ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS)  
WORKING GROUP

ERICA STANDARD FORMAT

Annex 4 - Methodological note

European Committee of Central Balance Sheet Data Offices (CBSO)
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I. NEW FEATURES ON THE 2016 ERICA FORMAT

The ERICA format has benefited from some minor but relevant changes in the Notes in order to update and continue deepening in future ERICA analysis. Disclosure added is presented below:

1. **Capitalization**: gathering data from:
   - Total Capitalization (all kind of Shares) and
   - Number of shares obtained from Earning Per Share Information (EPS).

2. Update of “Reason of recalculated data”:
   - 1. Change in accounting policy resulting from:
     - 1.1 Employee Benefits (IAS 19) (G02111)
     - 1.2 Financial Instruments (IFRS 9) (G02112)
     - 1.3. Regulatory Deferral Accounts (IFRS 14) (G02114)
     - 1.4. Revenue from contracts with customers (IFRS 15) (G02115)
     - 1.5. Levies (IFRIC 21) (G02116)
   - 2. Voluntary change in accounting policy (IAS 8) (G0212)
   - 3. Correction of prior periods errors (IAS 8) (G0213)
   - 4. Reclassification (IAS 8) (b) (G0214)
   - 5. Business Combination (IFRS 3) (G0215)
   - 6. Non-current assets held for sale and discontinued operations (IFRS 5) (non-current assets held-for-sale and discontinued operations) (G0216).

3. **Opinion on financial statement given by auditor (G026)** (harmonization to CoCAs):
   - 1. Unqualified Opinion
   - 2. Unqualified Opinion with a paragraph of emphasis
   - 3. Qualified Opinion
   - 4. Adverse Opinion
   - 5. Disclaimer of opinion.

4. Change in the disclosure of “Additions to Intangible and Tangible Assets” and “Financial Assets” from Additional Information in Financial Statement to Additional Information in Statement of Cash Flows. The following information is going to extracted from the *Cash Flow Statement from the Investing Activities*:
1. “Additions to assets (Gross Amount):
   - Addition to intangible and tangible assets (3001_3002)
   - Addition to financial assets (current and non-current) (3003).

5. The information gathered in the Notes regarding the Statement of Changes in Equity disappears except for “Conversion of Debt in Equity (587)” which is relocated below statement of financial position disclosure.

6. General Characteristics and Employment in the notes: Removal of “14. Business Combinations” (G090) Has there been a significant acquisition or disposal during the period?

Regarding changes in the Statement of Cash Flows, and to be compliant with IFRS 7.33 and 7.34 interests and dividends paid and received are included in financing and operating activities while dividends received, and interests received and paid is also possible its inclusion in investing activities (no dividends paid are accepted in investing activities).

In the financial position statement, on the equity and liability side, it has been clarified that dividends distributed are those funds paid by the group outside the group, to non-controlling interests in subsidiaries and to the shareholders of the parent company while the proposal of dividends refers to the parent entity (separate statements).

On both sides of the financial statement, “Trades Receivable from construction contracts (4601)” and “Trades Payable from construction contracts (7801)” are removed.

Finally, in the Statement of Other Comprehensive Income (OCI), it has been harmonized the sign when trying to reclassify (gains) or losses for available for sale assets (592022) and cash flow hedges (592032) to profit or loss statement. It has also been changed the wording of “unrealized” gains/losses (592021) and (529031).
II. GENERAL CHARACTERISTICS AND EMPLOYMENT

COUNTRY OF INCORPORATION AND NAME OF THE REPORTING ENTITY

These cells are automatically completed for all the sheets of the format by filling point “1. Name of the reporting entity” and point “2.6. Country of the parent entity”.

1. Name of reporting entity (group)
This field requires the name of the reporting entity or group, without the word “Group” (i.e. Volkswagen).

2. Identification of the parent entity of the group (or the corporation in case of individual accounts)
It concerns the identification information of the parent entity. In case of individuals accounts the identification information of the entity should be included.

2.1. Name of the parent entity
The name of the parent entity (wording as in the commercial register) should be disclosed here (i.e. Volkswagen AG).

2.2. National identification code
The national identification numbers or codes as the commercial register code must be noted.

2.3. ERICA identification code
The ERICA identification code, created for internal purposes by the III WG, must be noted.

2.6. Country of the parent entity
The country of incorporation or the principal place of business, if different from the registered office, should be noted (IAS 1.138.a).

3. Information on the ultimate parent entity of group
The ultimate parent entity of the group is the head of the group, even if there is only an indirect ownership relation with the reporting entity.

When the ultimate parent entity is the same as the parent entity, this point should be filled with the information again (i.e. Volkswagen AG) and keep it empty only when the ultimate parent entity is unknown.

3.1. Name of the ultimate parent entity of the group
3.2. National identification code of the ultimate parent entity of the group

4. Nature of financial statements

Consolidated
The financial statements cover a group of entities. Consolidated financial statements include all entities that are controlled by the parent or in which the parent has a significant influence.

Individual
The financial statements cover only the individual entity.

5. Accounting period

5.1. Yearly or interim financial statements
The information about the usual period of accounting (yearly, half-yearly or quarterly) is disclosed here.

5.2. Date of the beginning of the reporting period (yyyy-mm-dd)
5.3. Date of the end of the reporting period (yyyy-mm-dd)

These dates inform about the period that is covered by the financial statements (IAS 1.51.c). Additionally, the information is provided whether the balancing year is identical with the fiscal year.

5.4 Number of months of the reporting period

Number of months for current and previous reporting period has to be given here, to ensure comparability of data.

6. Presentation currency

The format should include the information about the reporting currency, especially in cases where it is different to the euro (IAS 1.51.d).

7. Level of precision in financial statement’s figures

Financial statements can be fulfilled in units, thousands or millions. The purpose of this line item is identifying the currency units under which the information is disclosed.

8. Description of operations and principal activities

8.1. Sector classification of the reporting entity (four digits NACE code)

For the ease of the entity allocation to a sector of activity, its main NACE code must be reported here, which will be used for analysis purposes. This activity should be the one with the highest turnover in the entity. When only two digits of NACE code are available, the element should be fulfilled with two zeros behind the two digits available.

13. Information about options allowed by IFRS (as at December 2014)

Some IFRS allow alternative treatments of certain transactions, what can pose some problems when comparing information from different entities. To that end, the ERICA format asks for the alternative used in these cases. Please note that if an entity does not give information or it uses more than one alternative not being possible to identify the predominant, the cell must remain “Not reported”. The transactions covered are the following:

13.2. Subsequent measurement of property, plant and equipment

Acquisition cost or revalued amount.

13.3. Subsequent measurement of investment property

Acquisition cost, fair value (with gains and losses to be included in statement of profit or loss) or no investment property.

13.4. Method of presentation of statement of other comprehensive income

Gross, net of tax or no OCI.
III. STATEMENT OF PROFIT OR LOSS BY FUNCTION AND BY NATURE

PRELIMINARY REMARKS

Distinction between nature and function

An entity should present, either on the face of the statement of profit or loss or in the notes to the statement of profit or loss, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity.

The first analysis is referred to as the nature of expense method. Expenses are aggregated in the statement of profit or loss according to their nature, and are not reallocated amongst various functions within the entity. The second analysis is referred to as the function of expense or ‘cost of sales’ method and classifies expenses according to their function as part of cost of sales, distribution or administrative activities.

Entities classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortisation expense and staff costs. The choice of analysis between the cost of sales method and the nature of expenditure method depends on both historical and industry factors and on the nature of the organisation.

Continuing and discontinuing operations

The items of statement of profit or loss do not include the amount arising from discontinuing operations; the disclosure of this kind of operations may be presented either in the notes or on the face of the financial statement except the disclosure of the amount of the post-tax gain or loss, which should be presented on the face of the statement of profit or loss.

I. STATEMENT OF PROFIT OR LOSS BY NATURE

1. Operating revenue
   An entity should disclose the amount of each significant category of revenue recognised during the period including revenue arising from the sale of goods, the rendering of services, interest, royalties and dividends.

   1.1. Revenue
       The item contains among others the following categories:

       **Turnover:**
       The turnover covers 3 categories of revenues:

       *Sale of goods:* The item includes the revenues from the sale of goods; it does not include the revenues arising from lease agreements, dividends from investments, insurance contracts, and change in the fair value. The revenues from the sale of goods should be recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and when the amount of the revenue can be measured reliably (IAS 18.14). If the entity retains significant risks of ownership, the transaction is not a sale and revenue is not recognised. Revenue is not recognised when there is simply an intention to acquire or manufacture the goods in time for delivery (IAS 18.16).

       *Rendering of services:* Revenues associated with a transaction involving the rendering of services should be recognised by reference to the stage of completion of transaction at the statement of financial position date (IAS 18.20).
Revenue from construction contracts: An entity should disclose the amount of contract revenue recognised as revenue in the period (IAS 11.39.a) by reference to the stage of completion of the contract activity at the statement of financial position date (IAS 11.22).

Royalty income: Income received for the use of long term assets by another entity, such as patents, trademarks and copyrights. They should be recognised on an accrual basis in accordance with the substance of the relevant agreement (IAS 18.30.b).

Property rental income: It includes the rental income from investment property (IAS 40.75.f.i)

Other miscellaneous operating revenue

1.2. Other operating income, total

This heading contains, amongst others, the following items:

Interest income [financial activities]: The use by others of the entity’s financial assets rises to revenue in the form of interest for the use of cash or cash equivalents or amounts due to the entity. Interest income should be recognised on an accrual basis. As stated in IAS 18 only those amounts derived from the course of the ordinary activities of the entity should be included under this caption (i.e., as the format is not aimed to financial institutions only amounts derived from financial subsidiaries of the entity must be considered). For further guidance on accounting for interest income from loans by non-financial institutions, please refer to heading 5.2. Financial income, net.

Dividend income [financial activities]: The use by others of investments in subsidiaries, associates and joint ventures rise to revenue in the form of dividends; they are distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital. The item does not include the dividend from trading investments, classified into the income from investments. Dividend income should be recognised when the shareholder’s right to receive payment is established. As stated in IAS 18 only those amounts derived from the course of the ordinary activities of the entity should be included under this caption (i.e., as the format is not aimed to financial institutions only amounts derived from financial subsidiaries of the entity must be considered). For further guidance on accounting for dividend income from investments by non-financial institutions, please refer to heading 5.2. Financial income.

Gain on derecognition of non-financial assets: Gains and losses from the retirement or disposal of non-financial assets should be determined as the difference between the net disposal proceeds and the carrying amount of the assets and should be recognised as income or expense in the statement of profit or loss. Only gains must be shown under this caption as the losses must be reported in Operating expenses (see point 2.6). Please note that also gains arising from the disposal of non-current assets held for sale should be included in this heading.

Impairment reversals from non-financial assets: If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. The reduction is an impairment loss and the increases are the reversals of the impairment losses. The impairment reversals that should be disclosed are those from property, plant and equipment, from intangible assets and goodwill, from other assets valued at cost, from inventories and from bad and doubtful commercial debts. Impairment reversals from financial instruments should be reported in Gains (losses) from financial instruments (see point 5.3.).

Other remaining operating income

Of which, Income from government grants

Income from government grants related to income: Grants related to income are presented as a credit in the statement of profit or loss; alternatively, they are deducted in reporting the related expense.

Income from government grants related to assets: The grants, including non-monetary grants at fair value, may be set up as deferred income which is recognised as income on a systematic and rational basis over the useful life of the assets. In case the entity chooses the second method of presentation (deducting from the carrying amount of the asset), the grant is recognised by way of a reduced depreciation charge.
Of which, impairment reversals
Income from impairment reversals should be included in this position. In some cases, impairment losses and reversals will be only available as net position. In this case, positive amounts should be included in impairment reversals and negative amounts should be included within impairment losses.

1.3. Changes in inventories of finished goods and work in progress
The change in finished goods and work in progress during the period represents an adjustment to production expenses to reflect the fact that either production has increased inventory levels or that sales in excess of production have reduced inventory levels. Increases and decreases of inventories must be included in this heading. This item excludes the write-downs, which are included in other items of statement of profit or loss.

1.4. Work performed by the enterprise and capitalised
This line is used in case an entity is constructing an asset for its own use (for instance a building). Since the costs must be activated, they are reversed from the statement of profit or loss by means of this line.

2. ( - ) Operating expenses
These items are expenses that arise in the course of the ordinary activities of the entity. Expenses are aggregated according to their nature and are not reallocated among various functions within the entity.

2.1. ( - ) Raw materials and consumables used:
   ( - ) Purchases of raw materials and consumables: Amounts paid or to be paid to suppliers, VAT excluded.
   ( - ) Changes in inventories of raw materials and consumables: This item excludes write-downs, that are included in other items of statement of profit or loss. A negative sign is an arising of inventories.
   ( - ) Purchases of merchandises
   ( - ) Changes in inventories of merchandises

2.2. ( - ) Employee expenses
The heading includes all the expenses relating to employment; wage and salaries, short term employee benefits, post employment benefit and other charges.

   ( - ) Wage and salaries: Gross salaries, vacation pay, 13th month, bonuses, etc.
   ( - ) Short term employee benefit: Including the expenses for social security
   ( - ) Post employment benefit charge:
      ( - ) Post employment benefit obligation expense, defined contributions plans: When an employee has rendered service to an entity during a period, the entity should recognise the contribution payable to a defined contribution plan as an expense.
      ( - ) Post employment benefit obligation expense, defined benefit plans: Includes current service cost, interest cost (if a company chooses to show such interest expense under employee expenses according to the freedom in presentation offered by IAS 19.119), net actuarial gain (loss) recognised, etc.
   ( - ) Other employee charges:
      ( - ) Termination benefits: These benefits are separated from the other benefits because the event, which gives rise to an obligation, is the termination rather than the employee service.
      ( - ) Equity compensation plans: They include benefits in such form as shares, share options and other equity instruments issued to employees at less than the fair value at which those instruments would be issued to a third party; they include even cash payments.
( - ) Other long term benefits: It includes information about other long-term benefits, for example for key management personnel.

( - ) Other employee expenses: It includes all the items not foreseen by the previous items.

2.3. ( - ) Depreciation and amortisation
The depreciable amount of fixed assets should be allocated on a systematic basis over its useful life.

2.4. ( - ) Impairment losses total (not reversals)
If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. The reduction is an impairment loss. The impairment losses that should be disclosed are those from property, plant and equipment, from intangible assets and goodwill, from other assets valued at cost, from inventories and from bad and doubtful commercial debts. Impairment losses from financial instruments should be reported in Gains (losses) from financial instruments (see point 5.3.). In some cases, impairment losses and reversals will be only available as net position. In this case, negative amounts should be included here and positive amounts should be included within impairment reversals.

of which, ( - ) impairment losses from goodwill

2.5. ( - ) Research and development (by nature)
The item includes the aggregate amount of research and development expenditure recognised as an expense during the period.

2.6. ( - ) Restructuring costs
Examples of restructuring costs are sale or termination of a line of business, changes in management structure as eliminating a layer of management, or a fundamental reorganisation that have a material effect on the nature and focus of the enterprise’s operations.

2.7. ( - ) Other operating expenses (by nature)
The item includes all the operating expenses not included in the previous items or the operating expenses that are a mix of various expenses. This heading contains, amongst others, the following items:

( - ) Loss on derecognition of non-financial assets: Gains and losses from the retirement or disposal of non-financial assets should be determined as the difference between the net disposal proceeds and the carrying amount of the assets and should be recognised as income or expense in the statement of profit or loss. This item only includes losses as the gains must be reported in Operating revenue (see point 1.2). Please note that also losses arising from the disposal of non-current assets held for sale should be included in this heading.

( - ) Service costs: Nowadays, entities have outsourced many services that previously were performed within their structure. However, not only outsourcing charges are included in this caption: it also aims at subcontracting, external staff, auditor fees, lawyer fees, insurance costs, maintenance costs, rental charges, telephone bills, electricity, subscription to magazines, etc.

( - ) Other taxes different than income tax: It includes all the taxes not included in the income tax expense, such as real estate tax or environmental taxes.

( - ) Net additions to provisions: Allocation of funds shall be accounted for here, including increases to already existing provisions and reversals of (existing) provisions.

3. Gain (loss) on changes in fair value of non-current assets
Unless EU's Directives allow other non-current assets to be measured at fair value, only the following categories should be included here:

(Gain) loss on changes in fair value of investment property: According to IAS 40 the entities that apply the fair value model should disclose the net gain or losses from fair value adjustment.

(Gain) loss on changes in fair value of biological assets: A gain or loss arising on initial recognition of a biological asset at fair value should be included in net profit or loss during the period in which it arises (IAS 41.26). Subsequent gains or losses from the application of the fair value model should be included here too.

II. STATEMENT OF PROFIT OR LOSS BY FUNCTION

The following items are only used in statement of profit or loss by function.

1a. Gross profit

It is the difference between operating revenue and the cost of sales, excluding the other operating income and expenses.

1a.1. (Operating) Revenue

An entity should disclose the amount of each significant category of revenue recognised during the period including revenue arising from the sale of goods, the rendering of services, interest, royalties and dividends.

1a.2. (-) Cost of sales

1b. Other operating income

Refer to heading 1.2 of Statement of profit or loss by Nature

2. ( - ) Operating expenses (IAS 1.103): All the expenses (depreciation, impairment, employee expenses, etc.) should be allocated to the different “functions” within the entity.

2.1. (-) Distribution costs

2.2. (-) Research and development costs

2.3. (-) Administrative expenses

2.4. (-) Restructuring costs

2.5 (-) Other operating expenses

Refer also to point 2 of Statement of profit or loss by Nature.

3. ( - ) Gain (loss) on changes in fair value of non-current assets

Refer to heading 3 of Statement of profit or loss by Nature

III. STATEMENT OF PROFIT OR LOSS BY NATURE AND BY FUNCTION

The following items are used in both statement of profit or loss by nature and by function

4. Profit (loss) from operating activities

This item is the difference between operating revenue (heading 1 of the statement of profit or loss), operating expenses (heading 2) and gain (loss) on changes in fair value of non-current assets (heading 3).
5. Net financial result

This item contains the following items:

5.1. ( - ) Finance costs

Apart from interest expenses, this line should include costs arising from:

( - ) Amortisation of discounts or premiums relating to borrowings
( - ) Amortisation of ancillary costs relating to borrowing arrangements
( - ) Fee expenses from financial instruments: Fee expenses from financial assets or financial liabilities that are not at fair value through profit or loss shall be disclosed separately according to IFRS 7.20.c

Gain (loss) on redemption and extinguishment of debt: Additional costs paid to reimburse a debt before its due date, often referred to as re-investment indemnity.

Example: initial amount borrowed = 100, to be reimbursed by 2010. Suppose the loan is valued at cost. Suppose the bank accepts a reimbursement of 101. In that case, the loss equals 1.

( - ) Other finance costs

of which, ( - ) interest expense

( - ) Interest expense, bank borrowings: It includes only the interest and the other costs in connection with bank borrowings. It includes interest on short-term and long-term borrowings
( - ) Interest expense, defined benefit plans: if a company chooses to show interest expense on pension obligations under finance costs according to the freedom in presentation offered by IAS 19.119
( - ) Interest expense, other borrowings: This item includes all the financial cost in connection with non-bank borrowings.

( - ) Interest expense, borrowing costs: only interest expenses not capitalised should be collected here. Capitalised amounts can be collected within additional disclosures. (s. detailed explanations)

5.2. Financial income, net

Under this heading, amounts arising from financial assets must be disclosed. Apart from interest earned on loans and deposits, the following should be considered:

Dividends from trading investments
Fee income from financial assets

of which, interest income

Interest arisen from loans and deposits, current and non-current, to third and related parties.

5.3. Gains (losses) arising from financial instruments (cc_145_147)

This heading includes, amongst others, the following elements:

Gain (loss) on derecognition of financial assets at amortised cost: This item includes the gains or losses arising from the disposal of financial assets measured at amortised cost.

Gains (losses) from financial instruments: This element includes the result from the derecognition of financial instruments.

of which, gain (loss) on reclassification of financial assets at fair value: If a financial asset is reclassified so that is measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date must be included in this heading.

Impairment losses and reversals from financial instruments
If the recoverable amount of a financial instrument is lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. The reduction is an impairment loss. The impairment losses and reversals that should be disclosed are those from financial instruments.

**Other gains (losses) from financial assets:** It includes all the income or losses not foreseen in the previous items.

### 5.4. Exchange differences recognised in profit or loss

Exchange differences must be presented aggregated in this caption, following IAS 21.52.a.

### 5.5 Profit (loss) from investments in related parties

This heading contains all the profits or losses related to investment in related parties.

**of which, share of profit (loss) from equity accounted investments**

The following item includes all the income and the losses from investments accounted using the equity method; they include only the investments where is presumed to exist at least a significant influence.

### 6. Other non-operating income (expense)

It includes all the non operating incomes and expenses which have not been possible to classify in the previous items, as gain arisen from a bargain purchase or negative goodwill (any excess in the net fair value of acquired entity’s identifiable assets, liabilities and contingent liabilities over cost). As studied in previous year, this element should be completed rarely as it is only for those cases where a different allocation is not possible.

### 7. Profit (loss) before tax

### 8. Income tax expense (income)

The tax expense (income) related to profit or loss from ordinary activities should be presented on the face of the statement of profit or loss. Components of tax expense (income) may include: current tax expense, the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences and to changes in tax rates, the amount of the benefit arising from a previously unrecognised tax loss, and others.

### 9. Profit (loss) after tax from continuing operations (before non-controlling interests)

### 10. Profit (loss) from discontinued operations, net of tax

An entity shall disclose a single amount on the face of the statement of profit or loss comprising the total of:

(i) the post-tax profit or loss of discontinued operations and  
(ii) the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

### 11. Profit (loss) **(before non-controlling interests)**

### 12. Profit (loss) attributable to non-controlling interests

Non-controlling interests are the portion of the profit or loss of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent (IAS 27.4).
13. Profit (loss) attributable to owners of parent

IV. ADDITIONAL DISCLOSURES BY NATURE

Please refer to the Statement of profit or loss by Nature, following headings:

- Employee expenses
- Depreciation and amortization
- Impairment losses, total (not reversals)
- Changes in inventories of finished goods and work in progress,
- Work performed by the enterprise and capitalised
- Raw materials and consumables used
- Research and development costs.
IV. STATEMENT OF COMPREHENSIVE INCOME

I. PROFIT (LOSS)

Line 11 of statement of profit or loss must be reported here.

II. OTHER COMPREHENSIVE INCOME FOR THE PERIOD

This heading must contain all the incomes and expenses recognised during the period which did not go through statement of profit or loss. They can be reported in net or gross terms concerning income tax. The method of presentation should be indicated in General characteristics, 13. Information about options allowed by IFRS.

Following revised IAS 1, the other comprehensive income statement shall present the items grouped into those that, in accordance with other IFRSs:
(a) will not be reclassified subsequently to profit or loss; and
(b) will be reclassified subsequently to profit or loss when specific conditions are met.

II.I. Other comprehensive income that will not be reclassified to profit or loss

1. Gains (losses) on revaluation

It contains revaluations adjustments arising from property, plant and equipment, and intangible assets. According to EU Directives on IFRS implementation, this caption should remain empty for European groups, since the use of fair value is not allowed in this kind of assets.

2. Remeasurements of defined benefit plans

Remeasurements accounted for according to IAS 19 must be included here.

3. Share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified to profit or loss

4. Remaining other comprehensive income that will not be reclassified

It discloses other income and expense recognized directly in equity that will not be reclassified and not included in previous categories

5. Income tax relating to other comprehensive income that will not be reclassified

It should be included the amount of income tax relating to components of other comprehensive income that will not be reclassified when the Statement of comprehensive income is presented in gross terms relating to income tax.

II.II. Other comprehensive income that will be reclassified to profit or loss (see illustrative example after II.II.7 for accounting treatment)

1. Exchange differences on translation

Financial statements of foreign operations must be translated into the reporting currency at the end of the accounting period. Differences arising from currency exchange rates shall be considered as other comprehensive income.
2. Available-for-sale financial assets
   of which, gains (losses) arising during the period: Amounts recognised in the period other than reclassification adjustments must be disclosed here (mainly, fair value adjustments).
   of which, (-)/(+) reclassification adjustments for (gains)/losses included in profit or loss: The amounts previously recognised in the statement of comprehensive income in the previous line must be reclassified to profit or loss when the related available-for-sale financial assets is disposed.

3. Cash flow hedges
   of which, gains (losses) arising during the period: Amounts recognised in the period other than reclassification adjustments and adjustments to the carrying amount of hedged items must be disclosed here (mainly, fair value adjustments).
   of which, (-)/(+) reclassification adjustments for (gains)/losses included in profit or loss: The amounts previously recognised in the statement of comprehensive income in the previous line must be reclassified to profit or loss when the hedged forecast transaction affects profit or loss.

4. Gains (losses) from hedges of net investments in foreign operations
   Results from hedges of net investments in foreign operations according IAS 39.102 should be reported here.

5. Share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified to profit or loss

6. Remaining other comprehensive income that will be reclassified
   It discloses other income and expense recognized directly in equity that will be reclassified and not included in previous categories.

7. Income tax relating to other comprehensive income that will be reclassified
   It should be included the amount of income tax relating to components of other comprehensive income that will be reclassified when the Statement of comprehensive income is presented in gross terms relating to income tax.

Illustrative Example

01/01/year 1:
Company A buys 10 shares of a financial institution at 2 €/share. It is classified as “Financial Asset Available for Sale” (Fair Value Changes incorporated in OCI).

12/31/year 1:
The financial Institution share price is 3 €uro/share.

01/01/year 2:
Company A sells the shares at its quoted price, 3 €/share.
SOLUTION

YEAR 0

“Unrealized” gains arising during the period: (3-2) €/share*10 shares = 10€uro (increase in equity).

In the Other Comprehensive Income (OCI) Statement, these unrealized gains will be recognized with a positive sign in the

1. “II.II Other comprehensive income that will be reclassified to Profit or Loss”, “II.II. 2. Available for Sale Assets, of which, unrealized gains on available for sale financial assets”: 10 €uro.
2. Effect in “III. Total Comprehensive Income in the Period”: 10€uro

YEAR 1

OCI (Other Comprehensive Income) Statement:

“Reclassification of gains through Profit or Losses Statement”: (3-2) €/share*10 shares = 10€uro.

The realization of gains recognized in the OCI statement during previous years should lead us to a zero net effect in this statement:

1. “I. Income Statement (the line 11 of income statement)” will be positive in 10€uro.
2. “II.II Other Comprehensive Income that will be reclassified to Profit or Loss”, “II.II.2. Available for Sale Assets, of which, (gains) reclassified to profit or losses on available-for-sale financial assets”, should be negative in 10 €uro.
3. Net Effect in “III. Total Comprehensive Income in the Period”: 0€uro, since all the increase took place during the previous year.

Should there be the realization of a loss (i.e. 10 shares bought at 3 €uro/share and sold at 2€uro/share), the net effect in OCI (and indirectly in total equity) when selling the asset should be zero, but number 2 (“II.II Other Comprehensive Income that will be reclassified to Profit or Loss”, “II.II.2. Available for Sale Assets, of which, losses reclassified to profit or losses on available-for-sale financial assets”) should be positive sign, compensating the negative sign of “I. Income Statement”, which should be negative.

III. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (I + II)

This heading adds the two previous ones, obtaining the total comprehensive income for the period. It is divided into two lines: the income attributable to owners of the parent and the income attributable to non-controlling interests.
V. STATEMENT OF FINANCIAL POSITION: ASSETS SIDE

Important remark: The main body of the assets side must be presented using net values; that is to say, to fulfill the carrying amount (net book value) of the correspondent asset net of accumulated depreciation and amortisation, accumulated impairment losses, and government grants (if the company has chosen to account for them as a reduction in the value of the related assets).

The following captions have several explanations, in order to help the entity to fulfill the ERICA format, based on IFRS taxonomy.

Box 1. Definition of current / non-current

The classification of assets and liabilities in the financial statements is quite different in the seven CBSO of the Working Group. IAS 1 establishes a definition of current and non-current assets and liabilities. The following chart summarizes the criteria taken by IFRS:

Alternative classifications

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Related to operating cycle</td>
</tr>
<tr>
<td>Short-term expiration (up to 12 months)</td>
<td>Current</td>
</tr>
<tr>
<td>Long-term expiration (more than 12 months)</td>
<td>Non-current</td>
</tr>
</tbody>
</table>

The current databases of each CBSO can deal with the criteria marked in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational cycle</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Short-term / long-term</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Current / Non-current (IFRS)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

I. ASSETS, NON-CURRENT, TOTAL

1. Property plant and equipment are tangible assets that:
   - are held by the enterprise for use in the production or supply of goods or services, or for administrative purposes; and
   - are expected to be used during more than one period.

Those elements held for sale must be presented under caption 9 of the current assets.

1.1. Land and buildings

   Land: Only land and natural resources must be included here. With respect to lands, do record those ones which have not been built or are in the course of construction.

   Buildings: Also including the land, when the building has been finished.

1.2. Plant and equipment
It includes machinery, production lines...

1.3. Remaining property, plant and equipment: Under this item the following elements are included:

   Motor vehicles: It includes aircrafts, ships, trains, cars, forklift trucks, motorbikes...
   Fixtures and fittings: It includes climate control units, heating, sewer systems, carparks...
   Leasehold improvements: Finance leases are not included here. Finance leases must be allocated among the different property, plant and equipment elements. Leasehold improvements are specific fixtures to enhance/use an operationally leased or rented asset such as a heating, climate control unit, shelves, etc. in an operationally leased or rented warehouse. Leasehold improvements are capitalised if two conditions are met: (a) the cost is too important to be charged to the statement of profit or loss; (b) the cost cannot be capitalised along with the related asset since that asset does not appear on the entity’s statement of financial position.
   IT equipment: It includes mainframe computers, personal computers, laptops, screens, printers...

1.4. Construction in progress and payments in advance:
As long as the property, plant and equipment element is not ready for operation, it remains included under this caption. As soon as it is ready for operation, it is transferred to one of the captions above. Prepayments on property, plant and equipment should be included here.

2. Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
   – use in the production or supply of goods or services or for administrative purposes; or
   – sale in the ordinary course of the business

3. Intangible assets and goodwill

3.1. Goodwill, net
Any excess of the cost of an acquisition (business combination) over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the business combination shall be described as goodwill and recognised as an asset.

3.2. Development costs
They are costs related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

3.3. Computer software, copyrights, patents and other industrial property rights, service and operating rights
Enter the mentioned acquired intangible assets here.

3.4. Remaining intangible assets

   Exploration and evaluation assets: Exploration and evaluation assets are expenditures incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical
feasibility and commercial viability of extracting a mineral resource are demonstrable (Appendix A of IFRS 6). Such assets must be classified according to their nature. Thus, those meeting the definition of intangible assets shall be included here (for example, drilling rights).

**Assets arising from service concession arrangements:** According to IFRIC 12, an entity shall recognize an intangible asset when it has a right to charge users of the infrastructure.

**Other identifiable intangible assets, net**

4. Biological assets

Under this item the following elements are included:

- **Biological assets** are living animals or plants such as sheep, trees in a plantation forest, pigs, vines, fruit trees.

- **Agricultural produce at the point of harvest** is the harvested product of the enterprise's biological assets, at the point of harvest, such as wool, logs, carcass, grapes, picked fruit.

5. Investments in related parties

Here the below-explained captions must be disclosed:

- **Investments in subsidiaries, at cost:** It includes investments in controlled entities that are not consolidated, but valued at cost. Control is presumed to exist when the parent owns directly or indirectly through subsidiaries, more than one half of the voting power.

- **Investments in associates, at cost:** An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power. This caption only includes those investments in associates that are left outside the consolidation perimeter and that are valued at cost.

- **Investments in joint ventures, at cost:** A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Please only include those joint ventures valued at cost.

- **Equity method accounted investments, total:** These investments can be either investments in associates or investments in joint ventures.

- **Of which, equity accounted investments:** It should be separately disclosed here the total amount of investments in associates or investments in joint ventures accounted by the equity method.

6. Deferred tax assets

If transactions recorded during the current period will give rise to a lower current tax liability in a subsequent year, a deferred tax asset should be recorded in the year of the transaction.

7. Other financial assets, non-current

The detail required is based on the type of financial assets held.

- **securities, non-current:**
  - **Shares, non-current (including participations):** Participations in investment funds and individual shares, for the purpose of speculation.
  - **Securities other than shares, non-current:** Treasury securities (treasury bonds or certificates, treasury time deposits with a repurchase option, REPOS) and other securities (commercial paper and others).

- **loans to related parties, non-current:** Loans to subsidiaries, to associates, to joint ventures and to other related parties are included under this element.
of which, derivatives (including hedging assets), non-current:
It reports derivatives, including hedging assets. Hedging item is a designated derivative or a designated non-derivative financial asset or liability (for a hedge of the risk of changes in foreign currency exchange rates only) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (IAS 39.9).

8. Remaining assets, non-current:
Finance lease receivables, non-current: These receivables appear in the lessor’s financial statements.
Prepayments, non-current: Prepaid expenses, such as rent, insurance costs, and costs resulting from a maintenance contract must be included under this heading.
Cash restricted or pledged: Examples are the amounts deposited as continuous security, among other things at public administrations or government services (customs, excise taxes, telephone, rent, etc.)
Assets pledged as collateral subject to sale or repledging, non-current
Post-employment benefit surplus: A surplus is an excess of the fair value of the plan assets over the present value of the defined benefit obligation (IAS 19.58B).
Other assets, non current
of which, non-current trade receivables:
If reported, trade receivables, non-current, should be included within remaining assets and entered in this element.

II. ASSETS, CURRENT, TOTAL

9. Inventories
They are assets held for sale in the ordinary course of business; in the process of production for such sale; or in the form of materials or supplies to be consumed in the production process or in the rendering of services. In case of a service provider, inventories include the costs of a service, for which the entity has not yet recognised the related revenue (IAS 2.8). Advance payments on account of stock supplies must be included under heading 14. Remaining assets, current.

10. Other financial assets, current
securities, non-current:
Shares, current (including participations): Participations in investment funds and individual shares, for the purpose of speculation.
Securities other than shares, current: Treasury securities (treasury bonds or certificates, treasury time deposits with a repurchase option, REPOS) and other securities (commercial paper and others).
loans to related parties, current: Loans to subsidiaries, to associates, to joint ventures and to other related parties are included under this element.

of which, derivatives (including hedging assets), current:
It reports derivatives, including hedging assets. Hedging item is a designated derivative or a designated non-derivative financial asset or liability (for a hedge of the risk of changes in foreign currency exchange rates only) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (IAS 39.9).

11. Current tax receivables (only income tax)
This caption only includes receivables relating to income taxes.
12. Trade receivables, net, total
The amount of trade receivables shall be reported in this item, including those with related parties.

13. Cash and cash equivalents
Cash includes cash at hand, bank balances and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (IAS 7.6).

14. Remaining assets, current
Assets pledged as collateral subject to sale or repledging, current
Finance lease receivables, current: These receivables appear in the lessor’s financial statements.
Other receivables, net, total: Advance payments on inventories must be included under this caption. Other examples are receivables from VAT tax authorities, receivables from social security, receivables from employees...
Other assets, current

of which, prepayments, current
Prepaid expenses must be included under this heading, such as rent, insurance costs and costs resulting from a maintenance contract.

Suppose an entity must pay its rent in advance as per July 1st N for the period July 1st N till June 30th N+1 and suppose the closing date of the financial statements is December 31st. Then the entries relating to the rent are as follows:

July 1st N
Debit: Rental costs X: 2
Debit: Prepayments, current X: 2
Credit: Bank account X

January 1st N+1
Debit: Rental costs X: 2
Credit: Prepayments, current X: 2

15. Non-current assets and disposal groups held for sale or held for distribution to owners
An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use (IFRS 5.6). The asset (of a disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable (IFRS 5.7). It also requires non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (IFRS 5.5A).
VI. STATEMENT OF FINANCIAL POSITION: LIABILITIES AND EQUITY

Preliminary remarks

Dividends proposed or declared after the statement of financial position date should not be recognised as a liability at the statement of financial position date (IAS 10.12). Such dividends are disclosed in the notes to the financial statements in accordance with IAS 1.

(IAS 1.69) A liability should be classified as a current liability when it:
  • is expected to be settled in the normal course of the enterprise’s operating cycle; or
  • is due to be settled within twelve months of the statement of financial position date.

All other liabilities should be classified as non-current liabilities.

I. EQUITY, TOTAL

A. EQUITY ATTRIBUTABLE TO OWNERS OF PARENT

A parent is an entity that has one or more subsidiaries.

1. Share capital

   Issued capital (including paid-in and unpaid capital): It corresponds to the total amount of contribution invested by the entity’s shareholders and is represented by issued shares. The shares can be paid-in or not.
   ( - ) Unpaid capital not called for: Please refer in this line the outstanding amount of share capital issued but still not paid as it has not been called for.

2. Share premium

   It is the difference (or the bonus) between the offering price and the face value of the share.

3. Retained earnings (accumulated losses)

   Profit (loss) of the year: It concerns the profit or the loss realised by the entity during the year. It should show the same amount as line 12 in statement of profit or loss.
   Interim dividends: This line asks for those dividends paid in advance (before year end) in anticipation of the appropriation of the profit (loss) of the current year.
   Remaining retained earnings (accumulated losses): It includes all the profits recorded by the entity from its setting up, diminished by all the losses possibly realised and excluding dividends and other components that would be retained.
   Reserves built up by retained earnings: any reserve built up by retained earnings, should be included here.

   Of which, legal and statutory reserves

   Legal and statutory reserves build by retained earnings over the years.

4. Other reserves.

   These are amounts stemming from non-distributed profits. This item is neither a real obligation nor an eventual liability and is not related to any depreciation of assets. It corresponds to the increase of the entity’s value and belongs to the shareholders. Reserves include translation reserves, hedging reserves, available for sale reserves, share-based payments reserves, reserve of remeasurements of defined benefit plans, and miscellaneous other reserves not built up by retained earnings of the company.

5. ( - ) Treasury shares
They are issued shares hold by the company (or the group) itself.

**B. Non-controlling interests**

Non-controlling interests are that part of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent.

**C. Other equity interest**

It should be classified here the equity derived from the compound financial instruments issued by the entity and the rest of instruments or components classified as equity in the Financial Statements of the entities.

**II. LIABILITIES, TOTAL**

**A. LIABILITIES, NON-CURRENT, TOTAL**

6. **Interest-bearing borrowings, non-current**

The distinction between the periods (up to one year and more than one year) is requested to classify the amounts in the current or non-current category but in both cases the items are the same, only the maturity date is different. It should only be considered interest-bearing borrowings.

It should include following items:

- **Borrowings from financial institutions, non-current:**
  - **Bank borrowings:** This item concerns the amounts of money lent by a bank to the entity.
  - **Bank overdrafts:** Bank overdrafts correspond to the treasury facilities consented by a bank to its client, whose current account can be, on agreement, overdrawn during a given period.

- **Finance leases, non-current**
  For the lessee, it corresponds to a lease in accordance with which the lessor transferred to the lessee almost all the advantages and risks included in the property of the rented good.

- **Bonds issued, non-current**
  This component is related with the bonds delivered by the entity to investors, generally in the frame of long-term borrowings.

- **Convertible borrowings, non-current**
  Amount of money borrowed by the entity that can be converted into shares or sometimes into other bonds according to the investors during a given period.

- **Borrowings with related parties, non-current**
  For further guidance about related parties, please refer to annex 3. Borrowings with related parties must be classified in this line, regardless of their nature or if they could fit in any of the categories already disclosed in this heading.

- **Remaining interest-bearing borrowings, non-current**
  - **Redeemable preference shares, non-current:** This item corresponds to shares that the entity has the possibility to buy back or write off¹.

¹ This type of liabilities does not exist in France except in the very specific case of liquidation.
Disclosure on some previous details are required:
- of which, borrowings from financial institutions, non-current:
- of which, finance leases, non-current
- of which, bonds issued, non-current

7. Deferred income, non-current

- of which, government grants
  It corresponds to a capital grant (definition IAS 20.3) agreed by the government which will be gradually reported in the profit and loss account (IAS 20.26).

8. Provisions for employee benefits, non-current

This item corresponds to all kind of employee benefits, including termination benefits which are payable after the completion of employment.

9. Other provisions, non-current

A provision is (IAS 37.10 & 37.14)
- A present obligation of the entity arising from past events,
- The settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and,
- For which a reliable estimate can be made of the amount of the obligation.

Main classes of provisions are explained below:

**Warranty provisions**

Example: An entity sells goods with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first six months after purchase. Based on past experience, a provision has to be recognized for the best estimate of the costs of repair of the goods, sold during the last six months before the statement of financial position date, taking into account the statistical possibility for defects.

**Restructuring provisions:** A restructuring (IAS 37.10) is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

The following are examples of events that may fall under the definition of restructuring (IAS 37.70):
- (a) Sale or termination of a line of business;
- (b) The closure of business locations in a country or region or the relocation of business activities from one country or region to another;
- (c) Changes in management structure (for example, eliminating a layer of management); and
- (d) Fundamental reorganizations that have a material effect on the nature and focus of the entity’s operations.

Example: On 12 December Y, the Board of Directors decided to close down a division in the summer of Y+1. During the next week, a detailed plan was agreed by the Board. Before year-end letters were sent to customers, warning them to seek an alternative source of supply, and redundancy notices were sent to the staff of the division. As per 31 December Y, a provision should be recognised for the best estimate of the costs of closing down the division.

**Legal proceedings provisions**

Example: A caterer delivers a bunch of oysters for a party, after which a number of employees die as a result of food poisoning. The catering entity is not insured against such professional
mistakes. Legal proceedings are started seeking damages from the caterer. At statement of financial position date, the lawyers of the catering entity advise that it is probable that the entity will be found liable. Thus, the best estimate of the amount to settle the obligation has to be provided for. 

**Onerous contracts provisions:** An onerous contract (IAS 37.10) is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Example: An entity operated profitably from a factory that it has leased under an operating lease. During the year the entity relocated its operations to a new factory. The lease on the old factory continues for the next four years, it cannot be cancelled and the factory cannot be re-let to another user. A provision is recognized for the best estimate of the unavoidable lease payments.

**Environmental provisions**

Example: An entity in the oil industry causes contamination. National legislation requires the entity to clean up the contaminated land, which will result in a significant cost in the future. Therefore, these clean-up costs have to be provided for.

**Provisions for waste electrical and electronical equipment:** According to the European Union’s Directive on Waste Electrical and Electronic Equipment (WE&EE) producers are responsible of the collection, treatment, recovery and disposal of the waste equipment. The waste management implied in these operations gives rise to a provision according to IFRIC 6.

**Provisions for contributions to decommissioning, restoration and rehabilitation funds:** Contributions to one of these funds in which the entity does not own control must be accounted for as a provision, according to IFRIC 5.

**Contractual obligations from service concession arrangements:** According to IFRIC 12, contractual obligations derived from the concession arrangement created to maintain or to restore an infrastructure must be accounted for according to IAS 37.

10. Deferred tax liabilities

Amounts of income taxes payable in future periods in respect of taxable temporary differences. This item is always classified as non-current even if it is supposed to be settled within twelve months after the statement of financial position date.

11. Other non-interest-bearing liabilities, non-current

  **of which, derivatives (including hedging liabilities), non-current:**

it reports derivatives, including hedging liabilities. Hedging item is a designated derivative or a designated non-derivative financial asset or liability (for a hedge of the risk of changes in foreign currency exchange rates only) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (IAS 39.9).

  **of which, trade payables, non-current:**

if reported, trade payables, non-current, should be included within remaining assets and entered in this element.

B. LIABILITIES, CURRENT, TOTAL

12. Interest-bearing borrowings, current

See point 6 above.
13. Deferred income, current
See point 7 above.

14. Provisions for employee benefits, current
See point 8 above.

15. Other provisions, current
See point 9 above.

16. Current tax payables (only income tax)
Outstanding amounts of income taxes payable at the end of the year.

17. Trade payables, total
It discloses to the amount of money due by the entity to its suppliers for goods or services received, including those with related parties.

18. Other non-interest-bearing liabilities, current
Other payables
Accrued payroll and amounts due to employees
Accrued administrative liabilities
Dividends to pay

Other liabilities, current

of which, advances received
Amount of money paid by the clients or other partners for goods or services to be delivered by the entity.

of which, derivatives (including hedging liabilities), current
See point 11 above.

19. Liabilities included in disposal groups held for sale
According to IFRS 5.38, the liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. As the result of discontinued operations, liability must be classified as liability held for sale. This item is current by nature as the disposal should normally occur in the short term.

EQUITY AND LIABILITIES, TOTAL

Additional information
1. Dividends distributed (Owners and Non-Controlling Interests):
   This item must contain all the dividends already distributed during the period, regardless of the year where they were obtained. The monetary amount that goes out from the accounting group which includes those dividends from subsidiaries that are distributed to Non-Controlling Interests and the dividends distributed by the parent company to its shareholders.

2. Proposal of dividends to be distributed (Owners)
This item must contain the amount of dividends proposed to be distributed. This amount is still within the statement and has not left the entity yet.
VII. STATEMENT OF CASH FLOWS

The statement of cash flows sets out all the incoming and outgoing cash flows during the financial year, broken down by origin: cash flows from operating, investing or financing activities. It provides a summary of the cash resources available during the period and how those resources have been used. The statement of cash flows gives an indication of the ability of the reporting entity to generate cash flows, and provides additional information facilitating more accurate assessment of liquidity, solvency and the results achieved.

Cash flows from operating activities can be recorded by the direct or the indirect method. The direct method adds up the major types of cash receipts and payments: cash receipts from customers, payments to suppliers, payments to employees, etc. The indirect method is based on the net profit or loss and eliminates the effects of:
- non-cash transactions such as impairment losses, depreciation, additions to provisions, reversals of provisions, etc;
- the attribution to a particular period of revenues and expenses which have no cash implication in the reporting period (e.g. outstanding amounts due from customers and amounts payable to suppliers);
- revenues and expenses connected with cash flows from investing and financing activities.

I. CASH AND CASH EQUIVALENTS, BEGINNING BALANCE

This field shows the amount of the cash and/or cash equivalents at the beginning of the balance year. It is the amount that was identified in the previous year as "VII. Cash and cash equivalents, ending balance".

II. NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Of which, operating cash flow from discontinued operations

According IFRS5.33c, cash flows from discontinued operations has to be reported separately.

Interests paid and received and dividends paid and received to fulfil IAS 7.33 and 7.34 will also be shown separately in this statement.

III. NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES

Of which, investing cash flow from discontinued operations

According IFRS5.33c, cash flows from discontinued operations has to be reported separately.

Interests paid and received and dividends received to fulfil IAS 7.33 and 7.34 will also be shown separately in this statement.

IV. FREE CASH FLOW (II + III)

Total field will be calculated by sum of Cash Flows from operating and investing activities.

V. NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES

Of which, financing cash flow from discontinued operations
According IFRS5.33c, cash flows from discontinued operations has to be reported separately. Interests paid and received and dividends paid and received to fulfil IAS 7.33 and 7.34 will also be shown separately in this statement.

VI. NET INCREASE IN CASH AND CASH EQUIVALENTS

This line is to be obtained as the addition of the main lines II. Net cash flows from (used in) operating activities, III. Net cash flows from (used in) investing activities, and IV. Net cash flows from (used in) financing activities.

VII. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

In order to reconcile cash and cash equivalents at the beginning and at the end of the period, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported here.

VIII. EFFECTS OF CHANGES IN SCOPE OF CONSOLIDATION ON CASH AND CASH EQUIVALENTS

In order to reconcile cash and cash equivalents at the beginning and at the end of the period, the effect of changes in the scope of consolidation on cash and cash equivalents is reported here.

Example: a subsidiary is bought in period 01 but not consolidated because it is not material. In period 02 the subsidiary is growing fast and consolidation is necessary. The presentation in the cash flow statement would be as followed:

The price the company paid is shown in cash flow from investing operations in period 01. However, the balance of cash of the subsidiary is not included in period 01 as it is not consolidated. In period 02 it is consolidated for the first time and its cash cannot be presented in the beginning figure of cash and cash equivalents for period 01. Therefore this change must be accounted in this item.

A similar issue would appear if a subsidiary is not part any more in the consolidated group but it is not sold.

IX. CASH AND CASH EQUIVALENTS, ENDING BALANCE.

This field shows the amount of the cash and/or cash equivalents at the end of the balance year. It consists of the "Cash and cash equivalents, beginning balance" plus "Net Increase in cash and cash equivalents" plus the "Effects of the exchange rate changes on cash and cash equivalents" and "Effect of changes in scope of consolidation on cash and cash equivalents" (lines I., V., VI and VII.) It must equal in most cases the amount identified in the following year as "I. Cash and cash equivalents, beginning balance".

X. ADJUSTMENTS TO RECONCILE WITH THE STATEMENT OF FINANCIAL POSITION
In order to reconcile the amount of cash and cash equivalents disclosed in the Statement of financial position and the one reported in the Statement of Cash flows when they differ for example, due to non-current assets and disposal groups held for sale, the difference has to be included in this line. When the cash and cash equivalents do not match and the reason of the unbalance is not known, it will not be reconciled the cash and cash equivalents, and therefore, this element will not be fulfilled.

XI. CASH AND CASH EQUIVALENTS AS REPORTED IN THE STATEMENT OF FINANCIAL POSITION
VIII. NOTES

Within this new sheet, elements not included in national databases, e.g. CoCAS, will be included.

GENERAL CHARACTERISTICS AND EMPLOYMENT

2. Identification of parent entity of the group (or the corporation in case of individual accounts)

2.2. National identification code
The national identification numbers or codes as the commercial register code must be noted.

2.3. ERICA identification code
The ERICA identification code, created for internal purposes by the III WG, must be noted.

2.4. ISIN identification code
The ISIN code of the parent entity must be noted (not the code of a subsidiary).

2.5. EGR identification code
It refers to European unique (EGR) code.

3. Information on the ultimate parent entity of the group

3.3. ERICA identification code of the ultimate parent entity of the group

3.4. EGR identification code of the ultimate parent entity of the group

3.5 ISIN identification code of the ultimate parent entity of the group

3.6. Country of the ultimate parent entity of the group

5.3. Date of the end of the reporting period (yyyy-mm-dd)
These dates inform about the period that is covered by the financial statements (IAS 1.51.c). Additionally, the information is provided whether the balancing year is identical with the fiscal year.

8.2. Description of activities by NACE code and revenue
In these columns, a brief description of the enterprise’s operations and principal activities should be given as well as the specific NACE codes (4 digits) and the revenue of each activity (in same unit of the financial statements). Please remember that this information might not be 100% equivalent to information by segments (as requires IFRS 8).

9. Listed companies (G017)

It should be selected the correct option for this element:

   Listed with shares or other instruments on a EU regulated market

   Non-listed

Capitalization (G0173):

When the option selected before in G017 is “Listed”, some information on capitalization should be disclosed: share price of ordinary shares and number of shares (both for current and previous period). In this case, the information should be always completed in units of €. . Considering Earning
Per Shares (EPS) disclosed and reported according to IAS 8 for current and previous period, we could know the number of every kind of share issued by the parent company. Once we know the latter, we could check the quoted price for every kind of share and the product of them would lead us to that kind of share capitalization. The sum of the capitalisation of every kind of share would give us the total capitalization of the parent company. The information considered should be at date of ending of the reporting period, however, if the information is not available at this date, the last day of the year.

10. Data previous period (a)

There is a choice between official data and recalculated data. If the company restates in its annual report the IFRS accounting data for the previous year, we note this as “recalculated data”. In that case we mention the reason why the company recalculated its figures. If the company does not recalculate in its annual report the IFRS accounting data for the previous year, we mark this as “official data”.

Reasons of recalculated data:

When recalculated data have been expressed, the reasons can be disclosed (ERICA + groups).

1. Change in accounting policy resulting from amendments to standards:
   1.1. Employee Benefits (IAS 19) (effective from 2015)
   1.2. Financial Instruments (IFRS 9) (effective from 2018, not endorsed by EU)
   1.3. Regulatory Deferral Accounts (IFRS 14) (effective from 2016, not endorsed by EU)
   1.4. Revenue from Contracts with Customers (IFRS 15) (effective from 2017, not endorsed by EU)
   1.5. Levies (IFRIC 21) (effective from 2014)
2. Voluntary change in accounting policy (IAS 8)
3. Correction of prior periods errors (IAS 8)
4. Reclassifications (IAS 8) (all adjustments of the presentation in the statement of profit or loss that have an impact on the EBITDA and the statement of financial position that have an impact on the main elements
6. Non-current assets held for sale and discontinued operations (IFRS 5)
7. Other reason/ open field

11. Opinion on the financial statements given by the auditor

Here the opinion of the auditor concerning the financial statement must be disclosed; i.e. if he gives an unqualified opinion or if there are any restrictions. Mainly, an unqualified opinion represents financial statements without any restrictions, whereas qualified opinions contain restrictions or remarks. In the case the financial statements are not audited, it has to be informed.

1. Not Audited: when there are no financial statements for the period or there is no
2. Qualified opinion: Qualified report is given by the auditor in either of these two cases:
2.a) When the financial statements are materially misstated due to misstatement in one particular account balance, class of transaction or disclosure that does not have pervasive effect on the financial statements.

2.b) When the auditor is unable to obtain audit evidence regarding particular account balance, class of transaction or disclosure that does not have pervasive effect on the financial statements.

A Qualified Opinion report is issued when the auditor encountered one of these two types of situations which do not comply with generally accepted accounting principles, however the rest of the financial statements are fairly presented.

3. Adverse opinion: An Adverse Opinion is issued when the auditor determines that the financial statements of an auditee are materially misstated and, when considered as a whole, do not conform with GAAP. It is considered the opposite of an unqualified or clean opinion, essentially stating that the information contained is materially incorrect, unreliable, and inaccurate in order to assess the auditee's financial position and results of operations.

4. Disclaimer of opinion: This type of report is issued when the auditor tried to audit an entity but could not complete the work due to various reasons and does not issue an opinion. A Disclaimer of Opinion is issued in either of the following cases:
   - When the auditor is not independent or when there is conflict of interest.
   - When the limitation on scope is imposed by client, as a result the auditor is unable to obtain sufficient appropriate audit evidence.
   - When the circumstances indicate substantial problem of going concern in client.
   - When there are significant uncertainties in the business of client.

5. Unqualified opinion: This type of report is issued by an auditor when the financial statements are free of material misstatements and are presented fairly in accordance with the Generally Accepted Accounting Principles (GAAP), which in other words means that the company's financial condition, position, and operations are fairly presented in the financial statements. It is the best type of report an auditee may receive from an external auditor.

6. Unqualified opinion with an emphasis of a matter paragraph: This type of report is issued by an auditor when the financial statements are free of material misstatements and are presented fairly in accordance with the Generally Accepted Accounting Principles (GAAP), however the auditor wants to add additional information to the report without changing the overall opinion of the report.

12. Information about employment (for further information, please refer to annex 2)
An option has been allowed according to which this information can be presented in FTE (Full-Time Equivalents) or in total number of employees. The first option is preferable but since it has been observed that some entities do not use FTE when disclosing information about employment, the second one has been enabled.
**Number of employees’ average over period:** number of employees each month, expressed in full time equivalents, divided by the number of months of the accounting year.

The date of registration differs from country to country. More details are shown in the following table.

<table>
<thead>
<tr>
<th>Country</th>
<th>Distinctions between registration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Number of employees at the last working day of each month.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Number of employees at the last working day of each month.</td>
</tr>
<tr>
<td>France</td>
<td>Non fixed rules ¹</td>
</tr>
<tr>
<td>Germany</td>
<td>No fixed rules, only broad recommendations</td>
</tr>
<tr>
<td>Greece</td>
<td>Number of employees at the last working day of each month.</td>
</tr>
<tr>
<td>Italy</td>
<td>Non-fixed rule: recommended daily average.</td>
</tr>
<tr>
<td>Portugal</td>
<td>People who have worked the last complete week of each month.</td>
</tr>
<tr>
<td>Spain</td>
<td>Number of employees at the last working day of each month.</td>
</tr>
</tbody>
</table>

¹ France: it exists only a recommendation of accounting practitioners that proposes to determine the average total employees with this formula: average total employees = total employees in full time during all the year + (with a calculation in proportion of the time of employment) total employees in partial time + (with a calculation in proportion of the time of employment) total employees hired during the year – (with a calculation in proportion of the time of employment) total employees having left the company during the year.

**Number of employees at end of period:** the number of employees at the last working day of the accounting period expressed in FTE.

### 13.1. Method of presentation of cash-flow statement

Direct method or indirect method.

### STATEMENT OF PROFIT OR LOSS: ADDITIONAL DISCLOSURES

#### 1. Capitalized borrowing costs / interest expenses

Borrowing costs which are directly related to the acquisition, building or production of qualified assets have to be activated. According IAS 23, the amount of capitalized borrowing costs, not included in profit or loss as interest expenses, should be disclosed. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. (IAS 23.5) A **qualifying asset** is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. (IAS 23.5) Borrowing costs may include (IAS 23.6) (i) Interest expense (calculated by effective interest method), (ii) Finance lease charges and (iii) Exchange differences.

Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset shall be capitalized (IAS 23.8f.). Those costs could have been avoided, if there is no qualifying asset.
Capitalisation (IAS 23.17) starts when, (i) expenditures for the asset are incurred, (ii) borrowing costs are incurred and (iii) activities for preparation of asset have started. Capitalisation ends, when all necessary activities are completed (IAS 23.22).

The entity has to disclose (IAS 23.26) (i) the amount of borrowing costs capitalized during the period and (ii) the capitalization rate.

Capitalisation of borrowing costs leads to less interest expenses within profit or loss statement and therefore higher earnings. The capitalized amount will be amortised within the qualifying asset.

Amounts are normally reported within interest expense disclosures.

2. Fair value gains (losses) from financial instruments (including hedges) (145_146)

They comprise fair value gains and losses from financial assets as well as from financial liabilities (after the removal of the European carve-out some financial liabilities are allowed to be measured at fair value).

In 2016 ERICA Format version, we decided to remove element 146, hence, amounts arisen from all kind of hedging operations shall be included here, also those reclassified from equity to statement of profit or loss.

A guide of concepts that should be reported within this element is shown below:

- Net result on freight and other similar derivatives (FFA's)
- Fair value adjustment on forward exchange contracts
- Fair value adjustment on interest rate swaps
- Recclassifications from hedging reserves
- Fair value adjustment on instruments hedging operational activities
- Losses arising from the ineffectiveness of derivatives designated as cash flow hedges
- Net gains/losses arising from cash flow hedges
- Net gains/losses arising from investment hedges
- Fair value adjustment on hedging derivatives
- Fair value adjustment on index linked (inflation) swaps
- Fair value adjustment on cross-currency interest swaps
- Fair value adjustment on foreign currency swaps
- Fair value adjustment on equity swaps
- Fair value adjustment on other derivatives
- Amortisation of deferred losses on hedging
- Cost of using hedging instruments
- Net gains/losses on hedging instruments that are not accounted for as hedges under IFRS
- Interest expenses on interest rate swaps
- Interest expenses on foreign currency swaps
- Interest expenses on equity swaps
- Net Interest expenses on hedging
- Net Interest expenses on other derivatives
- Fee expenses on cap/floor contracts
- Fee expenses on put/call options
Illustrative Example with Cash Flow Hedges (focusing just on Hedging Instruments)

**Year Y**

Company C buys two financial instruments A and B that are used in a cash flow hedge that we assume is entirely effective.

During Y:

- Fair value gain of +15 on instrument A
- Fair value loss of -5 on instrument B

**ACCOUNTING IN EVERY STATEMENT YEAR Y**

(a) **COMPREHENSIVE INCOME STATEMENT**

1) (+/-) Profit or Loss (from Income Statement): +0
2) (+/-) In Other Comprehensive Income: net = +10
   - (592031) 2.a) +/- Unrealized Gains/(losses) from cash flow hedges = +10
   - (592032) 2.b) -/+ Reclassification of (gains)/losses from cash flow hedges = 0
3) (=) Total Comprehensive Income = + 10

(b) **INCOME STATEMENT**

(+/-) (c_145_147) 5.3. Gains (losses) arising from financial instruments: + 0
(c_145_146) Element in the Notes: +0

(c) **EQUITY IN BALANCE SHEET STATEMENT**

1) (+/-) 4.3. Hedging Reserves: + 10 €uro
2) (+/-) 3. Retained Earnings: (Profit or Loss in Income Statement): + 0
3) (=) A. Equity attributable to owner parent: 10

**Year Y+1**

During Year Y+1, Company C sells instrument A at value of end Y

Fair value gain of +10 on instrument B

**ACCOUNTING IN EVERY STATEMENT DURING YEAR Y+1**

(a) **COMPREHENSIVE INCOME STATEMENT**
1) (+/−) Profit or Loss (from Income Statement): +15

2) (+/−) In Other Comprehensive Income: net = - 5
   - (592031) 2.a) (+/−) Gains/losses from cash flow hedges = +10
   - (592032) 2.b) (-/+ Reclassification of gains/losses from cash flow hedges = - 15

3) (=) Total Comprehensive Income = + 10

(b) INCOME STATEMENT

(+)/(-) (cc_145_147) 5.3. Gains (losses) arising from financial instruments: + 15

(c) EQUITY IN BALANCE SHEET STATEMENT

1) (+/−) 4.3. Hedging Reserves: + 5 €uro
2) (+/−) 3. Retained Earnings: (Profit or Loss in Income Statement): + 15
3) (=) A. Equity attributable to owner parent: 20

3. Variation of revenue by reasons (absolute values)
The variation, positive or negative between previous and current period is divided into the following reasons:
   3.1. Organic growth / decrease
   3.2. Exchange currency
   3.3. Changes in perimeter
   3.4. Other

The information should be disclosed in absolute terms.

STATEMENT OF CASH FLOWS: ADDITIONAL DISCLOSURES

1. Additions to assets (gross amount)
   1.1. Addition to intangible and tangible assets (3001_3002)
   Enter investments in tangible and intangible assets (incl. investment properties) here.
   Please refer to the cash flow statement for the information (investing activities).
   If there were no additions to intangible and tangible assets, enter a zero.

   1.2 Addition to financial assets (non-current and current) (3003)
   Enter investments in financial assets (non-current and current) here.
   Please refer to the cash flow statement (investing activities).
If there were no additions to financial assets (non-current and current), enter a zero.

1.2. Addition to financial assets (non-current and current)

If no statement of movement for financial assets is available, please refer to cash flow statement.

Enter additions to non-current and current financial assets, particularly from hedging instruments, here. This includes additions because of changes within consolidation but no additions because of exchange differences or change of valuation.

In many cases there is no statement of movement for financial assets. Alternatively information given within cash flow from investing activities can be used (e.g. payments for financial assets). If there were no additions, enter a zero.

STATEMENT OF FINANCIAL POSITION: ADDITIONAL DISCLOSURES

1. Pension benefit obligations (gross amount)
This element should include the gross amount of provisions without considering the value of assets affected to the defined benefit obligation.

STATEMENT OF CHANGES IN EQUITY

This statement has been reduced to “1. Conversion of debt to equity” compared to previous years, since most of the relevant items are already displayed in other statements.

The conversion of debt to equity represents the conversion of debenture capital to equity.

For instance, changes in equity due to the issue of shares (change in Share Capital), to capital reduction (change in Share Capital), or to operations with Treasury Shares (change in Treasury Shares) could be gathered from the Equity and Liability Side of the financial position statement. Distributed dividends are disclosed in the final part of the Profit or Losses Account and the Total Comprehensive Income for the period is the last item of that statement. The equity increase (decrease) due to business combinations could be gathered from “other operating expenses in the Profit and Losses Account”, with some restrictions, though.
ANNEX 1. LEGAL FORM OF COMPANIES

AUSTRIA AND GERMANY

Capital oriented companies
Public limited company (“Aktiengesellschaft”): capital is divided into shares, which are basically freely transferable.
Private limited company (“Gesellschaft mit beschränkter Haftung”): the transfer of shares resp. participations is restricted i.e. has to be decided at the general meeting. Many private limited companies are family businesses run as companies to secure the benefits of limited liabilities.

Personal oriented companies
General partnerships (“Offene Handelsgesellschaft”): an association of two or more persons who, as co-owners, carry on business. Each partner (only natural persons) has unlimited liability.
Limited partnerships (“Kommanditgesellschaften”): it is also an association of two or more persons but there are two types of partner: “general partners” with unlimited liabilities and “limited partners”, whose liability is limited to the amount of their agreed capital contribution.
“Erwerbsgesellschaft“: enterprise that is set up for the purpose of a common purchase or the common use and administration of assets; two types: limited and unlimited (similar to the above mentioned partnerships).

Hybrid model
“GmbH & Co. KG”: there are two types of partners/owners – natural persons with limited liability (Kommanditisten) and a partner with unlimited liability. The last one is a private limited company and thus the liability is again limited.

Other legal forms
Cooperatives (“Genossenschaften”)
Registered associations (“eingetragene Vereine”)
Foundation (“Stiftung”)
## BELGIUM

<table>
<thead>
<tr>
<th>Name</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital oriented company</strong></td>
<td></td>
</tr>
<tr>
<td>issuing shares</td>
<td><strong>Limited company (LTD)</strong>&lt;br&gt;Minimum two associates.&lt;br&gt;The capital (min 61,500 €) is divided into shares (quoted or unquoted).&lt;br&gt;Share’s transfer possible.</td>
</tr>
<tr>
<td>issuing participations</td>
<td><strong>Private company with limited liability (PLC)</strong>&lt;br&gt;Minimum two associates with risk limited to the capital.&lt;br&gt;Capital (min 18,550 €) divided into shares.&lt;br&gt;Share’s transfer possible but under strict conditions.</td>
</tr>
<tr>
<td></td>
<td><strong>One-person private company with limited liability (OPLC)</strong>&lt;br&gt;One person with risk limited to the capital.&lt;br&gt;Capital (min 18,550 €) divided into shares.&lt;br&gt;Share’s transfer possible but under strict conditions.</td>
</tr>
<tr>
<td><strong>Personal oriented company</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>UCPjsL, participative cooperative partnership (UCPjsL, PC)</strong>&lt;br&gt;Minimum 3 associates with risk limited to the capital.&lt;br&gt;Capital (min 18,550 €).</td>
</tr>
<tr>
<td></td>
<td><strong>Limited cooperative partnership (LCP)</strong>&lt;br&gt;Minimum 3 associates with risk limited to the capital.&lt;br&gt;Capital (min 18,550 €).</td>
</tr>
<tr>
<td></td>
<td><strong>Co-operative partnership (old status) (CP)</strong>&lt;br&gt;Minimum 3 associates with risk unlimited.&lt;br&gt;Capital without minimum</td>
</tr>
<tr>
<td></td>
<td><strong>Unlimited cooperative partnership with joint and several liabilities (UCPjsL)</strong>&lt;br&gt;Minimum 3 associates with risk unlimited.&lt;br&gt;Capital without minimum</td>
</tr>
<tr>
<td></td>
<td><strong>General partnership (GP)</strong>&lt;br&gt;The partners (min 2) have unlimited responsibility for the debt of the partnership.</td>
</tr>
<tr>
<td></td>
<td><strong>Limited partnership</strong>&lt;br&gt;Partnerships in which some partners have only limited liability.</td>
</tr>
<tr>
<td></td>
<td><strong>Partnership limited by shares (PLS)</strong>&lt;br&gt;Partnerships in which some partners have only limited liability.&lt;br&gt;The main characteristic is the activity (production and processing of agricultural products).</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Professional association</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Mutual insurance association</strong></td>
</tr>
<tr>
<td></td>
<td><strong>International scientific organisation</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Other private law bodies corporate</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Economic interest group (EIG) with head office in Belgium</strong>&lt;br&gt;The aim is the development of the activity of the members (physical or moral persons).&lt;br&gt;The members are responsible for the debt of the group.</td>
</tr>
<tr>
<td></td>
<td><strong>European economic interest group (EEIG) with head office in Belgium</strong></td>
</tr>
</tbody>
</table>
FRANCE

The legal types of companies in France are the following:

1. Capital oriented companies
   1.1. Issuing shares
   - Société anonyme (SA): minimum seven associates; minimum capital of 225,000 EUR (if public issue) or 37,000 EUR (if not public issue).
   - Société par actions simplifiée (SAS): minimum two associates that are necessarily companies with a capital of a minimum of 225,000 EUR; minimum capital of 37,000 EUR.
   - Société en commandite par actions (SCA): minimum one person with unlimited risk and three associates with risk limited to the capital; minimum capital of 225,000 EUR (if public issue) or 37,000 EUR (if no public issue).

   1.2. Issuing participations
   - Société à responsabilité limitée (SARL): minimum two associates and maximum fifty associates; minimum capital of 1 EUR.
   - Entreprise unipersonnelle à responsabilité limitée (EURL): maximum one associate; minimum capital of 1 EUR.

2. Personal oriented companies
   - Société en nom collectif (SNC): minimum two associates that have an unlimited risk; no minimum capital.
   - Société en commandite simple (SCS): minimum one person with unlimited risk and one associate with risk limited to the capital; no minimum capital.

GREECE

The main legal types of companies in Greece are the following:

1. Corporate Enterprise

   The corporate enterprise is founded and run by, at least, two persons, the partners. Their association is based on the corporate agreement, which is adapted to the type of each company. Basic forms of the corporate enterprise are: Public Limited Company (Sociétés Anonymes), General Partnership, Limited Partnership and Limited Liability Company.

   1.1 Public Limited Company (Sociétés Anonymes)

   In the Public Limited Company (Sociétés Anonymes), which is capital oriented, every partner (share-holder) is liable only up to his participation, i.e. the number of shares he owns. The
partner participates in the election of the management of the company, in the setting of the company's policy and is entitled to part of the company’s earnings, in proportion to the number of shares he owns. During the general assembly of the share-holders, each partner has as many votes as the number of his shares. In the case of bankruptcy the partner is liable up to the amount he has paid for his shares, i.e. in the worst case the partner’s shares are worthless.

1.2 General Partnership

In the General Partnership all partners are jointly liable up to their entire personal property for the activity and the debts of the company. Moreover they are liable to criminal prosecution if they are unable to satisfy the company’s creditors.

1.3 Limited Partnership

In the Limited Partnership at least one partner is liable with his entire personal property for the company’s debts and may face criminal prosecution if he fails to service them.

1.4 Limited Liability Company

The Limited Liability Companies are in between the Partnership Companies (General Partnership and Limited Partnership) and the Public Limited Company (S.A.). The basic characteristic of these companies is the relatively small company share capital that is required for the company registration and the limited liability of the partners up to the total of paid-up share-capital.

2. Individual Enterprise

This form is quite common. Its main advantage is its high flexibility as regards the enterprise decisions, concerning the type of activity involved, the selection of the adopted technical methods and, up to a point, the volume of production. These advantages are essential especially for the small and medium size agricultural and commercial enterprises and small industries, where the personal supervision and initiative is of great importance.

ITALY

The legal type of Italian companies is the following:

1. Capital oriented companies (almost 700.000 firms, of which more than 450.000 active).
2.1 Issuing shares
   - Limited liability company (società per azioni): the capital is divided into shares; the risk is limited to the capital; the minimum capital is 100.000 euro (120.000 euro for the companies established up to 2004).
- **Limited partnership** (società in accomandita per azioni): the capital is divided into shares; minimum one person with unlimited risk, the others with risk limited to the capital.

1.b **issuing participations**
- **Limited liability company** (società a responsabilità limitata): the capital is divided into participations; the minimum capital is 10,000 euro.

2. **Personal oriented companies (almost 4,500,000 firms)**
- **General Partnership** (società in nome collettivo): the partners have unlimited responsibility for the debt of the companies; the name of the firm should include at least one name of the associate.
- **Unlimited partnership** (società in accomandita semplice): the capital is divided into participations; minimum one person with unlimited risk, the others with risk limited to the capital.
- **Simple company**: only for non business companies
- **Company de-facto** (società di fatto)
- **Individual company** (impresa individuale)

3. **Cooperative & Consortium (more than 35,000)**

3.a **Cooperative**
- **Unlimited liability cooperative** (cooperativa a responsabilità illimitata): the capital is divided into shares; the partners have unlimited risk in case of default.
- **Limited liability cooperative** (cooperativa a responsabilità limitata): the capital is divided into participations; the risk of the partners is limited to the capital.

3.b **Consortium**
- **Unlimited liability consortium** (società consortile per azioni): the capital is divided into shares;
- **Consortium** (società consortile): the capital is divided into shares;
- **Limited liability consortium** (società consortile a resp. limitata): the capital is divided into participations.

4. **Others (more than 150,000)**
Joint-venture
- **Government Bodies**: it includes the economic and non economic bodies and the local administrations
- **Italian branch of foreign company**
- **Bank**
- **Insurance**

**PORTUGAL**

In Portugal’s questionnaire the company is asked to classify its legal form under the following alternatives:
- **Public enterprise**, meaning that it is owned by the government.
- Joint stock company, a capital oriented share issuing limited liability company, whose capital can be split up into shares.
- Joint quota company, a personal oriented limited liability company, whose capital can be split up into quotas.
- Collective society, a personal oriented unlimited liability collectively owned company.
- Cooperative, a personal oriented limited liability collectively owned "company", whose purpose is not profit but the satisfaction of the needs of its members.
- Entrepreneur, a personal oriented unlimited liability one-man "company".
- E.I.R.L., a personal oriented limited liability one-man "company", except in the case of bankruptcy, in which, under certain circumstances, liability can be unlimited.
- Other legal forms.

SPAIN

In Spain there are the following non-financial types:

1. Capital oriented limited
   1.1. Issuing shares (Public limited companies)
   • Ordinary (Sociedad Anónima - SA)
   • Employee-owned (Sociedad Anónima Laboral - SAL)
   • Sports (Sociedad Anónima Deportiva - SAD)
   1.2. Issuing participations
   • Private limited companies – small companies (Sociedad Limitada-SL)
   • Private limited companies – very small and recently incorporated (Sociedad Limitada Nueva Empresa - SLNE)

2. Personal oriented limited
   • Limited partnerships (Sociedades Comanditarias - SCom)

3. Others
   • General partnerships (Sociedades Colectivas - SCol)
   • Cooperatives (Cooperativas)
   • Farming partnerships (Sociedades Agrarias de Transformación - SAT)
   • Jointly-held property (Comunidades de Bienes)
ANNEX 2. EMPLOYMENT

1. Definitions

1.1. Target population

Staff definition

Staff has to be taken into account in the employment board if

- the worker has a contract of employment or a training contract directly with the entity (and not through an interim entity) and he is registered in an official document completed for the social security, and
- the worker is salaried (not self-employed persons)

The registration of some specific categories of workers depends on the national legislations summarized in the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Austria</th>
<th>Belgium</th>
<th>France(a)</th>
<th>Germany(a)</th>
<th>Greece</th>
<th>Italy(a)</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed paid worker</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Self employed person</td>
<td>--</td>
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<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>Temporary employment agency</td>
<td>--</td>
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<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>Home worker</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Students, apprentices</td>
<td>X</td>
<td>X</td>
<td>--</td>
<td>--</td>
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<td>Maternity leave, sickness</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Career interruption</td>
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<td>?</td>
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<td>--</td>
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<td>Early retirement</td>
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<td>?</td>
<td>--</td>
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<td>Workers of abroad branches</td>
<td>X</td>
<td>X³</td>
<td>X</td>
<td>?</td>
<td>?</td>
<td>X³</td>
<td>X³</td>
<td>X³</td>
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<td>Temporary assignment</td>
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<td>?</td>
<td>X</td>
<td>?</td>
<td>X⁴</td>
<td>--</td>
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<tr>
<td>Workers of state-owned companies</td>
<td>--</td>
<td>X</td>
<td>--</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Civil servants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>?</td>
<td>?</td>
<td>--</td>
<td>--</td>
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</tr>
</tbody>
</table>

(a): based on “BACH” table on employment.

Explanations

1 (Spain): Grantees or scholarships are not included as employees in Spain. They collaborate and make practices at the same time they are studying. The maximum time possible of the scholarship is half of an university yearly period (about 4 and a half months). In fact, they contribute to the entity as a third party, rendering a service, because it does not contribute to the Social Security for them. The entity pays directly to the School or University and not to the students, as a result of an agreement between parties.

2 (Portugal): Sick leave of more than one month is excluded (except maternity).

3 (Belgium), (Portugal), (Spain): Workers of abroad branches (different from subsidiaries) are considered employees of the entity, although for National Accountancy purposes, it is necessary to know the amount of employees and salaries paid, because they must be treated as non-residents.

4 (Belgium): On the employment board of the entity with which they have the contract.
(Portugal): On the employment board of the entity where they temporary work.

5 (France): The accounting authorities recommend for individual accounts the calculation of two kinds of average number of employees: the number of employees that have a work contract with the entity and the number of employees that have worked for the entity during the year (including the workers that have a contract with an interim entity). For the consolidated accounts, the rules to determine the employment have not been specified. In the board we have presented the calculation of the number of employees that have a work contract with the entity.

1.2. Work schedule

Full time (unit): number of employees who perform the normal work schedule applied by the entity (e.g. 40 hours a week = 100%)

Part time (unit): number of employees who perform, on average, only a part of the normal work schedule

An apprentice is considered as part time taking into account the time spent on training sessions needed for his schooling.

Total in FTE: sum of all employees whereby
  − Full time employed workers count for 1
  − A part time employed worker counts for the number of hours performed by the part time worker divided by the number of hours normally performed by a full time worker

Examples:
  − An employee works 8 hours a day, but only for 3 days a week => part time at 60% (expressed in full time equivalents = 0.6)
  − An employee is hired on July 1st and working at 50%. At the end of the accounting year, the number expressed in FTE for this employee = 0.5 and the average in FTE = 0.5 x 6/12 = 0.25
ANNEX 3. RELATED PARTIES

IAS 24 regulates the “disclosure of related party transactions and outstanding balances in the separate financial statements of a parent, venturer or investor” (§3).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Paragraph 9 defines, “a party is related to an entity if:

(a) Directly, or indirectly through one or more intermediaries, the party:
   (i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   (ii) Has an interest in the entity that gives it significant influence over the entity; or
   (iii) Has joint control over the entity;
(b) The party is an associate (as defined in IAS 28) of the entity;
(c) The party is a joint venture in which the entity is a venturer (see IAS 31);
(d) The party is a member of the key management personnel of the entity or its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity".
ANNEX 4. INFORMATION ON EQUITY OPTIONS

IFRS rules explain accurately how to value the options but are less assertive about in which accounts to register it. Companies give it divergent treatments in their accounts. This annex aims to summarize some contributions made on this topic.

1. Issuance of bonds with warrants

<table>
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<tr>
<th>Borrowings</th>
<th>Other reserves</th>
<th>Bank deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>Y</td>
<td>Z</td>
</tr>
</tbody>
</table>

Two alternatives for the valuation criteria under IFRS rules:

**Alternative A**

\[ X = \text{current value of the future cash-flows associated with the loan and interests, brought forward at an interest rate associated with a similar instrument that does not have an equity component associated} \]

\[ Z = \text{cash received on account of the issue} \]

\[ Y = Z - X \]

**Alternative B**

\[ Y = \text{value of the equity component determined by an appropriate evaluation method, e.g. Black-Scholes} \]

\[ Z = \text{cash received on account of the issue} \]

\[ X = Z - Y \]

2. Exercise (redemption) of the warrants

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Other reserves</th>
<th>Bank deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>P</td>
<td>S</td>
<td>T</td>
</tr>
</tbody>
</table>

\[ V = \text{nominal value of the stocks issued} \]

\[ S = \text{value of the warrants that were exercised (S=Y, if all warrants are exercised)} \]

\[ T = \text{price of exercise of the warrant (at which the stocks are sold)} \]

\[ P = \text{price of exercise of the warrant (T) - nominal value of the stocks issued (V) + value of the warrants that were exercised (S)} \]

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Thus, when the option is exercised, the reserve is cancelled and restated as share premium of the new share issue.

Working with real cases, it has been observed that companies chose different methods to account for this kind of operations. Therefore, for similar situations companies followed different interpretations and presentations and the III WG should insure, to the extent possible, that similar situations are treated similarly in the format (fundamental for trust-worthy databases). The inability to do this, due to lack of information or to different interpretations done by different members of the III WG, is a new and important source of error to be aware of and alert the members of the ECCBSO.

In conclusion, to analyse similar operations, a manual approach must be taken and financial statements should be read one by one. For a given caption, it is impossible to know its content. This is quite a general problem with IFRS rules that Continental European accounting is much less permeable to.
### Document Management

**Document name**  
*Methodological note of the ERICA format*  
This document is created with the aim of becoming a user guide for the ERICA format designed by this Working Group. First use of this document is expected to be in the work with real cases.

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

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