



Why Is Cronos Group (TSX:CRON) Delaying Its Earnings Results?

Description

Cannabis producer and innovation giant **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) announced on Monday that it will delay the release of its fourth quarter and full year 2019 earnings results originally slated for Thursday, February 27 as it has experienced a delay.

No reason was given for the earnings release postponement, no new specific date was given for the delayed filings and the company will come back to the market with a new date in a news release.

The delay could be excusable, however.

What do we know?

The company says it has experienced a delay in the completion of its financial statements.

The expected results are the company's first set after announcing a change in its dormitory and primary listing from Canada to the United States.

As [highlighted earlier](#), the company is now primarily a United States based dual-listed firm, meaning that it is mandated to report its upcoming reports under the United States Generally Accepted Accounting Principles (U.S. GAAP) and not under International Financial Reporting Standards (IFRS), as was the case since its inception in Canada.

Now, changing the set of reporting standards may not be an easy walk in the park.

US GAAP and IFRS's thick volumes differ substantially in that IFRS are principles based, giving some room for some flexibility and discretion while US GAAP is strictly rules based.

Rules need strict interpretation just in case you unintentionally break them. A great deal of time goes into such interpretations, especially when one is changing from a relatively more flexible set of financial reporting guidelines to a generally rigid thick set of accounting rules.

Although the respective accounting standards setting boards (the Financial Accounting Standards Board (FASB) for U.S. GAAP and the International Accounting Standards Board (IASB) for IFRS) have been tirelessly working on a convergence path for accounting and reporting standards for several years with the recent IFRS 15 introduction being one product of such efforts, some significant differences in the treatment of specific accounting items remains.

While US GAAP may be slowly adopting IFRS flexibility, differences still persist in allowable inventory accounting methods, fair value reporting and adjustments for inventories, fixed assets and intangibles as well as reversals of impairment losses, while fixed assets accounting, leases and intangible assets accounting treatments still need alignment.

Cronos is a recently transformed international operator

The U.S. GAAP framework only applies to the U.S.-based firms, while most other countries have adopted the IFRS (over 110 countries globally) or have their own financial reporting standards that could be largely similar to IFRS.

International companies based in the United States have a tougher time complying with US GAAP reporting as their subsidiaries are required to file statements under a different set of recording and reporting principles.

Before the recent acquisition of a U.S. hemp subsidiary, Cronos had its major business operations (five subsidiaries) in Canada and four subsidiaries in Israel, another in Malta and one more subsidiary based in Ireland.

All these businesses use IFRS for internal reporting, and accountants have to consolidate their results under a new set of rules for the very first time while also integrating the new [major American segment](#) into the fold.

Foolish bottom line

The company had a huge task in trying to switch to US GAAP reporting in a few months while consolidating a major acquisition, and facing delays could be an understandable excuse for postponing the release of its very first set of financial results under its new home country's reporting rules.

That said, the company could still have faced a different set of challenges altogether, and this we may never know.

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