THE POWER OF BEING UNDERSTOOD

U.S. GAAP VS. IFRS: PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself about the impact of IFRS on your financial reporting processes and business now. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS when accounting for property, plant and equipment and investment property, except for differences related to impairment accounting (which are covered in our U.S. GAAP vs. IFRS: Impairment of long-lived assets at-a-glance). For other comparisons available in this series, refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series.

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. While the SEC has not made any final decisions with respect to use of IFRS by U.S. registrants, its activities are ongoing. For more information, refer to our IFRS Resource Center.

The guidance related to accounting for property, plant and equipment in U.S. GAAP is included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*. In IFRS, the guidance related to accounting for property, plant and equipment is contained in International Accounting Standard (IAS) 16, *Property, Plant and Equipment*, and the guidance related to accounting for investment property is contained in IAS 40, *Investment Property*.

There are some similarities in the accounting for property, plant and equipment under U.S. GAAP and IFRS. For example, both accounting models have similar recognition criteria and both require depreciation on a systematic basis. While there are some similarities, there are also some significant differences. These significant differences are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 360	IAS 16 and 40
Depreciation	Component depreciation is permitted, but is not used often.	Depreciation of individual components is required when the components' lives are different.
Major overhaul costs	Various alternatives are available to account for the costs of performing a major overhaul, including: (a) expensing the costs as incurred, (b) accounting for the overhaul as a separate component and (c) deferring the costs and amortizing them over the period of benefit.	Costs of performing a major overhaul are required to be capitalized if the overhaul represents a replacement of an identified component.
Revaluation	Revaluation is not allowed.	An entity may elect to apply the revaluation model, which allows the entity to measure property, plant and equipment at fair value.
Investment property	No specific guidance exists.	An entity is permitted to record investment property at fair value, with changes in fair value recognized in the income statement.

These are the significant differences between U.S. GAAP and IFRS with respect to accounting for property, plant and equipment and investment property, except for differences related to impairment accounting (which are covered in our *U.S. GAAP vs. IFRS: Impairment of long-lived assets at-a-glance*). Refer to ASC 360 and IAS 16 and 40 for all of the specific requirements applicable to accounting for property, plant and equipment and investment property. Refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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