GAAP 2000

A Survey of National Accounting Rules
in 53 Countries

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“Where can I find an overview of some of the differences between national accounting rules and International Accounting Standards?”

they asked us.

So we took up the challenge ...

In completing this survey, we gratefully acknowledge the contribution of many hundreds of large-firm partners and managers across the world. Special thanks also to Nicole Wilson for her energy and enthusiasm in co-ordinating the whole project.

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Introduction

In 1973, a group of accounting visionaries set up the International Accounting Standards Committee (IASC). Its objectives were to formulate accounting standards for the presentation of financial statements and to promote their world-wide acceptance and observance; and to work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements.

Much progress has been made since then. Today, our worldwide internet information systems and globalized capital markets make the need for a single language of financial reporting urgent. The potential for International Accounting Standards (IAS) to provide the basis for comparable cross-border financial reporting is increasingly discussed. As evidence, are: the May 2000 recommendation that securities commissions should allow multi-national issuers to use IAS for cross-border offerings and listings, subject to the use of necessary supplemental treatments; and the June 2000 recommendation from the European Commission that, by 2005, Europe's listed companies should all prepare their consolidated financial statements in accordance with IAS.

Across the world from Asia to Latin America, national governments, regulators and accountancy professionals are taking active steps to consider how their national accounting rules differ from International Accounting Standards, and to reduce those differences. This process will in many countries lead to a significant improvement in financial reporting transparency, but it will take time. Convergence of accounting standards will not be achieved without substantial co-operation between government, the business community and the accountancy profession. Improvements in accounting practice will also require the development of educational, professional and regulatory infrastructures. Adoption of new standards without adequate preparation may be more detrimental than beneficial.

Against this background of regulatory change, this publication aims to provide a "status report" of one dimension of financial reporting convergence: the extent to which, at the end of year 2000, national accounting rules are aligned with IAS. We made a selection of some 60 accounting measures in IAS. For 53 countries representing some 95% of the world's GNP, we asked partners in the large accountancy firms to benchmark their local written rules against those measures, focusing on standards (both IAS and national) in force for the financial reporting period ending 31 December 2000. The information provided in this report is a summary of the detailed responses received. These high level summaries were prepared by identifying, for the selected accounting measures, those instances where a country's rules would not allow (because of inconsistent rules) or would not require (because of missing or permissive rules) the IAS treatment.

We emphasize that in carrying out such an exercise there are a number of limitations, as regards scope, methodology and preparation of the summaries. These are set out in detail in Section 2 and should be referred to before reviewing any country summary.

We also emphasize that the speed of change and development of accounting standards across the world means that some elements of this publication are out of date almost as soon as they are printed. The IASC is of course continually developing and improving its international standards. In addition, many countries have initiated programmes to revise standards in order to reduce the differences between local rules and IAS. Indeed, in a number of countries new standards have already been issued but are not reflected in this publication because they are mandatory only after this survey's effective date of 31 December 2000.

With all these cautions, we nevertheless hope that the survey will provide a useful overview of accounting convergence in the year 2000.

One final message to the world's investors and financiers. This survey should not be relied on for the interpretation of financial statements of specific companies; that is not its purpose. But it should alert you to the care needed in the use of financial information from across the world. In particular it will help you to identify some major areas where compliance with national rules does not allow or does not automatically ensure compliance with IAS. It should also help you in your dialogue with governments and regulators, to encourage them in their efforts towards financial reporting convergence.

Users of any particular financial information should take great care to understand which accounting rules (national or international) have been applied in preparing the relevant financial statements. And because accounting rules offer alternative treatments and are open to interpretation, users should take time to understand the particular application that has been selected by the company's management. In a number of countries, more detailed studies are available that will assist in interpreting local financial statements for cross-border use.

This introduction began by focusing on the urgent need for a single worldwide language of financial reporting. Much is being done to promote such thinking, and to make convergence of accounting a reality. In the year 2000, however, it is clear from the briefest review of the following pages that there is still considerable work to be done.

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December 2000

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Survey Methodology and Limitations

The following remarks are important in understanding the material presented in this survey.

The questionnaire used to generate the information for the country summaries is included as Section 4 of this report. This did not aim to record all areas of difference that a more detailed study would disclose. It focused on some 60 accounting measures (including a few areas of disclosure), selected using our professional judgement as key accounting areas for the majority of companies from the International Accounting Standards in force for accounting periods ending on 31 December 2000. Other areas of accounting which are not included within our scope may be more significant for certain companies or in particular countries. Partners from the large accountancy firms across the world used these questions to benchmark their local written accounting rules and then reviewed the resulting country summaries presented here.

It should be noted that the country summaries:

- focus on the rules for preparation of consolidated financial statements and, where there is more than one set of rules, on those for listed companies. Different or additional requirements may apply for example to banks, insurance companies or the financial statements of individual companies and non-listed groups;

- are based solely on standards in force for the financial reporting period ending 31 December 2000, except for Japan where March year ends are most common and where we have therefore applied a 31 March 2001 cut-off. We have excluded published standards (both IAS and national) that do not have mandatory effect at the cut-off date;

- use International Accounting Standards as the benchmark. Consequently, when national rules are more detailed, or cover more topics than IAS, the relevant differences are not recorded here;

- do not record a difference when IAS permits alternative treatments and the national rules follow one of those treatments. For example, there is no difference recorded here if a particular country does not permit an IAS benchmark treatment (such as that for accounting policy changes in IAS 8) or does not permit an IAS allowed alternative (such as LIFO in IAS 2);

- concentrate on the written word. The variation between national accounting rules and IAS may in practice be less or greater in any particular country from that reflected in these pages. In some countries, IAS often is looked to in the absence of local rules; in others, local accounting custom and practice have developed independently of the ‘rule making’ and may therefore diverge from the written word;

- do not, from the order of presentation of the differences, imply any particular emphasis or priority. The effect of differences between national rules and IAS could be very different for each reporting entity;

- include differences which range from the absence of an overall standard, for example "no requirement for segment reporting" to a detail of inconsistency, for example "no requirement for disclosure of segment liabilities". The length of a country summary is not therefore, of itself, indicative of the extent of variation between national rules and IAS.

We should also emphasize that we have not generally included areas of difference between IAS and national rules which fall outside the "60 key measures" of the original questionnaire. For example:

- when local rules specify rates of depreciation or amortization of tangible and intangible assets, we have not made judgements as to whether or not these might be considered to depart from the IAS prescription of "estimated useful life"; or

- when local rules and IAS are in line as of 31 December 2000 (or 31 March 2001, for Japan) we have not enquired as to the impact of transitional provisions. Different dates of first application of the standards may cause differences in practical accounting (for example for fixed asset revaluation, business combinations, goodwill, employee benefits and deferred taxation) for some years to come.

Finally, the preparation of any survey like this requires considerable judgement to be exercised, primarily in each country and then in assembling material from across the world. Those who have compiled this survey have done their best to reflect a consistency of presentation across the 53 countries; nevertheless, it should be emphasized that the depth of explanation of differences for each country may not be comparable.

Argentina

Argentine requirements are based on the Corporate Law No. 19550, regulations of the National Securities Commission and the Superintendency of Corporations, and approved standards of the FACPCE (Argentine Federation of Professional Councils).

Argentine accounting may differ from that required by IAS because of the absence of specific Argentine rules in the following areas:

– the classification of business combinations as acquisitions or unitings of interest	IAS 22
– provisions in the context of acquisitions	IAS 22.31
– capitalization of leases	IAS 17.12/28
– discounting of provisions	IAS 37.45
– employee benefit obligations	IAS 19
– deferred tax accounting, particularly as common practice is to use the flow through method	IAS 12.15
– government grants	IAS 20
– construction contracts.	IAS 11

There are no specific rules requiring disclosures of:

– the fair values of those financial assets and liabilities that are not shown at fair value in the balance sheet	IAS 32.77
– discontinuing operations	IAS 35
– segment reporting	IAS 14
– earnings per share.	IAS 33

There are inconsistencies between Argentine and IAS rules that could lead to differences for many enterprises in certain areas. Under Argentine rules:

– goodwill/negative goodwill is normally calculated by reference to net book values rather than to fair values	IAS 22.32/39
– subsidiaries are defined on the basis of ownership of a majority of voting rights, which may exclude certain controlled enterprises	IAS 27.6
– intra-group profit is not always eliminated in full when there are minority interests	IAS 27.18
– the presumption of significant influence for the identification of associated companies is not based on a threshold of 20% of voting rights	IAS 28.4

– gains and losses on the translation of a foreign entity's financial statements are taken to income	IAS 21.32
– provisions are created on the basis of probability of outflows of resources, without there always being an obligation	IAS 37.14
– research costs may be capitalized	IAS 38.42
– certain internally generated intangible assets may be capitalized beyond those allowed by IAS	IAS 38.51
– certain training, advertising and similar costs may be capitalized	IAS 38.57
– if assets are revalued, the revaluations are not necessarily kept up to date	IAS 16.29
– depreciation on revalued assets is corrected back to historical cost in the income statement	IAS 16.41
– marketable commodities are valued at their net realizable value; all remaining inventories are valued at the lower of replacement cost and net realizable value	IAS 2.6
– an issuer's financial instruments are not classified on the basis of whether they are in substance liabilities, and compound instruments are not split on this basis	IAS 32.18/23
– extraordinary items are defined more widely.	IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

– under the purchase method of accounting for a business combination, it is possible to take to income on the date of acquisition any difference between book value and acquisition cost, depending on the underlying reasons	IAS 22.41/59
– there are no detailed requirements for calculating value in use in assessing possible impairment of assets	IAS 36
– the financial statements of inflationary foreign subsidiaries might be deemed to be recorded in a stable currency, and translated at the current rate; exceptionally, where necessary to reflect economic reality, the historical cost and exchange rates are used	IAS 21.36
– subsidiaries engaging in activity "very dissimilar" from those of other enterprises within the group may be excluded from consolidation	IAS 27.14
– if effective control of a subsidiary is impaired, consolidation with appropriate footnote disclosure of the facts is still required	IAS 27.13
– operating lease payments are recognized in line with legal arrangements rather than on a straight line basis, and there are no rules on the recognition of lease incentives	IAS 17.25; SIC 15

- a contingent gain may be recognized if it falls in the “probable” category and the amount can be reasonably estimated IAS 37.31
- some non-listed companies are not required to prepare a cash flow statement. IAS 7

Australia

Australian requirements are based mainly on the Corporations Law and the standards of the Australian Accounting Standards Board and Abstracts of the Urgent Issues Group.

Australian accounting may differ from that required by IAS because of the absence of specific Australian rules in the following areas:

- intangible assets — IAS 38
- provisions, except for certain specific cases such as redundancy and cyclical maintenance — IAS 37
- defined benefit employee obligations — IAS 19
- the treatment of dividends proposed after the balance sheet date, particularly as practice is generally to accrue for them — IAS 10
- detailed requirements for calculating impairment; it is not necessary to discount the cash flows when calculating recoverable amount for impairment losses. — IAS 36.5

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- discontinuing operations — IAS 35
- segment liabilities. — IAS 14.56

There are inconsistencies between Australian and IAS rules that could lead to differences for many enterprises in certain areas. Under Australian rules:

- deferred tax is accounted for on the basis of timing differences rather than temporary differences — IAS 12.15
- a primary/secondary basis is not used for segment reporting — IAS 14.26
- earnings per share is calculated before extraordinary items, and there are other differences — IAS 33
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity is not recognized in income — IAS 21.37
- revaluations of intangible assets are permitted without an active market — IAS 38.64
- poolings/uniting of interests are prohibited. — IAS 22.77

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

In certain enterprises, these other issues could lead to differences from IAS:

– there are no specific rules concerning the translation of the financial statements of hyperinflationary subsidiaries	IAS 21.36
– an event after the balance sheet date indicating that the enterprise is not a going concern is not treated as an adjusting event	IAS 10.13
– research costs could be capitalized if they meet a recoverability test	IAS 38.42
– negative goodwill is eliminated by proportionately writing down the carrying value of non-monetary assets	IAS 22.59
– government grants are recognized in full when an enterprise has a right to receive them and no obligation to repay.	IAS 20.12/24

Austria

Austrian requirements are based on the Commercial Code (HGB) as amended by EU Directives. Groups may fully apply IAS or US GAAP in place of Austrian rules, so long as the financial statements comply with EU Directives.

Austrian accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– the recognition pattern of operating lease and finance lease income and expense	IAS 17.12/25/30/42; SIC 15
– the treatment of compound financial instruments	IAS 32.23
– translation of financial statements of hyperinflationary subsidiaries	IAS 21.36
– impairment tests on goodwill and intangibles with lives of over 20 years.	IAS 22.56; IAS 38.99

There are no specific rules requiring disclosures of:

– a cash flow statement	IAS 7
– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventory when LIFO is used	IAS 2.36
– segment reporting (apart from sales)	IAS 14
– related parties transactions other than those with equity participation (affiliated companies) and members of the boards	IAS 24
– the fair values of financial instruments	IAS 32.77
– earnings per share	IAS 33
– discontinuing operations.	IAS 35

There are inconsistencies between Austrian and IAS rules that could lead to differences for many enterprises in certain areas. Under Austrian rules:

– goodwill arising on consolidation can be immediately deducted from equity	IAS 22.40
– provisions in the context of business combinations accounted for as acquisitions may be more extensive than under IAS	IAS 22.31
– inventory can be valued at replacement cost	IAS 2.6
– inventory can be impaired based on expectations of price falls after the balance sheet date	IAS 2.6
– for inventories and self-constructed assets it is possible to exclude overheads from the calculation of cost	IAS 2.10

– impairment is based on the concept of permanent diminution, and recoverable amount might also be calculated differently IAS 36.15

– impairment tests are based on single assets rather than cash generating units; and usually on market values and/or replacement cost rather than discounted cash flows IAS 36.5

– finance leases are defined in terms of tax regulations, such that capitalization occurs only in rare circumstances IAS 17.3

– foreign currency monetary balances are translated at the worse of the transaction rate and the closing rate, which leads to the non-recognition of unsettled gains IAS 21.11

– deferred tax is based on timing differences rather than temporary differences IAS 12.15

– deferred tax assets on loss carry forwards must not be recognized and certain other deferred tax assets need not be IAS 12.34

– provisions are recognized more extensively than under IAS, for example they can be made for certain deferred expenses, for non-specific items and when an outflow of resources is not probable or cannot be measured reliably and they are generally not discounted IAS 37.14/45

– the provision for pensions and other long-term employee benefits may be calculated using projected benefit valuation methods rather than the projected unit credit method IAS 19.64

– employee benefit calculations generally do not take account of expected future salary increases due to promotion IAS 19.83

– employee benefit calculations often follow the more restrictive tax regulations with respect to actuarial assumptions IAS 19.78/83

– actuarial gains or losses are generally recognized immediately rather than over average remaining service lives IAS 19.92/93

– extraordinary items may be interpreted more widely than under IAS. IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

– use of the completed contract method instead of the percentage of completion method for the recognition of certain contracts and services IAS 11.22; IAS 18.4

– exclusion of dissimilar subsidiaries from consolidation IAS 27.13/14

– the option to capitalize pre-operating or start-up costs IAS 38.56

– the treatment of own (treasury) shares as assets. SIC 16

Belgium

Belgian requirements are based on the Accounting Law and subsequent royal decrees implementing the EU Directives. Recommendations of the Accounting Standards Commission (the standard setting body) do not constitute legal texts but are generally accepted by all interested parties (including by the tax authorities) as providing guidelines to good accounting practice and therefore form part of the accounting doctrine. Listed companies can also depart from specific rules if they provide a valid justification for this and obtain the authorization from the Banking and Financial Commission (the securities regulator). Companies with an international background may obtain an authorization for preparing and presenting their consolidated financial statements under IAS (or US GAAP for companies operating in specific industries where these GAAP are widely recognized, or for listing purposes in the United States), provided these rules do not conflict with the EU Directives.

Belgian accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– accounting for employee benefits	IAS 19
– the measurement of impairment of assets	IAS 36.5/58
– impairment tests on intangible assets with depreciable lives of over 20 years.	IAS 38.99

There are no specific rules requiring disclosures of:

– the fair values of financial assets and liabilities	IAS 32.77
– discontinuing operations	IAS 35
– segment information beyond sales figures	IAS 14
– earnings per share	IAS 33
– a cash flow statement	IAS 7
– related party disclosure requirements (except for certain standardized requirements).	IAS 24

There are inconsistencies between Belgian and IAS rules that could lead to differences for many enterprises in certain areas. Under Belgian rules:

– expenditure on certain intangible items (e.g. formation expenses) can be capitalized even if it does not create intangible assets	IAS 38.56
– unsettled gains on foreign currency monetary balances may be deferred until settlement	IAS 21.15
– it is possible not to include indirect production costs in the cost of inventories and contracts in progress	IAS 2.7

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

- provisions in the context of business combinations accounted for as acquisitions may be made after taking account of the intentions of the acquirer — IAS 22.31
- provisions are made in certain cases where there is no obligation at the balance sheet date — IAS 37.14
- there is no general requirement for the discounting of provisions — IAS 37.45
- proposed dividends are accrued — IAS 10.11
- deferred tax is accounted for on timing differences rather than on temporary differences — IAS 12.15
- an issuer does not always account for the commercial substance of its financial instruments, including compound instruments — IAS 32.18/23
- when preparing consolidated financial statements, the general rule is to restate amortization or depreciation to reflect economic circumstances, although it is possible not to restate depreciation that had been recorded in the individual financial statements in accordance with the applicable tax regulations if the impact on the result of the period is disclosed in the notes — IAS 27.21; IAS 28.20
- extraordinary items are defined more widely — IAS 8.6/12
- on acquisition, restatement of assets and liabilities acquired to fair value is limited to the amount of the first consolidation difference (that is, the gross goodwill before the allocation exercise), therefore the restatement must not create or increase negative goodwill — IAS 22.41
- negative goodwill is shown under a specific heading within equity; it should not be included in the consolidated income statement, unless it relates to expectations of future losses and expenses. — IAS 22.61/64

In certain enterprises, these other issues could lead to differences from IAS:

- certain types of mergers outside of IAS rules can be treated in a similar way to unitings of interest — IAS 22.8
- it is possible, though unusual, to exclude dissimilar subsidiaries from consolidation — IAS 27.13/14
- the recognition of deferred tax assets on tax losses carried forward is not required — IAS 12.34
- there are no specific rules on the translation of the statements of hyperinflationary foreign subsidiaries — IAS 21.36
- certain research costs can be capitalized — IAS 38.42
- revaluations of tangible fixed assets need not be kept up to date — IAS 16.29

– the completed contract method can be used for accounting for contract revenues and costs	IAS 11.22
– own (treasury) shares are shown as assets	SIC 16
– there is a more restricted definition of a finance lease	IAS 17.12/28
– government grants are presented within equity, after deduction of the related deferred tax liability.	IAS 20.24

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Brazil

Brazilian legal requirements are based on the Corporate Law of 1976 complemented by regulations from the Securities Commission for listed companies. There are two accounting frameworks in Brazil: one stated by Corporate Law and one stated by the Conselho Federal de Contabilidade (Federal Council of Accountants) [the CFC rules]. The main difference between them relates to inflation accounting. Under the CFC rules the financial statements are required to be adjusted for inflation through to the current date if inflation effect is material. No specific definition on how to measure this materiality exists. The Corporate Law accounting principles do not allow the recognition of inflation effects after January 1, 1996. All companies are required to prepare financial statements in accordance with the Corporate Law accounting framework. Financial statements prepared in accordance with the framework of the CFC rules are optional.

Brazilian accounting may differ from that required by IAS because of the absence of specific Brazilian rules in the following areas:

– provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– employee benefit obligations	IAS 19
– intangible assets	IAS 38
– impairment of assets	IAS 36
– leases.	IAS 17

There are no specific rules requiring disclosures of:

– cash flow statements	IAS 7
– discontinuing operations	IAS 35
– segment reporting	IAS 14
– diluted earnings per share.	IAS 33.24

There are inconsistencies between Brazilian and IAS rules that could lead to differences for many enterprises in certain areas. Under Brazilian rules:

– enterprises (not being subsidiaries) in which an investor holds more than 10% of share capital are treated as associates	IAS 28.4
– certain combinations or fusions are not treated as acquisitions that would be under IAS	IAS 22.5/8
– goodwill is calculated on the basis of book values rather than fair values of the acquired net assets	IAS 22.40
– research and pre-operating costs are capitalized when the related projects are expected to be profitable	IAS 38.42/57

– revaluation reserves are reversed against the carrying value of the assets before the calculation of gains and losses on the disposal of discontinuing assets IAS 16.56

– contract revenues and costs may be recognized on bases different from the stage of completion IAS 11.22

– provisions may be made on the basis of the probability of outflow rather than there necessarily being an obligation IAS 37.14

– provisions are not discounted but are generally estimated using current values IAS 37.45

– proposed dividends are accrued IAS 10.11

– an issuer's financial instruments are accounted for based on the legal documentation and may not be classified on the basis of whether they are in substance liabilities; compound instruments are not split on this basis IAS 32.18/23

– earnings per share calculations are not based on the average number of shares outstanding during the period IAS 33.24

– tax grants related to investment incentives are credited to equity. IAS 20.24

In certain enterprises, these other issues could lead to differences from IAS:

– subsidiaries held for sale might be excluded from consolidation even when they had previously been consolidated IAS 27.13

– the financial statements of hyperinflationary foreign subsidiaries might be deemed to be recorded in a stable currency, and translated using year end exchange rates IAS 21.36

– operating lease payments are recognized in line with legal arrangements rather than on a straight line basis, and there are no rules on the recognition of lease incentives. IAS 17.25, SIC 15

Canada

Canadian requirements are based on the standards issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants.

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– segment reporting of liabilities	IAS 14.56
– the amount of net cash flows attributed to the operating, investing and financial activities of discontinued operations.	IAS 35.27

There are inconsistencies between Canadian and IAS rules that could lead to differences for many enterprises in certain areas. Under Canadian rules:

– in the context of a business combination accounted for as an acquisition, provisions may be created more extensively than under the IAS	IAS 22.31
– impairment reviews of goodwill and other intangibles with depreciable lives in excess of 20 years are not automatically required	IAS 22.56; IAS 38.99
– pre-operating costs are sometimes capitalized	IAS 38.56
– gains and losses on non-current foreign currency monetary balances are deferred and amortized over their minimum ascertainable lives	IAS 21.15
– the financial statements of hyperinflationary subsidiaries are translated using the temporal method rather than adjusting the subsidiary's financial statements for foreign price levels	IAS 21.36
– impairment losses are calculated by reference to undiscounted cash flows rather than to the higher of discounted cash flows and net selling price; and it is possible that impairment calculations would not be made if there were persuasive evidence that conditions leading to impairment would not persist	IAS 36.5/58
– inventories can be valued at replacement cost, if lower than cost	IAS 2.6
– liabilities and provisions are generally not discounted, other than liabilities assumed in a purchase business combination	IAS 37.45
– past service costs relating to employee benefits that are already vested are not generally recognized immediately	IAS 19.96

– the accumulated benefit method for defined benefit pension plans is used when future salary levels and cost escalation do not affect the amount of the employee future benefits and the discount rate used to determine pension liabilities may reflect the rate at which the liability could be settled IAS 19.64/78

– segment reporting is based on management's organization of segments for operational and internal reporting purposes, with no segment reporting on a secondary basis. IAS 14.69-72

In certain enterprises, these other issues could lead to differences from IAS:

– it is possible that internally generated brands, similar intangible assets and advertising costs could be capitalized IAS 38.51

– although it is unusual for LIFO to be used, when it is there is no requirement to disclose the FIFO or current cost of inventory IAS 2.36

– it is possible, although unusual, to create provisions when there is no legal or constructive obligation IAS 37.14

– it is possible to base segment reporting on accounting policies other than those used in the financial statements. IAS 14.44

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Chile

Chilean requirements are based on the accounting standards of the Chilean Accountants Association and in the specific case of regulated entities on regulations of the Superintendency of Securities and Insurance (SVS) and other applicable superintendencies. In the absence of specific accounting guidance, Chilean Standards defer to IAS.

Chilean accounting may differ from that required by IAS because of the absence of specific Chilean rules in the following areas:

– the recognition of provisions in the context of business combinations treated as acquisitions	IAS 22.31
– the consolidation of special purpose entities	SIC 12
– employee benefit obligations	IAS 19
– start-up and organizational costs	IAS 38.57
– the requirement for annual impairment tests when the depreciable lives of goodwill or intangible assets exceed twenty years	IAS 22.56; IAS 38.99
– an issuer's financial instruments are accounted for on the basis of their legal form, and compound instruments are not split into equity and liability components	IAS 32.18/23
– accounting by lessors for finance leases.	IAS 17.30

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current costs of inventories valued on the LIFO basis	IAS 2.36
– the fair values of financial assets and liabilities	IAS 32.77
– discontinuing operations	IAS 35
– segment reporting except for those entities regulated by the SVS	IAS 14
– earnings per share.	IAS 33

There are inconsistencies between Chilean and IAS rules that could lead to differences for many enterprises in certain areas. Under Chilean rules:

– business combinations are accounted for using the purchase method based on book values instead of fair values	IAS 22.32/34

– the presumption of significant influence in the context of identifying an associate is made by reference to 10 per cent of voting rights; also investments in excess of 10 per cent of capital are equity accounted	IAS 28.4
– in general the financial statements of a foreign subsidiary in an "unstable" (hyperinflationary) country are translated using the US dollar as the functional currency	IAS 21.36
– impairments are only recognized when they are expected to be permanent; and the impaired value is measured by reference to net realizable value (or, if not available, discounted cash flows)	IAS 36.58
– the completed contract method may be used for the recognition of costs and revenues on construction contracts	IAS 11.22
– under the transitional provision of the amended income tax accounting standard, unrecorded timing differences as of the date of adoption are effectively not recognized (through the creation of "supplementary accounts") in either the income statement or the balance sheet, although such amounts are disclosed in notes to the financial statements	IAS 12
– provisions can be recognized before there is an obligation	IAS 37.14
– not all provisions are discounted where this would be material	IAS 37.45
– dividends are accrued as liabilities prior to being declared even if there is a legal requirement to pay such dividends	IAS 10.11
– in certain cases re-valuations of fixed assets have been permitted in the past but have not been kept up to date except for the forestry industry	IAS 16.29
– methods other than the projected unit credit method are allowed for the calculation of employee benefit obligations, and they do not need to take account of estimated future salary increases, or to be discounted	IAS 19.64/78/83
– past service costs related to employee benefit obligations are treated as assets and amortized over the estimated remaining service life of employees expected to receive benefits	IAS 19.96
– in certain cases an issuer's financial instruments are classified on the basis of the legal form of the instruments rather than whether in substance they are liabilities	IAS 32.18
– extraordinary items are defined more widely than under IAS	IAS 8.6/12
– cash flow statements do not need to reconcile to cash and cash equivalents.	IAS 7.45

In certain enterprises, these other issues could lead to differences from IAS:

- the Superintendency of Securities and Insurance may specifically permit the exclusion from consolidation of certain dissimilar subsidiaries — IAS 27.14
- certain business combinations are accounted for as unitings of interest on the basis of the legal form of the combination — IAS 22.8
- an enterprise's own shares (treasury shares) are shown as current assets for one year, then treated as a deduction from equity. — SIC 16

China

The financial reporting requirements of the People's Republic of China are mainly based on the Accounting Law and on standards and regulations issued by the Ministry of Finance. The description below relates to the requirements for listed companies.

Chinese accounting may differ from that required by IAS because of the absence of specific Chinese rules in the following areas:

– business combinations, including provisions in the context of acquisitions	IAS 22
– impairment of assets, particularly as (except for investments) diminutions in value are not allowed	IAS 36
– the definitions of operating and finance leases	IAS 17
– employee benefit obligations	IAS 19
– accounting for an issuer's financial instruments.	IAS 32

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity, except for joint stock limited enterprises	IAS 1.7
– the fair value of financial instruments (except for listed investments)	IAS 32.77
– discontinuing operations	IAS 35
– segment liabilities	IAS 14.56
– diluted earnings per share	IAS 33.47
– the current or FIFO cost of inventory, when LIFO is used.	IAS 2.36

There are inconsistencies between Chinese and IAS rules that could lead to differences for many enterprises in certain areas. Under Chinese rules:

– operating lease payments are recognized as incurred rather than on a straight line basis, and there are no rules on lease incentives	IAS 17.25; SIC 15
– proposed dividends are accrued	IAS 10.11
– the definition of extraordinary items is wider	IAS 8.6/12
– segment reporting always treats the line of business basis as primary	IAS 14.26
– pre-operating expenses are deferred and amortized.	IAS 38.57

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

In certain enterprises, these other issues could lead to differences from IAS:

- exchange differences arising in a start-up period can be deferred and amortized — IAS 21.15
- there are no specific requirements for the treatment of foreign exchange differences on the disposal of a foreign entity — IAS 21.37
- there is no specific requirement for segment reporting to be prepared on the basis of the policies used for financial reporting — IAS 14.44
- the rules concerning the calculation of earnings per share do not cover bonus issues, etc — IAS 33.20
- there are no rules addressing the consolidation of special purpose entities. — SIC 12

Cyprus

The requirements in Cyprus are based on the Companies Law and International Accounting Standards. For listed companies, the Cyprus Stock Exchange Regulations require compliance with IAS. For unlisted companies, the Institute of Certified Public Accountants of Cyprus also recommends compliance with IAS, although this is not a requirement of the Companies law.

In certain respects, the Companies Law allows practices that are not in conformity with IAS. Such areas include:

– certain subsidiaries may be excluded from consolidation beyond those referred to in IAS IAS 27.13

– it is possible, although unusual, for dissimilar subsidiaries to be excluded from consolidation IAS 27.14

– certain intangible items, such as preliminary expenses and the issue expenses of securities, can be capitalized. IAS 38.57

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Czech Republic

Czech requirements are based mainly on the Act on Accounting, the Chart of Accounts and the Accounting Procedures of the Ministry of Finance.

Czech accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– accounting for business combinations	IAS 22
– impairment of assets	IAS 36
– internally generated intangibles, except for research costs	IAS 38
– accounting for leases, particularly as all leases are generally treated as operating leases	IAS 17.12
– accounting for contracts, particularly as the percentage of completion method is not generally used	IAS 11.22
– discounting of provisions	IAS 37.45
– employee benefit plans	IAS 19
– consolidation of special purpose entities	SIC 12
– translation of financial statements of foreign subsidiaries.	IAS 21

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– earnings per share	IAS 33
– consolidated cash flow statements	IAS 7
– related party transactions	IAS 24
– discontinuing operations	IAS 35
– segment reporting, except for some details on sales.	IAS 14

There are inconsistencies between Czech and IAS rules that could lead to differences for many enterprises in certain areas. Under Czech rules:

– foreign currency gains are generally not taken to income until settlement	IAS 21.15
– certain research costs can be capitalized	IAS 38.42
– incorporation and pre-operating costs can be capitalized	IAS 38.56
– goodwill is calculated by reference to net book values rather than to fair values	IAS 22.40

- goodwill can be expensed immediately rather than amortized over its useful life — IAS 22.42
- provisions may be created before there is an obligation — IAS 37.14
- deferred tax need only be calculated on certain timing differences rather than on all temporary differences — IAS 12.15
- an issuer's financial instrument is not classified on the basis of whether it is in substance a liability, and compound instruments are not split on this basis — IAS 32.18/23
- extraordinary items are defined more widely — IAS 8.6/12
- the cost of an investment does not include acquisition expenses, and the book value of consideration is counted as cost in an exchange. — IAS 25.15/16

In certain enterprises, these other issues could lead to differences from IAS:

- some small groups are exempted from preparing consolidated reports — IAS 27.11
- some enterprises that are *de facto* controlled but not majority owned may be excluded from consolidation — IAS 27.6
- certain dissimilar subsidiaries can be excluded — IAS 27.13/14
- there are no specific rules concerning the translation of the financial statements of hyperinflationary subsidiaries — IAS 21.36
- gains and losses on the sale of own (treasury) shares are taken to income — SIC 16
- the acquisition date of a subsidiary is defined as the beginning of the year of acquisition instead of at the date of acquisition of control. — IAS 22.19

Denmark

Danish requirements are mainly based on the Company Accounts Act and standards issued by the Danish Accounting Standards Committee. Accounting standards are mandatory for listed companies.

Danish accounting may differ from that required by IAS because of the absence of specific Danish rules in the following areas:

– accounting for leases	IAS 17
– provisions	IAS 37
– employee benefit obligations	IAS 19
– deferred tax.	IAS 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– discontinuing operations	IAS 35
– segment reporting, except for some details on sales	IAS 14
– earnings per share.	IAS 33

There are inconsistencies between Danish and IAS rules that could lead to differences for many enterprises in certain areas. Under Danish rules:

– in the context of an acquisition, the acquiree's assets and liabilities are not required to be measured at fair value	IAS 22.31/33
– extra provisions in the context of an acquisition may be created	IAS 22.31
– impairments need not be taken account of unless permanent, and there is no detailed guidance on the determination of recoverable amount	IAS 36.5/58
– goodwill on consolidation may be written off against equity	IAS 22.40
– contracts can be accounted for on a completed contract basis	IAS 11.22
– dividends are recognized as a liability at the balance sheet date when proposed after the balance sheet date	IAS 10.11
– an issuer's financial instrument is not classified on the basis of whether it is in substance a liability, and compound instruments are not split on this basis.	IAS 32.18/23

In certain enterprises, these other issues could lead to differences from IAS:

- certain subsidiaries with dissimilar activities are excluded from consolidation — IAS 27.13/14
- extraordinary items can be defined more widely — IAS 8.6/12
- own (treasury) shares can be recognized as assets. — SIC 16

Egypt

Egyptian requirements are based on the Companies Law and the Capital Market Law; on Egyptian Accounting Standards of the Ministry of Finance, and on regulations of the Central Bank. There is also a formal reference in the law to the use of IAS when there are no Egyptian requirements.

Egyptian accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

- the calculation of impairment tests, especially as assets are written down to net realizable value rather than to recoverable amount — IAS 36.5
- the capitalization of pre-operating and set-up costs — IAS 38.56
- the classification of business combinations as acquisitions or unitings of interest — IAS 22.8
- the treatment of joint ventures — IAS 31
- the recognition of operating lease payments and of lease incentives — IAS 17.25; SIC 15
- the establishment of provisions in the context of a business combination accounted for as an acquisition — IAS 22.31
- the translation of the financial statements of a hyperinflationary subsidiary — IAS 21.36
- the consolidation of special purpose entities. — SIC 12

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- the fair values of financial assets and liabilities — IAS 32.77
- segment reporting. — IAS 14

There are inconsistencies between Egyptian and IAS rules that could lead to differences for many enterprises in certain areas. Under Egyptian rules:

- finance leases are not capitalized — IAS 17
- a general provision can be created where there is no obligation — IAS 37.14
- defined benefit calculations can be based on current rather than anticipated salary levels; and the discount — IAS 19.83
  rate need not be based on current bond interest rates — IAS 19.78
- appropriations of profit for directors and other employees are not charged against income — IAS 1

- actuarial gains and losses cannot be recognized over the employees' average remaining service lives; IAS 19.92
  and past service costs are recognized immediately IAS 19.96
- deferred tax is not accounted for IAS 12
- an issuer's financial instruments are accounted for on the basis of their legal form, and compound instruments are not split into liability and equity components IAS 32.18/23
- the disclosures relating to discontinuing operations may begin at a different time and be less extensive than required under IAS. IAS 35

In certain enterprises, these other issues could lead to differences from IAS:

- non-financial (dissimilar) subsidiaries are excluded from consolidation by banking groups IAS 27.14
- there are no requirements concerning those employee benefits, beyond retirement benefits and pension systems, that might be found in foreign subsidiaries. IAS 19.52

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Estonia

Estonian requirements are based on the Estonian Accounting Law (EAL) as supplemented by guidelines from the Estonian Accounting Board. EAL and the guidelines are in most cases based on respective IAS standards. Listed companies are required to follow EAL and IAS, as long as IAS is not in conflict with the local standards.

Estonian accounting may differ from that required by IAS because of the absence of specific Estonian rules in the following areas:

– provisions in the context of a business combination accounted for as an acquisition	IAS 22.31
– employee benefit obligations	IAS 19
– deferred tax, although domestic companies do not pay corporate income tax	IAS 12
– no requirements to account for the issuer's instruments on the basis of their substance or to split compound instruments	IAS 32.18/23
– translation of the financial statements of hyperinflationary subsidiaries	IAS 21.36
– treatment of lease incentives	SIC 15
– certain aspects of the preparation and presentation of cash flow statements	IAS 7
– impairment tests refer to permanent diminutions in value and there are no detailed rules on impairment measurement	IAS 36
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the fair value of financial assets and liabilities	IAS 32.77
– discontinuing operations	IAS 35
– segment reporting.	IAS 14

There are inconsistencies between Estonian and IAS rules that could lead to differences for many enterprises in certain areas. Under Estonian rules:

– leases are not recognized in accordance with IAS 17 but under the asset/liability approach (the new approach dealt with in G4+1's discussion paper); as a result more leases are capitalized than would be under IAS 17	IAS 17.3
– negative goodwill is deducted from non-monetary assets.	IAS 22.59/64

In certain enterprises, these other issues could lead to differences from IAS:

- ventures in which an enterprise owns less than 20% of the voting shares are accounted for as investments IAS 31.25/32
- operating lease payments are not necessarily recognized on a straight line basis. IAS 17.25

Finland

Finnish requirements are mainly based on the Accounting Act and Companies Act incorporating EU Directives, on Regulations issued by the Ministry of Finance, and on accounting standards of the Accounting Board of the Ministry of Trade and Industry. Listed companies meeting certain criteria (those with shares also listed outside the European Economic Area or more than 50% of the shares owned by foreign individuals, corporations and foundations) may fully apply IAS or US GAAP in place of Finnish rules in their consolidated financial statements, so long as these comply with EU Directives.

Finnish accounting may differ from that required by IAS because of the absence of specific Finnish rules in the following areas:

- the setting up of provisions in the context of business combinations accounted for as acquisitions — IAS 22.31
- the treatment of post-balance sheet events — IAS 10
- the treatment of employee benefit obligations other than multi-employer and state pension plans — IAS 19.52
- the determination of the basis of segment reporting and the use of the same policies as for financial reporting — IAS 14.26/44
- the treatment of exchanges of assets. — IAS 16.21

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- the FIFO or current cost of inventory valued on a LIFO basis — IAS 2.36
- the fair values of financial assets and liabilities, except for derivatives and securities — IAS 32.77
- related party transactions — IAS 24
- discontinuing operations — IAS 35
- segment assets and liabilities — IAS 14.55/56
- cash flow statements. — IAS 7

There are inconsistencies between Finnish and IAS rules that could lead to differences for many enterprises in certain areas. Under Finnish rules:

- certain business combinations are treated as unitings of interest that would be treated as acquisitions under IAS — IAS 22.8
- foreign currency gains and losses arising on long-term monetary balances can be deferred until settlement — IAS 21.15

- impairment losses are only recognized when they are expected to be permanent, and are calculated by reference to value in use rather than to the higher of value in use and net selling price — IAS 36.5/58
- research costs and certain other internally generated intangible assets and intangible items, including set-up costs, can be capitalized — IAS 38.42/51
- the capitalization of finance leases is optional — IAS 17.12
- accounting for sale and leaseback transactions according to IAS is optional — IAS 17.50/52/54
- work in progress inventories can be valued without the inclusion of production overheads — IAS 2.10
- the revenues on uncompleted construction contracts need not be recognized by stage of completion — IAS 11.22
- provisions can be created more widely than under the conditions of the IAS — IAS 37.14
- provisions are not required to be discounted — IAS 37.45
- accounting for deferred tax can be calculated on the basis of timing differences rather than temporary differences; and partial rather than full allocation can be used — IAS 12.15
- deferred tax assets need not be recognized — IAS 12.34
- an issuer's financial instruments are accounted for on the basis of the legal arrangements, and compound instruments are not split into equity and debt components — IAS 32.18/23
- own (treasury) shares can be shown as assets by publicly traded companies — SIC 16
- extraordinary items are defined more widely than under IAS, and can include the effect of accounting policy changes, gains or losses on disposal of business, and restructuring costs — IAS 8.6/12
- for earnings per share disclosures, profits before extraordinary items are used. — IAS 33.11

In certain enterprises, these other issues could lead to differences from IAS:

- in some cases, subsidiaries with dissimilar activities are not consolidated — IAS 27.14
- there are no specific requirements relating to the translation of the financial statements of subsidiaries in hyperinflationary economies — IAS 21.36

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

- there are no specific requirements on the treatment of lease incentives — SIC 15
- lessors are not required to recognize finance lease income on the basis of the return on net investment. — IAS 17.30

France

French requirements are based on the Code de commerce, company law and decrees, the Plan Comptable Général (General Accounting Plan) and interpretations of the Comité d'urgence (Urgent Issues Committee) as applying to consolidated financial statements.

French accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– impairment of assets	IAS 36
– impairment tests for goodwill and intangibles with depreciable lives in excess of twenty years	IAS 22.56; IAS 38.99
– accounting for employee benefit obligations since it is not mandatory to recognize a liability for post-employment benefits	IAS 19
– the calculation of basic and diluted earnings per share	IAS 33
– extraordinary/exceptional items are defined more broadly.	IAS 8.6/12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– transactions with related parties except for limited requirements	IAS 24.1/3
– discontinuing operations	IAS 35
– segment liabilities	IAS 14.56
– the FIFO or current cost of inventory when LIFO is used.	IAS 2.36

There are inconsistencies between French and IAS rules that could lead to differences for many enterprises in certain areas. Under French rules:

– an issuer's financial instruments are not classified on the basis whether they are in substance liabilities and compound instruments are not split on this basis	IAS 32.18/23
– own (treasury) shares held for stock-option plans or for trading purposes are shown as assets	SIC 16
– there is a requirement to be a shareholder of a special purpose entity to consolidate a controlled special purpose entity	SIC 12
– no deferred taxes are accounted for on temporary differences arising from the difference between the carrying amount of investments in associates and their tax base, unless distributions are probable	IAS 12.39

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

– some business combinations can be treated as unitings of interest even if an acquirer can be identified, when at least 90% of the business is acquired by issuance of shares	IAS 22.8
– some intangible items can be recognized as intangible assets (market shares, portfolio of customers) even if they do not meet the definition of an intangible asset under IAS; these and some other intangible assets are not required to be amortized	IAS 38.7/17/93
– provisions recognized in the context of business combinations accounted for as acquisitions may be more extensive	IAS 22.31
– some part of the cost of the acquisition of a subsidiary that is related to acquired research and development in the process can be recognized as an expense immediately	IAS 22.27/40; IAS 38.79
– unsettled gains on foreign currency monetary items may be deferred	IAS 21.15
– formation expenses, set-up costs, training costs and advertising costs may be capitalized	IAS 38.56
– capitalization of finance leases is a preferred treatment but is not required	IAS 17.12
– the percentage of completion method is a preferred treatment but is not required for construction contracts	IAS 11.22
– provisions may be recognized in advance of what would occur under IAS, and more widely	IAS 37.14
– deferred tax balances are discounted if the timing of the reversal of the temporary differences can be estimated reliably.	IAS 12.53

In certain enterprises, these other issues could lead to differences from IAS:

– there is a choice of methods for the translation of the financial statements of subsidiaries that use a currency of a hyperinflationary economy	IAS 21.36
– the classification of a lease as a finance or an operating lease may be based on different criteria	IAS 17.3
– there is an option to present a cash flow statement reconciled to net indebtedness	IAS 7.45
– when the cost of acquisition is less than the acquirer's interest in the fair values of the identifiable assets and liabilities acquired at the date of the acquisition, negative goodwill arising on the acquisition is first offset against fair value adjustments made on the acquisition	IAS 22.59/63

– segment reporting can be avoided if the board of directors considers that it would be seriously prejudicial to the enterprise IAS 14

– no deferred taxes are recognized for temporary differences arising from the restatement of non-monetary assets of the financial statements of a foreign entity reporting in the currency of a hyperinflationary economy IAS 12.15/24

– when income tax loss carryforwards, or other deferred tax assets of an acquired enterprise, which were not recognized as an asset by the acquirer at the date of acquisition, are subsequently realized, the amount of goodwill is not reduced accordingly. IAS 22.85

Germany

German requirements are mainly based on the Commercial Code (HGB). In addition, the approved standards of the German Accounting Standards Committee apply to the consolidated accounts of listed companies. Listed companies may fully apply IAS or US GAAP in place of German rules in their consolidated financial statements, so long as these comply with EU Directives.

German accounting may differ from that required by IAS because of the absence of specific German rules in the following areas:

- currency translation of the financial statements of foreign subsidiaries — IAS 21
- annual impairment reviews when a depreciable life in excess of 20 years is used for goodwill or intangible assets — IAS 38.99; IAS 22.56
- the treatment of certain financial instruments by their issuer as equity or liability — IAS 32.18
- consolidation of special purpose entities — SIC 12
- there is no specific regulation on the recognition pattern of operating lease payments or on the recognition of lease incentives. — IAS 17.25; SIC 15

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- FIFO or current cost of inventory when LIFO is used — IAS 2.36
- fair values of financial assets and liabilities — IAS 32.77
- related party transactions other than those with equity participants — IAS 24.22
- discontinuing operations — IAS 35
- earnings per share. — IAS 33

There are inconsistencies between German and IAS rules that could lead to differences for many enterprises in certain areas. Under German rules:

- the acquisition date of a subsidiary may be identified as the date of first time consolidation of the subsidiary which is often at the end of the year in which the acquisition took place — IAS 22.19/20
- certain business combinations may be accounted for as unitings of interest when an acquirer can be identified — IAS 22.8
- provisions in the context of business combinations accounted for as acquisitions may be more extensive — IAS 22.31

- on acquisition, restatement of assets and liabilities acquired to fair value is limited to the amount of the first consolidation difference (i.e. the gross goodwill before the allocation exercise); it is thus not possible to create or increase negative goodwill — IAS 22.41
- goodwill arising on consolidation can be deducted immediately against equity — IAS 22.40
- foreign currency monetary balances are generally translated at the worse of transaction and closing rates so as to avoid the recognition of gains on unsettled balances — IAS 21.11
- impairment tests are based on single assets rather than cash generating units; and usually on market values replacement costs rather than discounted cash flows — IAS 36.5
- leases are normally classified according to tax rules, therefore leases are seldom recognized as finance leases — IAS 17.3
- inventories can be valued at replacement cost — IAS 2.6
- inventory costs may include attributable portions of general overheads — IAS 2.7
- provisions are recognized more extensively than under IAS; and they are generally not discounted — IAS 37.14/45
- employee benefit calculations generally follow tax regulations with respect to the actuarial valuation method and discount rate, and they also generally do not take account of expected future salary increases — IAS 19.64/78/83
- actuarial gains and losses are generally recognized immediately rather than over average remaining service lives — IAS 19.92/93
- deferred tax is calculated on the basis of timing differences rather than temporary differences — IAS 12.5/15
- deferred tax assets arising on loss carry forwards must not be recognized, and most others need not be — IAS 12.24/34
- extraordinary items are defined more widely in practice. — IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

- in general the completed contract method is used for the recognition of revenues on construction contracts and services — IAS 11.12; IAS 18.4
- certain subsidiaries with dissimilar activities should be excluded from consolidation — IAS 27.14
- there is a choice to exclude certain subsidiaries from consolidation — IAS 27.13

– finance lease income is usually recognized on a net cash investment basis rather than on a net investment basis	IAS 17.30
– own (treasury) shares are shown as assets, but under certain conditions they are to be deducted from equity	SIC 16
– start-up costs may be capitalized and amortized over four years	IAS 38.57
– costs of an equity transaction should be expensed as incurred	SIC 17
– negative goodwill arising on consolidation is treated differently.	IAS 22.41/62

Greece

Greek requirements are mainly based on Corporate Law 2190/1920, accounting standards issued by the Ministry of National Economy, the interpretations issued by the National Accounting Standards Board (ESYL) and the Greek General Chart of Accounts approved by Presidential Decree 1123/80.

Greek accounting may differ from that required by IAS because of the absence of specific Greek rules in the following areas:

– the treatment of joint ventures, which might be accounted for on a cost basis	IAS 31.25/32
– the recognition of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– the consolidation of special purpose entities	SIC 12
– the measurement of impairment of intangible assets	IAS 36
– the treatment of internally generated brands and similar items, although they are not normally capitalized	IAS 38.51
– the treatment of employee benefit obligations	IAS 19.52
– accounting for deferred tax.	IAS 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on a LIFO basis	IAS 2.36
– the fair values of financial assets and liabilities	IAS 32.77
– related party transactions, except for balances resulting from transactions that are not in the normal course of business	IAS 24
– discontinuing operations	IAS 35
– segment reporting, except for sales	IAS 14
– cash flow statements	IAS 7
– earnings per share.	IAS 33

There are inconsistencies between Greek and IAS rules that could lead to differences for many enterprises in certain areas. Under Greek rules:

– some subsidiaries with significantly dissimilar activities from the rest of the group are excluded	IAS 27.14
– the classification of business combinations between unitings of interests and acquisitions is made on the basis of legal form rather than on whether an acquirer can be identified	IAS 22.8-16

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

– gains on foreign currency monetary balances are deferred until settlement	IAS 21.15
– foreign currency losses on loans denominated in foreign currency which have been used to acquire fixed assets are deferred and amortized over the repayment period of the loan	IAS 21.15; SIC 11
– research costs and pre-operating costs may be capitalized	IAS 38.42/56
– goodwill can be written off directly against equity	IAS 22.40
– land and buildings are revalued periodically (currently every four years) based on co-efficients provided by law rather than being based on fair values	IAS 16.29
– extraordinary items are defined widely, and include gains and losses on the disposal of fixed assets, the reversal of provisions, etc	IAS 8.6/12
– finance leases are not capitalized; lease payments are not necessarily recognized on a straight-line basis	IAS 17.12/28/25
– costs and revenues on construction contracts are not normally recognized on a stage of completion basis	IAS 11.22
– provisions are recognized, based on tax legislation, in cases where there is no obligation at the balance sheet date	IAS 37.14
– provisions are not generally discounted	IAS 37.45
– proposed dividends are recognized as liabilities before they are declared	IAS 10.11
– an issuer's financial instruments are accounted for on the basis of legal form, and compound instruments are not split into equity and liability components	IAS 32.18/23
– own (treasury) shares are shown as assets and an equivalent reserve is set up through the appropriation statement and reflected in shareholders' equity; gains and losses on their sale are recognized as income	SIC 16
– capitalization of borrowing costs are reflected as intangibles and amortized over five years and not added to the carrying cost of the related asset	IAS 23.11

In certain enterprises, these other issues could lead to differences from IAS:

– there is a lack of requirements concerning the translation of the financial statements of subsidiaries in hyperinflationary economies	IAS 21.36
– subsidies received for the acquisition of fixed assets are reflected as a component of shareholders' equity and amortized using the same rate as that used to depreciate the related assets	IAS 20.24

– there are no requirements concerning the treatment of lease incentives. SIC 15

Hong Kong (SAR)

Hong Kong requirements are based on the Companies Ordinance, standards and interpretations issued by the Hong Kong Society of Accountants and the Listing Rules of the Stock Exchange.

Hong Kong accounting may differ from that required by IAS because of the absence of specific Hong Kong rules in the following areas:

– impairment of assets	IAS 36
– intangible assets	IAS 38
– employee benefits	IAS 19
– business combinations arising from uniting of interests other than from transactions among enterprises under common control	IAS 22
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– fair values of financial assets and liabilities	IAS 32.77
– related party relationships where there are no transactions, except that the name of the ultimate holding company must be disclosed	IAS 24.20
– segment assets and liabilities.	IAS 14.55/56

There are inconsistencies between Hong Kong and IAS rules that are likely to lead to differences for many enterprises in certain areas. Under Hong Kong rules:

– provisions in the context of business combinations are made from the perspective of the acquirer	IAS 22.31
– goodwill may be directly eliminated against equity	IAS 22.41
– there is no requirement for an annual impairment test on goodwill with a depreciable life of over 20 years	IAS 22.56
– more extensive provisions may be made	IAS 37.14
– provisions are not required to be discounted	IAS 37.45
– dividends proposed or declared after the balance sheet date are accrued	IAS 10.11
– deferred tax is calculated on the basis of timing differences rather than temporary differences, and balances are only recognized if they are expected to crystallize	IAS 12.15

- the recognition of deferred tax assets is more restrictive — IAS 12.34
- an issuer's financial instrument is generally classified based on the legal form rather than on the basis of whether or not it is in substance a liability, and compound instruments are not split on this basis — IAS 32.18/23
- disclosures relating to discontinuing operations may begin later than required under IAS — IAS 35.16
- a primary/secondary basis is not used for segment reporting — IAS 14.26
- the format of the cash flow statement and certain disclosures and the definition of cash equivalents are different — IAS 7
- interests in leasehold properties in Hong Kong are not accounted for as leases as the lessee normally receives all the risk and rewards incident to ownership of the properties; these are accounted for as property, plant and equipment (carried at cost less accumulated depreciation or revalued amount) or investment properties (carried at revalued amount). — IAS 17.11

In certain enterprises, these other issues could lead to differences from IAS:

- some enterprises that are controlled by the reporting enterprise but do not meet the definition of subsidiary under the Hong Kong Companies Ordinance may be excluded from consolidation — IAS 27.6
- certain subsidiaries with dissimilar activities can be excluded from consolidation — IAS 27.13/14
- a balance sheet would be adjusted for a post balance sheet event which causes a material part of the reporting enterprise to cease to be a going concern — IAS 10.7/8/13
- lessors recognize finance income on the basis of the net cash investment — IAS 17.30
- disclosures relating to discontinuing operations may begin later — IAS 35.16
- there are no specific rules concerning the translation of the financial statements of hyperinflationary subsidiaries — IAS 21.36
- the profit and loss account of the foreign enterprise may be translated either at the closing rate or at an average rate for the period — IAS 21.30
- there are no specific rules regarding the treatment of the cumulative amount of deferred exchange differences in equity relating to a foreign entity on disposal of that entity — IAS 21.37
- there are also no specific rules concerning own (treasury) shares — SIC 16
- the date of acquisition/disposal of a subsidiary is the earlier of the date on which consideration passes and the date on which an offer becomes or is declared unconditional. — IAS 22.20

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Hungary

Hungarian requirements are based on the Accounting Act of 1991.

Hungarian accounting may differ from that required by IAS because of the absence of specific Hungarian rules in the following areas:

– provisions in the context of a business combination accounted for as an acquisition	IAS 22.31
– research costs	IAS 38.42
– discounting of provisions	IAS 37.45
– employee benefit obligations	IAS 19
– accounting for an issuer's financial instruments	IAS 32
– accounting for construction contracts.	IAS 11

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– current (or FIFO) cost when LIFO is used	IAS 2.36
– the fair value of financial instruments	IAS 32.77
– transactions with related parties other than parties with investment relationships	IAS 24
– discontinuing operations	IAS 35
– segment reporting, except for some details of sales	IAS 14
– earnings per share.	IAS 33

There are inconsistencies between Hungarian and IAS rules that could lead to differences for many enterprises in certain areas. Under Hungarian rules:

– the acquisition date of a subsidiary may be taken to be the end of the year of acquisition	IAS 22.9/20
– in the context of an acquisition, a fair valuation exercise is not necessary and anyway cannot give rise to negative goodwill	IAS 22.32/34/59
– minority interests are not separately shown in the income statement	IAS 27.26
– investments are presumed to be associates at holdings of 25% or more (or 10% or more for banks)	IAS 28.4
– unsettled gains on foreign currency balances are not accounted for unless settled by the date of balance sheet preparation	IAS 21.15

– foreign currency losses on loans relating to acquisition of fixed assets can be recognized as deferred expenses until settlement	IAS 21.15
– certain set-up and restructuring costs can be recognized as assets	IAS 38.57
– impairment tests are not required, and they refer to net selling price rather than to recoverable amount	IAS 36
– depreciation on revalued assets is still charged on the basis of cost	IAS 16.6/41; IAS 38.7/79
– a finance lease is defined more narrowly	IAS 17.3
– provisions may only be recognized for obligations arising under statute	IAS 37.14
– proposed dividends are accrued	IAS 10.11
– deferred tax is only accounted for on differences arising as a result of consolidation	IAS 15.15
– there is a wider definition of extraordinary items	IAS 8.6/12
– rules relating to the preparation and presentation of cash flow statements allow a variety of practices	IAS 7
– allowances for bad debts are presented as liabilities, and the receivables shown gross.	IAS 37.14

In certain enterprises, these other issues could lead to differences from IAS:

– certain controlled entities that are less than majority owned might not be treated as subsidiaries	IAS 27.6
– a subsidiary can be excluded from consolidation in its first year within the group if difficulties with data supply would cause unreasonable delay or cost	IAS 27.13
– there are no specific rules on the treatment of hyperinflationary subsidiaries	IAS 21.36
– set-up costs can be capitalized	IAS 38.56
– it is possible that the uniting of interests method could be used under different conditions from those imposed by IAS	IAS 22.8-16
– there are no specific rules on the recognition of lease incentives	SIC 15
– it may be possible to recognize a provision before an obligation arises	IAS 37.14
– gains and losses on the cancellation or sale of own (treasury) shares are recorded as income.	SIC 16

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Iceland

Icelandic requirements are based on the Acts of 1994 that reflect the EU Directives, and standards issued by the Accounting Standards Board and the Accounting Committee of the Federation of Icelandic Chartered Accountants.

Icelandic accounting may differ from that required by IAS because of the absence of specific Icelandic rules in the following areas:

– the classification of business combinations as acquisitions or unitings of interest	IAS 22.8
– the setting up of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– the treatment of internally generated intangibles	IAS 38.51
– impairment of assets	IAS 36
– accounting for leases	IAS 17
– employee benefits other than pensions	IAS 19.52
– accounting for an issuer's financial instruments	IAS 32.18/23
– the techniques of segment reporting.	IAS 14

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the fair values of financial assets and liabilities	IAS 32.77
– related party transactions	IAS 24
– discontinuing operations	IAS 35
– earnings per share.	IAS 33

There are inconsistencies between Icelandic and IAS rules that could lead to differences for many enterprises in certain areas. Under Icelandic rules:

– certain dissimilar subsidiaries may be excluded from consolidation	IAS 27.14
– tangible fixed assets are generally adjusted for inflation by using the consumer price index, rather than being valued at fair value	IAS 16.29
– the completed contract method can be used for the recognition of revenues on construction contracts	IAS 11.22
– provisions may be created more widely, and are not required to be discounted	IAS 37.14/45

- practices different from IAS apply for the calculation of employee benefit obligations — IAS 19.64/78/83/93
- own (treasury) shares may be shown as assets — SIC 16
- although Iceland does not have a hyperinflationary economy, inflation adjustments are included in income — IAS 29.1/9
- research costs can be capitalized as can pre-operating and set-up costs of a company. — IAS 38.42/57

In certain enterprises, these other issues could lead to differences from IAS:

- the law suggests the cost method for accounting for associates, and some groups might use this — IAS 28.8
- there are no requirements concerning the translation of the financial statements of hyperinflationary subsidiaries — IAS 21.36
- deferred tax liabilities not expected to be paid might be recorded in the notes instead of being recognized in the balance sheet. — IAS 12.15

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

India

Indian requirements are mainly based on the Companies Act 1956, on regulations of the Company Law Board and on standards issued by the Institute of Chartered Accountants of India (ICAI). In addition, listed companies must follow the rules, regulations and releases issued by the Securities and Exchange Board of India.

In one key area, the absence of Indian rules may lead to important differences from IAS requirements:

- parent enterprises are not required to consolidate or equity account any investments, and no detailed rules are yet in force as regards consolidation procedures and accounting principles applicable to consolidated financial statements published on a voluntary basis. — IAS 27; IAS 28

Indian accounting may also differ from that required by IAS because of the absence of specific rules in the following areas:

- accounting for joint ventures — IAS 31
- the creation of provisions in the context of business combinations accounted for as acquisitions — IAS 22.31
- impairment of assets — IAS 36
- the capitalization of leases — IAS 17.12
- discounting of provisions — IAS 37.45
- the methods to be used when accounting for employee benefit obligations — IAS 19.64/78/83
- accounting for deferred tax. — IAS 12

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- the fair values of financial assets and liabilities, except for quoted investments — IAS 32.77
- related party transactions — IAS 24
- discontinuing operations — IAS 35
- segment reporting — IAS 14
- cash flow statements, except for listed companies. — IAS 7.1

There are inconsistencies between Indian and IAS rules that could lead to differences for many enterprises in certain areas. Under Indian rules:

– the classification of business combinations as acquisitions or unitings of interest is not based on the ability to identify an acquirer — IAS 22.8

– exchange differences arising on foreign currency liabilities related to the purchase of fixed assets are used to adjust the fixed assets rather than being taken to income — IAS 21.15

– certain research costs can be capitalized — IAS 38.42

– certain expenditures on intangible items that are not assets can be capitalized — IAS 38.56

– revaluations of assets do not need to be kept up-to-date — IAS 16.29

– operating lease payments are generally recognized on the basis of legal arrangements rather than straight-line, and there are no specific requirements on the treatment of lease incentives — IAS 17.25; SIC 15

– the completed contract method may be used to recognize revenues on construction contracts — IAS 11.12

– provisions can be created when there is no obligation — IAS 37.14

– proposed dividends are accrued — IAS 10.11

– an issuer's financial instruments are generally accounted for on the basis of their legal form, and compound instruments are not split into liability and equity components — IAS 32.18/23

– the calculation of earnings per share may use a variety of bases. — IAS 33.10/11/20

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Indonesia

Indonesian requirements are based on accounting standards issued by the Indonesian Institute of Accountants. For listed companies, there are additional disclosure requirements imposed by the Capital Market Supervisory Board (Bapepam).

Indonesian accounting may differ from that required by IAS because of the absence of specific Indonesian rules in the following areas:

- the recognition and measurement of provisions — IAS 37
- accounting for employee benefits other than pensions — IAS 19.52
- the splitting of an issuer's compound financial instruments into debt and equity components. — IAS 32.23

There are no specific rules requiring disclosures of:

- the FIFO or current cost of inventories valued under LIFO — IAS 2.36
- the fair value of financial assets and liabilities — IAS 32.77
- segment reporting of liabilities. — IAS 14.46

There are inconsistencies between Indonesian and IAS rules that could lead to differences for many enterprises in certain areas. Under Indonesian rules:

- provisions in the context of a business combination accounted for as an acquisition may be set up on a wide basis, with no strict definition — IAS 22.31
- foreign exchange losses related to the purchase of assets can be capitalized under less stringent conditions — SIC 11
- proposed dividends may be shown as liabilities before they are declared — IAS 10.11
- property, plant and equipment is sometimes revalued based on governmental regulations but the valuations are not kept up to date — IAS 16.29
- the classification of leases into finance and operating leases is based on different criteria — IAS 17.3
- there are no precise requirements for the choice of actuarial method and discount rates in calculating retirement benefit obligations — IAS 19.64/78
- the initial event for disclosures relating to discontinuing operations may be different, and the disclosures less extensive — IAS 35.16/27

– segment reporting is not prepared on the basis of a primary/secondary split. IAS 14.26

In certain enterprises, these other issues could lead to differences from IAS:

– there are no specific rules for the inclusion of joint venture entities in consolidated statements, therefore interests of less than 20% in a joint venture might be accounted for on a cost basis IAS 31.25/32

– there are no rules concerning the translation of the financial statements of subsidiaries operating in hyperinflationary economies IAS 21.36

– set-up costs of a new operation can be capitalized IAS 38.57

– intangible assets must be amortized over a maximum period of 20 years even if their lives are expected to exceed 20 years IAS 38.79

– there are no rules concerning the treatment of lease incentives SIC 15

– segment information may be prepared using different accounting policies from those used for the financial statements IAS 14.44

– there are no rules addressing the consolidation of special purpose entities. SIC 12

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Iran, Islamic Republic of

Iranian requirements are based on the guidelines of the Accounting Guidelines Setting Committee of the Audit Organization, and on regulations of the Ministry of Economic Affairs and Finance.

Iranian accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– accounting for associates and joint ventures	IAS 28, IAS 31
– classification of business combinations as acquisitions or unitings of interest	IAS 22.8
– the treatment of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– the treatment of goodwill	IAS 22.40/42
– impairment tests relating to goodwill and intangible assets	IAS 22.56; IAS 38.99
– accounting for leases	IAS 17
– discounting of provisions	IAS 37.45
– accounting for employee benefits	IAS 19
– accounting for deferred tax	IAS 12
– accounting for an issuer's financial instruments.	IAS 32.18/23

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the fair values of financial assets and liabilities	IAS 32.77
– segment reporting.	IAS 14

There are inconsistencies between Iranian and IAS rules that could lead to differences for many enterprises in certain areas. Under Iranian rules:

– subsidiaries are defined in terms of power over more than one half of voting rights by virtue of an agreement with other investors	IAS 27.6
– impairment of assets is only recognized when it is expected to be permanent, and is calculated by reference to the lowest of cost, replacement cost and net realizable value	IAS 36.5/58
– revaluations are not necessarily kept up-to-date (e.g. a 10% increase since last revaluation might not be taken into account)	IAS 16.29
– provisions can be made before an obligation arises	IAS 37.14

- the detailed disclosures on discontinuing operations of the IAS are not required IAS 35.27
- cash flow statements reconcile to cash rather than to cash and cash equivalents IAS 7.45
- earnings per share can be calculated differently from the IAS, and if there are no disclosures concerning earnings per share, that would not necessarily lead to an audit qualification. IAS 33

In certain enterprises, these other issues could lead to differences from IAS:

- government owned companies take any balance of exchange gains on foreign currency monetary items to equity IAS 21.15
- there are no requirements concerning the treatment of hyperinflationary subsidiaries. IAS 21.36

Ireland

Irish requirements are based on the Companies Acts 1963 to 1999, and the European Communities (Companies: Group Accounts) Regulations 1992, reflecting EU Directives. Accounting standards generally accepted in Ireland are those issued by the United Kingdom Accounting Standards Board and its Urgent Issues Task Force as promulgated in Ireland by the Institute of Chartered Accountants in Ireland.

There are inconsistencies between Irish rules and IAS that could lead to differences for many enterprises in certain areas. Under Irish rules:

- employee benefit costs are accounted for on a fundamentally different basis — IAS 19
- there is more restriction on the setting up of provisions in the context of business combinations accounted for as acquisitions — IAS 22.31
- goodwill can be treated as having an indefinite life and therefore not be amortized — IAS 22.44/51
- proposed dividends are accrued as liabilities — IAS 10.11
- deferred tax is calculated on the basis of timing differences rather than temporary differences, and balances are only recognized if they are expected to crystallize — IAS 12.5/15
- the recognition of deferred tax assets is more restrictive — IAS 12.34
- an issuer's financial instruments which are legally shares are presented in equity irrespective of their substance, and compound instruments are not split into equity and liability components — IAS 32.18/23
- disclosures relating to discontinuing operations may begin later — IAS 35.16
- segment reporting does not use the primary/secondary basis; and it reports net assets rather than assets and liabilities separately — IAS 14.26/55/56
- cash flow statements reconcile to a narrowly defined "cash" rather than to "cash and cash equivalents" — IAS 7.45
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity is not recognized in income. — IAS 21.37

In certain enterprises, these other issues could lead to differences from IAS:

- somewhat different criteria are used to determine whether a business combination is a uniting of interest — IAS 22.8

- the financial statements of a hyperinflationary subsidiary can be remeasured using a stable currency as the measurement currency IAS 21.36
- lessors recognize finance lease income on the basis of the net cash investment not the net investment IAS 17.30
- segment reporting can be avoided if the directors consider that it would be seriously prejudicial. IAS 14.3

Israel

Israeli requirements are based on accounting standards issued by the Institute of Certified Public Accountants in Israel and the Israel Accounting Standards Board ("IASB"). In the past, the Institute of Certified Public Accountants in Israel was the body that established accounting standards. In recent years, this role has been assumed by the "IASB". In addition, the Israel Securities Law and Regulations include some guidance pertaining to specific reporting and disclosure requirements. Financial statements are inflation-adjusted based on changes in the Israeli consumer price index.

There are no specific Israeli rules requiring disclosures of:

– discontinuing operations	IAS 35
– segment reporting.	IAS 14

There are inconsistencies between Israeli and IAS rules that may lead to differences in certain areas. Under Israeli rules:

– the uniting of interests method can be used to account for a business combination even when an acquirer can be identified	IAS 22.8
– provisions in the context of business combinations accounted for as acquisitions might be made more extensively	IAS 22.31
– negative goodwill is first deducted from acquired intangible assets and then from other non-monetary assets, and the remaining balance is to be amortized over approximately 10 years	IAS 22.59/63
– provisions are not required to be discounted	IAS 37.45
– proposed dividends are accrued when declared after the balance sheet date	IAS 10.11
– compound instruments are not split into equity and liability components	IAS 32.23
– the calculation of basic earnings per share includes options and convertible debt if conversion is probable	IAS 33.20
– financial statements are inflation adjusted based on changes in the Israeli consumer price index although Israel would no longer be considered to be a hyper-inflationary economy according to IAS criteria.	IAS 29.3

In certain enterprises, these other issues could lead to differences from IAS, because there are no specific Israeli standards on:

– annual impairment tests for intangible assets with depreciable lives in excess of 20 years	IAS 38.99
– the recognition of operating lease payments or lease incentives	IAS 17.25, SIC 15
– accounting for employee benefits of types that are not generally found in Israel.	IAS 19.52

Italy

Italian requirements are mainly based on the Civil Code, the legislative decree of 1991, the principles of the Commissione per la Statuizione dei Principi Contabili, and the regulations of CONSOB.

Italian accounting may differ from that required by IAS because of the absence of specific Italian rules in the following areas:

– impairment of assets, especially as the law refers to permanent diminution in value	IAS 36
– accounting for leases	IAS 17; SIC 15
– the calculation of employee benefit obligations	IAS 19.64/78/83/93/96
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– a cash flow statement	IAS 7
– the fair values of financial assets and liabilities	IAS 32.77
– discontinuing operations	IAS 35
– earnings per share (disclosures are recommended but not required).	IAS 33

There are inconsistencies between Italian and IAS rules that could lead to differences for many enterprises in certain areas. Under Italian rules:

– certain dissimilar subsidiaries may be excluded from consolidation	IAS 27.14
– for investments in publicly traded companies, the presumption of significant influence begins with a holding of 10 per cent of voting equity	IAS 28.4
– certain business combinations (in particular those carried out through exchange of shares) can be accounted for as unitings of interest even when an acquirer can be identified	IAS 22.8
– provisions in the context of a business combination accounted for as an acquisition can be more extensive	IAS 22.31
– on acquisition, restatement of assets and liabilities acquired to fair value is limited to the amount of the first consolidation difference (i.e. the gross goodwill before the allocation exercise); it is thus not possible to create or increase negative goodwill	IAS 22.41

– gains on the translation of long-term monetary balances should be deferred until settlement	IAS 21.15
– exchange losses on liabilities related to assets can be capitalized beyond the conditions in IAS	SIC 11
– deferred costs such as advertising costs related to a new business or product and certain start-up costs (incorporation costs) can be capitalized	IAS 38.57
– fixed assets have been revalued in the past as a result of specific laws but these revaluations are not kept up-to-date	IAS 16.29
– the completed contract method can be used for the recognition of revenues on construction contracts and services	IAS 11.22; IAS 18.4
– provisions can be created when an obligation does not meet such definition criteria at the balance sheet date, and provisions do not need to be discounted	IAS 37.14/45
– deferred tax liabilities are not recognized when the likelihood of payment is remote	IAS 12.15
– an issuer's financial instruments are accounted for on the basis of their legal form, and compound instruments are not split into equity and liability components	IAS 32.18/23
– own (treasury) shares are treated as assets. Gains or losses on disposal are included in income	SIC 16
– extraordinary items are defined more widely	IAS 8.6/12
– the acquisition date of a subsidiary may be identified at the beginning or at the end of the year of acquisition instead of at the date of the acquisition of the control.	IAS 22.19

In certain enterprises, these other issues could lead to differences from IAS:

– under some conditions, goodwill arising on consolidation can be set off against equity	IAS 22.40
– negative goodwill should be first allocated against reductions in acquired non-monetary assets; any further unallocated portion that does not relate to expected future losses should be recorded in the equity	IAS 22.59
– it is possible to base deferred tax calculations on timing differences rather than temporary differences, as long as there are adequate disclosures	IAS 12.15
– segment reporting may, in practice, be incomplete	IAS 14
– some government grants of 1997 or earlier were partly recognized as equity.	IAS 20.12

Japan

Japanese requirements are based on the Commercial Code, the standards of the Business Accounting Deliberation Council and statements of the Japanese Institute of Certified Public Accountants. Exceptionally, and because March year ends are the most common in Japan, this analysis is prepared based on Japanese standards which will be in force for accounting periods ending on 31 March 2001.

Japanese accounting may differ from that required by IAS because of the absence of specific Japanese rules in the following areas:

– the classification of business combinations as acquisitions or unitings of interest	IAS 22.8
– the setting up of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– impairment of assets	IAS 36
– accounting for employee benefits other than severance indemnities.	IAS 19

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– discontinuing operations	IAS 35
– segment reporting of liabilities.	IAS 14.56

There are inconsistencies between Japanese and IAS rules that could lead to differences for many enterprises in certain areas. Under Japanese rules:

– under a temporary regulation, land can be revalued, but the revaluation does not need to be kept up to date	IAS 16.29
– leases, except those which transfer ownership to the lessee, are treated as operating leases	IAS 17.12/28
– inventories can generally be valued at cost rather than at the lower of cost and net realizable value	IAS 2.6
– the completed contract method can be used for the recognition of revenues on construction contracts	IAS 11.22
– provisions can be made on the basis of decisions by directors before an obligation arises	IAS 37.14
– provisions do not need to be discounted	IAS 37.45
– proposed dividends can be accrued in consolidated financial statements	IAS 10.11

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

- the discount rate for employee benefit obligations can be adjusted to take account of fluctuations within the previous five years — IAS 19.78
- any past service cost of employee benefits is spread of the average service lives of active employees even if the cost is vested — IAS 19.96
- the portion of a convertible debenture that is in substance equity is not normally accounted for as such — IAS 32.23
- extraordinary items are defined more widely — IAS 8.6/12
- segment reporting does not use the primary/secondary basis. — IAS 14.26

In certain enterprises, these other issues could lead to differences from IAS:

- it is acceptable that overseas subsidiaries apply different accounting policies if they are appropriate under the requirements of the country of those subsidiaries — IAS 27.21
- it is possible, though unusual, for dissimilar subsidiaries to be excluded from consolidation if the consolidation of such subsidiaries would mislead stakeholders — IAS 27.14
- associates should not be accounted for by the equity method when this would significantly mislead interested persons, and there is no guidance on when this might apply — IAS 28.8
- there are no requirements concerning the translation of the financial statements of hyperinflationary subsidiaries — IAS 21.36
- pre-operating costs can be capitalized — IAS 38.57
- there are no requirements concerning the recognition of lease incentives. — SIC 15

Korea, Republic of

Korean requirements are based on the standards issued by the Financial Supervisory Commission (replaced from July 2000 by the Korea Accounting Standards Board).

Korean accounting may differ from that required by IAS because of the absence of specific Korean rules in the following areas:

- the determination of value in use as part of the measurement of impairment losses — IAS 36.5
- the treatment of lease incentives — SIC 15
- accounting for defined benefit employee obligations. — IAS 19.52

There are no specific rules requiring disclosures of:

- the fair value of financial assets and liabilities — IAS 32.77
- segment liabilities. — IAS 14.56

There are inconsistencies between Korean and IAS rules that could lead to differences for many enterprises in certain areas. Under Korean rules:

- legal fees and other costs related to establishing a new company can be capitalized — IAS 38.57
- revaluations of tangible fixed assets have been made in the past but are not kept up-to-date — IAS 16.29
- provisions can be set up on the basis of decisions by directors without there being an obligation — IAS 37.14
- provisions do not need to be discounted — IAS 37.45
- proposed dividends are accrued as liabilities — IAS 10.11
- an issuer's financial instruments are accounted for following their legal form rather than on the basis of whether they are in substance liabilities; compound instruments are not split on this basis — IAS 32.18/23
- disclosures about discontinuing operations may begin later. — IAS 35.16

In certain enterprises, these other issues could lead to differences from IAS:

- the IAS treatment for the translation of hyperinflationary subsidiaries is not allowed — IAS 21.36
- the acquisition date of a subsidiary may be identified as the beginning or the end of the year of acquisition instead of as the date of the acquisition of control — IAS 22.19
- there are no rules addressing the consolidation of special purpose entities. — SIC 12

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Luxembourg

The requirements in Luxembourg are based on the Commercial Company Law as amended to incorporate EU Directives. The Luxembourg accounting law is similar to the 4th and 7th EU Directives, which means that it is not highly detailed and several options in terms of recognition or disclosure of certain items are available. Consequently, accounting practices may lead a Luxembourg company to further inconsistencies from IAS than those listed below.

Luxembourg accounting may differ from that required by IAS because of the absence of specific Luxembourg rules in the following areas:

– currency translation of monetary balances	IAS 21.11
– impairment of assets	IAS 36
– accounting for leases	IAS 17
– accounting for employee benefit obligations	IAS 19
– accounting for deferred tax	IAS 12
– accounting for an issuer's financial instruments	IAS 32.18/23
– impairment tests for goodwill and intangibles with depreciable lives in excess of twenty years	IAS 22.56; IAS 38.99
– discounting of provisions	IAS 37.45
– the translation of the financial statements of hyperinflationary subsidiaries	IAS 21.36
– recognition of internally generated intangibles	IAS 38.51
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– a cash flow statement	IAS 7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– fair values of financial assets and liabilities	IAS 32.77
– discontinuing operations	IAS 35
– segment reporting	IAS 14
– earnings per share.	IAS 33

There are inconsistencies between Luxembourg and IAS rules that could lead to differences for many enterprises in certain areas. Under Luxembourg rules:

– certain dissimilar subsidiaries may be excluded from consolidation	IAS 27.14

- certain business combinations can be accounted for as unitings of interest even when an acquirer can be identified — IAS 22.8
- provisions in the context of a business combination can be made under less strict condition — IAS 22.31
- formation expenses, such as pre-operating costs, training costs and advertising costs, can be capitalized — IAS 38.57
- goodwill may be immediately deducted from equity — IAS 22.40
- the completed contract method can be used for the recognition of revenues on construction contracts — IAS 11.22
- provisions may be recognized in advance of what would occur under IAS, and more widely — IAS 37.14
- own (treasury) shares are shown as assets, and gains and losses on disposal are recognized in income — SIC 16
- extraordinary items are defined more widely — IAS 8.6/12
- research costs can be capitalized — IAS 38.42
- an issuer's financial instruments are accounted for following their legal form and may not be classified on the basis of whether they are in substance liabilities; compound instruments are not split on this basis. — IAS 32.18/23

Malaysia

Malaysian requirements are based on the Companies Act 1965 and on the standards of the Malaysian Accounting Standards Board. The Malaysian Accounting Standards Board uses IASs as the basis for developing accounting standards.

Malaysian accounting may differ from that required by IAS because of the absence of specific Malaysian rules in the following areas:

– the treatment of intangible assets	IAS 38.51/56
– impairment of assets other than property, plant and equipment	IAS 36
– provisions	IAS 37
– provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– uniting of interests	IAS 22.8
– the treatment of goodwill	IAS 22.41
– employee benefits other than pensions	IAS 19.52
– an issuer's financial instruments are accounted for following their legal form and may not be classified on the basis of whether they are in substance liabilities; compound instruments are not split on this basis	IAS 32.18/23
– translation of financial statements of hyperinflationary subsidiaries	IAS 21.36
– the consolidation of special purpose entities	SIC 12
– the treatment of government grants.	IAS 20

There are no specific rules requiring disclosures of:

– secondary as well as primary segments	IAS 14.26
– segment liabilities	IAS 14.56
– fair values of financial assets and liabilities	IAS 32.77
– discontinuing operations.	IAS 35

There are inconsistencies between Malaysian and IAS rules that could lead to differences for many enterprises in certain areas. Under Malaysian rules:

– deferred tax is calculated on the basis of timing differences rather than temporary differences, and partial allocation (on the basis of likelihood of crystallization of assets and liabilities) is allowed	IAS 12.5/15

– deferred tax assets on loss carryforwards are generally not recognized, but disclosed IAS 12.34

– employee benefit obligations are not required to use the projected unit credit method, to use the current interest rate to determine the discount rate, or to take account of expected future salary increases IAS 19.64/78/83

– proposed dividends are accrued as liabilities IAS 10.11

– in respect of financial statements covering accounting periods commencing before 1 July 2001, exchange differences on long-term monetary items can be deferred. IAS 21.15

Mexico

Mexican requirements are based on the standards issued by the Mexican Institute of Public Accountants, Bulletin A-8 of which requires that IAS must be followed on a supplementary basis when Mexican requirements are silent.

There are inconsistencies between Mexican and IAS rules that could lead to differences for many enterprises in certain areas. Under Mexican rules:

- the definition of an associate is based on a threshold of an investment of 10 per cent of voting shares — IAS 28.4
- pre-operating and set-up costs can be capitalized — IAS 38.57
- for the calculation of impairment, assets for sale are valued at net selling price and assets for continued use are valued at value in use — IAS 36.5
- the recognition of deferred employee profit sharing on a timing difference (not temporary difference) basis and only when there is reasonable certainty that a receivable or payable will be generated in the foreseeable future — IAS 12.15
- the past service costs of employee benefit obligations are amortized over remaining service periods, even if vested — IAS 19.96
- a statement of changes in financial position is required instead of a statement of cash flows — IAS 7
- restatement for inflation is mandatory, irrespective of the inflation rate (IAS 29)
- companies can follow either the general price level method or that method combined with the current cost method for restatement for inflation, and if the current cost method is followed, the results of holding non-monetary assets (difference between indexed cost and current cost) is recorded in equity. — IAS 29

In certain enterprises, these other issues could lead to differences from IAS:

- exchange differences arising (a) on a foreign currency denominated liability accounted for as a hedge of an enterprise’s net investment in a foreign entity, and (b) translating the financial statements of a foreign entity, are not recognized in income on disposal — IAS 21.19/37
- negative goodwill is shown as a deferred credit and amortized over a period of up to five years — IAS 22.61/62/64

- discount rates for employee benefit calculations are not clearly specified, and rates net of inflation are used — IAS 19.78
- the creation of provisions in the context of business combinations accounted for as acquisitions could be more extensive. — IAS 22.31

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Morocco

Moroccan requirements are based on Law No. 9-88 and on the standards and regulations of the Ministry of Finance and the CNC (National Accounting Standards Board).

In one key area, the absence of Moroccan rules leads to important differences from IAS:

– there are no requirements to prepare consolidated financial statements.	IAS 22; IAS 27-28; IAS 31

Moroccan accounting may differ from that required by IAS because of the absence of specific Moroccan rules in the following areas:

– the recognition of lease incentives	SIC 15
– there is no requirement to use the percentage of completion method for the recognition of contract revenues	IAS 11.22
– the discounting of provisions	IAS 37.45
– accounting for employee benefit obligations	IAS 19
– an issuer's financial instruments are not required to be classified on the basis of whether they are in substance liabilities, and compound instruments are not split on this basis	IAS 32.18/23
– the definition of extraordinary items	IAS 8.6/12
– the calculation of basic and diluted earnings per share	IAS 33
– the absence of definition of the term "recoverable amount" leads to reference to selling price rather than recoverable amount	IAS 36.5
– recognition of deferred tax assets and deferred tax liabilities is not required.	IAS 12.15/24

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– contingent liabilities	IAS 37.86
– the fair values of financial assets and liabilities	IAS 32.77
– related party transactions, although certain disclosures are made in the directors' report	IAS 24
– discontinuing operations	IAS 35
– segment reporting.	IAS 14

There are inconsistencies between Moroccan and IAS rules that could lead to differences for many enterprises in certain areas. Under Moroccan rules:

- gains on foreign currency monetary items are not taken to income until settlement — IAS 21.15
- foreign exchange losses resulting from severe currency devaluation can be capitalized without the SIC limitations — SIC 11
- internally generated brands and certain other intangible items (such as pre-operating costs and advertising costs) can be capitalized — IAS 38.51/56
- the revaluation of assets does not have to be kept up-to-date — IAS 16.29
- the capitalization of leases is not allowed — IAS 17
- operating lease payments are recognized in accordance with legal arrangements rather than on a straight line basis — IAS 17.25
- provisions may be set up under less strict requirements — IAS 37.14
- own (treasury) shares are recorded as assets, and gains and losses relating to them are taken to income. — SIC 16

In certain enterprises, these other issues could lead to differences from IAS:

- research costs can be capitalized under certain conditions — IAS 38.42
- government grants relating to assets are recognized as equity. — IAS 20.12

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Netherlands

Dutch accounting requirements can be found in the Civil Code as amended by EU Directives and in Guidelines of the Council for Annual Reporting. Although the guidelines are not mandatory, they should not be departed from without good reason. However, departure is required if application of the requirements does not provide a true and fair view of the state of affairs and results of the enterprise. In such rare cases, departures from Dutch GAAP may lead a Dutch company to other inconsistencies from IAS than those listed below.

Dutch accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

- the impairment of goodwill and intangibles with lives of over 20 years — IAS 22.56; IAS 38.99
- the creation of provisions in the context of acquisition accounting, so that there is more flexibility about the timing of the recognition of costs than allowed by IAS — IAS 22.31
- in accounting for employee benefits, there is no requirement to use the projected unit credit method or to take account of future salary increases for employee benefits; also, a regulatory discount rate may be used — IAS 19.64/83/78
- the measurement of actuarial gains and losses and past service cost — IAS 19.92/93/96
- the consolidation of special purpose entities. — SIC 12

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- discontinuing operations. — IAS 35

There are inconsistencies between Dutch and IAS rules that could lead to differences for many enterprises in certain areas:

- instead of being capitalized, goodwill can also be deducted immediately from equity or expensed in the year of acquisition — IAS 22.40
- impairments are recognized for permanent diminutions only — IAS 36.58
- certain provisions, (for example maintenance) can be made where there is no obligation and provisions are shown at face value, not discounted — IAS 37.14/45
- proposed dividends are accrued even if they are not declared at the balance sheet date — IAS 10.11
- there is a broader definition of extraordinary items. — IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

- inventories can be valued at fair value or under the base stock system — IAS 2.6
- exclusion of certain subsidiaries with dissimilar activities from consolidation — IAS 27.13/14
- the lack of splitting of compound instruments into equity and liability components — IAS 32.23
- research costs and some other internally generated intangibles can be capitalized under certain conditions — IAS 38.42/51
- tangible fixed assets can be held at an out-of-date fair value, and gains and losses on their sale can be calculated by reference to an amount other than carrying value — IAS 16.29.56
- the capitalization of finance leases is not required — IAS 17.12
- discounting of deferred tax provisions is allowed — IAS 12.53
- segment reporting can be avoided if the directors consider that it would be seriously prejudicial and they get approval from the Minister of Economic Affairs not to disclose this information — IAS 14
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity need not be recognized in income. — IAS 21.37

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

New Zealand

New Zealand requirements are based on the Financial Reporting Act 1993 and accounting standards issued by the Institute of Chartered Accountants of New Zealand.

New Zealand accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

- the recognition and measurement of intangible assets other than goodwill — IAS 38
- the recognition and measurement of provisions — IAS 37
- accounting for employee benefits, but defined contribution schemes are predominant — IAS 19
- the treatment of dividends proposed after the balance sheet date. — IAS 10

There are no specific rules requiring disclosures of:

- segment liabilities — IAS 14.56
- earnings per share. — IAS 33

There are inconsistencies between New Zealand and IAS rules that could lead to differences for many enterprises in certain areas. Under New Zealand rules:

- impairments are recognized for permanent diminutions only — IAS 36.58
- in the context of a business combination accounted for as an acquisition, provisions may be created more extensively than under the IAS — IAS 22.31
- deferred tax is calculated on timing differences rather than on temporary differences, and a partial basis can be used — IAS 12.15
- a primary/secondary split is not used for segment reporting — IAS 14.26
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity is not recognized in income — IAS 21.37
- it is not necessary to discount the cash flows when calculating recoverable amount for impairment losses. — IAS 36.5

In certain enterprises, these other issues could lead to differences from IAS:

- certain controlled (in substance) subsidiaries need not be consolidated in limited circumstances if they do not meet the legal definition, however they must be equity accounted if not consolidated — IAS 27.11

- it is possible for revaluations of tangible fixed assets to be different from fair value because revaluations are required only once every three years IAS 16.29
- lessors are allowed to recognize finance lease income by reference to the net cash investment IAS 17.30
- disclosures concerning a discontinuing operation might begin later IAS 35.27
- there are not specific rules on the translation of the financial statements of hyperinflationary subsidiaries IAS 21.36
- negative goodwill is eliminated by proportionately writing down the carrying value of non-monetary assets IAS 22.59
- it is possible that internally generated brands and similar intangible assets could be capitalized. IAS 38.51

Norway

Norwegian accounting is regulated by the Accounting Act incorporating the EU Directives, the accounting standards of the Norsk RegnskapsStiftelse and statements from the Oslo Stock Exchange. The following may not apply to small companies for which there are separate accounting rules.

Norwegian accounting may differ from that required by IAS because of the absence of specific Norwegian rules in the following areas:

– accounting for employee benefits other than pensions	IAS 19
– a primary statement of changes in equity	IAS 1.7
– disclosure of the financial impact of any departure from a standard	IAS 1.13
– impairment tests when goodwill or intangible assets have depreciable lives of more than twenty years.	IAS 38.99; IAS 22.56

There are inconsistencies between Norwegian and IAS rules that could lead to differences for many enterprises in certain areas. Under Norwegian rules:

– impairments of tangible and intangible assets are recognized for permanent diminutions only; the impairment test refers to undiscounted cash flows, and the impairment loss is measured by reference to market value if this can be observed in a liquid market	IAS 36.58
– there is a requirement to accrue for proposed dividends as of balance sheet date although they are not yet declared.	IAS 10.11

In certain enterprises, these other issues could lead to differences from IAS:

– fewer restrictions on the creation of provisions in acquisition accounting	IAS 22.31
– certain dissimilar subsidiaries may be excluded from consolidation in rare circumstances	IAS 27.13/14
– certain provisions can be made where there is no obligation	IAS 37.14
– research costs may be capitalized although this is rare. Other internally generated intangible assets should be recognized when the criteria are met	IAS 38.42/51
– recognition of past service cost when pension benefits are vested does not have to be immediate	IAS 19.96

– deferred tax liabilities/assets in the shipping industry should be discounted and those identified in acquisitions may be discounted IAS 12.53

– when accounting for business combinations under the pooling method, two operational criteria must be met, the so-called size-and-time criterion. IAS 22.8

Pakistan

Pakistan requirements are based on the Companies Ordinance 1984, regulations issued by the Securities and Exchange Commission of Pakistan (SECP) and those International Accounting Standards (IASs) adopted by the SECP for listed companies only.

Pakistan accounting may differ from that required by IAS because of the absence of specific Pakistan rules in the following areas:

– business combinations	IAS 22
– financial reporting in hyperinflationary economies	IAS 29
– impairment of assets	IAS 36
– provisions and contingent liabilities and contingent assets	IAS 37
– intangible assets.	IAS 38

There are no specific rules requiring disclosure of:

– discontinuing operations.	IAS 35

There are inconsistencies between Pakistan and IAS rules that could lead to differences for many enterprises in certain areas. Under Pakistan rules:

– proposed dividends are accrued as liabilities at the balance sheet date	IAS 10.11
– except when realized on disposal, a surplus arising on the revaluation of fixed assets can neither be recognized as income nor shown as part of equity; it is shown after capital and reserves as a non-current liability	IAS 16.37
– exchange gains and losses on foreign currency borrowings related to assets may be deducted or added to the cost of the relevant asset	IAS 21.15
– shares with liability features are not accounted for as liabilities	IAS 32.18
– deferred taxes are not accounted for based on the current IAS 12; for example, deferred tax is calculated on the basis of timing differences rather than temporary differences and partial allocation is allowed, and deferred tax assets on loss carry forwards are generally not recognized, but disclosed.	IAS 12.5/12/34

In certain enterprises, these other issues could lead to differences from IAS:

– a subsidiary is defined on the basis of legal criteria not effective control	IAS 27.6
– an entity is presumed as an associate when there is a common directorship (regardless of ownership percentage).	IAS 28.3/4

Peru

Due to the amendment of the General Corporations Law, companies are obliged to carry their books following International Accounting Standards that have been approved by the Peruvian Accounting Standards Board (a government entity). However, the National Regulatory Bodies for Securities can issue accounting rules or modify the existing ones.

Peruvian accounting may differ from that required by IAS because of the absence of specific Peruvian rules in the following areas:

– intangible assets, except for research and development costs	IAS 38
– impairment of assets	IAS 36
– the consolidation of special purpose entities.	SIC 12

There are inconsistencies between Peruvian and IAS rules that could lead to differences for many enterprises in certain areas. Under Peruvian rules:

– assets are adjusted for inflation and sometimes revalued to fair value, determined by independent appraisers, but the fair value is not always kept up to date	IAS 16.29
– segment reporting is not based on a primary/secondary split.	IAS 14.26

In certain enterprises, these other issues could lead to differences from IAS:

– a lack of detailed regulation on the setting up of provisions in the context of a business combination treated as an acquisition	IAS 22.31
– a lack of detailed regulation allows pre-operating and set-up costs to be capitalized	IAS 38.57
– employee benefit accounting, although companies generally have no employee benefit plans.	IAS 19

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Philippines

Philippine requirements are based on the Statements of Financial Accounting Standards of the Accounting Standards Council as approved by the Professional Regulation Commission and the Rules and Regulations Covering Form and Content of Financial Statements of the Securities and Exchange Commission.

Philippine accounting may differ from that required by IAS because of the absence of specific Philippine rules in the following areas:

– the setting up of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– impairment of assets	IAS 36
– the treatment of research and development costs	IAS 38.42/45
– accounting for leases	IAS 17
– accounting for employee benefits other than pensions	IAS 19.52
– the discounting of provisions	IAS 37.45
– accounting for an issuer's financial instruments	IAS 32.18/23
– the requirement for annual impairment tests when the depreciable lives of goodwill or intangible assets exceed twenty years.	IAS 22.56; IAS 38.99

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– the fair value of financial assets and liabilities	IAS 32.77
– segment reporting.	IAS 14

There are inconsistencies between Philippine and IAS rules that could lead to differences for many enterprises in certain areas. Under Philippine rules:

– some business combinations are accounted for as unitings of interest even though an acquirer can be identified	IAS 22.8
– an excess of fair value of identifiable net assets acquired over the cost of an acquisition should be used to reduce the fair values of the non-monetary assets with only any remainder being recognized as negative goodwill	IAS 22.59
– foreign exchange gains or losses on long-term monetary items may be deferred until settlement, and losses related to assets can be capitalized	IAS 21.15; SIC 11

- pre-operating costs, set-up costs and legal costs of a new company can be capitalized IAS 38.57
- tangible fixed assets can be revalued but do not need to be continually kept up-to-date IAS 16
- inventories can be valued at below cost or net realizable value IAS 2.6
- provisions are set up on the basis of probability of outflows of resources rather than there needing to be an obligation IAS 37.14
- pensions obligation calculations can use a choice of actuarial methods, and generally use a long-run discount rate IAS 19.64/78
- past service costs must be amortized even if they are vested. IAS 19.96

Poland

Polish requirements are based on the Commercial Code, the Law on Accounting and decree on consolidation rules. The format of the financial statements and disclosure for public companies are regulated by the Polish Securities and Exchange Commission.

Polish accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– impairment tests on intangible assets with depreciable lives in excess of twenty years	IAS 38.99
– recognition of operating lease payments, and of lease incentives	IAS 17.25; SIC 15
– recognition by lessors of finance lease income	IAS 17.30
– recognition of profit on construction contracts	IAS 11.22
– discounting of provisions, which is normally not the practice	IAS 37.45
– accounting for employee benefits other than defined contribution plans	IAS 19
– financial reporting in a hyperinflationary economy	IAS 29
– the classification of business combinations as acquisitions or unitings of interest	IAS 22
– provisions in the context of a business combination accounted for as an acquisition	IAS 22.31
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– the FIFO or current cost of inventory when LIFO is used	IAS 2.36
– fair value of financial assets and liabilities	IAS 32.77
– segmental reporting, except for some details on sales, segment reporting can be avoided if the directors consider that it would be seriously prejudicial	IAS 14
– a primary statement of changes in equity for non-public companies.	IAS 1.7

There are inconsistencies between Polish and IAS rules that could lead to differences for many enterprises in certain areas. Under Polish rules:

– on disposal of a foreign entity the cumulative amount of deferred exchange differences in equity is not recognized in income	IAS 21.37
– impairment losses are based on permanent diminution and by reference to net selling price	IAS 36.58

– formation and start-up costs can be capitalized	IAS 38.56
– goodwill is calculated by reference to book value	IAS 22.40
– the depreciable life of goodwill/negative goodwill on consolidation must not exceed five years	IAS 22.42
– presentation of the negative goodwill as a deferred credit	IAS 22.64
– revaluations occur from time to time in accordance with Ministry of Finance decrees, but are not kept up-to-date	IAS 16.29
– investments denominated in foreign currencies are translated at the lower of closing and historical rates, so that gains are deferred	IAS 21.11/15
– the net gain (surplus of gains over losses) on translation of the payables and receivables denominated in the same foreign currency is deferred	IAS 21.15
– leases are classified in terms of the tax law, therefore leases are seldom recognized as finance leases	IAS 17.3
– deferred tax accounting can be based on timing differences rather than on temporary differences	IAS 12.15
– deferred tax assets need not be recognized	IAS 12.34
– an issuer's financial instruments are classified following their legal form, and may not be classified on the basis of whether they are in substance liabilities, and compound instruments are not split on this basis	IAS 32.18/23
– extraordinary items are defined more broadly	IAS 8.6/12
– several of the aspects of the calculation of earnings per share differ.	IAS 33.10/11/20

In certain enterprises, these other issues could lead to differences from IAS:

– dissimilar and small subsidiaries may be excluded from financial statements	IAS 27.13/14
– some small groups are exempted from preparing consolidated reports	IAS 27.11
– certain research costs can be capitalized	IAS 38.42
– extra provisions might be established	IAS 37.14
– own (treasury) shares are shown as assets, and gains and losses are recorded as income	SIC 16
– disclosures relating to discontinuing operations are less extensive and may begin at a different time	IAS 35.16/27
– there are no specific rules concerning the translation of the financial statements of hyperinflationary subsidiaries.	IAS 21.36

Portugal

Portuguese accounting requirements are mainly set out in the accounting plan (POC) approved in 1989 and 1991, supplemented by the accounting directives and technical interpretations issued by the commission for accounting standardisation (CNC). The accounting directives include a formal reference to the use of IAS for areas not yet dealt with by the above national requirements. However this reference to the use of IAS is not always followed.

Portuguese accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– events after the balance sheet date	IAS 10
– internally generated intangible assets	IAS 38.51
– recognition of operating lease payments and lease incentives	IAS 17.25; SIC 15
– accounting by lessors for finance leases	IAS 17.30
– recognition and measurement of provisions	IAS 37
– the treatment of deferred tax	IAS 12
– translation of the financial statements of foreign operations	IAS 21.36
– the consolidation of special purpose entities.	SIC 12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– fair value of financial assets and liabilities	IAS 32.77
– related party transactions	IAS 24.22
– discontinuing operations	IAS 35
– segment reporting, other than sales	IAS 14
– cash flow statements, except for listed companies.	IAS 7

There are inconsistencies between Portuguese and IAS rules that could lead to differences for many enterprises in certain areas. Under Portuguese rules:

– dissimilar subsidiaries are excluded from consolidation	IAS 27.14
– provisions in the context of business combinations treated as acquisitions can be set up more extensively than under IAS	IAS 22.31
– gains on foreign currency medium and long-term liabilities are deferred until settlement if those gains are expected to reverse in the future	IAS 21.15

– foreign currency losses can be included in the carrying amount of related assets in cases other than those allowed by SIC 11	IAS 21.21
– impairment tests are not generally carried out except for cases of large impairments expected to be permanent	IAS 36.8/58
– most revaluations of property, plant and equipment (legally based on price indexes) are not generally at fair value and are not kept up to date	IAS 16.29
– issuer's financial instruments are generally recognized on the basis of legal form rather than substance; compound instruments are not split into liability and equity components	IAS 32.18/23
– extraordinary items are defined more broadly than under IAS.	IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

– research costs can be capitalized	IAS 38.42
– start-up costs can be capitalized	IAS 38.57
– intangible assets are usually amortized over 5 or 6 years on a tax and legal basis rather than over their useful lives	IAS 38.79
– costs and revenues on construction contracts when they can be measured reliably do not need to be recognized by stage of completion	IAS 11.22
– earnings per share computation aggregates (net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares) are not subject to detailed guidance.	IAS 33.11/20

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Russian Federation

The Russian requirements for commercial non-banking companies are based on the Civil Code, Law on Accounting, some other laws, and incorporate accounting regulations and standards of the Ministry of Finance of the Russian Federation. Although Russian requirements are mandatory, the Law on Accounting allows departures from them when a fair presentation cannot be achieved through their application. In addition, whilst a number of requirements pronounced formally follow IAS, their application and interpretation may be different. These and other circumstances may result in departures from the Russian requirements and consequently further inconsistencies with IAS from those outlined below.

Russian accounting may differ from that required by IAS because of the absence of specific Russian rules in the following areas:

– the classification of business combinations between acquisitions and unitings of interest	IAS 22.8
– provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– the restatement of financial statements of a company reporting in the currency of a hyperinflationary economy in terms of the measuring unit current at the balance sheet date	IAS 29.8
– the translation of the financial statements of hyperinflationary subsidiaries	IAS 21.36
– impairment of assets	IAS 36
– the recognition of operating lease incentives	IAS 17.25; SIC 15
– accounting for defined benefit pension plans and some other types of employee benefits	IAS 19.52
– accounting for deferred tax	IAS 12
– accounting for an issuer's financial instruments	IAS 32.18/23
– the treatment of exchange differences resulting from severe devaluation or depreciation of a currency	IAS 21.21; SIC 11
– the notion and definition of cash equivalents	IAS 7.6-9
and detailed guidance on the preparation of cash flow statements	IAS 7
– consolidation of special purpose entities	SIC 12
– recognition of a decline, other than temporary, in the carrying amount of long-term investments, other than marketable equity securities.	IAS 25.23

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– a primary statement of cash flows	IAS 7

- the FIFO or current cost of inventories valued on the LIFO basis — IAS 2.36
- the fair value of financial assets and liabilities — IAS 32.77
- related parties information except by certain reporting companies with specific legal form (joint stock companies); fellow subsidiaries under common control do not qualify for consideration as related parties — IAS 24.1-4
- discontinuing operations — IAS 35
- certain segment information (e.g. a reconciliation between the information by reportable segment and the aggregated information in financial statements, significant non-cash expenses, other than depreciation and amortization, that were included in segment expense and, therefore, deducted in measuring segment result – for each reportable segment). — IAS 14.61/67

There are inconsistencies between Russian and IAS rules that could lead to differences for many enterprises in certain areas. Under Russian rules:

- research costs can be capitalized — IAS 38.42/51
- goodwill is calculated by reference to the book values of acquired net assets — IAS 22.40
- proportionate consolidation may be used for subsidiaries in which the parent has 50 per cent or less of the voting power — IAS 27.15
- revaluation of property, plant and equipment is allowed but gives different results than IAS and need not be kept up-to-date — IAS 16.29
- the period of depreciation of property, plant and equipment is in a number of cases prescribed by government and is longer than the period over which an asset is expected to be used — IAS 16.6/41
- finance leases are generally defined in legal terms and capitalization is allowed but not required — IAS 17.3/12.28
- lessors recognize finance lease income differently — IAS 17.30
- the completed contract method can be used for the recognition of revenues on construction contracts when the outcome of a construction contract can be estimated reliably — IAS 11.22
- provisions can be established more widely or less widely than under IAS, and there is no requirement for discounting — IAS 37.14/45
- own (treasury) shares are shown as assets — SIC 16
- classification of cash flows between investing and financing activities in the cash flow statement may be different from IAS — IAS 7.6/16/17
- cash flow statements reconcile to cash rather than to cash and cash equivalents — IAS 7.45

– the correction of fundamental errors is included in the determination of the net profit or loss for the reporting period, but separate disclosure and pro-forma restated comparative information are not required	IAS 8.34/38
– revenue recognition rules do not differentiate between exchanges of goods of similar nature and value and exchanges of dissimilar goods, and do not discuss adjustment for the amount of cash or cash equivalents transferred in exchanges for dissimilar goods	IAS 18.12; IAS 16.21/22
– the definition of extraordinary items is broader.	IAS 8.6/12

In certain enterprises, these other issues could lead to differences from IAS:

– some parent companies do not prepare consolidated financial statements	IAS 27.7/11
– in the definition of control, the ability to govern decision-making is not required to be accompanied by the objective of obtaining benefits from the entity's activities	IAS 27.6
– investments in certain securities held for the short term are not required to be carried at the lower of cost and market value or at market value	IAS 25.19/23
– certain subsidiaries may be excluded from consolidation beyond those referred to in IAS	IAS 27.13
– a subsidiary that is a bank may be excluded from consolidation if it is dissimilar from the rest of the group	IAS 27.14
– certain set-up costs that have been paid by a company's founder can be capitalized	IAS 38.57
– the realizable value of inventories can be measured without deduction of costs.	IAS 2.6

Saudi Arabia

Saudi requirements are based on governmental Regulations for Companies and on accounting standards issued by the Saudi Organization of Certified Public Accountants (SOCPA). At present, there are only a limited number of accounting standards issued by SOCPA and they, on their own, do not constitute a comprehensive basis for accounting.

SOCPA further stipulates that US GAAP should be adopted for those issues not covered by the SOCPA Standards but after taking into account the circumstances of the Company in the Kingdom of Saudi Arabia. The phrase "after taking into account the circumstances of the Kingdom of Saudi Arabia" is open to interpretation and as a result US GAAP is not fully adopted.

Saudi accounting may differ from that required by IAS because of the absence of specific Saudi rules in the following areas:

– annual impairment tests on goodwill with depreciable lives in excess of 20 years	IAS 22.56
– accounting for employee benefits	IAS 19
– accounting for deferred tax	IAS 12
– construction contracts	IAS 11
– property, plant and equipment	IAS 16
– lease accounting	IAS 17
– accounting for government grants	IAS 20
– the classification of business combinations into unitings of interest and acquisitions and the setting up of provisions in the context of acquisitions	IAS 22.8/31
– borrowing costs	IAS 23
– accounting for associates and joint ventures	IAS 28; IAS 31
– hyperinflation	IAS 29
– financial instruments	IAS 32
– impairment	IAS 36
– provisions	IAS 37
– intangible assets, except research and development	IAS 38
– the consolidation of special purpose entities.	SIC 12

There are no specific Saudi rules requiring disclosures of:

– segment reporting	IAS 14
– discontinuing operations.	IAS 35

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

In certain enterprises, this other issue could lead to differences from IAS:

– the translation of the financial statements of hyperinflationary subsidiaries would use the Riyal as the functional currency rather than adjusting the foreign statements for foreign inflation. IAS 21.36

Singapore

Singapore requirements are mainly based on the Companies Act and standards issued by the Institute of Certified Public Accountants of Singapore (ICPAS).

Singapore accounting may differ from that required by IAS because of the absence of specific Singapore rules in the following areas:

- impairment of assets, especially as the law refers to permanent diminution in value — IAS 36
- accounting for employee benefit obligations — IAS 19
- accounting for an issuer's financial instruments. — IAS 32.18/23

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities — IAS 32.77
- discontinuing operations. — IAS 35

There are inconsistencies between Singapore and IAS rules that could lead to differences for many enterprises in certain areas. Under Singapore rules:

- certain subsidiaries that are required to be excluded from consolidation under IAS cannot be excluded under Singapore rules — IAS 37.13
- foreign currency gains and losses on long-term monetary items can be deferred — IAS 21.15
- the completed contract method can be used for the recognition of revenues on construction contracts — IAS 11.22
- provisions in the context of a business combination accounted for as an acquisition can be more extensive — IAS 22.31
- income statements items of foreign subsidiaries can be translated at the closing rate — IAS 21.30
- preliminary expenses, marketing and training expenses and other internally generated intangibles may be capitalized — IAS 38.51/57
- goodwill can be immediately deducted from equity — IAS 22.40
- provisions may be created more widely, and are not required to be discounted — IAS 37.14/45
- extraordinary items are defined more widely — IAS 8.6/12
- proposed dividends are accrued as liabilities — IAS 10.11

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

– deferred tax is calculated on the basis of timing differences rather than temporary differences, and partial allocation (on the basis of likelihood of crystallization of assets and liabilities) is allowed IAS 12.5/15

– deferred tax assets on loss carry forwards are generally not recognized, but disclosed. IAS 12.34

In certain enterprises, these other issues could lead to differences from IAS:

– it is possible that certain business combinations could be treated as unitings of interest that would not meet the IAS criteria IAS 22.8

– there are no detailed rules on the capitalization of foreign exchange losses resulting from severe devaluation SIC 11

– there are no specific rules concerning the translation of the financial statements of hyperinflationary subsidiaries. IAS 21.36

South Africa

South African reporting requirements are based on Statements of Generally Accepted Accounting Practice ("GAAP") issued by the Accounting Practices Board of the South African Institute of Chartered Accountants, the disclosure requirements of Schedule 4 to the Companies Act and, where applicable, the Johannesburg Stock Exchange Listing Requirements. The Companies Act requires fair presentation and conformity with "generally accepted accounting practice" (the latter term is not defined). This lack of definition has resulted in a body of accounting practices which are uncodified, but are generally followed by companies. Disclosure of any departure from statements of GAAP is required; however it is considered unlikely that fair presentation would be achieved without compliance with statements of GAAP.

There are inconsistencies between South African and IAS rules that are likely to lead to differences for many enterprises.

- South African rules pertaining to employee benefits only consider pensions, and are different from IAS — IAS 19
- there are fewer indicators than under IAS that a lease may be a finance lease — IAS 17.3
- lessors can recognize finance lease income on the basis of the net cash investment — IAS 17.30
- dividends proposed after the balance sheet date before the financial statements are issued should be accrued. — IAS 10.11

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Spain

Spanish requirements are mainly based on the Code of Commerce, the General Accounting Plan, the Companies Act and on standards issued by the Official Institute of Accounting and Audit (ICAC). The methodology for valuation of post-retirement benefits is governed by the Insurance Regulatory Authority (DGS).

Spanish accounting may differ from that required by IAS because of the absence of specific Spanish rules in the following areas:

– the treatment of provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– annual calculations of impairment when intangible assets have depreciable lives in excess of 20 years	IAS 38.99
– the recognition of operating lease payments and of lease incentives	IAS 17.25; SIC 15
– accounting for leases by lessors	IAS 17
– the discounting of provisions.	IAS 37.45

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– the fair values of financial assets and liabilities	IAS 32.77
– related party transactions, except for certain transactions with related companies and directors	IAS 24.22
– discontinuing operations	IAS 35
– segment reporting	IAS 14
– cash flow statements	IAS 7
– earnings per share.	IAS 33

There are inconsistencies between Spanish and IAS rules that could lead to differences for many enterprises in certain areas. Under Spanish rules:

– the consolidation of special purpose entities	SIC 12
– certain dissimilar subsidiaries are excluded from consolidation	IAS 27.14
– in the case of holdings in a listed company, the presumption of significant influence (and therefore equity accounting) begins with a holding of 3% rather than 20% of the voting equity	IAS 28.4
– the classification of business combinations as acquisitions or unitings of interest is made on the basis of comparative fair values rather than on whether an acquirer can be identified	IAS 22.8

- gains on foreign currency balances (except highly liquid ones) are deferred until settlement — IAS 21.15
- impairment losses are only accounted for when they are expected to be permanent — IAS 36.58
- certain research costs, plant relocation costs and start-up costs can be capitalized — IAS 38.42/57; IAS 16.15
- the occasional revaluations of fixed assets according to government rules are not kept up to date — IAS 16.29
- part of the presentation of a finance lease by a lessee is to show the total anticipated interest expense as an asset, and to write this off over the lease term — IAS 17.12
- provisions may be recognized in advance of what would occur under IAS, and more widely — IAS 37.14
- the discount rate for the valuation of employee benefit obligations is based on the average yield on maturity matched assets (if any) or on government bond interest rates — IAS 19.78
- deferred tax accounting is based on timing differences rather than on temporary differences — IAS 12.15
- the recognition of deferred tax assets arising from reversals of differences expected beyond ten years is restricted to those that match reversals of deferred tax liabilities — IAS 12.39
- deferred tax assets are not recognized for unused tax credits (other than loss carryforwards) — IAS 12.34
- an issuer's financial instruments are generally accounted for on the basis of legal form, and compound instruments are not split into liability and equity components — IAS 32.18/23
- own (treasury) shares are shown as assets, except when acquired for cancellation; and gains and losses from the sale of those held as temporary assets go to income — SIC 16
- the definition of extraordinary items is wider than under IAS. — IAS 8.6

In certain enterprises, these other issues could lead to difference from IAS:

- the financial statements of hyperinflationary subsidiaries can be translated by treating a stable currency as the functional currency rather than by restatement for local inflation — IAS 21.36
- negative goodwill is treated differently. — IAS 22.59/64

Sweden

Swedish requirements are based on the Annual Accounts Act incorporating EU Directives, and on the accounting standards of the Redovisningsrådet (RR). In rare circumstances, an RR standard can be departed from if the departure is disclosed and adequately justified. Full adherence to the RR standards is not required for unlisted companies, although the adoption of the standards are becoming increasingly common.

Swedish accounting may differ from that required by IAS because of the absence of specific Swedish rules in the following areas:

– accounting for employee benefits other than pensions IAS 19.52

– there are no requirements to account for instruments on the basis of their substance IAS 32.18/23

– the accounting for deferred taxes is less comprehensive than under IAS 12, when determining the fair values of acquired assets and liabilities; a deferred tax liability may in certain, specific cases be discounted. IAS 12.5/15

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity IAS 1.7

– most of the information required by IAS concerning the fair values of financial assets and liabilities IAS 32.77

– discontinuing operations. IAS 35

There are inconsistencies between Swedish and IAS rules that could lead to differences for many enterprises in certain areas. Under Swedish rules:

– any revaluation of tangible fixed assets does not need to be kept up-to-date IAS 16.29

– impairment tests are based on the existence of permanent diminution in value IAS 36.58

– pension calculations generally do not use the projected unit credit method, current interest rates or estimates of future salary levels but an accrued benefit obligation based on current salary level IAS 19.64/78/83

– there is no requirement to use the primary/secondary basis for segment reporting IAS 14.26

– provisions in the context of business combinations accounted for as acquisitions may be created more widely IAS 22.31

– provisions can be created when there is no legal or constructive obligation, and they are not required to be discounted. IAS 37.14/45

In certain enterprises these other issues could lead to differences from IAS:

- it is possible to exclude subsidiaries from consolidation and associates from the equity method on the grounds of undue cost or delay — IAS 27.11; IAS 28.8
- the statements of hyperinflationary subsidiaries may with certain restrictions as an allowed alternative be translated using the temporal method — IAS 21.36
- certain research costs and other internally generated assets can be capitalized — IAS 38.42
- there is no specific requirement for impairment tests when the depreciable lives of intangible assets exceed 20 years — IAS 38.99
- requirements for segment reporting do not extend to segment liabilities — IAS 14.44
- dissimilar subsidiaries could be excluded from consolidation, although uncommon; if a dissimilar subsidiary is excluded, it is accounted for using the equity method. — IAS 27.14

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Switzerland

Swiss requirements are based on the Company Law of 1992 and Swiss GAAP-FER (Accounting and Reporting Recommendations of the Foundation for Accounting and Reporting). The latter are the minimal accepted for listed companies.

Swiss accounting may differ from that required by IAS because of the absence of specific Swiss rules in the following areas:

– the classification of business combinations between acquisitions and unitings of interest	IAS 22.8
– provisions in the context of business combinations accounted for as acquisitions	IAS 22.31
– impairment of assets	IAS 36
– the recognition of operating lease payments and lease incentives	IAS 17.25; SIC 15
– the recognition by lessors of finance lease income	IAS 17.30
– certain employee benefits, e.g. post-retirement medical benefits	IAS 19.52
– the treatment of vested past service costs as part of employee benefit obligations	IAS 19.96
– accounting for an issuer's financial instruments	IAS 32.18/23
– accounting for own (treasury) shares	SIC 16
– the definition of extraordinary items.	IAS 8.6/12

There are no specific rules requiring disclosures of:

– a primary statement of changes in equity	IAS 1.7
– the FIFO or current cost of inventories valued on the LIFO basis	IAS 2.36
– the fair values of financial assets and liabilities, except for derivative instruments	IAS 32.77
– discontinuing operations	IAS 35
– the treatment of accounting policy changes and the correction of fundamental errors	IAS 8
– accounting for government grants	IAS 20
– segment reporting, except for sales	IAS 14.52/55/56
– earnings per share.	IAS 33

There are inconsistencies between Swiss and IAS rules that could lead to differences for many enterprises in certain areas. Under Swiss rules:

– certain dissimilar subsidiaries may be excluded from consolidation	IAS 27.14

- goodwill can be deducted immediately against equity, but the effect on equity had goodwill been depreciated over its useful life must be disclosed — IAS 22.40
- long-term foreign currency monetary items can be translated at an historical exchange rate — IAS 21.11
- pre-operating costs may be capitalized — IAS 38.57
- gains and losses on the sale of fixed assets can include previous revaluations taken to equity — IAS 16.56
- the completed contract method can be used for the recognition of revenues on construction contracts — IAS 11.22
- provisions can be made on the basis of decisions by directors before an obligation arises — IAS 37.14
- there is some flexibility with respect to the actuarial methods used for the calculation of defined benefit employee obligations, and long-term discount rates are used — IAS 19.64/78/83
- deferred tax balances that are unlikely to crystallize need not be recognized; and the recognition of certain deferred tax assets is optional — IAS 12.15/34
- cash flow statements are allowed to use a variety of bases for reconciliation rather than cash and cash equivalents — IAS 7.45
- segment reporting does not use the primary/secondary basis. — IAS 14.26

In certain enterprises, this other issue could lead to differences from IAS:

- there are no requirements concerning the translation of the financial statements of hyperinflationary subsidiaries. — IAS 21.36

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

Taiwan

Taiwanese requirements are based on company law and business accounting law, standards of the Financial Accounting Standards Committee, and statements of the Securities and Futures Commission.

Taiwanese accounting may differ from that required by IAS because of the absence of specific rules in the following areas:

– impairment of assets	IAS 36
– recognition of operating lease payments and incentives	IAS 17.25; SIC 15
– discounting of provisions	IAS 37.45
– employee benefits other than pensions	IAS 19.52
– the use of the projected unit credit method for calculating pension obligations and the choice of the discount rate for pension obligations	IAS 19.64/78
– disclosure of segment liabilities	IAS 14.56
– pooling of interests method.	IAS 22.8

There are no specific rules requiring disclosures of:

– the FIFO or current cost of inventory when LIFO is used	IAS 2.36
– discontinuing operations.	IAS 35

There are inconsistencies between Taiwanese and IAS rules that could lead to differences for many enterprises in certain areas. Under Taiwanese rules:

– provisions in the context of business combinations can be made under less strict conditions	IAS 22.31
– gains and losses on certain foreign currency receivables related to investments are deferred in equity	IAS 21.15
– pre-operating and start up costs can be capitalized	IAS 38.56
– split accounting is not permitted for compound instruments, and instruments are generally classified on the basis of their legal form	IAS 32.18/23
– a primary/secondary classification is not used for segment reporting	IAS 14.26
– some employee benefits paid by cash and stock should be reported as a distribution of retained earnings.	IAS 19.10

In certain enterprises, these other issues could lead to differences from IAS:

- some enterprises that are *de facto* controlled but not majority owned may be excluded from consolidation — IAS 27.6
- certain dissimilar subsidiaries can be excluded — IAS 27.13/14
- holdings of less than 20% in joint venture enterprises might be held on the cost basis — IAS 31.25/32
- financial statements of subsidiaries in hyperinflationary economies are remeasured using the reporting currency of the parent — IAS 21.36
- tangible and intangible assets may be revalued without revaluing a whole class of assets and without keeping the valuation up-to-date — IAS 16.29/34; IAS 38.64/70
- employee benefit past service costs must be amortized even if they are vested — IAS 19.96
- when an investor company cannot obtain the financial statements of its associate, it should recognize its share of the investee company's gains or losses in the following years. — IAS 28.8/3

Thailand

Thai requirements are mainly based on the Accounting Act BE 2543. The Act specifies the requirement that the financial statements are prepared in accordance with accounting standards. Thai accounting standards (TAS) issued by the Institute of Certified Accountants and Auditors are applicable for the purpose of this Act. Listed companies are required by the Security Exchange Commission to adopt TAS and also its specific rules.

Thai accounting may differ from that required by IAS because of the absence of specific Thai rules in the following areas:

- intangible assets, apart from research, development and start-up costs — IAS 38
- the recognition of lease incentives — SIC 15
- accounting for provisions — IAS 37
- accounting for employee benefits — IAS 19
- accounting for deferred tax, although there are specific rules based on IAS for deferred tax relating to business combinations. — IAS 12

There are inconsistencies between Thai and IAS rules that could lead to differences for many enterprises in certain areas. Under Thai rules:

- gains and losses on the sale of revalued assets include related amounts transferred from equity — IAS 16.56
- lessors can recognize lease income on the basis of the net cash investment rather than the net investment — IAS 17.30
- proposed dividends are accrued as liabilities — IAS 10.11
- a cash flow statement may not be included, based on management’s consideration of the cost-benefit factor and whether it will be useful for economic decisions — IAS 7.1
- a primary/secondary segment reporting is not required and segment liabilities are not included. — IAS 14.26/27/55/66

Turkey

Turkish requirements are based on accounting standards issued by the Capital Markets Board which apply only to companies that are subject to its Regulations. There is no set of generally accepted accounting principles that applies equally to all companies operating in Turkey, (other than general rules that govern the aspects of accounting in the Tax Procedures Code and the Uniform Chart of Accounts, which prescribe certain fundamental accounting concepts, a code of accounts and a format for the presentation of financial statements).

In two key areas, the absence of Turkish rules leads to important differences from IAS:

- parent enterprises are not required to consolidate, proportionally consolidate or equity account any investments; however there are rules established as regards consolidation procedures and accounting principles applicable to consolidated financial statements published on a voluntary basis — IAS 22; IAS 27-28; IAS 31
- there are no requirements relating to financial reporting in hyperinflationary economies such as under IAS, although Turkey has been such an economy for a number of years. — IAS 29

Turkish practice may also differ from that required under IAS because of the absence of specific rules in the following areas:

- impairment of assets — IAS 36
- the treatment of lease incentives — SIC 15.5
- discounting of provisions — IAS 37.45
- provision for employee benefits other than lump-sum termination indemnities — IAS 19
- accounting for an issuer's financial instruments and own (treasury) shares. — IAS 32.18/23; SIC 16

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity — IAS 1.7
- the FIFO or current cost of inventory when LIFO is used — IAS 2.36
- the fair values of financial assets and liabilities except for marketable securities — IAS 32.77
- transactions with related parties other than shareholders, subsidiaries and other equity participations — IAS 24
- discontinuing operations — IAS 35
- segment reporting. — IAS 14

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

There are inconsistencies between Turkish and IAS rules that could lead to differences for many enterprises in certain areas. Under Turkish rules:

– foreign exchange losses can be capitalized as part of the costs of assets under some circumstances	IAS 21.15
– finance leases are not capitalized	IAS 17.12
– pension obligations are not discounted	IAS 19.78
– deferred tax liabilities are accounted for partially on the basis of timing differences; deferred tax assets are not allowed	IAS 12
– a broader definition of extraordinary items is used	IAS 8.6/12
– a different classification of items in a cash flow statement is used	IAS 7.10
– in the calculation of earnings per share, the denominator is not adjusted for bonus shares.	IAS 33.20

In certain enterprises, some other issues could lead to differences from IAS:

– pre-operating, set-up and research costs can be capitalized	IAS 38.42/56
– non-consolidation purchased goodwill must be amortized over a period of five years	IAS 22.42
– lease payments are generally recognized in line with the legal arrangements, which may not be on a straight-line basis	IAS 17.25
– inventories can be held at above net realizable value in some circumstances	IAS 2.6
– construction contracts are accounted for on a completed contract basis.	IAS 11.22

United Kingdom

UK requirements are based on the Companies Act 1985, as amended for EU Directives. The Act states that disclosure should be made as to whether accounts have been prepared in accordance with applicable accounting standards. Accounting standards issued by the Accounting Standards Board and its Urgent Issues Task Force are applicable for the purposes of this Act.

There are inconsistencies between UK rules and IAS that could lead to differences for many enterprises in certain areas. Under UK rules:

- employee benefit costs are accounted for on a fundamentally different basis — IAS 19
- there is more restriction on the setting up of provisions in the context of business combinations accounted for as acquisitions — IAS 22.31
- goodwill can be treated as having an indefinite life and therefore not be amortized — IAS 22.44/51
- proposed dividends are accrued as liabilities — IAS 10.11
- deferred tax is calculated on the basis of timing differences rather than temporary differences, and balances are only recognized if they are expected to crystallize — IAS 12.5/15
- the recognition of deferred tax assets is more restrictive — IAS 12.34
- an issuer’s financial instruments which are legally shares are presented in equity irrespective of their substance, and compound instruments are not split into equity and liability components — IAS 32.18/23
- disclosures relating to discontinuing operations may begin later — IAS 35.16
- segment reporting does not use the primary/secondary basis; and it reports net assets rather than assets and liabilities separately — IAS 14.26/55/56
- cash flow statements reconcile to a narrowly defined “cash” rather than to “cash and cash equivalents” — IAS 7.45
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity is not recognized in income. — IAS 21.37

In certain enterprises, these other issues could lead to differences from IAS:

- somewhat different criteria are used to determine whether a business combination is a uniting of interests — IAS 22.8
- the financial statements of a hyperinflationary subsidiary can be remeasured using a stable currency as the measurement currency — IAS 21.36

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

– lessors recognize finance lease income on the basis of the net cash investment not the net investment IAS 17.30

– segment reporting can be avoided if the directors consider that it would be seriously prejudicial IAS 14.3

– own (treasury) shares are shown as assets; gains and losses are generally recognized as income. SIC 16

United States

The United States has a very detailed framework of generally accepted accounting principles (US GAAP). This is based on accounting standards and guidance of the Financial Accounting Standards Board and those of its predecessor bodies, Statements of Position and interpretations from the AICPA and, consensuses reached by the Emerging Issues Task Force. In addition, listed companies must follow the rules, regulations and releases issued by the Securities and Exchange Commission SEC.

US accounting may differ from that required under IAS because of less specific rules in the US as follows:

- discounting provisions is not clearly defined — IAS 37.45
- the requirement for annual impairment tests when the depreciable lives of goodwill or intangible assets exceed twenty years — IAS 22.56; IAS 38.99
- the requirement for segment reporting of liabilities. — IAS 14.56

There are inconsistencies between US and IAS rules that could lead to differences for many enterprises in certain areas. Under US rules:

- in the context of an acquisition, part of the purchase price should be allocated to in-process research and development costs of an acquiree that can be identified and measured; these amounts are then expensed in the period after acquisition — IAS 22.27/40; IAS 38.79
- the classification of business combinations between acquisitions and unitings of interest is based on compliance with a set of criteria rather than whether an acquirer can be identified — IAS 22.8
- provisions in the context of business combinations can be made under less strict conditions — IAS 22.31
- provisions may be recognized on the basis of the probability of outflows of resources without there always being an obligation — IAS 37.14
- impairment tests use undiscounted cash flows and impairments are measured based on fair value rather than on recoverable amount — IAS 36.5/58
- once recognized, an impairment may not be reversed — IAS 36.95
- an issuer's financial instruments are classified on the legal form of the instrument rather than on the basis of whether they are in substance liabilities, and compound instruments are not split on this basis — IAS 32.18/23
- segments are identified and information measured based on management's organization of segments for operational and internal reporting purposes, with no segment reporting on a secondary basis, although certain geographic disclosure is required. — IAS 14.69-72

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

In certain enterprises, these other issues could lead to differences from IAS:

- some enterprises that are *de facto* controlled but neither majority owned nor contractually controlled may be excluded from consolidation — IAS 27.6; SIC 12
- the excess of the fair value of identifiable net assets acquired over the cost of an acquisition should be used to reduce the fair values of the non-monetary assets with only any remainder being recognized as negative goodwill — IAS 22.59
- inventories can be valued at replacement cost, if lower than cost — IAS 2.6
- financial statements of subsidiaries in hyperinflationary economies are remeasured using the reporting currency of the parent — IAS 21.36
- employee benefit past service costs must be amortized even if they are vested and an additional minimum liability may have to be recognized as a deduction of equity — IAS 19.96
- discontinuing operations disclosures may be made prior to a formal announcement — IAS 35.16
- defined benefit pension plans with flat-benefit formulas generally use a unit credit method to determine the liability and the discount rate used to determine pension liabilities reflects the rate at which the liability could be settled — IAS 19.64/78
- deferred taxes are calculated using enacted rates as opposed to those substantially enacted — IAS 12.34/47
- amortization of goodwill is based on the useful life, consistent with IAS, but is limited to 40 years whereas IAS provides a rebuttable presumption that the useful life will not exceed 20 years but does not specify a maximum life. — IAS 22.44

Venezuela

Venezuelan requirements are based on approved principles published by the Venezuelan Federation of Colleges of Public Accountants (VFCPA). In addition, listed companies must follow the rules and regulations of the National Securities Commission. If an issue is not included in the principles published by the VFCPA, secondly and in a supplementary manner, IAS must be followed.

Venezuelan accounting may differ from that required by IAS because of the absence of specific Venezuelan rules in the following areas:

- the classification of business combinations between unitings of interest and acquisitions — IAS 22.8
- the setting up of provisions in the context of business combinations accounted for as acquisitions — IAS 22.31
- accounting for inventories — IAS 2
- accounting for property, plant and equipment — IAS 16
- accounting for intangible assets — IAS 38
- accounting for employee benefit obligations — IAS 19
- accounting for an issuer's financial instruments, including own (treasury) shares — IAS 32.18/23; SIC 16
- discounting of provisions — IAS 37.45
- accounting for government grants and disclosure of government assistance — IAS 20
- the treatment of fundamental errors and changes in accounting policies. — IAS 8

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities — IAS 32.77
- discontinuing operations — IAS 35
- earnings per share. — IAS 33

There are inconsistencies between Venezuelan and IAS rules that could lead to differences for many enterprises in certain areas. Under Venezuelan rules:

- certain dissimilar subsidiaries are allowed to be excluded from consolidation — IAS 27.14

This summary should be read with the information on survey methodology and limitations in Sections 1, 2 and 4

- revaluation of property, plant and equipment is permitted only in connection with inflation adjustments; however, revaluations are excluded from the determination of gain or loss from the disposal of revalued assets — IAS 16.56
- the completed contract method is permitted for the recognition of revenues on construction contracts — IAS 11
- reversals of impairment losses are not allowed — IAS 36.99
- deferred tax is calculated on the basis of timing differences rather than temporary differences, and without the exceptions referred to in IAS — IAS 12.15/39
- reversals of differences that caused deferred tax are calculated at tax rates ruling at their origination — IAS 12.47
- deferred tax assets on loss carryforwards can only be recognized if their realisation is assured beyond any reasonable doubt. — IAS 12.34

In certain enterprises, this other issue could lead to differences from IAS:

- certain costs and expenses of a company in development stage can be capitalized even if they do not meet the recognition criteria to be intangible assets. — IAS 38.57

Survey Questionnaire

IAS Reference		National GAAP for 31 December 2000	
Para	**Extract from IAS Text**		**Question**
27.11	A parent which issues consolidated financial statements should consolidate all subsidiaries, foreign and domestic, other than those referred to in paragraph 13.	1	When there are subsidiaries must consolidated accounts be prepared?
27.6	**A subsidiary** is an enterprise that is controlled by another enterprise (known as the parent). **Control** (for the purpose of this Standard) is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.	2	Is a subsidiary defined on the basis of *de facto* control (which can exist without majority ownership)?
27.13/14	A subsidiary should be excluded from consolidation when: (a) control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; or (b) it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent. Sometimes a subsidiary is excluded from consolidation when its business activities are dissimilar from those of the other enterprises within the group. Exclusion on these grounds is not justified because better information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries.	3	Must subsidiaries with “dissimilar” activities be consolidated (unless control is very temporary or is severely restricted)?
28.3/4	**An associate** is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. If an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, it is presumed that the investor does have **significant influence**, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.	4	Is it presumed that an investment is not an associate where a holding (direct or indirect) is below 20% of voting power?
28.8/3	An investment in an associate should be accounted for in consolidated financial statements under the equity method except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case it should be accounted for under the cost method. **The equity method** is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor’s share of net assets of the investee. The income statement reflects the investor’s share of the results of operations of the investee.	5	Must associates (other than those acquired and held exclusively for sale in the near future) be accounted for by the equity method?
31.2/25/32	**A joint venture** is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. **Joint control** is the contractually agreed sharing of control over an economic activity In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation.	6	Must a joint venture entity be equity accounted or proportionally consolidated (i.e. not carried at cost or valuation)?

IAS Reference		National GAAP for 31 December 2000	
Para	**Extract from IAS Text**		**Question**
	or In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using the equity method.		
22.8	**A uniting of interests** is a business combination in which the shareholders of the combining enterprises combine control over the whole, or effectively the whole, of their net assets and operations to achieve a continuing mutual sharing in the risks and benefits attaching to the combined entity such that neither party can be identified as the acquirer.	7	In a business combination must acquisition accounting be applied unless it is impossible to identify an acquirer (in which case uniting of interests accounting is used)?
22.31	At the date of acquisition, the acquirer should recognize a provision that was not a liability of the acquiree at that date if, and only if, the acquirer has: (a) at, or before, the date of acquisition, developed the main features of a plan that involves terminating or reducing the activities of the acquiree and that relates to: (i) compensating employees of the acquiree for termination of their employment; (ii) closing facilities of the acquiree; (iii) eliminating product lines of the acquiree; or (iv) terminating contracts of the acquiree that have become onerous because the acquirer has communicated to the other party at, or before, the date of acquisition that the contract will be terminated; (b) by announcing the main features of the plan at, or before, the date of acquisition, raised a valid expectation in those affected by the plan that it will implement the plan; and (c) by the earlier of three months after the date of acquisition and the date when the annual financial statements are approved, developed those main features into a detailed formal plan identifying at least: (i) the business or part of a business concerned; (ii) the principal locations affected; (iii) the location, function, and approximate number of employees who will be compensated for terminating their services; (iv) the expenditures that will be undertaken; and (v) when the plan will be implemented. Any provision recognized under this paragraph should cover only the costs of the items listed in (a)(i) to (iv) above.	8	In acquisition accounting are the provisions which can be made by the acquirer limited as in paragraph 31 of IAS 22?
21.11	At each balance sheet date: (a) foreign currency monetary items should be reported using the closing rate; (b) non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction; and (c) non-monetary items which are carried at fair value denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined.	9	Must both short-term and long-term monetary balances be translated at the closing rate?
		10	If tangible fixed assets are carried at fair value, must they be translated at valuation date rates?

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21.15	Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognized as income or as expenses in the period in which they arise, with the exception of exchange differences dealt with in accordance with paragraphs 17 and 19.	11	Must foreign currency gains and losses be taken to income (except those relating to the net investment in a foreign subsidiary, as in IAS 21.17-19, certain borrowing costs as in IAS 23.5(e) and those on severe devaluation as in question 12)?
SIC 11. 3/ 4/6	Foreign exchange losses on liabilities should be included in the carrying amount of a related asset only if those liabilities could not have been settled and if it was impracticable to hedge them prior to the occurrence of the severe devaluation or depreciation of the reporting currency. The adjusted carrying amount of the asset should not exceed its recoverable amount. In order to include foreign exchange losses on liabilities in the carrying amount of a related asset, it should be demonstrated that the foreign currency necessary for settlement of the liability was not available to the reporting enterprise and that it was impracticable to hedge the exchange risk (for example, with derivatives such as forward contracts, options or other financial instruments). This is expected to occur only rarely, for example, simultaneous shortage of foreign currency due to exchange control restrictions imposed by a government or a central bank and no availability of hedging instruments. "Recent" acquisitions of assets are acquisitions within twelve months prior to the severe devaluation or depreciation of the reporting currency.	12	If foreign exchange losses resulting from severe currency devaluations can be capitalized, are the circumstances limited as in SIC 11?
21.36	The financial statements of a foreign entity that reports in the currency of a hyperinflationary economy should be restated in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies, before they are translated into the reporting currency of the reporting enterprise.	13	Must foreign statements reported in hyperinflationary currencies be adjusted to foreign price levels before translation for consolidation purposes?
10.8/9	The following are examples of adjusting events after the balance sheet date that require an enterprise to adjust the amounts recognized in its financial statements, or to recognize items that were not previously recognized: (a) the resolution after the balance sheet date of a court case which, because it confirms than an enterprise already had a present obligation at the balance sheet date, requires the enterprise to adjust a provision already recognized, or to recognize a provision instead of merely disclosing a contingent liability; (b) the receipt of information after the balance sheet date indicating that an asset was impaired at the balance sheet date, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted. For example: (i) the bankruptcy of a customer which occurs after the balance sheet date usually confirms that a loss already existed at the balance sheet date on a trade receivable account and that the enterprise needs to adjust the carrying amount of the trade receivable account; and (ii) the sale of inventories after the balance sheet date may give evidence about their net realizable value at the balance sheet date; (c) the determination after the balance sheet date of the cost of assets purchased, or the proceeds from assets sold, before the balance sheet date;	14	Must post-balance sheet adjusting events (such as those in paragraph 8 of IAS 10) be taken into account in the amounts recognized in the financial statements?

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	(d) the determination after the balance sheet date of the amount of profit sharing or bonus payments, if the enterprise had a present legal or constructive obligation at the balance sheet date to make such payments as a result of events before that date (see IAS 19, Employee Benefits); and (e) the discovery of fraud or errors that show that the financial statements were incorrect. An enterprise should not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the balance sheet date.		
36.5/58	**Recoverable amount** is the higher of an asset's net selling price and its value in use. **Value in use** is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss.	15	Must impairment tests on all assets (except inventories, financial assets, assets arising from construction, deferred tax and employee benefit plans) be based on ensuring that carrying value does not exceed the higher of net selling price and value in use?
38.42	No intangible asset arising from research (or from the research phase of an internal project) should be recognized. Expenditure on research (or on the research phase of an internal project) should be recognized as an expense when it is incurred.	16	Must research costs be expensed?
38.51/45	Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognized as intangible assets. An intangible asset arising from development (or from the development phase of an internal project) should be recognized if, and only if, an enterprise can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) its intention to complete the intangible asset and use or sell it; (c) its ability to use or sell the intangible asset; (d) how the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) its ability to measure the expenditure attributable to the intangible asset during its development reliably.	17	Must internally generated brands and similar items remain unrecognized as assets (unless, in the case of development expenditures, they meet strict criteria as in paragraph 45 of IAS 38)?
38.56/59	Expenditure on an intangible item should be recognized as an expense when it is incurred unless: (a) it forms part of the cost of an intangible asset that meets the recognition criteria (see paragraphs 18-55); or (b) the item is acquired in a business combination that is an acquisition and cannot be recognized as an intangible asset. If this is the case, this expenditure (included in the cost of acquisition) should form part of the amount attributed to goodwill (negative goodwill) at the date of acquisition (see IAS 22 (revised 1998), Business Combinations).	18	Must expenditures on intangible items that cannot be capitalized as intangible assets be expensed, and not subsequently capitalized?

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	Expenditure on an intangible item that was initially recognized as an expense by a reporting enterprise in previous annual financial statements or interim financial reports should not be recognized as part of the cost of an intangible asset at a later date.		
22.40/42	Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction should be described as goodwill and recognized as an asset. Goodwill should be amortized by recognising it as an expense over its useful life. In amortising goodwill, the straight-line basis should be used unless another amortization method is more appropriate in the circumstances. The amortization period should not exceed five years unless a longer period, not exceeding twenty years from the date of acquisition, can be justified.	19	Must goodwill be treated as an asset (and then amortized) rather than being written off directly against equity?
38.99 22.56	In addition to the following requirements included in IAS 36, Impairment of Assets, an enterprise should estimate the recoverable amount of the following intangible assets at least at each financial year end, even if there is no indication that the asset is impaired: (a) an intangible asset that is not yet available for use; and (b) an intangible asset that is amortized over a period exceeding twenty years from the date when the asset is available for use. The recoverable amount should be determined under IAS 36 and impairment losses recognized accordingly. In addition to following the requirements included in IAS 36, Impairment of Assets, an enterprise should, at least at each financial year end, estimate in accordance with IAS 36 the recoverable amount of goodwill that is amortized over a period exceeding twenty years from initial recognition, even if there is no indication that it is impaired.	20	Must impairment tests be carried out annually on – intangible assets, if these are amortized over longer than 20 years? – goodwill, if this is amortized over longer than 20 years?
16.29	Revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.	21	If tangible fixed assets are revalued must the valuations be kept up to date?
16.56	Gains or losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and should be recognized as income or expense in the income statement.	22	Are gains and losses on disposal of revalued tangible fixed assets calculated by reference to carrying amount?
17.12/28	Lessees should recognize finance leases as assets and liabilities in their balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate should be used. Lessors should recognize assets held under a finance lease in their balance sheets and present them as a receivable at an amount equal to the net investment in the lease.	23	Must finance leases be capitalized?
17.3	**A finance lease** is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.	24	Are finance leases defined in terms of the transfer of substantially all risks and rewards (without other criteria being necessary such as transfer of title)?

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17.25/ SIC 15.5	Lease payments under an operating lease should be recognized as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefit. The lessee should recognize the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.	25	Must operating lease payments be recognized on a straight line basis? Should the aggregate benefit of incentives be recognized as a reduction of rental expense?
17.30	The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.	26	Are lessors required to recognize finance lease income on the basis of return on net investment (as opposed to net cash investment)?
2.6	Inventories should be measured at the lower of cost and net realizable value.	27	Are inventories required to be shown at the lower of cost and net realizable value?
2.36	When the cost of inventories is determined using the LIFO formula in accordance with the allowed alternative treatment in paragraph 23, the financial statements should disclose the difference between the amount of inventories as shown in the balance sheet and either: (a) the lower of the amount arrived at in accordance with paragraph 21 and net realizable value; or (b) the lower of current cost at the balance sheet date and net realizable value.	28	If LIFO is used as a basis of assessing cost of inventory, must there be disclosure of FIFO or other current costs?
11.22	When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. An expected loss on the construction contract should be recognized as an expense immediately in accordance with paragraph 36.	29	When the outcome of a construction contract can be measured reliably must costs and revenues be recognized by stage of completion?
37.14	A provision should be recognized when: (a) an enterprise has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision should be recognized.	30	Must a provision be recognized *if and only if* there is a legal or constructive obligation to a third party at the balance sheet date? [i.e. is there a prohibition on non-specific provisions].
37.45	Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation.	31	Must provisions be discounted?
10.11	If dividends to holders of equity instruments (as defined in IAS 32, Financial Instruments: Disclosure and Presentation) are proposed or declared after the balance sheet date, an enterprise should not recognize those dividends as a liability at the balance sheet date.	32	Must dividends remain unrecognized as liabilities until they are declared?

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37.10/86	A **contingent liability** is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable: (a) an estimate of its financial effect, measured under paragraphs 36-52; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement.	33	Must contingent liabilities be disclosed?
19.52	An enterprise should account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the enterprise's informal practices. Informal practices give rise to a constructive obligation where the enterprise has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the enterprise's informal practices would cause unacceptable damage to its relationship with employees.	34	Are enterprises required to account for constructive as well as for legal obligations for **all** forms of employee benefit plan?
19.64	An enterprise should use the Project Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.	35	Is the projected unit credit method required to be used to calculate defined benefit obligations?
19.78	The rate used to discount post-employment benefit obligations (both funded and unfunded) should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.	36	Must the discount rate used in the determination of employee benefit obligations be based on the current yield on high quality corporate bonds?
19.83	Post-employment benefit obligations should be measured on a basis that reflects: (a) estimated future salary increases; (b) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the balance sheet date; and (c) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either: (i) those changes were enacted before the balance sheet date; or	37	Must the calculation of obligations for employee benefits include estimated future salary increases?

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	(ii) past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example in line with future changes in general price levels or general salary levels.		
19.92/93	In measuring its defined benefit liability, an enterprise should recognize a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of: (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and (b) 10% of the fair value of any plan assets at that date. These limits should be calculated and applied separately for each defined benefit plan. The portion of actuarial gains and losses to be recognized for each defined benefit plan is the excess determined under paragraph 92, divided by the expected average remaining working lives of the employees participating in that plan. However, an enterprise may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period. An enterprise may apply such systematic methods to actuarial gains and losses even if they fall within the limits specified in paragraph 92.	38	Must actuarial gains and losses associated with employee benefit obligations be recognized either on a systematic basis over employees' average remaining service lives or faster?
19.96	In measuring its defined benefit liability under paragraph 54, an enterprise should recognize past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, an enterprise should recognize past service cost immediately.	39	Must an enterprise recognize past service cost immediately if employee benefits are already vested?
12.5/15/ 39/24	**Temporary differences** are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax liability should be recognized for all taxable temporary differences, unless the deferred tax liability arises from: (a) goodwill for which amortization is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). [Similar for deferred tax assets]. An enterprise should recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied: (a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and **(b)** it is probable that the temporary difference will not reverse in the foreseeable future.	40 41	Is deferred tax calculated on the basis of temporary differences (balance sheet basis) as opposed to timing differences (income statement basis)? Must deferred tax be calculated on **all** temporary differences (except those as exempted in IAS)?

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12.34	A deferred tax asset should be recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.	42	Are deferred tax assets on loss carryforwards recognized to the extent that they can probably be utilised?
12.47	Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.	43	Is deferred tax calculated on the basis of current tax rates?
32.18	The issuer of a financial instrument should classify the instrument, or its component parts, as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument.	44	Must financial instruments of an issuer be accounted for on the basis of whether their substance is a liability or not?
32.23	The issuer of a financial instrument that contains both a liability and an equity element should classify the instrument's component parts separately in accordance with paragraph 18.	45	Must compound instruments be split into liability and equity components?
32.77	For each class of financial asset and financial liability, both recognized and unrecognized, an enterprise should disclose information about fair value. When it is not practicable within constraints of timeliness or cost to determine the fair value of a financial asset or financial liability with sufficient reliability, that fact should be disclosed together with information about the principal characteristics of the underlying financial instrument that are pertinent to its fair value.	46	Must an enterprise disclose information about fair value for each class of financial asset and liability?
SIC 16. 4/5	Treasury shares should be presented in the balance sheet as a deduction from equity. The acquisition of treasury shares should be presented in the financial statements as a change in equity. No gain or loss should be recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received should be presented in the financial statements as a change in equity.	47	Must own (treasury) shares be shown as a deduction from an enterprise's equity with any proceeds from sale or re-issue not giving rise to gain or loss?
24.5/20/22	**Related party** – parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties. If there have been transactions between related parties, the reporting enterprise should disclose the nature of the related party relationships as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.	48	Must there be disclosures relating to relationships and transactions with all parties who can exercise significant influence or control?
35.16/27	With respect to a discontinuing operation, the **initial disclosure event** is the occurrence of one of the following, whichever occurs earlier: (a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or (b) the enterprise's board of directors or similar governing body has both: (i) approved a detailed, formal plan for the discontinuance and (ii) made an announcement of the plan.	49	Must full disclosures about discontinuing operations (as in paragraph 27 of IAS 35) begin when an initial disclosure event (as in paragraph 16 of IAS 35) has occurred?

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	An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event (as defined in paragraph 16) occurs: (a) a description of the discontinuing operation; (b) the business or geographical segment(s) in which it is reported in accordance with IAS 14; (c) the date and nature of the initial disclosure event; (d) the date or period in which the discontinuance is expected to be completed if known or determinable; (e) the carrying amounts, as of the balance sheet date, of the total assets and the total liabilities to be disposed of; (f) the amounts of revenue, expenses,, and pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense relating thereto as required by paragraph 81(h) of IAS 12; and (g) the amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period.		
8.6/12	**Extraordinary items** are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. **Ordinary activities** are any activities which are undertaken by an enterprise as part of its business and such related activities in which the enterprise engages in furtherance of, incidental to, or arising from these activities. Virtually all items of income and expense included in the determination of net profit or loss for the period arise in the course of the ordinary activities of the enterprise. Therefore, only on rare occasions does an event or transaction give rise to an extraordinary item.	50	Are extraordinary items defined as those distinct from ordinary activities (rather than with reference to distinction from trading or operating activities)?
14.3/44	This Standard should be applied by enterprises whose equity or debt securities are publicly traded and by enterprises that are in the process of issuing equity or debt securities in public securities markets.	51	Must segment information be provided by publicly-traded entities?
	Segment information should be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or enterprise.	52	Must segment information use the same accounting policies as in the financial statements?
14.26/27	The dominant source and nature of an enterprise's risks and returns should govern whether its primary segment reporting format will be business segments or geographical segments. If the enterprise's risk and rates of return are affected predominantly by differences in the products and services it produces, its primary format for reporting segment information should be business segments, with secondary information reported geographically. Similarly, if the enterprise's risks and rates of return are affected predominantly by the fact that it operates in different countries or other geographical areas, its primary format for reporting segment information should be geographical segments, with secondary information reported for groups of related products and services. An enterprise's internal organizational and management structure and its system of internal financial reporting to the board of directors and the chief executive officer should normally be the basis for identifying the predominant source and nature of risks	53	Is segment reporting required using a primary/secondary split which is normally made on the basis of internal reporting?

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	and differing rates of return facing the enterprise and, therefore, for determining which reporting format is primary and which is secondary.		
14.51/52	An enterprise should disclose segment revenue for each reportable segment. Segment revenue from sales to external customers and segment revenue from transactions with other segments should be separately reported. An enterprise should disclose segment result for each reportable segment.	54	Should reporting on a primary segment basis include disclosures of revenue and result?
14.55/56	An enterprise should disclose the total carrying amount of segment assets for each reportable segment. An enterprise should disclose segment liabilities for each reportable segment.	55	Should reporting on a primary segment basis include disclosures of assets and liabilities?
7.1	An enterprise should prepare a cash flow statement and should present it as an integral part of its financial statements for each period for which financial statements are presented.	56	Are cash flow statements required?
7.45/6	An enterprise should disclose the components of cash and cash equivalents and should present a reconciliation of the amount in its cash flow statement with the equivalent items reported in the balance sheet. **Cash** comprises cash on hand and demand 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.	57	Must cash flow statements reconcile to cash and cash equivalents?
1.7	A complete set of financial statements includes the following components: (a) balance sheet (b) income statement; (c) a statement showing either: (i) all changes in equity; or (ii) changes in equity other than those arising from capital transactions with owners and distributions to owners; (d) cash flow statement; and (e) policies and explanatory notes.	58	Is a primary statement (not just a note) showing changes in equity required?
1.13	In the extremely rare circumstances when management concludes that compliance with a requirement in a Standard would be misleading, and therefore that departure from a requirement is necessary to achieve a fair presentation, an enterprise should disclose: (a) that management has concluded that the financial statements fairly present the enterprise's financial position, financial performance and cash flows; (b) that it has complied in all material respects with applicable International Accounting Standards except that it has departed from a Standard in order to achieve a fair presentation; (c) the Standard from which the enterprise has departed, the nature of the departure, including the treatment that the Standard would require, the reason why that treatment would be misleading in the circumstances and the treatment adopted; and (d) the financial impact of the departure on the enterprise's net profit or loss, assets, liabilities, equity and cash flows for each period presented.	59 60	Is departure from standards permitted in order to give a fair presentation? If so, must there be disclosure of the financial impact of such a departure?

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33.10/11/ 20	Basic earnings per share should be calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to ordinary shareholders should be the net profit or loss for the period after deducting preference dividends. The weighted average number of ordinary shares outstanding during the period and for all periods presented should be adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding, without a corresponding change in resources.	61	Must entities with publicly-traded shares disclose an earnings per share amount?
		62	If so, is this determined as in IAS 33?