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

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IFRS IMPACT AND QUICK GUIDEBOOK TO IFRS

European Committee of Central Balance Sheet Data Offices (ECCBSO)

CONTENTS

I. INTRODUCTION AND SUMMARY	5
II. RECENT AND FORESEEABLE CHANGES IN IFRS	6
II.1. IASB LEGISLATION	6
EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS	6
II.2. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS	8
REMARKABLE EVENTS REGARDING IFRS IN SELECTED COUNTRIES	11
III. IFRS ACCOUNTING TREATMENTS IN IFRS	12
III.1. ALTERNATIVE ACCOUNTING TREATMENTS IN IFRS	12
III.2. ASSETS VALUATION UNDER IFRS	14
ANNEX 1. STANDARDS AND INTERPRETATIONS FROM IASB CURRENTLY IN FORCE	16
ANNEX 2. IASB PROJECTS (UPDATED AT AUGUST 2015)	18

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I. INTRODUCTION AND SUMMARY

This document integrates all material available about the process of approval of the Standards by the IFRS Foundation and its adoption in the European Union. Chapter II focuses on the recent and foreseeable changes in IFRS considering the IASB legislation, Exposure Drafts and other documents to become IFRS and more recent development in the EU; although no significant standards have been implemented in Europe from the previous version of this document, some important standards have been approved by IASB (see next paragraph) . An integrated table offers the situation of each European country related to the implementation of IFRS for non listed groups and individual companies, showing that only Greece, Portugal and Italy accepts the use of IFRS for certain individual corporations (belonging to consolidated listed groups or consolidated non listed groups if they consolidate according with IFRS). Chapter III summarizes the alternative accounting treatments available under IFRS standards and main assets valuation rules applicable. The document ends up with two annexes: annex 1 contains a list of the standards and interpretations issued by the IASB currently in force and finally, annex 2 discloses a timetable of the projects the IASB is involved in.

II. RECENT AND FORESEEABLE CHANGES IN IFRS

II.1. IASB LEGISLATION

September 2014 – Annual Improvements to IFRSs 2012-2014 Cycle

The IASB published the Annual Improvements to IFRSs 2012-2014, modifying the following standards: IFRS 5, IFRS 7, IFRS 1, IAS 19 and IAS 34.

December 2014 – Disclosure Initiative (Amendments to IAS 1)

The IASB issued the amendments to IAS 1 Presentation of Financial Statements focused on materiality and aggregation of elements. The standard is effective from January 2016 with early adoption permitted.

December 2014 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendments clarify the requirements when accounting for investment entities. The amendments will be applied for annual periods beginning on or after January 2016, with early adoption allowed.

May 2015 – IFRS for SME

The IASB made a review of the IFRS for SMEs and presented limited amendments to the standards. A whole revised IFRS for SMEs is planned for the third quarter of 2015.

EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS

The IASB is currently working on different projects that can conclude in new exposure drafts or other type of document that could become new IFRS in the short/medium-term:

1. Consolidation project. Although the project was finished in 2011, some related exposure drafts were issued during this year proposing some amendments:
 - Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at fair Value. Issued in September 2014.
 - Effective Date of Amendments to IFRS 10 and IAS 28. Issued in August 2014.
2. Since August 2014, some exposure drafts were issued, within the scope of different projects currently being carried out by the IASB:

- Classification and measurement of Share-based payment Transactions (Proposed amendments to IFRS 2) proposing the clarification of three different aspects of the standard.
- Disclosure Initiative (Proposed amendments to IAS 7): the amendments proposed to require information about the restrictions on the use of cash and cash equivalents and to diffuse at the same time of an IFRS Taxonomy Update.
- Classification of Liabilities (Proposed amendments to IAS 1) which would clarify the classification of debt when it arises from a renewal.
- Effective Date of IFRS 15 (Proposed amendments to IFRS 15): it would postpone its effective date to 2018.
- Conceptual Framework for Financial Reporting which would introduce clarifications on measurement, financial performance, presentation and disclosure, derecognition and reporting entity.
- Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)
- Clarifications to IFRS 15 to implement the standard issued in May 2014.

To obtain more information of all the IASB projects, Annex 2 discloses information of the IASB work plan with its foreseeable deadlines.

II.2. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS¹

In **August 2014** the European Commission (EC) issued a public consultation on the impact of IFRSs in the European Union and made available in December the responses received. Its summary can be obtained at http://ec.europa.eu/internal_market/consultations/2014/ifrs/index_en.htm

In **October 2014** the European Securities and Markets Authority (ESMA) published the priorities for 2014 financial statements (preparation and presentation of consolidated financial statements and related disclosures; financial reporting by entities which have joint arrangements and related disclosures; and recognition and measurements of deferred tax assets).

In **December 2014** the Directive on disclosure of non-financial and diversity information by large companies and groups entered into force. Member States have to transpose the Directive into national law by December 2016 to be applied for financial years starting from January 2017.

In **December 2014** the EC endorsed the Annual Improvements to IFRSs 2011-2013 Cycle.

In **January 2015** the EC endorsed the Annual Improvements to IFRSs 2010-2012 Cycle and the Defined Benefit Plans (amendment to IAS 19).

In **February 2015** the EC issued for public consultation the Green Paper “Building a Capital Markets Union”. Results can be viewed at <https://ec.europa.eu/eusurvey/publication/capital-markets-union-2015?surveylanguage=en>

In **June 2015** the European Commission published a report on the evaluation of its Regulation on the application of IFRS to identify areas of improvement, if necessary.

¹ Personal compilation from: <http://iasplus.com/index.htm>, http://ec.europa.eu/internal_market/accounting/ias/index_en.htm and <http://www.efrag.org/Front/Home.aspx>.

SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS ⁽¹⁾

CURRENT DEVELOPMENTS IN THE COUNTRY								
CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN
1. Accounting legal framework, based on:	Ministry of Justice: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation changed in line with IFRS
2. Accounting bodies (public / private)	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: Accounting Standard Commission (ASC)	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Accounting Standards and Auditing Committee (ELTE)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)
3. Legal authorisation to use IFRS instead of National GAAP								
a) Consolidated Accounts of unlisted corporations	Voluntary since 1999	Option to follow either IFRS or Belgian GAAP (2005). IFRS is mandatory for all banks, insurance companies and real estate investment funds	Option to follow on a voluntary basis either IFRS or French GAAP	Voluntary	Voluntary for companies which are audited by certified auditors	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS or Spanish GAAP (2005)
b) Individual Accounts	NO	NO (Exception: real estate investment funds ⇒ IFRS obliged as from 2007)	NO	Voluntary, but only for information purpose (publication in the federal gazette)	Compulsory from 2005 for listed companies Voluntary for non-listed companies which are audited by certified auditors	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS)	NO (although indirectly by applying the new revised accounting rules)
4. Possibility of using IFRS								

CURRENT DEVELOPMENTS IN THE COUNTRY								
CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN
a) Consolidated accounts of unlisted corporations	YES (without authorisation on a voluntary basis)	From 2005 on a voluntary basis	From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	On a voluntary basis	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS or Spanish GAAP
b) Individual accounts	YES (without authorisation on a voluntary basis)	Indirectly through the revision of Belgian accounting law (Exception: real estate investment funds (IFRS obliged as from 2007))	Selective convergence of French GAAP : new rules applicable from 2005	See above	Compulsory from 2005 for listed companies	Yes in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	Selective convergence of Portuguese GAAP: new rules compliant with IFRS are being published	Indirectly, through the new revised Accounting Plan (2008)

(1) Situation at September 2014

REMARKABLE EVENTS REGARDING IFRS IN SELECTED COUNTRIES

No remarkable events to be mentioned.

III. IFRS ACCOUNTING TREATMENTS IN IFRS

III.1. ALTERNATIVE ACCOUNTING TREATMENTS IN IFRS

One of the areas of greatest conflict in the process of adoption of IFRS relates to those accounting treatments which give the option of choosing between different alternatives. This is perhaps still the most controversial aspect of IFRS, although the IASB has been working since 2003 in order to reduce these alternatives, since they provide a significant margin of discretion to preparers of financial statements, with the danger it entails.

The accounting treatments which envisage alternatives are the following:

- Calculation of the **cost of inventory** using the FIFO or weighted average cost formulae, IAS 2.
- **Definition of segments (geographical or business)**, as IFRS 8 allows reporting entities to freely define their segments.
- **Subsequent measurement of property, plant and equipment** at cost or at revalued amount, IAS 16.
- Accounting for non-monetary **government grants** received at the fair value of the assets received or at nominal value, IAS 20.
- Consideration of **government grants** relating to assets as reducing the value of the asset or as deferred income (on the liabilities side), IAS 20.
- Treatment of **grants relating to income** as other income or as deductions from the related expense, IAS 20.
- **Subsequent measurement of intangible assets** at cost or at revalued amount, IAS 38.
- **Subsequent measurement of investment property** at cost or at fair value, IAS 40.
- **For a business combination** (IFRS 3) where the acquirer achieves control without acquiring 100% of the voting rights of the equity, the remaining (non-controlling) **equity interests are measured either at fair value or at the non-controlling interests' proportionate share of the acquirer's net identifiable assets**

In addition to these alternative accounting treatments, IFRS also envisage different options for the **presentation of the financial statements**. Income statement can be defined by function or by nature (IAS 1) and the cash flow statement may be presented using the direct or the indirect method (IAS 7). Components of the statement of other comprehensive income may be presented net of related tax effect or before related tax effects with one amount shown for the aggregate amount of income tax relating to those components (IAS 1). These alternatives even exist for the statement of financial position, since IAS 1 allows the items to be presented according to the current – non-current definitions or else according to their liquidity, though this last criterion should, in theory, be rarely used, only when the current – non-current criterion is less reliable.

III.2. ASSETS VALUATION UNDER IFRS

The table below discloses the valuation methods of the main categories of assets allowed by IFRS:

VALUATION OF ASSETS ACCORDING TO IFRS

Type of asset	IAS/IFRS	Method 1	Method 2
Inventories	2	The lower of cost and net realisable value	-----
Property, plant and equipment	16	Acquisition cost, less accumulated depreciations and impairment losses	Revalued amount, less subsequent accumulated depreciations and impairment losses
Leases ² : • lessee • lessor	17	The lower of the fair value of the asset and the present value of the minimum lease payments	-----
		Receivable at an amount equal to the net investment in the lease	-----
Intangible assets	38	Acquisition cost, less accumulated amortizations and impairment losses	Revalued amount, less subsequent accumulated amortizations and impairment losses
Financial assets ³			
Loans and receivables originated by the enterprise	39	Amortized cost (those with a fixed maturity) or cost	-----
Held-to-maturity investments	39	Amortized cost (those with a fixed maturity) or cost	-----
Available-for-sale financial assets	39	Fair value	If fair value cannot be estimated (unlikely to happen), at cost
Financial assets held for trading	39	Fair value	If fair value cannot be estimated (unlikely to happen), at cost
Financial assets under IFRS 9 ⁴	9	Amortised cost/ Fair value through profit or loss	Fair value through other comprehensive income
Investment property	40	Fair value	Acquisition cost, less accumulated depreciations and impairment losses

² The IASB & FASB tentatively agreed to change the current lease approach. It has been decided to classify leases based primarily on the nature of the underlying asset being leased. All leases (other than short-term leases) would be recognised on the balance sheet and the initial measurement of the lessee's right of use asset and liability to make lease payments would be the present value of the lease payments over the lease term for both types of leases.

³ IAS 39 also allows valuation of every financial asset (with some minor restrictions) at fair value, with fair value changes recognized in income statement.

⁴ Final version of IFRS 9, recently published, will be applied for annual periods beginning on or after January 2018 with earlier adoption permitted.

VALUATION OF ASSETS ACCORDING TO IFRS

Type of asset	IAS/IFRS	Method 1	Method 2
Biological assets	41	Fair value, less estimated point-of-sale costs	If fair value cannot be estimated (unlikely to happen), at acquisition cost, less accumulated depreciations and impairment losses

ANNEX 1. STANDARDS AND INTERPRETATIONS FROM IASB CURRENTLY IN FORCE

The following charts list the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the related interpretations currently in force and issued by IASB, as well as the exposure drafts issued in the previous years.

International Accounting Standards / International Financial Reporting Standards	Last Amendment	Endorsed in EU ⁵
IAS 1 Presentation of Financial Statements	2011	Expected
IAS 2 Inventories	2009	Yes
IAS 7 Cash flow statements	2010	Yes
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	2009	Yes
IAS 10 Events after the Reporting Period	2009	Yes
IAS 11 Construction contracts	2008	Yes
IAS 12 Income Tax	2010	Yes
IAS 16 Property, Plant and Equipment	2014	Expected
IAS 17 Leases	2010	Yes
IAS 18 Revenue	2009	Yes
IAS 19 Employee Benefits	2013	Yes
IAS 20 Government Grants and Disclosure of Government Assistance	2009	Yes
IAS 21 The Effects of Changes in Foreign Exchange Rates	2010	Yes
IAS 23 Borrowing Costs	2009	Yes
IAS 24 Related Party Disclosures	2010	Yes
IAS 26 Accounting and reporting by retirement benefit plans	2008	Yes
IAS 27 Separate Financial Statements	2014	Expected
IAS 28 Investments in Associates	2014	Expected
IAS 29 Financial Reporting in Hyperinflationary Economies	2009	Yes
IAS 31 Interests in Joint Ventures	2010	Yes
IAS 32 Financial Instruments: Presentation	2011	Yes
IAS 33 Earnings per Share	2009	Yes
IAS 34 Interim financial reporting	2010	Yes
IAS 36 Impairment of Assets	2013	Yes
IAS 37 Provisions, contingent liabilities and contingent assets	2009	Yes
IAS 38 Intangible Assets	2014	Expected
IAS 39 Financial Instruments: Recognition and Measurement	2013	Yes
IAS 40 Investment Property	2009	Yes
IAS 41 Agriculture	2014	Expected
IFRS 1 First-time Adoption of International Financial Reporting Standards	2010	Yes
IFRS 2 Share-based Payment	2010	Yes
IFRS 3 Business Combinations	2010	Yes
IFRS 4 Insurance Contracts	2009	Yes
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	2010	Yes
IFRS 6 Exploration for and Evaluation of Mineral Assets	2008	Yes
IFRS 7 Financial Instruments: Disclosures	2013	Yes
IFRS 8 Operating Segments	2010	Yes
IFRS 9 Financial instruments	2014	Expected
IFRS 10 Consolidated Financial Statements	2014	Expected
IFRS 11 Joint arrangements	2014	Expected

⁵ Position as at 23 September 2014

IFRS 12 Disclosures of Interests in Other Entities	2012	Expected
IFRS 13 Fair value measurements	2011	Yes
IFRS 14 Regulatory Deferral Accounts	2014	To be decided
IFRS 15 Revenue from Contracts with Customers	2014	Expected

Exposure Drafts issued by IASB	Date
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Concerning Standards (since September 2014)

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)	Sept. 2014
Classification and Measurement of Shared-based Payment Transactions (Proposed amendments to IFRS 2)	Nov. 2014
Disclosure Initiative (Proposed amendments to IAS 7)	Dec. 2014
Classification of Liabilities (Proposed amendments to IAS 1)	Feb. 2015
Effective Date of IFRS 15 (Proposed amendments to IFRS 15)	May 2015
Conceptual Framework for Financial Reporting	May 2015
Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Jun. 2015
Clarification to IFRS 15	Jul. 2015
Effective Date of Amendments to IFRS 10 and IAS 28	Aug. 2015

ANNEX 2. IASB PROJECTS (UPDATED AT AUGUST 2015)⁶

	Work plan			
	Current activity	Within 3 months	Within 6 months	After 6 months
Upcoming Standards				
Insurance contracts	Analysis			Issue IFRS
Leases	Drafting IFRS		Issue IFRS	
Published Exposure Drafts				
Conceptual Framework	Public consultation			Decide Project Direction
Upcoming Exposure Drafts				
Disclosure Initiative – Changes in Accounting Policies and Estimates	Analysis			Publish ED
Disclosure Initiative – Materiality Practice Statement	Drafting ED	Publish ED		
Published Discussion Papers				
Dynamic Risk Management. A Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP
Rate-regulated Activities	Analysis			Publish DP
Upcoming Discussion Papers				
Disclosure Initiative – Principles of Disclosure	Analysis		Publish DP	

⁶ The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>

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