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U.S. GAAP VS. IFRS: EARNINGS PER SHARE 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 related to earnings per share. 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 earnings per share in U.S. GAAP is included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 260, *Earnings Per Share*. In IFRS, the guidance related to earnings per share is contained in International Accounting Standard (IAS) 33, *Earnings per Share*.

Some similarities exist between U.S. GAAP and IFRS with respect to earnings per share. For example, both require presentation of basic and diluted earnings per share on the face of the income statement. While there are some similarities related to earnings per share under U.S. GAAP and IFRS, there are also some significant differences, which are summarized in the following table.

	U.S. GAAP	**IFRS**
Relevant guidance	ASC 260	IAS 33
Contracts that may be settled in common shares or cash at issuer's election	A presumption exists that contracts that may be settled in common shares or cash at the issuer's election will be settled in shares unless past experience or a stated policy provides a reasonable basis to believe it is probable that the contracts will be settled in cash.	Contracts that may be settled in common shares or cash at the issuer's election are always presumed to be settled in shares, and are included in the diluted earnings per share computation.

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	U.S. GAAP	IFRS
Year-to-date calculation of diluted earnings per share	The treasury stock method is applied to instruments such as options and warrants. The number of incremental shares is computed using a year-to-date weighted-average number of incremental shares by using the incremental shares from each quarterly diluted earnings-per-share computation.	The number of incremental shares is computed independently for each period presented rather than computing a weighted average of the dilutive potential common shares included in each interim computation. In other words, if an annual reporting period is presented, then the number of incremental shares is computed for that annual period and does not reference the quarterly computations of incremental shares.
Treatment of certain contingent features included in convertible debt securities	The potentially issuable shares from convertible debt securities that contain conversion features that are triggered upon an entity's stock price reaching a predetermined price should always be included in the diluted earnings-per-share calculation if dilutive, regardless of whether the market price trigger has been attained.	Potentially issuable shares from convertible debt securities that contain conversion features that are triggered upon an entity's stock price reaching a predetermined price are included in the dilutive earnings-per-share calculation only if the market price trigger has been attained as of the reporting date.

These are the significant differences between U.S. GAAP and IFRS related to earnings per share. Refer to ASC 260 and IAS 33 for all of the specific requirements applicable to earnings per share. 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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