



September 2019

**ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS)
WORKING GROUP**

Document n° 3

Standard IFRS-compliant formats

Impact of IFRS issued in 2018

European Committee of Central Balance Sheet Data Offices (ECCBSO)

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I. INTRODUCTION AND THE PATH ALREADY COVERED

This document mainly aims at reporting to and at informing the European Committee of Central Balance Sheet Data Offices (ECCBSO hereinafter) on the preparation of the standard IFRS-based formats by the CBSOs participating in the European Records of IFRS Consolidated Accounts Working Group (ERICA WG hereinafter). This work has been done gradually and as a result, currently there are two up-to-date formats available: extended version and reduced version (called ERICA format, because it is the base for the creation of the ERICA database).

The working method followed started in 2002 looking into the different IFRS approved by the IASB¹, creating, as a methodology of work, a format as extensive as possible as an initial step. Afterwards, members of the ERICA WG tested and decided on the information considered essential and useful in order to reduce the extension of the format. This reduced format was tested with real data from listed European groups, creating the ERICA database (see document ERICA Annual Report for more details). In the definition of the formats, the different versions of IFRS Taxonomy have been used. Accordingly, the ERICA WG currently works with two versions of the standard format:

- a. The extended format, which contains a full set of information requirements derived from IFRS. The extended format may become a tool and a cornerstone for other European institutions which plan to create a CBSO in the future.
- b. The ERICA format that has been used by nine countries of the ECCBSO to fill data of listed European groups, in order to analyse the impact of IFRS in Europe and to study the situation of European non-financial listed groups. During 2013 an Internet software package entered in production (SIC, System of Integrated Checking), to guarantee that the quality controls used by all countries are applied in a standardized way.

One of the targets of the ERICA WG is the definition of a common format based on IFRS. The extended and ERICA versions of this format are revised annually, in order to consider feedback received from ERICA WG members as well as new developments on IFRS during the year. The formats approved in 2018 were (only slightly) revised and presented to the ERICA WG in 2019 for approval. This document presents the impact of these changes, as a mean to identify the possible losses of information and/or new items and the changes in the format as consequence of improvements, simplifications and other feedback received from ERICA WG members.

This document is structured in four chapters (including this introduction) and four annexes. The following chapter shows main features of the extended and the ERICA (reduced) standard formats. Chapter III summarizes the changes in the formats whereas chapter IV presents the main conclusions brought in this work. Finally, four annexes are separately presented, comprising the extended format

¹ International Accounting Standards Board.

(annex 1), the ERICA format (annex 2), the methodological note of the ERICA format (annex 3) and the main statistical data obtained from 2017 ERICA database (annex 4).

II. STANDARD FORMATS DEFINED BY THE ERICA WG

II.1. STANDARD EXTENDED FORMAT

The ERICA WG decided to develop an IFRS-based standard format, taking into account most of the requirements for accounting information to be disclosed under IFRS. In Annex 2, which contains the extended format, there is a precise reference to the IFRS paragraph that requires the information and also to the taxonomy, if any, where the item is found (i.e., IFRS or CBSO-RF).

The most significant decisions taken by the ERICA WG regarding the definition of the extended format are the following:

- **Employment:** although disclosures concerning employment were removed from the revised version of IAS 1, the ERICA WG decided to maintain the employment chart in the format, as employment is a core element for analysis purposes.
- **Acquisitions and disposals:** information about the main acquisitions and disposals in the accounting period is required, although the latter are not explicitly defined in the IFRS Taxonomy.
- **Income statement by function:** due to the importance given to certain disclosures in the income statement by nature, the ERICA WG decided to set up additional disclosures by nature (among others employee expenses, depreciation and amortization, and impairment losses).
- **Income statement by nature:** several disclosures other than those prescribed by the IFRS Taxonomy were added; namely, a further breakdown of operating expenses.
- **Income statement by function and by nature:** the ERICA WG considered useful to get information on government grants related to income and government grants related to assets transferred to income. Besides, information on operating leases was added as well as other captions regarding subcontracting, external staff, purchases and changes in inventories, gains and losses on the disposal of land, and sales and purchases in foreign countries.
- **Changes in fair value of non-current assets:** the ERICA WG agreed in the consideration of these changes within operating expenses, based on the fact that the valuation method chosen by the entity shall not affect the profit (loss) from operations. Thus, if depreciation and amortization (expenses arising when valuating at cost) are considered as operating expenses, a similar treatment must be given to changes in fair value of non-current assets (expenses arising when valuating at fair value).

- **Use of net values:** the ERICA WG decided to provide figures in net terms in balance sheet. Information on accumulated depreciation and amortisation, impairment losses and other reductions in the value of assets can be found in the corresponding notes. The reconciliation chart in each note is presented using net values as well.
- **Non-current / current assets and liabilities:** following the IFRS Taxonomy and IAS 1², the ERICA WG chose this method of presentation rather than the liquidity approach.
- **Investment grants:** as IAS 20, which is devoted to the accounting of government grants, allows the presentation either on the assets side (deducting the subsidised asset) or on the liabilities side (as deferred income), the ERICA WG decided to allow this information to be shown as part of the notes to the assets or on the liabilities side of the balance sheet.
- **Land and buildings:** due to the importance for National Accounting of having a separate breakdown of land and buildings, a breakdown was set up; although the majority of countries in the ERICA WG have declared they are not interested in this division, which is hardly found in real examples.
- **Investments in subsidiaries:** following the IFRS Taxonomy, it was decided to present this breakdown of non-current financial investments for individual accounts (although in some real cases this item has also been found in consolidated financial statements).
- **Other financial assets (non-current and current):** the ERICA WG considered of a great importance to detail the amounts of shares and participations, securities other than shares, loans, loans to related parties, and other financial assets.
- **Profit (loss) of the period:** although the IFRS Taxonomy does not clearly prescribe to detail the amount in equity within balance sheet, the ERICA WG agreed to open a separate caption for it.
- **Statement of cash-flow:** the ERICA WG decided to allow the presentation of this statement according to the direct and the indirect method.
- **Statement of changes in equity:** after the revision of IAS 1, the ERICA WG slightly restructured this statement where income and expense recognised directly in equity is to be found. Besides as it is important for the system of analysis to have additional information on sale (purchase) of treasury shares and dividends, these lines appear separately in the statement.

² According to IAS 1, items in the balance sheet should be classified as “current” and “non-current”, unless a liquidity presentation provides more relevant and reliable information.

- **Notes to financial statements:** the extended format contains the following notes:
 - Property, plant and equipment.
 - Investment property.
 - Intangible assets.
 - Biological assets.
 - Financial assets.
 - Current assets.
 - Provisions and grants.
 - Hedging instruments and risk note (assets & liabilities).
 - Borrowings and payables.
 - Borrowings movements.
 - Tax note.
 - Defined benefit plans.
 - Share-based payment plans.
 - Equity.
 - Related parties.
 - Segment reporting.
 - Non-current assets and disposal groups held for sale.

II.2. STANDARD ERICA FORMAT

The aim of the ERICA format (previously called reduced format) is to be a compromise of minimum information throughout European CBSOs. Needless to say, each member will freely decide about its extension, according to its needs for national use. During 2004 the ERICA WG initiated the definition of the reduced format, once the opinion about essential items in the extended format was provided by each member. As a first approach, it was decided to consider the construction of the reduced format from those items stated as essential by at least four countries.

This work gave rise to a first draft version of the reduced format. In 2005, inconsistencies within the format and with the extended format were analysed and removed. Some lines, which were not deemed as essential separately, but in aggregate, were merged up as well. With the final version of the reduced format, the IFRS Foundation extended the IFRS-GP Taxonomy 2005, creating the so-called CBSO-RF taxonomy, which exactly suited the reduced format. Since 2006 the ERICA WG has updated every year extended and ERICA formats, taking into consideration four different sources: feedback received from ERICA WG's members during the year, the analysis on the data contained in the real cases, the IFRS Taxonomy, and new IFRS and IFRIC issued.

Moreover, the information in the ERICA format is replicated in the ERICA+ dataset and it is the basis for further work carried out by the ERICA WG regarding the ERICA dataset.

A brief summary of the content of the ERICA format is listed below:

- **General characteristics:** most of the information about general characteristics of the entity continues to be required in the ERICA format. In 2007, information about accounting options allowed by IFRS was incorporated.
- **Income statement by function and by nature:** these statements were largely summarized as a significant number of lines were not essential to the members of the ERICA WG. These deletions mainly comprised breakdowns of operating expenses, finance costs, finance income, depreciation and amortization, and impairment losses.
- **Comprehensive income:** the amounts used to be reported in this statement before tax but in 2010 it was changed to net of tax, as allowed by IAS 1.91. However, the ERICA WG decided from 2011 onwards to require all the amounts as presented by the reporting entity. The option followed by the entity must be disclosed in Information of accounting options allowed by IFRS (general characteristics). Following amendments to IAS 1, that became effective from July 2012, the Other Comprehensive Income should distinguish other comprehensive income that will not be reclassified from those that will be reclassified.

The following breakdown is required:

- Gains (losses) on revaluation
- Remeasurements on defined benefit plans
- Share of other comprehensive income of associates and joint ventures accounted for using the equity method (those amounts that will not be reclassified/ those that will be reclassified)
- Exchange differences on translation
- Available-for sale financial assets
- Cash-flow hedges
- Gains (losses) from hedges of net investments in foreign operations
- Remaining Other Comprehensive Income (those amounts that will not be reclassified/ those that will be reclassified)
- Income tax relating to other comprehensive income (those amounts that will not be reclassified/ those that will be reclassified).

Available-for-sale financial assets and Cash-flow hedges comprise additional breakdowns.

• **Assets:** some “of which” lines requiring additional information have been deleted, maintaining following breakdowns:

- Property, plant and equipment.
- Intangible assets and goodwill.
- Biological assets
- Investment in related parties.
- Other financial assets, non-current and current.
- Remaining assets, non-current and current.
- Deferred/ Current tax assets.

• **Equity and liabilities:** in the same way the ERICA WG proceeded with the assets, several disclosures were deleted. Lines requiring breakdowns are the following:

- Retained earnings.
- Other reserves
- Interest-bearing borrowings, non-current and current.
- Deferred income, non-current and current.
- Other non-interest-bearing liabilities, non-current and current

Also, additional disclosure related to dividends is required in the format.

- **Cash flow statement:** main headings appear in the format. Breakdowns in this statement relate to:
 - Discontinued operations
 - Dividends and interests paid and received in all main headings (operating, investing and financing activities) as from 2015 dataset
 - Additional details from financing cash flows as from 2016 dataset
 - Additional details from investing cash flows as from 2017 dataset

- **Notes:** the mentioned points of the format expressed the main information that is always available for ERICA. The Notes contain all the additional disclosure needed for ERICA+ analysis. It comprises following requirements:
 - Description of revenue by activities
 - Amount of interest capitalised
 - Reasons of recalculated data
 - Opinion of the auditor and other identification information.
 - Description of variation of revenue by reasons
 - Additional disclosures of General Characteristics and Employment
 - Gross amount of defined benefit obligation
 - Information on future operating lease payments and annual rent expense
 - Non-recurrent gains and losses included in EBIT (as from 2017 dataset)

- **Controls:** Since 2010, some match and logic controls have been added in order to facilitate and check the information manually compiled of the real financial statements of European quoted groups.

III. CHANGES IN ECCBSO FORMATS

Amendments included in ERICA and extended formats are presented below.

III.1. CHANGES IN ERICA FORMAT (2019 VERSION (2018 DATASET))

The ERICA format has benefited from just one minor change:

Last year, information on non-recurrent items in the income statement was added in the Notes. However, the question *Are there non-recurrent effects affecting EBIT? Yes / no / no information (cc_3200)* could only be filled in once. To allow changes in reporting between subsequent years, cc_3200 has been broken down into a value for the current period and a value for the previous period.

III.2. CHANGES IN EXTENDED FORMAT

No relevant standards for non-financial entities were published during 2018. Therefore, the changes in the format only refer to considerations according to the ERICA format.

IV. CONCLUSIONS

The work carried out by the ERICA WG in the definition of an IFRS-based common format was achieved after long discussions between 2003 and 2005, implying an important workload. However, as IFRS are not stable in time and new standards, interpretations and amendments are constantly being issued, the ERICA WG decided to annually review its formats, in order to adapt them to new IFRS, as well as to take into consideration feedback received from ERICA WG members.

Most of the changes to the formats, especially to the ERICA one, produced during the last revisions to the formats do not arise from the issue of new standards by IASB but are mainly the outcome of the feedback received during the year, the special analysis on the quality of the data collected in the work with real cases and the ongoing analysis developed by the Working Group, what points out that they are useful tools as they provide valuable feedback on the IFRS-based information contained in financial statements of European groups. On this purpose, the process of revision of the formats can be considered as a necessary enhancement of the formats.

ANNEX 1. STANDARD EXTENDED FORMAT

ANNEX 2. STANDARD ERICA FORMAT

ANNEX 3. METHODOLOGICAL NOTE OF THE ERICA FORMAT

ANNEX 4. 2017 SUMMARY STATISTICAL DATA

Please note that annexes 1 to 4 are presented in separate documents.