

Torino, 14th October 2005

**III WORKING GROUP ON IFRS IMPACT AND
CBSO DATABASES**

Document n° 1

IFRS IMPACT

**Annex 1:
Main differences between IFRS and national legislations**

European Committee of Central Balance Sheet Data Offices (CBSO)

ANNEX: MAIN DIFFERENCES BETWEEN IFRS AND NATIONAL LEGISLATION. MOST IMPORTANT DIFFERENCES. CBSO VIEWPOINT (1)

CONCEPT	IFRS/IFRIC	DESCRIPTION (2)	AUSTRIA	BELGIUM	FRANCE	GERMANY	ITALY	PORTUGAL	SPAIN
Presentation of financial statements	IAS 1.32/51/72	Under National GAAP: Assets, liabilities, income and expenses cannot be compensated in the financial statements (1.32). Companies must separate current and non-current items in the balance sheet (1.51). Currently, there is no clear distinction between liabilities with financial cost and without financial cost. (1.72)							X
	IAS 1.8	A statement of changes in equity is not required by National GAAP.	X	X					X
	IAS 1.85	Extraordinary items are not allowed by IFRS.	X	X	X			X	X
Inventories	IAS 2.9	Inventory can be valued at replacement cost under National GAAP.	X						
	IAS 2.10	Under National GAAP it is possible to use the partial cost method. IAS 2 uses the total cost method.		X		X			
Cash-flow statement	IAS 7	The cash flow is not foreseen in National GAAP.	X	X			X		X
Corporate income tax	IAS 12.15	National GAAP recognise in the statutory financial statements only 2 categories of deferred taxes: tax liabilities arising from investment grants and gains on disposals of fixed assets. In the consolidated financial statements, deferred tax liabilities should be recorded provided that it is probable that an actual tax charge will arise in the foreseeable future. Recognition of a tax asset is not a common practice but not explicitly forbidden. <u>Germany</u> : in individual accounting there is a listing option with a corresponding limitation on profits distribution for active deferred taxes; listing is obligatory in the case of active deferred taxes arising from consolidation measures; listing is always mandatory in the case of passive deferred taxes.		X		X			
	IAS 12.16/23	Under IFRS, deferred taxes have to be identified on all temporary differences, that is differences between the commercial and fiscal balance sheet treatment of assets and debts, which are later reversed. National GAAP are intended to take account of timing differences (commercial profit and tax-based profit, later reversed)				X			
	IAS 12.34	The recognition of deferred tax assets on tax losses carried forward is required under IFRS and forbidden under their National GAAP.	X	X		X			
	IAS 12.53	Under National GAAP, deferred tax balances are discounted if the timing of the reversal of the temporary differences can be estimated reliably.			X				
Segment Reporting information	IAS 14	IAS 14 requires a balance sheet and a profit and loss account, apart from information about sales.	X	X					X
Fixed assets	IAS 16.31	<u>Italy</u> : Fixed assets have been revalued in the past as a result of specific laws but these revaluations are not kept up-to-date in National GAAP. <u>Spain</u> : similar situation, but current Spanish GAAP allows making revaluations on a tax law basis.					X	X	X
	IAS 16.62	Scheduled depreciation (write-downs): national GAAP does not provide exact methods and lengths of useful life, while IAS does.				X			
Leases	IAS 17	Accounting for leases in the balance sheet is required by IAS 17 and not by National GAAP.					X		

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CONCEPT	IFRS/IFRIC	DESCRIPTION (2)	AUSTRIA	BELGIUM	FRANCE	GERMANY	ITALY	PORTUGAL	SPAIN
Leases	IAS 17.20	Capitalisation of finance leases is a preferred treatment but is not required by National GAAP.			X				
Provisions for pensions	IAS 19	<u>France</u> : Recognition of a liability for post employment benefits is a preferred treatment but is not required in National GAAP. <u>Germany</u> : Application of the current market value system. Future wage and salary increases are not taken into account by National GAAP. <u>Spain</u> : There is no preference for any actuarial method. Changes in future pensions can be deferred. Externalisation of the pension fund disappears of the balance sheet (IFRS provision requires to account for the corresponding assets and liabilities with defined benefits plans). Under new legislation, internal pension funds are expected to disappear.			X	X			X
	IAS 19.83	Employee benefit calculations generally do not take into account expected future salary increases due to promotion under National GAAP.	X						
	IAS 19.92/93	Actuarial gains or losses are generally recognised immediately rather than over average remaining service lives under National GAAP.	X						
Government grants	IAS 20	Government grants are only considered as : - deferred income (Spain); - equity, after deduction of the related tax liability (Belgium). There is no possibility of treating them as less value of tangible fixed assets in national GAAP.		X					X
Exchange differences	IAS 21.23	Foreign currency monetary balances are translated at the worse of the transaction rate and the closing rate, which leads to the non-recognition of unsettled gains in National GAAP.	X						
	IAS 21.28	For IAS 21, exchange gains and losses relating to monetary items should be included in the income statement, even if the transaction is unsettled. Under National GAAP, unsettled losses are recognised in the income statement but the unrealised gains may be deferred until settlement.		X					X
	IAS 21.32	Translation of the financial statements of foreign operations.		X				X	
Consolidated accounts	IAS 27.20	Exclusion of dissimilar subsidiaries from consolidation under National GAAP.	X						
	IAS 27.20	IAS 27 requires consolidation of subsidiaries having dissimilar activities. According to National GAAP, these subsidiaries should be excluded from the consolidation and valued according to the equity method.					X		X
	SIC 12	Under National GAAP there is a requirement to be a shareholder of a special purpose entity to consolidate it.			X				
Investments in associates	IAS 28.6	Under National GAAP, in the case of holdings in a listed company, the presumption of significant influence (and therefore equity accounting) begins with a holding of 3% rather than 20% of the voting equity.							X
Financial instruments: presentation and required information	IAS 32.33	<u>Austria & Belgium</u> : treatment of own (treasury) shares as assets under National GAAP. <u>France</u> : only own shares for stock options plans or for trading purposes.	X	X	X				

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CONCEPT	IFRS/IFRIC	DESCRIPTION (2)	AUSTRIA	BELGIUM	FRANCE	GERMANY	ITALY	PORTUGAL	SPAIN
Financial instruments: presentation and required information	IAS 32.15/28	Classifications of a compound financial instrument as either equity or a liability will follow the substance rather than the legal form under IAS 32. It is not necessary the case under National GAAP. An issuer's financial instruments are generally accounted for on the basis of legal form, and compound instruments are not split into liability and equity components under National GAAP.		X	X		X	X	X
	IAS 32.86	Information about the fair value of financial assets and financial liabilities has to be divulged under IAS 32 and not under National GAAP. <u>Spain</u> : only fair values of investments funds in monetary market are required <u>Belgium</u> : only fair values of derivative instruments are required	X	X				X	X
Earnings per share	IAS 33	National GAAP does not require information on this matter.	X	X					X
Interim Reporting	IAS 34	Financial information of periods shorter than an accounting year under National GAAP.							X
Impairment losses	IAS 36.9	<u>Unscheduled write-downs</u> : under National GAAP they are compulsory when there is a permanent loss of value, a temporary loss of value in financial assets, corporate enterprises can undertake an unscheduled depreciation of financial assets, even if the loss of value is only temporary, commercial reasons or the application of the lower cost or market with current assets. Under IAS 36 a check has to be made on each balance sheet day to ascertain what the signs are, if any, using several sources of information				X			
	IAS 36.59/60	Impairment losses are only accounted for when they are expected to be permanent. IAS 36 allows the reduction of the assets against revaluation reserves <u>Spain</u> always against profit and loss account							X
Provisions	IAS 37.14/23/63	For recognising a provision, IAS 37 needs a present (legal or constructive) obligation to incur charges as a result of a past event should exist at the balance sheet date and the loss should be probable. Under National GAAP, the probability that the enterprise will incur charges as a result of a past event is sufficient. No obligation needs to exist at the balance sheet date.	X	X		X		X	
Intangible assets	IAS 38.8/17	Some intangible items can be recognised as intangible assets (market shares, portfolio of customers) even if they do not meet the definition of an intangible asset under IAS 38; these and some other intangible assets are not required to be amortised in National GAAP.			X				
	IAS 38.54/57	<u>Research and development costs</u> : under National GAAP subcontracted research costs can be shown as assets. Development costs can be shown as assets if several conditions are fulfilled.				X			
	IAS 38.69	Under Italian and Spanish rules deferred costs such as R&D costs, start-up costs, advertising costs related to a new business or product and some other costs can be capitalised; it is not possible under IFRS requirements.					X		X
	IAS 38.69	Start-up costs, such as expenses to create, organise and expand the company, are considered intangible assets and can be capitalised over a maximum of 5 years.						X	
	IAS 38.108	IAS 38 requires an annual calculation of impairment when intangible assets have indefinite useful lives. National GAAP does not.							X
	SIC 32	There is a specific treatment for website costs, with four different steps in their development. National GAAP does not have any special policy concerning this topic.		X					X

ANNEX: MAIN DIFFERENCES BETWEEN IFRS AND NATIONAL LEGISLATION. MOST IMPORTANT DIFFERENCES. CBSO VIEWPOINT (1)

CONCEPT	IFRS/IFRIC	DESCRIPTION (2)	AUSTRIA	BELGIUM	FRANCE	GERMANY	ITALY	PORTUGAL	SPAIN
Financial instruments: recognition and measurement	IAS 39	Derivative instruments are presented with off-balance sheet commitments under National GAAP.			X				
Financial instruments: recognition and measurement	IAS 39.46/63	<u>Securities as part of current assets</u> : under National GAAP valuation is at cost or at the lower of cost or market. Under IAS 39 it has to be valued at market value. <u>Securities as part of fixed assets</u> : under National GAAP valuation is at cost. If a decline in value is not temporary, a write-down is obligatory. Under IAS 39 it has to be valued at market value.		X	X	X		X	
	IAS 39.47	The fair value approach required by IAS 39 for most of the financial instruments conflicts with National GAAP which do not permit that unrealised gains be recognised in application of the prudence principle		X	X			X	X
Investment property	IAS 40	National-GAAP does not have any special treatment for these assets so far.		X				X	X
Agriculture	IAS 41	<u>Spain</u> : Biological assets and harvested products do not receive a special accounting treatment (although some sectorial adaptations of Spanish-GAAP deal with it) <u>Belgium</u> : Belgian rules classify items like bearer animals and fruit trees under fixed assets. Plants, which are used to cultivate vegetables, other crops and animals kept for the meat are classified under inventories (work-in-progress).		X				X	X
Share-based payments	IFRS 2	National-GAAP does not have a specific accounting treatment for these operations		X					X
Business combinations	IFRS 3	<u>France</u> : Goodwill amortisation period may exceed twenty years under National GAAP.			X				X
	IFRS 3.14	Some business combinations can be treated as uniting of interest even if an acquirer can be identified, when at least 90% of the business is acquired by issuance of shares under National GAAP.			X				

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CONCEPT	IFRS/IFRIC	DESCRIPTION (2)	AUSTRIA	BELGIUM	FRANCE	GERMANY	ITALY	PORTUGAL	SPAIN
	IFRS 3.56	<p><u>Belgium</u>: Under National GAAP, negative goodwill is shown under a specific heading within equity. It should not be included in the consolidated income statement, unless it relates to expectations of future losses and expenses.</p> <p><u>France</u>: When the cost of acquisition is less than the acquirer's interest in the fair values of the identifiable assets and liabilities acquired at the date of the acquisition, negative goodwill arising on the acquisition is first offset against fair value adjustments made on the acquisition in National GAAP.</p> <p><u>Italy</u>: Negative goodwill should first be allocated against reductions in acquired non-monetary assets; any further unallocated portion that does not relate to expect future losses should be recorded in equity under National GAAP.</p> <p><u>Portugal</u>: Two alternative treatments are allowed when fair value is superior to acquisition cost. a) Assign the difference to the non-monetary assets proportionally to their fair value. b) Consider the difference under Deferred Income, and impute it to results in a systematic manner in a period not greater than 5 years (exceptionally up to 20 years can be accepted).</p> <p><u>Spain</u>: Negative goodwill is treated as provisions for risks and charges or as deferred income, according to the nature, in the context of business combinations accounted for acquisitions when negative goodwill appears. IFRS requires its recognition in the income statement of the period</p>		X	X		X	X	X
Discontinuing operations	IFRS 5	<p><u>Belgium</u>: no recognition of the concept "discontinued operations", although special accounting principles apply to enterprises, divisions and business segments which can no longer be assumed to be a "going concern".</p> <p><u>Italy</u>: Accounting principles and required information differ from IAS rules.</p> <p><u>Portugal</u>: under national GAAP, discontinuing operations do not need to be divulged so thoroughly.</p> <p><u>Spain</u>: no accounting treatment for these operations in Spanish-GAAP</p>		X			X	X	X
Exploration and evaluation of mineral resources	IFRS 6	No special accounting treatment is foreseen for entities operating in this field of activity under National GAAP.		X					X

(1) The WG members have pointed out the most significant differences from the standpoint of the corporate analysis the CBSO performs.

(2) Description of the difference between National GAAP and IFRS.

IFRS IMPACT ON EUROPEAN ACCOUNTING. AUSTRIA (2002)

Annex 1.1

DIFFERENCES	IFRS	EXPLANATION
<p>a) Inconsistency between IFRS and national rules</p>		<p><i>Explanation of the Austrian Rules:</i></p> <p>IAS 2.6 Inventory are valued at the lowest of cost, net realizable value and replacement cost Inventory can be impaired, based on expectations of price falls after the balance sheet date</p> <p>IAS 2.10 For inventories and self constructed assets it is possible to exclude overheads from the calculation of cost</p> <p>IAS 8.6/12 Extraordinary items may be interpreted more widely than under IAS.</p> <p>IAS 12.15 Deferred tax is based on timing differences rather than temporary differences</p> <p>IAS 12.34 Deferred tax assets on loss carry forwards must not be recognised and certain other deferred tax assets need not be recognised.</p> <p>IAS 17.3 Finance leases are defined in terms of tax regulations, such that capitalisation occurs only in rare circumstances</p> <p>IAS 19.64 The provision for pensions and other long-term employee benefits may be calculated using projected benefit valuation methods rather than the projected unit credit method</p> <p>IAS 19.83 Employee benefit calculations generally do not take account of expected future salary increases due to promotion</p> <p>IAS 19.78/83 Employee benefit calculations often follow the more restrictive tax regulations with respect to actuarial assumptions</p> <p>IAS 19.92/93 Actuarial gains or losses are generally recognised immediately rather than over average remaining service lives</p> <p>IAS 21.11 Foreign currency monetary balances are translated at the worse of the transaction rate and the closing rate, which leads to the non-recognition of unsettled gains</p> <p>IAS 21.37 There are no specific rules on the treatment of the cumulative exchange differences on disposal of a foreign entity</p> <p>IAS 22.40 Goodwill arising on consolidation can be immediately deducted from equity</p> <p>IAS 22.31 Provisions in the context of business combinations accounted for as acquisitions may be more extensive than under IAS</p> <p>IAS 27.13/14 Exclusion of dissimilar subsidiaries from consolidation</p> <p>IAS 36.5 Impairment tests are based on single assets rather than cash generating units, and usually on market values and/or replacement cost rather than discounted cash flows</p> <p>IAS 36.15 Impairment is based on the concept of permanent diminution, and recoverable amount might also be calculated differently</p> <p>IAS 37.14/45 Provisions are recognised more extensively than under IAS, for example they can be made for certain deferred expenses, for non-specific items and when an outflow of resources is not probable or cannot be measured reliably and they are generally not discounted</p> <p>IAS 38.19 Internally generated intangible assets must not be capitalised</p> <p>IAS 39.69 The option to capitalise pre-operating or start-up costs</p> <p>IAS 39.93 Trading, available for-sale and derivative financial assets are not recognised at fair value</p> <p>SIC 16 Trading and derivative liabilities are not recognised at fair value</p> <p>The treatment of own (treasury) shares as assets</p>

IFRS IMPACT ON EUROPEAN ACCOUNTING. AUSTRIA (2002)

Annex 1.1

DIFFERENCES	IFRS	EXPLANATION
b) Rules and statements asked by IAS and not foreseen in national rules	IAS 8.34-44	The treatment of changes in accounting policies and fundamental errors
	IAS 21.36	Translation of financial statements of hyperinflationary subsidiaries.
	IAS 17.12/25/30/42 and SIC 15	The recognition pattern of operating lease and finance lease income and expense.
	IAS 32.23	The treatment of compound financial instruments.
	IAS 22.56 and IAS 38.99	Impairment tests on goodwill and intangibles with lives of over 20 years.
c) There are no specific rules requiring disclosures of	SIC 12	Consolidation of special purpose entities
	IAS 39.35	The derecognition of financial assets
	IAS 39.142	Hedge accounting for derivatives
	IAS 7	CASH FLOW STATEMENT.
	IAS 1.7	A PRIMARY STATEMENT OF CHANGES IN EQUITY.
	IAS 2.36	The FIFO or current cost of inventory when LIFO is used.
	IAS 14	Segment Reporting (apart from sales)
	IAS 24	Related parties' transactions other than those with equity participation (affiliated companies) and members of the board
	IAS 33	Earnings per share.
	IAS 32.77	The fair values of financial instruments.
IAS 35	Discontinuing operations.	
IAS 40.69	The fair values of investment properties	

Source: OeNB CBSO. 2000.

IFRS IMPACT ON EUROPEAN ACCOUNTING. BELGIUM (2005)

Annex 1.2

DIFFERENCES	IFRS	EXPLANATION
<p>a) Inconsistency between IFRS and national rules</p>	IAS 38.68	<p><i>Intangible fixed assets</i> Under IAS, <u>Formation expenses</u> are recognised as expenditure. Under Belgian GAAP, they can be capitalised and amortised on max five years.</p>
	IAS 38.54	<p>Research costs should be expensed; Development costs should be capitalised on certain conditions. Under Belgian GAAP, <u>R&D</u> costs may be capitalised or expensed.</p>
	SIC 32	<p>There is a specific treatment for website costs, with four different steps in their development, Belgian GAAP does not have any special policy concerning this topic.</p>
	IAS 16.16	<p><i>Tangible fixed assets</i> Under IAS, dismantling, removal and restoration costs are first deducted from the residual value and the next amount is added to the carrying amount of the asset. Belgian practice consists in setting up a provision gradually over the life of the asset.</p>
	IAS 2.10	<p><i>Inventories</i> IAS requires the adoption of the full cost method. Belgian GAAP allows not including indirect production costs in the cost of inventories and contracts in progress.</p>
	IAS 21.28	<p><i>Foreign currency transactions</i> For IAS, exchange gains and losses relating to monetary items should be included in the income statement, even if the transaction is unsettled. Under Belgian rules, unsettled losses are recognised in the income statement but the unrealised gains may be deferred until settlement.</p>
	IAS 21.32	<p>Exchange differences arising on a monetary item that form part of an enterprise net investment in a foreign entity may be recognised in equity under IAS. Belgian GAAP asks the recognition in the income statement.</p>
	IAS 10.12	<p><i>Dividends</i> Dividends allocated to shareholders (proposed after the balance sheet date) can't be recognised in the balance sheet of the period concerned under IAS but well under Belgian GAAP.</p>

Source: IFAD, PriceWaterhouse Coopers. 1999.

IFRS IMPACT ON EUROPEAN ACCOUNTING. BELGIUM (2005)

Annex 1.2

DIFFERENCES	IAS	EXPLANATION
		<i>Deferred taxes</i>
	IAS 12.15	Belgian rules recognise in the statutory financial statements only 2 categories of deferred taxes: tax liabilities arising from investment grants and gains on disposals of fixed assets. In the consolidated financial statements, deferred tax liabilities should be recorded provided that it is probable that an actual tax charge will arise in the foreseeable future. Recognition of a tax asset is not a common practice but not explicitly forbidden. Concerning the application of Tax-Effect Accounting, IAS12 uses the comprehensive method and Belgian rules adopt partial method.
	IAS 12.34	The recognition of deferred tax assets on tax losses carried forward is required under IAS and forbidden under Belgian GAAP.
		<i>Extraordinary items</i>
	IAS 1.85	Extraordinary items are not allowed by IAS.
		<i>Financial instruments</i>
	IAS32.15/28	The classification of a <u>compound financial instrument</u> as either equity or a liability will follow the substance rather than the legal form. It is not necessary the case under Belgian GAAP. For example, preferred shares are always classified in equity in Belgium.
	IAS 39.47	The <u>fair value approach</u> required by IAS39 for most of the financial instruments conflicts with Belgian GAAP which do not permit that unrealised gains be recognised in application of the prudence principle.
		<i>Leases</i>
	IAS 17.2	Belgian rules only consider lease for movable and developed immovable property.
	IAS 17.7/12	To recognise a financial lease, Belgian rules require that the capital portion of the lease payments should reconstitute the fair value of the leased asset. IAS considers also other criteria. For movable property, Belgian GAAP requires a purchase option lower than 15% of the fair value to recognise a financial lease.
	IAS 17.20	IAS capitalises the lower of fair value and present value of minimum lease payment. Belgian GAAP capitalise the capital portion of the instalments payable.

Source: IFAD, PriceWaterhouse Coopers. 1999.

IFRS IMPACT ON EUROPEAN ACCOUNTING. BELGIUM (2005)

Annex 1.2

DIFFERENCES	IAS	EXPLANATION
	IAS 37.14	<p>Provisions For recognising a provision, IAS needs a present (legal or constructive) obligation to incur charges as a result of a past event should exist at the balance sheet date and the loss should be probable. Under Belgian rules, the probability that the enterprise will incur charges as a result of a past event is sufficient. No obligation should exist at the balance sheet date.</p>
	IAS 37.45	The discounting of provisions is not usual under Belgian GAAP except for the measurement of early retirement provisions.
	IFRS 3.41	<p>Business combination Under Belgian GAAP, provisions in the context of business combinations for as acquisition require less condition.</p>
	IFRS 3.36	Under Belgian rules, restatement of assets and liabilities acquired to fair value is limited to the amount of the first consolidation difference (the difference between the acquisition cost and the acquirer's part in the equity). The restatement must not create or increase negative goodwill .
	IFRS 3.56	Under Belgian rules, negative goodwill is shown under a specific heading within equity. It should not be included in the consolidated income statement, unless it relates to expectations of future losses and expenses.
	IAS 27.28 IAS28.26/27	<p>Consolidated financial statements IAS asks to use <u>uniform accounting policies</u> to prepare consolidated financial statements. Restatements to the entities' financial statements should be made if necessary. This rule is valid under Belgian rules for the subsidiaries but, in case Belgian GAAP is used for both, the parent must apply in its consolidated financial statements the same accounting policies as in its individual financial statements.</p>
	IAS 20.24	<p>Government grants According to IAS, government grants are presented as deferred income or deduction from the acquisition cost of the related asset. Under Belgian rules, they are presented within equity, after deduction of the related tax liability.</p>
	IAS 32.33	<p>Own treasury shares Under IAS, treasury shares should be presented in the balance sheet as a deduction from equity. Under Belgian GAAP, treasury shares are shown as assets.</p>

Source: IFAD, PriceWaterhouse Coopers. 1999.

IFRS IMPACT ON EUROPEAN ACCOUNTING. BELGIUM (2005)

Annex 1.2

DIFFERENCES	IAS	EXPLANATION
<p>b) Rules and statements asked by IFRS and not foreseen in national rules</p>	IAS 41	<p>Agriculture According to IAS, all biological assets (living plants and animals) are presented separately on the balance sheet at fair value less expected point-of-sale costs, unless fair value cannot be measured reliably. At harvest, fair value measurement stops and the agricultural produce is transferred to inventories (IAS 2). Belgian rules classify items like bearer animals (cows kept for milk for instance) and fruit trees under fixed assets. They are measured at cost and depreciated over their remaining life time. Plants, which are used to cultivate vegetables, other crops and animals kept for the meat are classified under inventories (work-in-progress) and also measured at cost price increased by <u>production costs</u>.</p>
	IAS 1.8 IAS 7	<p>A cash-flow statement, nor a statement of changes in equity is foreseen in the Belgian accounting scheme. Inversely, Belgian scheme imposes the social balance (which contains information about the employees, movements of the personnel, study level, formation...)</p>
	IAS 14	<p>Belgian GAAP do not require segment information</p>
	IFRS 5	<p>The Belgian legislation on accounting does not recognise the concept of "discontinued operations", although special accounting principles apply to enterprises, divisions and business segments which can no longer be assumed to be a "going concern".</p>
	IAS 33	<p>Under IAS, basic and diluted earnings (losses) per share have to be presented on the face of the income statement. There is not any requirement under Belgian GAAP.</p>
	IAS 34	<p>Publicly traded enterprises are encouraged to provide interim financial report (at least at the end of the first half of the exercise). The topic is not dealt with by Belgian legislation. The company law simply states that directors should provide statutory auditors every 6 months with interim financial statements composed of a balance sheet and an income statement. Companies listed on the Belgian Stock Exchange should in addition publish a half-yearly report relating to their activities during the first 6 months (art 2 AR 3/7/96).</p>

Source: IFAD, PriceWaterhouse Coopers. 1999.

IAS IMPACT ON EUROPEAN ACCOUNTING. BELGIUM (2005)

Annex 1.2

DIFFERENCES	IAS	EXPLANATION
	IAS19	<p>Employee benefits The Belgian law requires that pension commitments under a group insurance scheme to be transferred to an insurance company or an independent pension fund. For defined benefit pension plans, no provision is recorded since premiums are paid regularly to the insurance company and charged to income in the period concerned. There is no evaluation of the premiums paid to see if they are sufficient to cover their accrued pension commitments.</p>
	IAS36	<p>Impairment of assets Belgian rules only indicate in broad terms when exceptional depreciation should be recorded or reversed. Impairments are presented as extraordinary items and reversal is required for intangible and tangible assets when the depreciation is no longer economically justified. IAS36 presents the impairment losses in operating results and requires strict conditions to permit a reversal.</p>
	IAS 40	<p>Investment property Belgian GAAP does not provide specific guidance with respect to investment property except that items that could be considered as investment property as defined under IAS are generally classified in "other" tangible fixed assets. As a result, Belgian accounts do not contain a separate item called investment property.</p>
	IFRS 2	<p>Share-based Payments Belgian GAAP do not have a specific accounting treatment for these operations.</p>
	IFRS 6	<p>Exploration and evaluation of mineral resources No special accounting rules are issued for companies operating with mineral resources.</p>

Source: IFAD, PriceWaterhouse Coopers. 1999.

IFRS IMPACT ON EUROPEAN ACCOUNTING. FRANCE (2002)

Annex 1.3

DIFFERENCES	IFRS	EXPLANATION
a) Inconsistency between IFRS and national rules	IAS 32.18/23	- An issuer's financial instruments are not classified on the basis whether they are in substance liabilities and compound instruments are not split on this basis
	SIC 16	- Own (treasury) shares held for stock-option plans or for trading purposes are shown as assets.
	SIC 12	- There is a requirement to be a shareholder of a special purpose entity to consolidate a controlled special purpose entity.
	IAS 22.8	- Some business combinations can be treated as uniting of interest even if an acquirer can be identified, when at least 90% of the business is acquired by issuance of shares
	IAS 38.7/17/93	- Some intangible items can be recognised as intangible assets (market shares, portfolio of customers) even if they do not meet the definition of an intangible asset under IAS; these and some other intangible assets are not required to be amortised -
	IAS 38.79	-
	IAS 22.27/40	- Some part of the cost of the acquisition of a subsidiary that is related to acquired research and development can be recognised as an expense immediately;
	IAS 21.15	- Unsettled gains on foreign currency monetary items may be deferred
	IAS 38.56	- Formation expenses, set-up costs, training costs and advertising costs may be capitalised
	IAS 17.12	- Capitalisation of finance leases is a preferred treatment but is not required
	IAS 11.22	-
	IAS 19	- Recognition of a liability for post- employment benefits is a preferred treatment but is not required -
	IAS 12.53	- Deferred tax balances are discounted if the timing of the reversal of the temporary differences can be estimated reliably
	IAS 21.36	-
	IAS 22	- Goodwill amortisation period may exceed twenty years.
IAS 8.6/12	- Extraordinary/exceptional items are defined more broadly	
IAS 17.3	- The classification of a lease as finance or an operating lease may be based on different criteria	
IAS 7.45	- There is an option to present a cash flow statement reconciled to net indebtedness	

IFRS IMPACT ON EUROPEAN ACCOUNTING. FRANCE (2002)

Annex 1.3

DIFFERENCES	IFRS	EXPLANATION
Source: IFAD, BF CBSO. 2000.		
	IAS 22.59/64	- When the cost of acquisition is less than the acquirer's interest in the fair values of the identifiable assets and liabilities acquired at the date of the acquisition, negative goodwill arising on the acquisition is first offset against fair value adjustments made on the acquisition
	IAS 14	- Segment Reporting can be avoided if the board of directors considers that it would be seriously prejudicial to the enterprise
	IAS 39	- Derivative instruments are usually not shown in the balance sheet except for premium paid and received; only unrealised losses on derivatives are accounted for in the income statements in the absence of hedge accounting.
	IAS 39.35/37/38	1. A financial asset should be derecognised when legal title is transferred even if the control is retained by the transferor
	IAS 39.142	2. Hedge accounting is permitted more widely
	IAS 12.15/24	3. No deferred taxes are recognised for temporary differences arising from the restatement of non-monetary assets of the financial statements of a foreign entity reporting in the currency of a hyperinflationary economy.
	IAS 12.15	4. No deferred tax should be recognised on taxable temporary differences that arise from the fair valuation of intangible assets that are not amortised and cannot be sold separately from the acquired enterprise taken as a whole
	IAS 12.39	5. No deferred taxes are accounted for on temporary differences arising from the difference between the carrying amount of investments in associates and their tax base, unless distributions are probable
	IAS 22.85	- When income tax loss carryforwards, or other deferred tax assets of an acquired enterprise, which were not recognised as an asset by the acquirer at the date of acquisition, are subsequently realised, the amount of goodwill is not reduced accordingly
	IAS 16.29	The revaluation of assets does not have to be kept up to date
IAS 40.28	When investment properties are accounted for at fair value, gains arising from fair valuation are credited to equity.	
IAS 41	Biological assets are not accounted for at fair value	

IFRS IMPACT ON EUROPEAN ACCOUNTING. FRANCE (2002)

Annex 1.3

DIFFERENCES	IFRS	EXPLANATION
b) Rules on recognition and measurement asked by IFRS and not foreseen in National rules Rules requiring disclosures asked by IFRS and not foreseen in National rules :	IAS 22.56/ IAS 38.99	- Impairment tests for goodwill and intangibles with depreciable lives in excess of twenty years
	IAS 37.45	- The discounting of provisions
	IAS 33	- The calculation of basic and diluted earnings per share
		-
	IAS 24.1/3	- Transactions with related parties except for limited requirements
	IAS 35	- Discontinuing operations
	IAS 1.7	- Primary statement of changes in equity
	IAS 14.56	- Segment liabilities
	IAS 2.36	- The FIFO or current cost of inventory when LIFO is used
	IAS 40.69	- The fair values of investment properties

Source: IFAD, BF CBSO. 2000.

IFRS IMPACT ON EUROPEAN ACCOUNTING. GERMANY (2002)

Annex 1.4

DIFFERENCES	IFRS	SUBJECT	HGB	IFRS
a) Inconsistency between IFRS and national rules	IAS 1.7	Components of accounts	Balance sheet Profit and loss account Appendix Status report and in the case of listed enterprises Statement of cash flows Segment reports	Balance sheet Profit and loss account Appendix Statement of cash flows Segment reports
	IAS 39.69 IAS 39.110	Securities as part of current assets	Valuation at cost or at the lower of cost or market	Have to be valued at their market value; profits and losses have to be shown either in the profit and loss account or recorded as own capital until the investment is sold or redeemed
	IAS 39.69 IAS 39.73	Securities as part of fixed assets	Valuation at cost; if a decline in value is not expected to be temporary, unscheduled write-downs (diluted lower of cost or market) are obligatory.	Have to be valued at their market value; securities held until their final maturity have to be valued at their net book value
	1.74	Balance sheet treatment of own shares	Transfer to current assets; creation of a capital reserve (redeployment of retained profits possible), to which a limitation on the distribution of dividends applies	Own shares must be shown in connection with equity capital either in the balance sheet or separately in an annex; entry in the assets side not possible
	IAS 22.49	Goodwill arising from consolidation	Transfer to assets and scheduled write-down (at least one-quarter starting from the following business year or over a maximum unlimited period – usually 15 years); alternatively, immediate settlement against reserve profits with no effect on operating result	Impairment test
	IAS 28,37 IAS 38.57 (a)	Outlay for the start-up and enlargement of the business	Option to capitalise for accounting convenience; write-down of at least one-quarter in each of the subsequent business years	Capitalisation ban; immediate entry in the balance sheet with consequent affect on operating result
	IAS 2.19 IAS 2.34 - IAS 2.40	Inventory	Principle of item-by-item valuation applies to the valuation of the inventory; exceptions arise as a result of cost flow assumptions (FIFO, LIFO) or the application of group or average valuation and fixed valuation; strict application of the principle of the lower of cost or market; further write-downs on the value in the near future and on the lower going-concern value as well as on account of reasonable commercial judgement are possible	An item-by-item valuation has to be made for inventory items that are not replaceable and for commodities, goods or services that have been developed for special products; cost flow assumptions are admissible; fixed valuation is not admissible

IFRS IMPACT ON EUROPEAN ACCOUNTING. GERMANY (2002)

Annex 1.4.

DIFFERENCES	IFRS	SUBJECT	HGB	IFRS
a) Inconsistency between IFRS and national rules	IAS 38.42	Research and development costs	Research costs must not be shown on the assets side The statutory prohibition to capitalise applies only to self-constructed fixed assets and not to current assets; development costs relating to production can be shown on the assets side under the following conditions: - Order or item-related costs represent specific extra costs incurred in production and have to be included in the said production costs and shown on the assets side. - Further development costs are an inherent part of the production costs and may legitimately be included in the production costs	Research costs must not be shown on the assets side
	IAS 38.45			Development costs must be shown on the assets side under the following conditions: - The necessary technical facilities to produce the item concerned are available - The item produced is intended either for internal use or for sale, and both of these options are realisable - An economic advantage (in the case of internal use) or an external market for the asset can be identified
	IAS 28,37 IAS 38.57 (a)	Outlay for the start-up and enlargement of the business	Option to capitalise for accounting convenience; write-down of at least one-quarter in each of the subsequent business years	Capitalisation ban; immediate entry in the balance sheet with consequent affect on operating result
	IAS 2.19 IAS 2.34 - IAS 2.40	Inventory	Principle of item-by-item valuation applies to the valuation of the inventory; exceptions arise as a result of cost flow assumptions (FIFO, LIFO) or the application of group or average valuation and fixed valuation; strict application of the principle of the lower of cost or market; further write-downs on the value in the near future and on the lower going-concern value as well as on account of reasonable commercial judgement are possible	An item-by-item valuation has to be made for inventory items that are not replaceable and for commodities, goods or services that have been developed for special products; cost flow assumptions are admissible; fixed valuation is not admissible
	IAS 2.7	Extent of manufacturing costs	Valuation of partial costs possible; indirect production costs attributable to general administration may be recognised as an asset	Valuation of total costs; except for currency differences there are no valuation options; indirect production costs attributable to general administration may not be recognised as an asset
	IAS 23.11 IAS 23.17	Interest payable on borrowed funds	There is an option on the carrying of borrowed funds as an asset with respect to production costs	Assets whose acquisition or creation requires considerable time have to be shown on the assets side; that does not apply to assets arising from series or large-scale production

Source: DB CBSO.2001

IFRS IMPACT ON EUROPEAN ACCOUNTING. GERMANY (2002)

Annex 1.4

DIFFERENCES	IFRS	SUBJECT	HGB	IFRS
a) Inconsistency between IFRS and national rules	IAS 12.15 IAS 12.16	Deferred taxes	Deferred taxes are intended to take account of timing differences, i.e. differences between the commercial profit and the tax-based profit, which become reversed in later business years	Deferred taxes are intended to take account of temporary differences, i.e. differences between the commercial and fiscal balance sheet treatment of assets and debts, which are later reversed
	IAS 12.15 IAS 12.23		In individual accounting there is a listing option with a corresponding limitation on profits distribution for active deferred taxes; listing is obligatory in the case of active deferred taxes arising from consolidation measures; listing is always mandatory in the case of passive deferred taxes	Deferred taxes have to be identified on all temporary differences
	IAS 12.34		Active deferred taxes on tax-based losses carried forward are not listed	Active deferred taxes arising from tax-related losses carried forward have to be listed on the assets side The technical, financial and other resources necessary to develop, use and sell the asset are available The development costs can be reliably estimated
	IAS 37.23		Reserves	Reserves have to be created to cover uncertain and impending losses arising from uncompleted transactions. They may be formed when an obligation is likely to arise; considerable discretion
	IAS 37.63 IAS 19	Pension provisions	Provisions for future expenses may be formed. Application of the current market value system pursuant to section 6a of the Income Tax Act; future wage and salary increases are not taken into account; section 6a of the Income Tax Act provides for a 6 % capitalisation rate; application of capitalisation rates of between 3 % and 6 % is possible under the Commercial Code; from January 1, 1987 new commitments have to be carried as a liability in the balance sheet	Expected pension entitlement procedure, taking due account of the future wage and salary increases. The discount rate used to calculate present values is based on market yields on first-rank fixed-rate industrial bonds on balance sheet day; mandatory to carry pension provisions as a liability in the balance sheet.
	IAS 1.5	Special item with accrual character	Created for tax-free reserves and for fiscal write-downs; creation in the commercial balance sheet is a prerequisite for recognition in the tax balance sheet.	This item cannot be created owing to the strict division between the commercial balance sheet and the tax balance sheet.

IFRS IMPACT ON EUROPEAN ACCOUNTING. GERMANY (2002)

Annex 1.4

DIFFERENCES	IFRS	SUBJECT	HGB	IFRS
a) Inconsistency between IFRS and national rules	IAS 36.8 IAS 36.9	Unscheduled write-downs	In the case of fixed assets unscheduled write-downs are made concurrently with scheduled ones; unscheduled write-downs on fixed assets only become compulsory when there is a permanent loss of value; Corporate enterprises can undertake an unscheduled depreciation of financial assets even if the loss of value is only temporary; in the case of current assets the strict principle of the lower of cost or market always applies; depreciation can also be made in the case of current assets where they are deemed necessary according to reasonable commercial criteria	A check has to be made on each balance sheet day to ascertain what signs there are, if any, that an <u>asset</u> has sustained a further loss of value; the following sources of information are to be used as clues: Technical progress, Market developments, Changes to the law Book value of the net worth exceeds market capitalisation, Excess ageing or physical damage, Detrimental changes in the uses, to which the asset can be put, Signs of reduced performance
	IAS 11.22	Profits from long-term production	The Commercial Code does not define long-term production; one possible definition is when work on an order begins and ends in different business years	Production and service orders have always to be valued by the stage-of-completion method (equivalent to the percentage-of-completion method)
	IAS 11.22	Profits from long-term production <i>cont'd</i>	The completed-contract method, i.e. the strict realisation principle, applies; a profit cannot be made until the item has been produced and sold	Where the outcome of a production order has to be estimated accurately, earnings and expenditure have to be recorded according to the progress made on balance sheet day

Source: DB CBSO.2001

IFRS IMPACT ON EUROPEAN ACCOUNTING. ITALY (2002)

Annex 1.5

DIFFERENCES	IFRS / IFRIC	EXPLANATION
a) Inconsistency between IFRS and national rules	IAS 38.49	<p><u>Intangible assets</u> Under Italian rules deferred costs such as R&D costs, start-up costs, advertising costs related to a new business or product and some other costs can be capitalised; it's not possible under IAS rules.</p>
	IAS 38.73	<p>On Italian rules intangible assets should be capitalised on max five years (except goodwill), while under IAS rules on more than 20 years, under certain conditions.</p>
	IAS 16.29	<p><u>Tangible assets</u> Fixed assets have been revalued in the past as a result of specific laws but these revaluations are not kept up-to-date</p>
	IAS 28.4	<p><u>Investments in Associates</u> For investments in publicly traded companies, the presumption of significant influence begins with a holding of 10 per cent of voting equity.</p>
	IAS 32.18/23	<p><u>Financial Instruments</u> An issuer's financial instruments are accounted for on the basis of their legal form, and compound instruments are not split into equity and liability components.</p>
	IAS 11.22; IAS 18.4	<p><u>Construction Contracts</u> The completed contract method can be used for the recognition of revenues on construction contracts and services.</p>
	SIC 16	<p><u>Share Capital</u> Own (treasury) shares are treated as assets. Gains or losses on disposal are included in income.</p>
	IAS 20.12	<p><u>Government Grants</u> Some government grants of 1997 or earlier were partly recognised as Equity.</p>
	IAS 37.14/45	<p><u>Provisions, Contingent Liabilities</u> Provisions can be created when an obligation does not meet such definition criteria at the balance sheet date, and provisions do not need to be discounted.</p>
	IAS 8.6/12	<p><u>Net Profit & Loss</u> The acquisition date of a subsidiary may be identified at the beginning or at the end of the year of acquisition instead of at the date of the acquisition of the control.</p>
IAS 21.15	<p><u>The effects of changes in foreign exchange rates</u> Gains on the translation of long-term monetary balances should be deferred until settlement.</p>	

IFRS IMPACT ON EUROPEAN ACCOUNTING. ITALY (2002)

Annex 1.5

DIFFERENCES	IFRS / IFRIC	EXPLANATION
	<p>SIC 11</p> <p>IAS 22.8</p> <p>IAS 22.31</p> <p>IAS 22.41</p> <p>IAS 22.19</p> <p>IAS 22.40</p> <p>IAS 22.59</p> <p>IAS 27.14</p> <p>IAS 12.15</p> <p>IAS 12.15</p> <p>IAS 14</p>	<p>Exchange losses on liabilities related to assets can be capitalised beyond the conditions in IAS.</p> <p><u>Business Combinations</u> Certain business combinations (in particular those carried out through exchange of shares) can be accounted for as uniting of interest even when an acquirer can be identified.</p> <p>Provisions in the context of a business combination accounted for, as an acquisition can be more extensive can be more extensive.</p> <p>On acquisition, restatement of assets and liabilities acquired to fair value is limited to the amount of the first consolidation difference (i.e. the gross goodwill before the allocation exercise); it is thus not possible to create or increase negative goodwill.</p> <p>Extraordinary items are defined more widely.</p> <p>Under some conditions, goodwill arising on consolidation can be set off against equity.</p> <p>Negative goodwill should be first allocated against reductions in acquired non-monetary assets; any further unallocated portion that does not relate to expect future losses should be recorded in the equity.</p> <p><u>Consolidated Financial Statements</u> Certain dissimilar subsidiaries may be excluded from consolidation.</p> <p><u>Deferred Taxes</u> Deferred tax liabilities are not recognised when the likelihood of payment is remote.</p> <p>It is possible to base deferred tax calculations on timing differences rather than temporary differences, as long as there are adequate disclosures.</p> <p><u>Segment Reporting</u> Segment Reporting may, in practice, be incomplete.</p>
<p>b) Rules and statements asked by IFRS and not foresee in national rules</p>	<p>IAS 36</p> <p>IAS 17</p> <p>IAS19.64/78/83/93/96</p> <p>SIC 12</p>	<p>Impairment of assets, especially as the law refers to permanent diminution in value.</p> <p><u>Accounting for leases</u></p> <p>The calculation of employee benefit obligations.</p> <p>The consolidation of special purpose entities.</p>

IFRS IMPACT ON EUROPEAN ACCOUNTING. ITALY (2002)

Annex 1.5

DIFFERENCES	IFRS / IFRIC	EXPLANATION
	IAS 1.7	A primary statement of changes in equity.
	IAS 7	Cash flow statement.
	IAS 32.77	The fair values of financial assets and liabilities.
	IAS 35	<u>Discontinuing operations</u>
	IAS 33	Earnings per share (disclosures are recommended but not required)

Source: IFAD. 2000.

IFRS IMPACT ON EUROPEAN ACCOUNTING. PORTUGAL (2003)

Annex 1.6

DIFFERENCES	IFRS	EXPLANATION
a) Inconsistency between IFRS and national rules	IAS 8.6/12	Extraordinary items are defined more broadly than under.
	IAS 11.22	Costs and revenues on construction contracts can be recognised according to two methods: stage of completion or complete contract. According to the later, gains are recognised only after completion of the construction, being deducted from the accumulated costs.
	IAS 16.29	Most revaluations of property, plant and equipment (legally based on price indexes) are not generally at fair value and are not kept up to date.
	IAS 19.84	Employee benefit calculations generally do not take account of expected future salary increases due to promotion.
	IAS 21.15	Gains on foreign currency originating from medium and long term debts will not be considered profit of the period when there are reasonable expectations that the gain can reverse, in which case they will be considered as a deferred profit.
	IAS 21.21	Foreign currency losses originating from loans destined to finance an asset can be included in its value only while it is being constructed.
	IAS 22.61/ 64	Two alternative treatments are allowed when fair value is superior to acquisition cost. a) Assign the difference to the non-monetary assets proportionally to their fair value. b) Consider the difference under Deferred Income, and impute it to results in a systematic manner in a period not greater than 5 years (exceptionally up to 20 years can be accepted).
	IAS 27.14	Dissimilar subsidiaries can be excluded from consolidation if its inclusion will peril the true image of the financial situation and of the results of the group of consolidated companies.
	IAS 32.18/23	When issued, compound financial instruments are not split into liability and equity components, being registered according to their legal form.
	IAS 36.5	Impairment tests are usually based on single assets rather than cash generating units and on market value or replacement cost rather than discounted cash flows.
	IAS 38.42/43	Research costs can be capitalised (over a maximum of 5 years) in exceptional cases when it can be proved beyond any doubt that they will produce future economic benefits.
	IAS 38.51	Such assets can be recognised as intangible assets whether they are internally generated or not.
	IAS 38.57	Start-up costs, such as expenses to create, organise and expand the Company, are considered intangible assets and can be capitalised over a maximum of 5 years.
	IAS 39.69/93	Financial assets and liabilities are valued at cost.

IFRS IMPACT ON EUROPEAN ACCOUNTING. PORTUGAL (2003)

Annex 1.6

DIFFERENCES	IFRS	EXPLANATION
	IAS 39.142	Hedge accounting for derivatives is permitted more widely.
<p>b) Rules and statements asked by IFRS and not foreseen in national rules</p>	<p>IAS 40.24</p>	<p>Investment property is valued at cost.</p>
<p>b1 – Rules asked by IFRS and not foreseen in national rules</p>	<p>NOTICE:</p>	<p>When national rules are omissive, according to Portuguese Accounting Principles IAS rules should be applied.</p>
	IAS 10	Recognition and disclosure of events after balance sheet date (although situations that significantly affect future taxes must be referred in the annexes to the annual accounts).
	IAS 17.25 SIC 15	Recognition of operating leases payments and incentives are not subject to detailed guidance.
	IAS 17.30	Accounting by lessors of financial leases is not subject to detailed guidance.
	<p>IAS 21.36</p>	<p>Translation of the financial statements of foreign operations.</p>
	IAS 33.11/20	Earnings per share computation aggregates (net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares) are not subject to detailed guidance.
	<p>IAS 37</p>	<p>Rules for the quantification of provisions are not subject to detailed guidance: they simply must obey the principle of caution.</p>
	<p>IAS 41</p>	<p>There is no detailed guidance on the treatment of biological assets or agricultural produce.</p>

IFRS IMPACT ON EUROPEAN ACCOUNTING. PORTUGAL (2003)

Annex 1.6

DIFFERENCES	IFRS	EXPLANATION
b) Rules and statements asked by IFRS and not foreseen in national rules	NOTICE:	When national rules are omissive, according to Portuguese Accounting Principles IAS rules should be applied.
b2 - Statements asked by IFRS and not foreseen in national rules	IAS 1.7 & IAS 7	Cash Flow Statements are obligatory only for companies who, in two consecutive years, surpass two of these three limits: Total Assets 1 500 000 Euro; Turnover 3 000 000 Euro; Average number of employees 50.
	IAS 2.36	It is sufficient to indicate the valuation criteria used for the items in the balance sheet and profit and loss account.
	IAS 24.22	Related party transactions do not have to be divulged. However, financial liabilities towards related parties have to be indicated separately.
	IAS 32.77	Fair value of financial assets and financial liabilities; in the case of current assets, however, it is obligatory to globally indicate the materially relevant differences between their costs, calculated according to the adopted valuation criteria, and the amounts that correspond to their market prices, per type of asset.
	IAS 35	Discontinuing operations do not need to be divulged so thoroughly. Nevertheless, in the Account of Profit and Loss by Functions the Company has to include a line before Extraordinary Results to isolate the results (after taxes) related to the activities or divisions, which are in the process of discontinuation or have already been discontinued.

Sources: IFAD, BP CBSO.2001.

IFRS IMPACT ON EUROPEAN ACCOUNTING. SPAIN (2005)

Annex 1.7

DIFFERENCES	IFRS	CONCEPT	EXPLANATION
a) Inconsistency between IFRS and national rules	IAS 1	Presentation of financial statements	Assets, liabilities, income and expenses cannot be compensated in the financial statements in Spain (IFRS allows compensation under severe conditions). Companies must separate current and non-current items in the balance sheet. Currently, there is no clear distinction between liabilities with financial cost and without financial cost.
	IAS 1.85	Extraordinary items	Spanish-GAAP allows extraordinary items in the income statement, whereas they are not allowed by IAS 1.
	IAS 2.25	Inventories	FIFO, LIFO, weighted average cost and others are allowed when valuating inventories. The cost of services in progress not billed is not explicitly cited as stock.
	IAS 11.22	Income	Building contracts: it is allowed to use the finished contract method in Spain (IAS 11 only allows the recognition of contract revenue and costs by reference of the stage of completion of the contract).
	IAS 12	Corporate income tax	The recognition of deferred tax assets arising from reversals of differences expected beyond ten years is restricted to those that match reversals of deferred tax liabilities in Spain. Deferred tax assets are not recognised for unused tax credits (other than loss carried forward). Deferred tax assets cannot be compensated with deferred tax liabilities and must be shown in the balance sheet separately of other General Government accounts. Deferred taxes can be shown as current assets. Tax incentives not used cannot be shown as assets.
	IAS16.31	Tangible fixed assets	Occasional revaluation of fixed assets only after government law.
	IAS 17	Leases	The presentation in Spain in the balance sheet of finance leases for lessees as intangible fixed assets (IFRS according to the nature of the good). Accounting for leases by lessors is not mentioned in Spain.
	IAS 17.20	Leases	Part of the presentation of a finance lease by a lessee is to show the total anticipated interest expense as an asset, and to write it off over the lease term in Spain (the lease is accounted for in two different values: an intangible asset and a borrowing; the difference (interest expense) is deferred and considered as an asset).
	IAS 19	Provisions for pensions	There is no preference for any actuarial method. Also changes in future pensions can be deferred in Spain. Externalisation of the pension fund disappears of the balance sheet (IFRS provision requires to show the correspondent assets and liabilities with defined benefits provisions). Current legislation expects internal pension funds (equal approximately to defined benefits plans) to disappear.
	IAS 20.24	Grants	Government grants are only considered as deferred income. There is no possibility of treating them as less value of tangible fixed assets in Spain.
	IAS 20.37	Subsidies on preference interest rates	It is necessary to include all the interest and reflect the subsidy in Spain.
	IAS 21.28	Exchange differences	In Spain, gains on foreign currency balances (except highly liquid ones) are deferred until settlement. Selected sectors of activity are allowed to capitalise exchange differences.
	IAS 27.10 SIC 12	Consolidation	The consolidation of small and not significant subsidiaries is not necessary in Spain.
IAS 27.20	Consolidation	Certain dissimilar subsidiaries are excluded from consolidation in Spain (subsidiaries with different core activities).	
IAS 28	Investments in associates	Revaluation of participating interest is only allowed by means of a legal disposition in Spain.	

IFRS IMPACT ON EUROPEAN ACCOUNTING. SPAIN (2005)

Annex 1.7

DIFFERENCES	IFRS	CONCEPT	EXPLANATION
	IAS 28.6	Investments in associates	In the case of holdings in a listed company, the presumption of significant influence (and therefore equity accounting) begins with a holding of 3% rather than 20% of the voting equity in Spain.
	IAS 32.15/28	Compound financial instruments	An issuer's financial instruments are generally accounted for on the basis of legal form, and compound instruments are not split into liability and equity components (for convertible bonds).
	IAS 32.33	Treasury shares	Own (treasury) shares are shown as assets, except when acquired for cancellation; and gains and losses from the sale of those held as temporary assets go to income in Spain.
	IAS 36.59	Impairment losses	Impairment losses are only accounted for when they are expected to be permanent. IAS 36 allows the reduction of the assets against revaluation reserves (in Spain is always against profit and loss account)
	IAS 37	Provisions	Recognition criteria under IAS 37 are slightly different to those used in Spain. Thus, some provisions currently recognised under Spanish GAAP may disappear if IFRS applied.
	IAS 38	Intangible assets	Capitalised interests are not allowed in R&D expenses in Spain.
	IAS 38.54/69; IAS 16.20	Intangible assets	Certain research costs, plant relocation costs and start-up costs can be capitalised in Spain.
	IAS 38.69	Formation expenses	It is possible to capitalise them. The amortisation period is 5 years in Spain.
	IAS 38.107	Intangible assets	An annual calculation of impairment when intangible assets have indefinite useful life is required.
	SIC 32 IAS 38	Website costs	IFRS consider four steps in the development of a website and allows some expenses incurred in certain steps to be accounted for as assets. Spanish GAAP do not have any special treatment concerning these expenses.
	IFRS 3	Business combinations	In Spain, the treatment of negative goodwill as provisions for risks and charges or as deferred income, according to the nature, is different to the proposed in IFRS 3, where the whole amount must be charge in the income statement of the period. Therefore IFRS 3 does not allow recognition of negative goodwill in balance sheet.

Sources: ICAC 1999, IFAD 2000, own sources.

IFRS IMPACT ON EUROPEAN ACCOUNTING. SPAIN (2005)

Annex 1.7

DIFFERENCES	IFRS	EXPLANATION
b) Rules and statements asked by IFRS and not foreseen in national rules	IAS 1.8	A statement of changes in equity is not required in Spain.
	IAS 7	Cash-flow statements are not required in Spain.
	IAS 14	Segmented information is not required in Spain.
	IAS 24.22	Information on related party transactions, except for certain transactions with related companies and directors is less developed in Spain.
	IAS 32.77	Fair value of financial assets and liabilities is not used in Spain, except for certain investment funds in monetary market assets.
	IAS 33	Earnings per share are not required in Spain.
	IAS 34	Interim reporting is not required in Spain.
	IAS 40	Investment property is not accounted for by means of a specific treatment. It is considered as a fixed asset and accounted for in the same way than other fixed assets are.
	IAS 41	Biological assets and harvested products do not receive any special consideration. However, there are some sectorial adaptations of the Spanish-GAAP concerning biological assets (wine and distillers, among others).
	IFRS 2	Accounting rules about share based payments are scarce in Spain. There is only some guidance by ICAC, but companies can account for them at will.
	IFRS 5	Discontinuing operations and assets held for sale do not have specific accounting rules in Spain.
	IFRS 6	No special accounting rules are issued for companies operating with mineral resources.

Sources: ICAC 1999, IFAD 2000, own sources.

Document Management

Document name **Main differences between IFRS and national legislations**
 This annex to document 1 (IFRS impact) includes two main sets of charts: one comparative chart with the situation of all the members, and the second one with an individual analysis of the situation in each country.

Release WGIII_differences_2005F
 Date:11/10/2005

Revision History Each distributed document forms a "final version".
 Liste of successive "final versions"

Revision version	Revision date	Summary of Changes
WGIII_differences_2005D1	22/07/2005	First draft of the document, for contributions of each member.
WGIII_differences_2005D2	09/09/2005	Second version of the document to be presented in the Committee meeting.
WGIII_differences_2005F	11/10/2005	Document presented to the ECCBSO.

Distribution This document has been distributed to:

Version	Date of issue	Name
WGIII_differences_2005D1	22/07/2005	Members of IIIWG
WGIII_differences_2005D2	09/09/2005	Members of the IIIWG for its approval in the meeting of Madrid.
WGIII_differences_2005F	11/10/2005	Members of the ECCBSO

Version management

Key dates: For each final version of the document, key dates for the national revisions or corrections
 Name and date of revised document send by each member

Members	Draft		Revision		Approval
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Belgium					
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