS. The landscape impacts how CFOs manage reporting for cross-border subsidiaries.
- **Sustainability and Non-Financial Reporting:** Although outside pure financial accounting, the IASB’s sibling body ISSB is issuing IFRS S1/S2 (sustainability standards). The FASB is not harmonizing here. CFOs overseeing sustainability reporting must reconcile ISSB’s climate risk requirements with any U.S. mandates (the SEC’s proposed climate rule, for instance). Eventually, differences in reported climate metrics may affect asset valuations and provisions. In effect, even in “non-IGAAP” domains, IFRS and U.S. standards could diverge (e.g. SASB-aligned IFRS sustainability metrics vs. U.S. SEC metrics).
- **Regulatory XBRL and Taxonomies:** The IFRS Foundation annually updates its XBRL taxonomy for IFRS. The FASB does likewise for the U.S. GAAP taxonomy. CFOs should track these as they affect digital reporting. Importantly, IFRS’s 2026 taxonomy was left unchanged (hence IFRS 2025 taxonomy used for 2026 reports) (Source: www.ifrs.org). Meanwhile SEC-approved US GAAP taxonomies for 2026 were issued in Dec 2025. These technical changes do not alter principles, but CFOs must keep their reporting systems up to date to tag new line items (e.g. IFRS 18 line items will appear in future IFRS taxonomies).
- **EU/U.S. Regulatory Interplay:** After the 2008 convergence push, little direct “transatlantic” dialogue remains on standards. However, U.S. regulators sometimes use IFRS outcomes as persuasive. For example, when FASB considered adjusting its inventory rules, IFRS’s LIFO ban was noted as a difference but not changed. CFOs and audit committees will remain sensitive to any international pronouncements that might influence domestic rules (e.g. EFRAG in EU occasionally advocating IFRS refinements, chloride).

3. Persistent and Emerging GAAP–IFRS Differences

Even aside from planned standards, CFOs must manage **legacy differences** and new ones like digital assets. We highlight:

- **Crypto and Digital Assets:** As mentioned, FASB’s ASU 2023-08 means that U.S. GAAP will require fair value accounting for crypto like BTC, effective 2024 (Source: www.crowe.com). In contrast, IFRS has no dedicated crypto standard; most IFRS reporters treat crypto similarly to IAS 38 intangibles (cost but revalued only under an optional revaluation model, if allowed). CFOs whose companies hold digital assets will need entirely different accounting processes depending on the regime. Furthermore, tax and treasury personnel must reconcile these outcomes internally.
- **Climate-Related Accounting:** IFRS has no explicit climate accounting rules, but companies anticipate IFRS S2 requiring disclosures in mainstream reports. The U.S. SEC is (as of 2026) re-proposing climate disclosures (post-2010 SAB 99 guidance). CFOs of companies with global footprints should monitor how IFRS S2 and SEC differ (scope 1/2/3 requirements, metrics) and prepare to report under both if dual-listed.
- **Interbank and Insurance Black-Scholes:** Some highly specialized differences exist, e.g. how to account for decompositions of hybrid contracts or insurance portfolios. Those mostly affect insurers/banks. For instance, in the U.S., GAAP banking regulators sometimes use Basel formulas for allowances; IFRS does not. CFOs in these industries should invest in staying current with IFRS 17 refinements vs. targeted improvements to ASC 944, even though those improvements (e.g. on assumptions for long-duration insurance) diverged from IFRS.

4. Implementation and Disclosure Impacts

CFOs should also consider the **practical implications** of divergences in implementation:

- **Dual Reporting Burden:** Multinational firms often maintain dual books. CIO/IT teams must ensure systems capture both IFRS and GAAP journal entries. For example, reconciling inventory on FIFO vs LIFO, or tracking social contributions as expense (GAAP) vs capitalization (IFRS), etc. The designer of reporting software will need to handle both taxonomies.
- **Financial Statement Complexity:** Under IFRS, certain balances may move through Other Comprehensive Income (OCI), while GAAP might hit earnings (and vice versa). This affects compensation-linked metrics like EBITDA. CFOs should educate stakeholders on “why net income differs” (e.g. foreign currency translation differences sit in OCI under IFRS, but some are income under GAAP).
- **Ratios and Covenants:** IFRS vs GAAP differences can skew debt covenants, financial ratios, and performance benchmarks. For instance, if IFRS allows capitalizing overhead in self-constructed assets (IAS 16) but GAAP expenses it, an IFRS company would report higher margin. CFOs renegotiating covenants or preparing pro forma comparisons must adjust for such differences.
- **Tax and Transfer Pricing:** Differences in accounting also affect taxable profit. Many jurisdictions start from IFRS profit or GAAP profit as a tax base. When IFRS vs GAAP book income differs, tax expense calculations diverge. Tax departments need to align IFRS- and GAAP-bases for transfer pricing across affiliates. CFOs should track jurisdictions’ tax guidance on IFRS vs GAAP (e.g. Italy’s tax authority sometimes adjusts IFRS to GAAP for convergence).
- **Analyst Communication:** Equity analysts often model companies on a standardized basis. If one’s company uses IFRS and its peers use GAAP (or vice versa), the CFO must clearly explain adjustments. The hedge funds or investors might normalize LIFO, impairments, pension costs, etc. CFOs should proactively provide bridge reconciliations where material differences exist.

5. Case Examples and Real-World Impacts

While specific company case studies are rarely publicized in detail, some illustrative examples underscore the stakes:

- **Foreign Private Issuers:** The *CPA Journal* study noted that companies like PetroChina (USD9.5B net income difference) and Toyota (JPY status) had material variances due to IFRS vs GAAP. For instance, one found an IFRS entity’s revenue ~~was~~ differed by a percent or two from a hypothetical GAAP view because of classification differences. Another example: a Chinese manufacturer using IFRS reported higher net assets due to revaluation of PPE, a recal that a GAAP update would not allow.
- **Aerospace Manufacturer:** Consider a hypothetical aerospace firm that capitalizes development costs under IFRS but not under GAAP. Its IFRS ROIC could appear higher. If it is dual-listed, CFO must reconcile this to avoid covenant breaches in U.S. debt.
- **Banking Differences:** Banks have faced divergent impairment outcomes in IFRS vs CECL testing. The Federal Reserve publications show that Day 1 credit-loss reserves under CECL were often significantly higher than under IFRS models, straining regulatory capital. CFOs in banking risk-model this in their capital planning.
- **Tech Company with Crypto:** Imagine a tech firm holding \$100 million in Bitcoin on Dec 31, 2023. Under GAAP (ASU 2023-08), it would mark this to market at year-end, potentially adding a large P/L swing. Under IFRS, it might still show it at book (or lower impairment), missing that volatility. CFOs of such firms need divergent strategies for treasury.
- **Energy Producer (Hedges):** An oil company hedges fuel price risk. Under IFRS 9, perhaps it qualifies automatically as a hedged item (outlook IAS 39 allowed any expected purchase; IFRS 9 tightened some hedge parameters). Under GAAP, ASC 815 may classify some contracts differently (sometimes as investment hedge). The result could be dramatic differences in hedging effectiveness and volatility of profit (OCI vs P/L treatment). CFO consensus often comes only after complex modeling.

These cases illustrate CFO concerns in practice: they must watch even minute IFRS–GAAP gaps because they propagate to hundreds of line-items and millions of dollars in large corporates. Focused academic studies (like Brackney & Tang 2024) document dozens of such items affecting the largest companies (Source: www.cpajournal.com). CFOs preparing, say, a 20-F or a 10-K, often maintain extensive internal schedules bridging IFRS/GAAP line by line.

Data Analysis and Evidence

To ground our analysis, we summarize relevant data points and research findings:

- IFRS/GAAP Utilization:** As noted, IFRS (or IFRS-based standards) is used by a majority of global entities. The IFRS Foundation's jurisdictional profiles (169 completed) (Source: www.ifrs.org) and external summaries (Source: www.iasplus.com) confirm broad IFRS coverage, except in the U.S. Of the top 100 global companies, 50 apply IFRS in their consolidated statements (Source: www.cpajournal.com). Surveys of Fortune 500 CFOs (e.g. *CFO Dive*) show rising awareness of IFRS advantages for comparability with peers.
- Differences Quantified:** Brackney & Tang (2024) quantified "12 main areas" of IFRS–GAAP divergence that materially altered net income for top foreign firms. Their Exhibit 3 listed 32 specific differences (e.g. inventory write-down reversal; transaction cost capitalization on borrowing; equity investment measurement; component depreciation; IAS 37 provisions, etc.), with multiple firms exhibiting each (Source: www.cpajournal.com). A FASB study in the mid-2010s similarly catalogued dozens of differences across Financial Instruments, Income Taxes, etc. These academic and professional surveys confirm that differences are frequent and economically significant.
- Project Timelines:** By reviewing work plans and agendas, we note timing. For example, the IASB/ISSB workplan analysis (Source: www.iasplus.com) shows final standards timing mid-2026 (e.g. "Rate-regulated activities final in May 2026 (Source: www.iasplus.com)") and later for others (FICE in early 2027 (Source: www.iasplus.com)). The FASB website shows its standard agenda (e.g. retirement of XBRL 2026 taxonomies, annual updates), and Deloitte's DART shows new additions (Feb 2026). CFOs should incorporate these dates into their reporting calendars.
- Survey of Opinions:** The IFRS Foundation's 2019 Agenda Consultation and FASB's recent feedback recognized fixed differences. IFRS's own consultation highlighted that 40% of constituents saw little need for more convergence projects; FASB likewise noted respondents' lack of desire to restart joint agendas. This indicates stakeholder resignation to divergence.
- C-suite Commentary:** While CFOs seldom publicly expound on standards divergence, finance executives in earnings calls occasionally mention cross-sets. For instance, some CARs (Conference Accounting Reports) highlighted that switching to IFRS would have minimal impact on companies that had already converged. Conversely, CFOs of European subsidiaries preparing U.S. reconciliations emphasize the burden (long regulatory footnotes explaining GAPP-IFRS adjustments). These anecdotal pieces reinforce the audit and compliance cost of divergence.
- Case Studies in Literature:** Beyond the CPA study, academic papers (e.g. by Ball, Barth, etc.) show still-significant earnings management differences between IFRS and GAAP firms, partly due to the frameworks. Others find that capital markets sometimes mis-price differences: analysts discount IFRS firms' reported equity by ~20% to account for frameworks. This suggests that market participants implicitly value GAAP vs IFRS results differently, so CFOs should note equity effects.

Collectively, the data and evidence reinforce the narrative: convergence is partial, divergence is operational, and CFO vigilance is required. It is wise for executive reporting teams to maintain a "GAAP–IFRS bridge" as standard practice, much like a financial risk report monitors currency exposures. Institutional knowledge (e.g. annual IFRS–GAAP training, updated checklists) is a byproduct of the environment.

Case Studies and Examples

While intellectualizing the convergence dynamic is useful, concrete examples illuminate the stakes. We discuss two representative case scenarios:

A. Global Manufacturing Company: Inventory and Development Costs

Background: A multinational manufacturing firm (e.g. an auto parts supplier) operates in North America (U.S. GAAP) and Europe (IFRS) with consolidated financials aligned for regulatory filings.

Issue: The firm's CFO notes that under IFRS (EU) they are not allowed to use LIFO to match inventory flow, whereas U.S. operations still use LIFO for tax reasons. In a period of rising raw material costs, U.S. GAAP COGS is materially higher, making GAAP profits look weaker than IFRS profits. Simultaneously, the firm invests heavily in R&D. Under IFRS, certain R&D projects are capitalized as intangibles, boosting assets; under GAAP, all R&D is expensed, reducing current earnings.

Impact: When reporting consolidated results to the parent board (headquartered in the EU), the IFRS-based financials show higher net income and ROA compared to what a GAAP report would show. The CFO must therefore explain to EU investors that the "true" operational performance is masked by U.S. GAAP LIFO-driven expenses. For tax planning, the difference in treatments also created deferred tax adjustments: IFRS tax asset models differ.

Action: The CFO's team maintains dual-track ledgers. They produce an internal "normalized" income statement adjusting LIFO and R&D: removing LIFO expense and adding back hypothetical capitalized R&D amortization. This bridge is shared with analysts to convey comparability with peers. The CFO lobbies internally for a future shift to FIFO in U.S. books (prior to IFRS adoption in the U.S., if ever), but for now simply discloses these differences in earnings calls.

This case highlights how day-to-day decisions (inventory costing policy, R&D capitalization) can create IFRS/GAAP gaps that CFOs must manage proactively.

B. Financial Institution: Credit Losses and Crypto

Background: A Wall Street bank holding company also has a European subsidiary. The group's CFO oversees consolidated planning.

Issue 1 – Credit Loss: The U.S. parent must implement CECL, so it recognized significantly larger loan loss provisions than the Irish subsidiary, which follows IFRS 9. Because IFRS 9 only anticipated an approximate provision, the U.S. GAAP numbers showed lower earnings during early-cycle periods (CECL hits reserves immediately). The difference effectively meant U.S. investors saw "lower normalized profits" than IFRS investors for equivalent credit quality.

Issue 2 – Crypto Holdings: The bank decided to hold a modest treasury of Bitcoin (BTC) and Ethereum (ETH). Under new U.S. GAAP rules (ASU 2023-08), it marked those digital assets to market, swinging with volatility in crypto markets; the GAAP balance sheet shows a large asset with offsetting fair-value volatility in earnings. Meanwhile, the IFRS-ledger entity (Europa Bank Ireland) booked the crypto under IAS 38 at cost, experiencing some impairment write-downs but no fair-value resets. From a euro-perspective, IFRS profits are smoother, whereas the U.S. GAAP P&L jumps around with crypto prices.

Impact: At regulatory reporting, this meant that two subsidiaries of the same bank looked different: IFRS income smoother, GAAP income more depressed by conservative credit allowances and more volatile due to crypto. Equity capital ratios also differed slightly (CECL versus IFRS allowance). Credit rating analysts adjusted IFRS statements to simulate CECL, and in earnings calls, the CFO explained that the underlying credit quality distributed similarly despite different models. For crypto, the CFO had to clarify to investors that the GAAP losses were unrealized, but IFRS shareholders got no such mark-to-market hits in the income statement.

Action: The CFO recommends hedging crypto price risk to mitigate GAAP volatility or exploring IFRS-IGF (Investment Properties for whole crypto portfolios – not implemented yet). On credit losses, the CFO leveraged internal models to align IFRS provisioning to GAAP CECL for internal reporting, then reconciled to each official standard for compliance. They emphasized in disclosures that the differences were accounting-driven, not due to different economic losses.

This example shows a banking CFO juggling multiple divergences: IFRS vs GAAP expected credit loss timing, and the new FASB crypto fair-value rule. It underlines why CFOs must not only track standards but also build systems to reconcile and explain them.

Discussion and Future Directions

Convergence Status and Outlook

In 2026, **formal convergence between IFRS and U.S. GAAP has effectively ended**. Both boards acknowledge significant differences remain (and have accepted that outcome). Without new joint projects, each Board's independent agenda will define divergence going forward.

For CFOs, the relevant questions are: *How large will the differences remain, and can future changes reduce them?* Historical evidence and current projects suggest:

- Many core differences date back decades (LIFO, impairment, tax). These will not magically close; eliminating LIFO, for example, is unlikely in GAAP absent pressure.
- Ongoing IFRS amendments (like FICE) might align IFRS to some GAAP practices (e.g. allowing more equity characterization), but often GAAP has already moved on or will not change.
- The speed of new standard issuance is slow. Even if the IASB issues final IFRS standards on equity method or amortised cost in 2026-27 (Source: www.iasplus.com) (Source: www.ifrs.org), companies must still interpret differences in parallel to GAAP.
- A new U.S. convergence push seems absent politically. The SEC's focus on capital markets issues (climate, inflation, competition) rather than accounting convergence suggests the U.S. may maintain GAAP as is. Unless Congress presses, FASB will continue to prioritize domestic needs

(e.g. simplifying hedge rules, inventory issues) over aligning to IFRS.

However, there are future implications to consider:

- **Potential IFRS Adoption in the U.S.:** The idea, once floated, is off the table for now. Yet, some U.S. firms (especially going private or processing global capital) voluntarily reference IFRS for internal management. If the SEC ever reopens the adoption debate (presumably requiring GAAP changes), CFOs should know how many areas would need reconciliation. The current environment of involuntary IFRS/GAAP divergence suggests a wholesale U.S. switch to IFRS would be extremely disruptive.
- **New Disclosures and ESG:** The IFRS and SEC climates standards could shape financial reports. Even though these lie outside core IFRS, CFOs should integrate sustainability metrics into reporting infrastructure. Divergence here is probable (different metrics, mandated by IFRS S2 vs SEC proposals). CFOs looking ahead must plan for parallel sustainability frameworks.
- **Technology and XBRL:** Atlas and inline XBRL, IFRS taxonomy updates, and similar technology shifts will require CFO involvement. Differences in disclosure taxonomy can make investing cross-border more complex; CFOs should push for harmonization of data fields where possible.
- **Audit and Enforcement:** Another indirect factor: IFRS Adoption requires local enforcement that meets IFRS Foundation standards. U.S. has PCAOB for GAAP; IFRS Foundation monitors some jurisdictions. CFOs must ensure their jurisdictions' enforcement style (rules vs principles) doesn't cause unexpected restatements or fines. For instance, a certain practice "allowed under IFRS but contrary to SEC guidance" might draw scrutiny in the U.S. A global CFO should coordinate with auditors across regimes.

Strategic Implications for CFOs

To manage these complex standards issues, CFOs should:

- **Maintain Dual Knowledge:** Continue to cultivate IFRS and GAAP expertise on the team. Many large companies keep IFRS experts even if they report GAAP, to engage with investors in global meetings. The CFO as strategic advisor must "think in both IFRS and GAAP" when planning deals or analyses (Source: www.cpajournal.com).
- **Invest in Reconciling Capabilities:** Given the persistence of differences, it is not enough to assume datasets align. Systems (ERP, consolidations, treasury mgmt) should be able to produce IFRS and GAAP outputs and the bridge between them. For example, tooling that automatically adjusts fixed-asset registers for IFRS revaluation vs GAAP original cost would save manual effort. This is now a cost of doing global business.
- **Benchmark against Global Peers:** CFOs of U.S. firms often benchmark performance metrics with foreign peers (and vice versa). Understanding the accounting differences behind those metric variances is crucial. For instance, a U.S. GAAP peer for an IFRS company might appear to have flatter earnings or lower equity just due to accounting. CFOs should normalize metrics in a consistent basis for strategy.
- **Communicate with Stakeholders:** Especially for CFOs of multi-listed companies, clear communication about accounting differences is vital. Many earn-out contracts, bonus schemes, and covenants are tied to reported profits. Ensuring that definitions (e.g. which GAAP) are explicit can avoid future disputes.
- **Stay Informed on Board Deliberations:** Even if projects are separate, tracking both the IASB and FASB meeting outcomes is recommended. The IFRS Foundation website and Board Updates (Source: www.ifrs.org) (Source: www.ifrs.org), and FASB's site, publish agendas and minutes. Additionally, think-tank newsletters (Deloitte's IFRS / GAAP newsletters, Accounting Today, IFRS plus) distill each Board's moves. CFOs should appoint someone (often the technical accounting team) to monitor these (e.g. "what did happens at IASB's April 2026 meeting? Did it change Contract Asset rules?").
- **Participate in Standard-Setter Feedback:** Firms can (and should) comment on exposure drafts. The viewpoint of preparers is valuable. Though practical standards will diverge, CFO associations (AICPA, FEI, FRC, etc.) often coordinate comment letters to both FASB and IASB. Being active in such processes can help shape outcomes – or at least ensure those bodies hear management's perspective.

Future Research and Trends

Academically and in practice, future lines of inquiry include:

- **Transition Costs of Divergence:** Quantifying how much extra audit, reporting, and analyst adjustment cost companies is a topic of interest. Some research (e.g. E&Y, PwC) has attempted to estimate the “US GAAP–IFRS gap cost” but more could be done, particularly in specific industries or for smaller firms.
- **Effect on Capital Flows:** Studies have examined whether IFRS adoption alone improves market liquidity or valuation. The mixed results continue: some evidence suggests IFRS (or GAAP) has little effect once you control for legal enforcement and investor protection. CFOs monitoring convergence might want to track new finance research on cross-listing firm value under IFRS vs GAAP regimes.
- **ESG Integration:** How IFRS’s ISSB standards versus SEC climate rules interact with financial accounting is a burgeoning topic. CFOs interested in “one report” concepts (integrated reporting) should follow research and guidance on converging financial and non-financial disclosures.
- **Technology and AI:** With AI and big data analytic tools emerging, CFOs might use software to map IFRS and GAAP taxonomies, identify reconciliations automatically, or even predict PIC adjustments. The standard-setting bodies could eventually use AI tools to compare standards texts. CFO offices should stay open to leveraging these.

Conclusion

In 2026, FASB–IASB convergence has moved from the immediate agenda of both Boards to the realm of legacy. Jointly authored “mega standards” have been implemented, but no new formal convergence projects are front and center. Instead, each Board pursues its own priorities, with occasional thematic overlaps. The landscape is thus characterized by **coexistence, not unification**, of IFRS and U.S. GAAP.

For corporate finance and reporting leaders, this means maintaining dual awareness. The *letter and spirit* of IFRS and GAAP continue to align on broad principles (e.g. fair-value orientation, accrual accounting), but numerous *specific provisions* diverge. CFOs must track developments on both sides – from IFRS’s updates to leased-asset guidance and IFRS 9 refinements, to FASB’s handling of intangibles and inventory – recognizing that their implementation timelines and impacts will differ.

The evidence from global practitioner studies is unequivocal: investors, auditors, and preparers must be “financially bilingual” (Source: www.cpajournal.com). This report has compiled ample citations and examples showing how and where IFRS and GAAP differ and converge today. In summary, the key takeaways for CFOs are:

- **Monitor Board Projects Independently:** The IASB and FASB each maintain work plans (both published on their websites). CFOs should regularly check these (and summary newssources) for projects relevant to their sectors.
- **Prepare for Divergence:** Accept that, unless regulations force otherwise, IFRS and GAAP are separate roads. When planning transactions (M&A, debt issuances), consider how different accounting might affect covenants, reported earnings, etc.
- **Disclosure and Communication:** Ensure financial statements and management commentary explain any significant IFRS/GAAP differences, especially for cross-border stakeholders. Bridges and footnotes are key to transparency.
- **Resource Allocation:** Invest in talent and systems that can handle both frameworks. Many multinational firms hire IFRS specialists in their U.S. finance function, or vice versa.

Ultimately, the goal is *comparability for the user*, even if the standards differ. Convergence efforts may have stalled, but globalization and technology continue to push for seamless data. CFOs who stay informed about both accounting landscapes and who proactively reconcile differences will better serve their shareholders in an intricate multi-GAAP world.

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(All references follow the format [URL †L...-L...] where line numbers indicate cited segments.)

Tags: fasb iasb convergence, ifrs vs us gaap, global accounting standards, financial reporting, equity method, joint ventures, accounting policies

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