ABSTRACT

In the business world, it is known that companies must utilise proper accounting standards, whether they are operating in the United States (US) or outside the US. Following the correct accounting standards will help corporations' managements to avoid failing into legal and financial issues which ultimately have an effect on company performance. Such matters might result in shaking the confidence to deal with such a business. Hence, shifting from the US GAAP to the IFRS must have fundamental adjustments of followed accounting styles and methods. Therefore, the primary aim of this document is to focus on a descriptive (comparative) analysis of two significant systems called US Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS). The two approaches have similarities and differences. This document, in result, explains the substantial differences between the US GAAP and the IFRS and their impacts on financial reports that US companies have to take into account in terms of the revenue recognition and measurement; inventory valuation methods; extraordinary items; and the presentation of income and balance sheet statements