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**European Committee of Central Balance Sheet Data Offices (ECCBSO)**

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## **I. INTRODUCTION AND SUMMARY**

This document integrates all material available about the process of approval of the IFRS Standards by the IFRS Foundation and its adoption in the European Union, with information updated till beginning of October 2018. Chapter II focuses on the recent and foreseeable changes in IFRS Standards considering the IASB legislation, Exposure Drafts and other documents to become IFRS Standards and more recent development in the EU. Chapter III offers the situation of each European country related to the implementation of IFRS Standards for non-listed groups and individual companies, showing that only Greece, Portugal, Italy and Turkey accept the use of IFRS Standards for certain individual corporations (e.g. belonging to consolidated listed groups or consolidated non-listed groups if they consolidate according with IFRS Standards). The document ends up with an annex disclosing a timetable of the projects the IASB is involved in.

## II. RECENT AND FORESEEABLE CHANGES IN IFRS STANDARDS<sup>1</sup>

### II.1. IASB LEGISLATION

#### **October 2017 – Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

The amendment to IFRS 9 allows the amortised cost as measurement of financial assets with a prepayment option with negative compensation when some conditions are met. It becomes effective on or after 1st January 2019.

#### **October 2017 – Long-term Interests in Associates and joint Ventures (Amendments to IAS 28)**

The amendments clarify that the IFRS 9 and its impairment requirements apply to long-term interests in associates and joint ventures that form part of an entity's net investment. These amendments are mandatory for annual periods beginning on or after 1<sup>st</sup> January 2019.

#### **December 2017 – Annual Improvements to IFRS Standards 2015-2017 Cycle**

The improvements affect to the following IFRS Standards:

- a) IFRS 3 Business Combinations: it specifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business.
- b) IFRS 11 Joint Arrangements: it clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.
- c) IAS 12 Income Taxes: clarification of income tax consequences of payments on financial instruments classified as equity.
- d) IAS 23 Borrowing Costs: it clarifies that the entity should treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The effective date starts 1<sup>st</sup> January 2019.

#### **February 2018 – Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The amendments establish the accounting when a plan amendment, curtailment or settlement occurs. It is effective for annual periods beginning on or after 1<sup>st</sup> January 2019.

#### **March 2018 – Conceptual Framework for Financial Reporting**

The revised Conceptual Framework replaces the one issued in 2010. It is effective immediately for the Board and the IFRS Foundation and from 1<sup>st</sup> January 2020 for companies when developing accounting policies when no IFRS Standard applies to a particular transaction.

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<sup>1</sup> Situation at 1<sup>st</sup> October 2018.

## **II.2. EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS STANDARDS**

The IASB has worked during the last year on different projects, preparing new documents (exposure drafts or discussion papers) that could become new IFRS Standards in the short/medium-term:

### **Proposed IFRS Taxonomy Update: IFRS Taxonomy 2017 Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

After the publication of the amendments to IFRS 9 Prepayment Features with Negative Compensation in October 2017 the IFRS Foundation issued the Proposed IFRS Taxonomy Update: IFRS Taxonomy 2017 Prepayment Features with Negative Compensation (Amendments to IFRS 9) for public consultation.

### **Accounting policy Changes (Proposed amendments to IAS 8)**

In March 2018, the IASB issued an Exposure Draft proposing that for the determination of how far to go in applying a change in accounting policy that results from an agenda decision, a company should consider also the benefits to users and costs to the company of making the change.

### **Financial Instruments with Characteristics of Equity**

The IASB issued in June 2018 a Discussion Paper on how companies issuing financial instruments should classify them in their financial statements. The Board is seeking for feedback from investors and others in order to establish clear principles to classify the financial instruments as either a liability or equity and to enhance the information provided through presentation and disclosure. The document is open to comments until January 2019.

### **Proposed IFRS Taxonomy Update: IFRS Taxonomy 2018 Common Practice (IFRS 13 Fair Value Measurement)**

In September 2018, the IFRS Foundation published the Proposed IFRS Taxonomy Update: IFRS 2018 Common Practice (IFRS 13 Fair Value Measurements) as a result of the analysis of reporting practice relating to IFRS 13 Fair Value Measurements. The proposed Update is open to comments until November 2018.

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

### II.3. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS STANDARDS<sup>2</sup>

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS <sup>3</sup>
In <b>November 2017</b> the European Commission (EC) formally adopts the “ <i>IFRS 16 Leases</i> ”, “Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)”, “Disclosure Initiative (Amendments to IAS 7)”, “Clarifications to IFRS 15 'Revenue from Contracts with Customers'”, and “Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)”.
In <b>December 2017</b> the European Securities and Markets Authority (ESMA) published the final regulatory technical standards (RTS) on the ESEF together with some other helpful guidance to be applied by issuers listed on regulated markets in the EU in the preparation of their annual financial reports (mandatory in the European Single Electronic Format (ESEF), from 1 January 2020).
In <b>March 2018</b> the EC published a consultation document “Fitness Check on the EU Framework for Public Reporting by Companies”. It sought feedback on whether it is appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS Standards and whether the EU endorsement process is appropriate to ensure that IFRS Standards do not pose an obstacle to broader EU policy such as sustainability and long-term investments. <sup>4</sup>
In <b>March 2018</b> the EC endorsed the “Prepayment Features with Negative Compensation (Amendments to IFRS 9)”.

<sup>2</sup> Situation at 1<sup>st</sup> October 2018

<sup>3</sup> Personal compilation from: <https://www.iasplus.com/en>, [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en) and <http://www.efrag.org/>.

<sup>4</sup> ERICA WG submitted its response to the consultation document.

### III. SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS STANDARDS

CURRENT DEVELOPMENTS IN THE COUNTRY <sup>5</sup>									
CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN	TURKEY
1. <b>Accounting legal framework, based on:</b>	Ministry of Justice: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation changed in line with IFRS Standards	Ministry of Trade: Commercial Code
2. <b>Accounting bodies (public / private)</b>	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: Accounting Standard Commission (ASC)	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Accounting Standards and Auditing Committee (ELTE)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)	Public: Public Oversight, Accounting and Auditing Standards Authority (POA)
3. <b>Legal authorisation to use IFRS Standards instead of National GAAP</b>									
a) <b>Consolidated Accounts of unlisted corporations</b>	Voluntary since 1999	Option to follow either IFRS Standards or Belgian GAAP (2005). IFRS Standards are mandatory for all banks, insurance companies and real estate investment funds	Option to follow on a voluntary basis either IFRS Standards or French GAAP	Voluntary	Voluntary for companies which are audited by certified auditors	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS Standards (since 2005) or Spanish GAAPs (since 2010 adapted to IAS/IFRS Standards)	Voluntary since 2013 (IFRS Standards are mandatory for Public Interest Entities as defined in EU Accounting Directive)
b) <b>Individual Accounts</b>	NO	NO (Exception: real estate investment funds $\neq$ IFRS Standards obliged as from 2007)	NO	Voluntary, but only for information purpose (publication in the federal gazette)	Compulsory from 2005 for listed companies Voluntary for non-listed companies which are audited by certified auditors	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS Standards)	NO (although indirectly by applying the revised accounting standards)	Voluntary

<sup>5</sup> Situation at August 2018.

**CURRENT DEVELOPMENTS IN THE COUNTRY<sup>5</sup>**

CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN	TURKEY
<b>4. Possibility of using IFRS Standards</b>									
<b>a) Consolidated accounts of unlisted corporations</b>	YES (without authorisation on a voluntary basis)	From 2005 on a voluntary basis	From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	<b>On a voluntary basis</b>	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS Standards or Spanish GAAP	YES Option to use IFRS Standards or Turkish GAAP
<b>b) Individual accounts</b>	YES (without authorisation on a voluntary basis)	Indirectly through the revision of Belgian accounting law (Exception: real estate investment funds (IFRS Standards obliged as from 2007))	Selective convergence of French GAAP: new rules applicable from 2005	See above	Compulsory from 2005 for listed companies	Yes, in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	Selective convergence of Portuguese GAAP: new rules compliant with IFRS Standards are being published	Indirectly, through the revised Accounting Plan (since 2008)	YES Option to use IFRS Standards or Turkish GAAP



## ANNEX - IASB PROJECTS (WORK PLAN UPDATED 01/10/18)<sup>6</sup>

<b>Standard-setting projects</b>		
<b>Project</b>	<b>Next milestone</b>	<b>Expected date</b>
Management Commentary	Exposure Draft	H1 2020
Rate-regulated Activities	Discussion Paper or Exposure Draft	H2 2019
Primary Financial Statements	Discussion Paper or Exposure Draft	H1 2019
<b>Research projects</b>		
Business Combinations under Common Control	Discussion Paper	H2 2019
Disclosure Initiative – Principles of Disclosure	Project Summary	
Discount Rates	Project Summary	December 2018
Dynamic Risk Management	Core Model	H1 2019
Extractive Activities	Review Research	
Financial Instruments with Characteristics of Equity	Discussion Paper Feedback	H1 2019
Goodwill and Impairment	Discussion Paper or Exposure Draft	
IBOR Reform and the Effects on Financial Reporting	Decide project Direction	December 2018
Pension Benefits that Depend on Asset Returns	Review Research	H2 2019
Post-implementation Review of IFRS 13 Fair Value Measurement	Feedback Statement	December 2018
Share-based Payment	Project Summary	October 2018
<b>Maintenance projects</b>		
Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Direct Project Direction	October 2018
Accounting Policy Changes (Amendments to IAS 8)	Exposure Draft Feedback	December 2018
Availability of a Refund (Amendments to IFRIC 14)	IFRS Amendment	
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	IFRS Amendment	
Cost Considered in Assessing whether a Contract is Onerous (Amendments to IAS 37)	Exposure Draft	December 2018
Definition of a Business (Amendments to IFRS 3)	IFRS Amendment	October 2018
Disclosure Initiative – Accounting Policies	Exposure Draft	
Disclosure Initiative - Definition of Material (Amendments to IAS 1 and IAS 8)	IFRS Amendment	November 2018
Disclosure Initiative - Targeted Standards-level Review of Disclosures	Exposure Draft	
Fees in the '10 per cent' test for derecognition (Amendments to IFRS 9)	Exposure Draft	

<sup>6</sup> The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx> at 1<sup>st</sup> October 2018.

Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)	Feedback Statement	December 2018
Lease Incentives (Amendments to IFRS 16 Illustrative Examples)	Exposure Draft	
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	IFRS Amendment	
Subsidiary as a First-time Adopter (Amendments to IFRS 1)	Exposure Draft	
Taxation in Fair Value Measurements (Amendments to IAS 41)	Exposure Draft	
Updating a Reference to the Conceptual framework (Amendments to IFRS 3)	Decide Project Direction	November 2018
<b>Other projects</b>		
IFRS Taxonomy update – 2018 General improvements	Proposed Update	December 2018
IFRS Taxonomy update – Common Practice (IFRS 13)	Analyse Feedback	Q1 2019