

The ERICA series:

2. Different alternatives that IFRS users can adopt. Analysis of the choices taken in Europe

ERICA (European Records of IFRS Consolidated Accounts) WG
European Committee of Central Balance Sheet Data Offices (ECCBSO)

May 2015



ERICA Working Group
eccbso
European Committee of
Central Balance Sheet Data Offices

THE ERICA SERIES:

2. DIFFERENT ALTERNATIVES THAT IFRS USERS CAN ADOPT. ANALYSIS OF THE CHOICES TAKEN IN EUROPE

(Document prepared by Pilar Saura, Banco de España)

ERICA (European Records of IFRS Consolidated Accounts) WG

European Committee of Central Balance Sheet Data Offices (ECCBSO)

May 2015

Members of the ERICA (European Records of IFRS Consolidated Accounts) WG

Manuel Ortega (chairman)

manuel.ortega@bde.es

Banco de España

Pilar Saura

pilar.saura@bde.es

Banco de España

Riccardo Renzi

riccardo.renzi@bancaditalia.it

Banca d'Italia

Ana Bárbara Pinto

apinto@bportugal.pt

Banco de Portugal

Vitor Rafael Lopes

vlopes@bportugal.pt

Banco de Portugal

Olga Lymperopoulou

olimperopoulou@bankofgreece.gr

Bank of Greece

Claire Mangin

Claire.MANGIN-SOUBRET@banque-france.fr

Banque de France

Laurent Carlino

Laurent.CARLINO@banque-france.fr

Banque de France

Saskia Vennix

Saskia.vennix@nbb.be

Banque Nationale de Belgique

Ilse Rubbrecht

Ilse.Rubbrecht@nbb.be

Banque Nationale de Belgique

Vincenzo Favale

vincenzo.favale@cervedgroup.com

Centrale dei Bilanci / Cerved Group

Matthias Lörch

matthias.loerch@bundesbank.de

Deutsche Bundesbank

Lena Leontyeva

olena.leontyeva@bundesbank.de

Deutsche Bundesbank

Sabine Wukovits

Sabine.Wukovits@oenb.at

Oesterreichische Nationalbank

Sébastien Pérez-Duarte

Sebastien.Perez_Duarte@ecb.int

European Central Bank

Bartek Czajka (observer)

bczajka@ifrs.org

IASB

IMPORTANT INFORMATION ABOUT THE SOURCE USED (ERICA¹ DATABASE)

The data used in this note are obtained from publicly available financial statements of European non-financial listed groups, having been treated manually, by CBSO statistics and accounting specialists, to be fitted on a standard European format (ERICA format); this manual treatment involves, in some cases, the interpretation of the original data, a constraint that readers of this document should bear in mind.

The database does not represent the total population of European non-financial groups; nevertheless, the coverage attained with ERICA (in the whole dataset of around 1.000 groups, as well as in ERICA+, a subset of around 200 groups with extra accounting details) on the listed European groups is well-attuned to the situation and national composition of the stock markets.

The opinions of the authors of this note do not necessarily reflect those of the national central banks to which they belong or those of the ECCBSO.

The "ERICA series", complement the annual report prepared on the ERICA database, with additional pieces of information and/or analysis on specific issues, using the full database ERICA, or its subset ERICA+. Due to its interest and/or the speciality of the themes treated, these short notes are diffused apart from the annual report, in the ECCBSO webpage (www.eccbso.org).

¹ ERICA (European Records of IFRS Consolidated Accounts) is a database of the European Committee of Central Balance Sheet Data Offices.

DIFFERENT ALTERNATIVES THAT IFRS USERS CAN ADOPT. ANALYSIS OF THE CHOICES TAKEN IN EUROPE

Main objective of this document is analyzing the use of IFRS alternatives in ERICA+ groups, showing general results by countries and sectors. The graphics included in the document show the percentage of ERICA+ groups that use the different alternatives available in IFRS standards, related to the consolidated accounts of 2013 and 2012 in order to establish comparisons in the application of the methods allowed.

Following table shows the number of groups that are available in ERICA + sample, disclosed by country, sector and size.

BREAKDOWN OF ERICA+ SAMPLE BY YEAR: SIZES, SECTORS AND COUNTRIES COVERED
Number of groups included for 2013 and 2012

	2013	2012
By country		
Belgium	43	34
France	29	28
Germany	30	30
Greece	49	60
Italy	29	31
Portugal	39	39
Spain	30	30
By sector		
1. Industry	20	20
2. Energy	25	26
3. Construction	107	109
4. Services	97	97
By size (revenue)		
1. Small groups (<250mn)	136	134
2. Medium (250mn-1,5bn)	56	63
3. Large groups (>1,5 bn)	57	55
Total	249	252

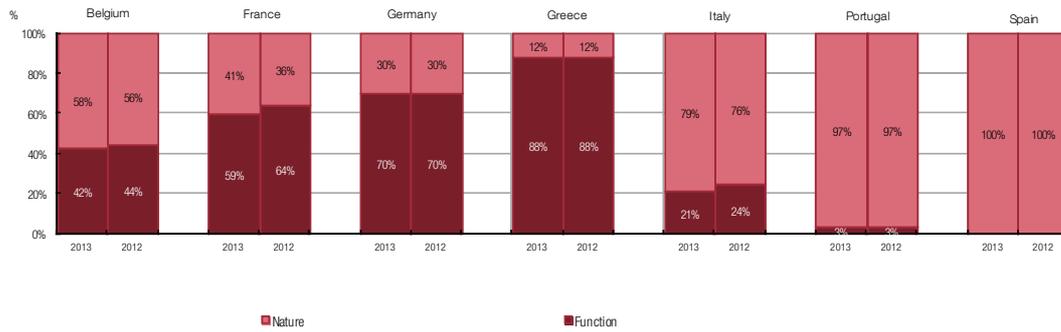
I.1 PRESENTATION OF THE INCOME STATEMENT

When applying IFRS, entities/groups can present Income statement using a classification based on either the nature or the function of their expenses (IAS 1).

Considering ERICA+ groups, income statement is mostly presented by nature in groups from Belgium, Italy, Portugal and Spain for 2013 and 2012 (from 56-58% of the groups in Belgium to 100% in Spain). However, groups from France, Germany and Greece mostly present the income statement by function in both years (from 59-64% of the groups in France to 88% in Greece). Regarding sectors, construction, energy and services mostly present income statement by nature in both years, whereas industry presents it by function. Finally, regarding groups by size, a slightly higher percentage of them present Income statement by nature in both years. Only in 2012, small groups present almost the same percentage for both options.

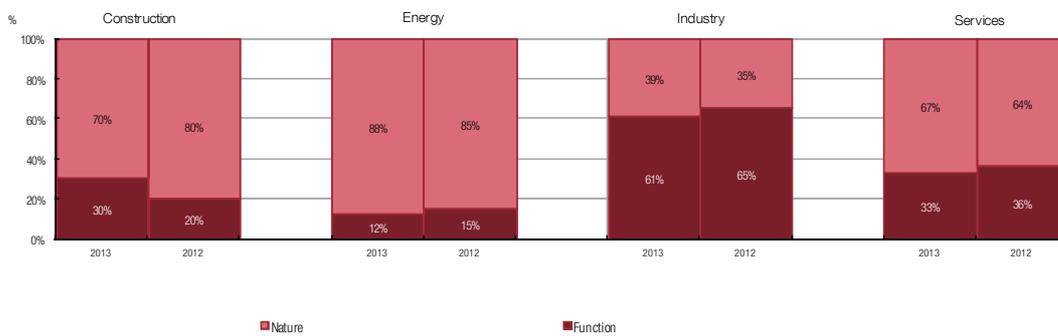
PRESENTATION OF INCOME STATEMENT BY COUNTRY - ERICA+

CHART 1.1



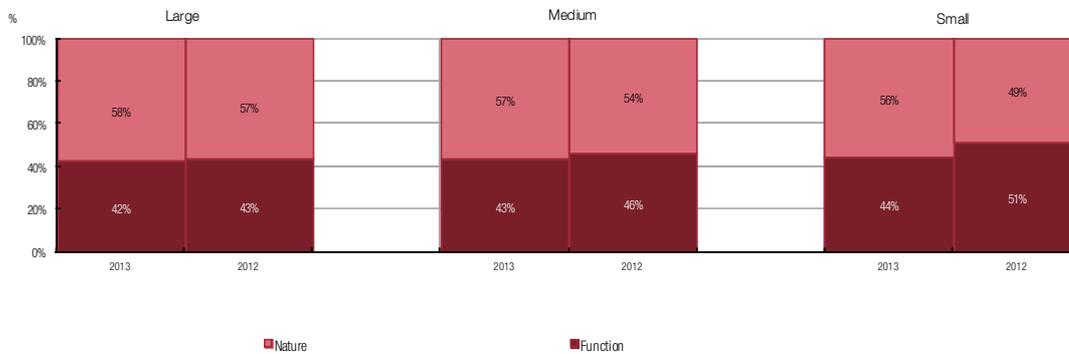
PRESENTATION OF INCOME STATEMENT BY SECTOR - ERICA+

CHART 1.2



PRESENTATION OF INCOME STATEMENT BY SIZE - ERICA+

CHART 1.3



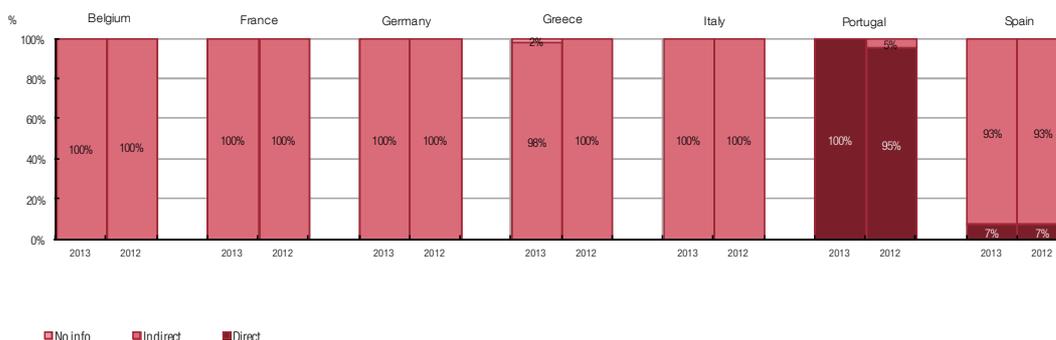
I.2 PRESENTATION OF CASH FLOW STATEMENT

IFRSs allow that in Cash flow statement, the cash flows from operating activities can be presented using the direct or indirect method. The direct method discloses most classes of cash receipts and payments, whereas in the indirect method, in order to calculate the cash flow from operating activities, the profit or loss is adjusted for non-cash transactions, deferral or accruals cash receipts or payments and income or loss related to investing or financing activities (IAS 7).

The indirect method for Cash-flow statement is mainly used in all the countries (from 93% of the groups in Spain during 2013 and 2012, or 98% in Greece during 2013, to 100% in the rest of countries) except in Portuguese groups, where the direct method is the basically the only one used (100% in 2013 and 95% in 2012), probably due to the influence of its local GAAP.

PRESENTATION OF CASH FLOW STATEMENT BY COUNTRY - ERICA+

CHART 2



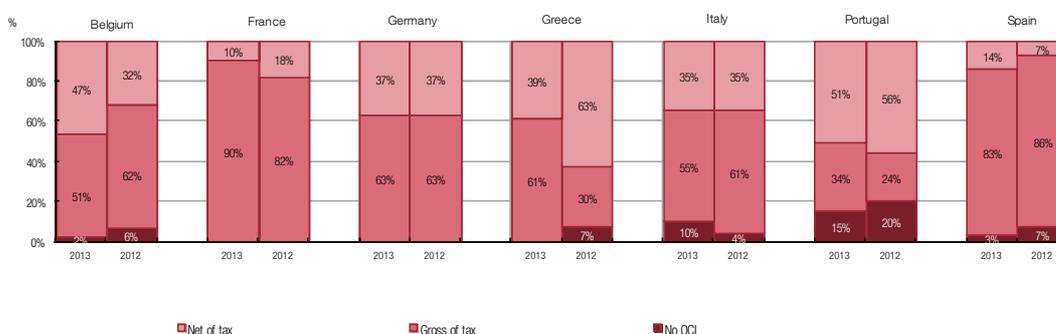
I.3 PRESENTATION OF OTHER COMPREHENSIVE INCOME

The items disclosed in Other comprehensive income can be presented, under IFRS, gross or net of tax effects. However, not all the ERICA+ groups have transactions with impact in Other comprehensive income (less than 10% of Belgian, Greek, Italian and Spanish groups and between 15-20% of Portuguese ones).

Other Comprehensive Income is mostly presented gross of tax in groups from Belgium, France, Germany, Italy and Spain during the years 2013 and 2012 (from 51-62% of the groups in Belgium to 83-86% in Spain). However, Portuguese groups present this statement net of tax during 2013 and 2012 (51 and 56% respectively). Groups from Greece mostly presents Other Comprehensive Income in gross terms in 2013 (61%) and net of tax during 2012 (63%).

PRESENTATION OF OTHER COMPREHENSIVE INCOME BY COUNTRY - ERICA+

CHART 3



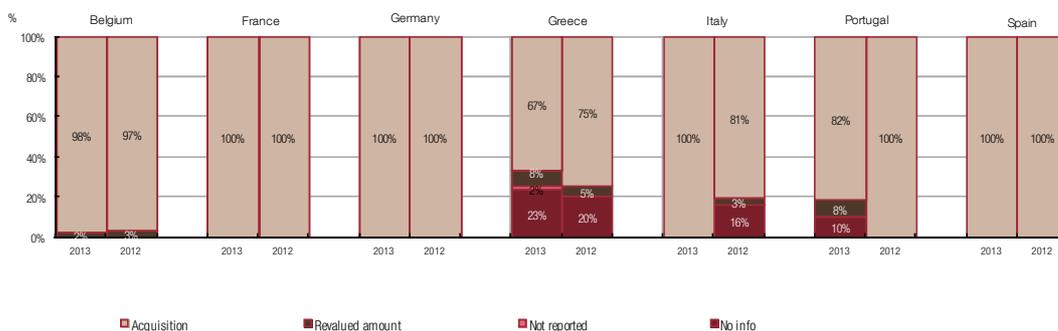
I.4 SUBSEQUENT MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT

When applying IFRS, the property, plant and equipment can be measured at acquisition cost (cost less any accumulated depreciation and impairment losses) or at revalued model (IAS 16) (fair value at the date of revaluation less any accumulated depreciation and impairment losses). As charts below show, some ERICA+ groups do not contain information on the accounting policy followed for the property, plant and equipment. In some cases, this is because the information is not included in their financial statements (classified as “not reported” in charts below) and some others because the information has not been completed in the database i.e. when the information is not clear in the financial statements reported (classified in this case as “no info” in charts below). There are no many groups in these two cases described before: in 2013, 11 groups from Greece (23%) and 4 from Portugal (10%) are classified as

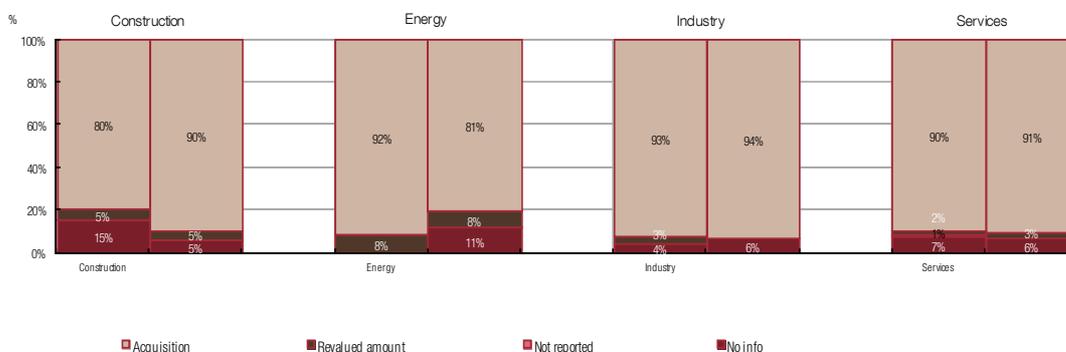
“No info” while 1 from Greece (2%) is classified as “not reported”. In 2012, 12 Greek (20%) and 5 Italian (16%) groups have “no info” about the subsequent measurement of property, plant and equipment.

Despite this lack of information, which does not affect to the most of ERICA+ groups, following conclusions can be reached: all ERICA+ groups in France, Germany and Spain apply the acquisition cost model to measure property, plant and equipment during 2013 and 2012. Only few cases use the revalued amount in Belgium (2-3%) and Greece (8-5%) during both years, in Italy during 2012 (3%) and in Portugal during 2013 (8%). In the analysis by sector, it can be observed that all sectors mainly use the acquisition cost model and that they have a small percentage of groups using of revalued amount model (more relevant in energy sector).

SUBSEQUENT MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT - ERICA+ CHART 4.1



SUBSEQUENT MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT - ERICA+ CHART 4.2



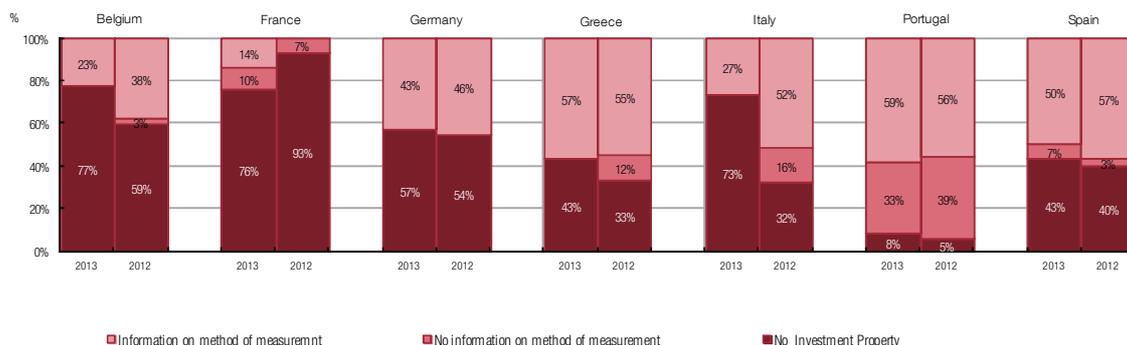
1.5 SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTY

When applying IFRS, the investment property, after initial recognition, can be measured at cost (cost less any accumulated depreciation and impairment losses) or at fair value model (IAS 40).

A high percentage of the groups in all countries do not have investment property except in Portugal, where this situation only represents 8% of its total groups in 2013 and 5% in 2012. The measurement option of investment property is not reported or completed in all the countries (except Germany), in a percentage of total groups which varies from 3% in Belgium or Spain for year 2012, to 39% in Portugal 2012.

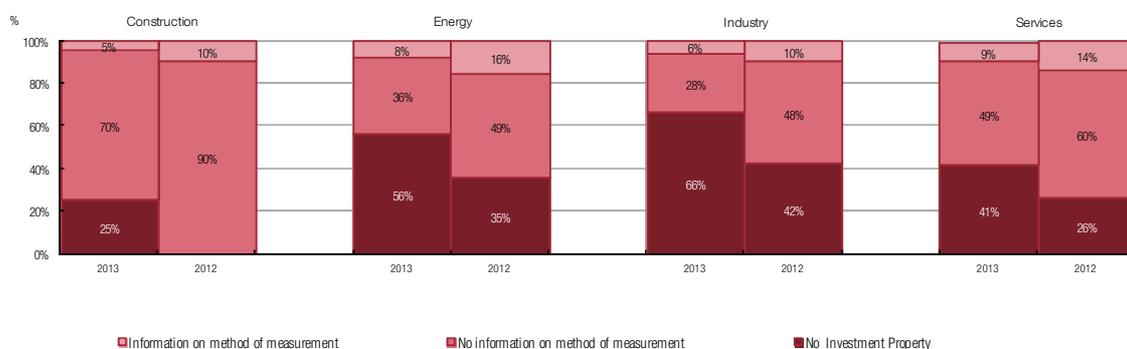
INFORMATION ON METHOD OF SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTY BY COUNTRY- ERICA+

CHART 5.1



INFORMATION ON METHOD OF SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTY BY SECTOR- ERICA+

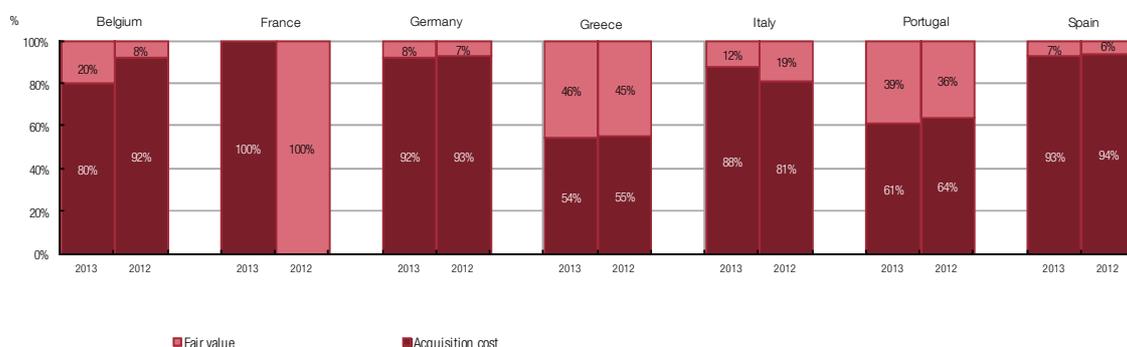
CHART 5.2



When there is investment property, the method mostly applied is the acquisition cost. The fair value method is chosen during 2012 and 2013 in less than (or) 20% of the groups from Belgium, Germany, Italy and Spain and around 40% in those from Greece and Portugal. In French groups the selected option changes from one year to the other. Per sector, and regarding the available information, acquisition cost model is mostly used in 2013 and 2012 (although the percentage considerably varies between 2013 and 2012 in construction, energy and services).

SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTY BY COUNTRY - ERICA+

CHART 5.3



SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTY BY SECTOR- ERICA+

CHART 5.4

