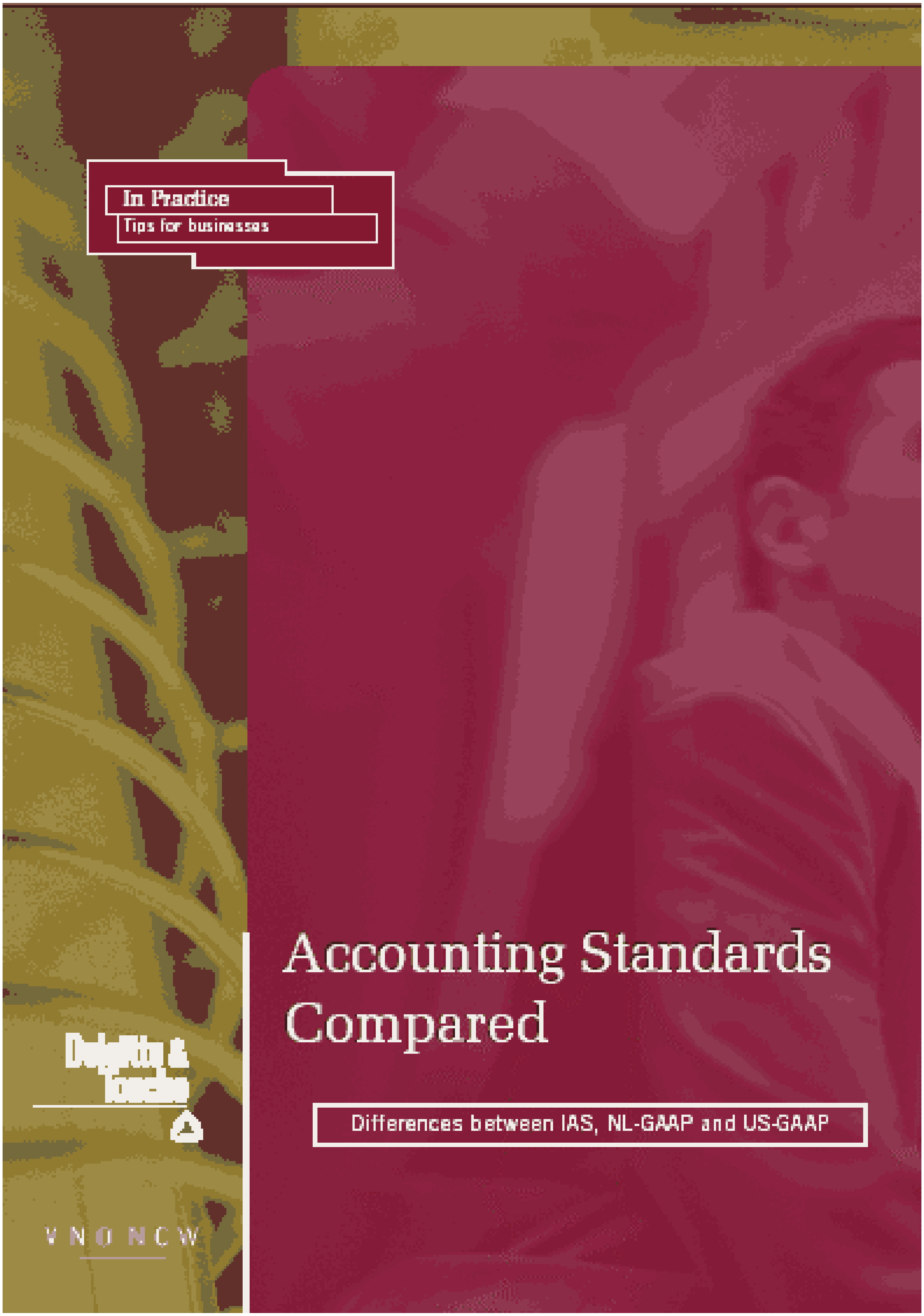

In Practice

Tips for businesses

Accounting Standards Compared

Differences between IAS, NL-GAAP and US-GAAP

Deloitte & Touche

VNO NCW

Accounting Standards Compared

Differences between IAS, NL-GAAP and US-GAAP

Deloitte & Touche

With more than 6,000 employees and over ninety offices, Deloitte & Touche is one of the largest organizations in the field of assurance, tax consulting, consulting, and legal services organizations in the Netherlands. At an international level, Deloitte & Touche is part of Deloitte Touche Tohmatsu, with more than 95,000 employees in 140 countries.

P.O. Box 4321, 3006 AH Rotterdam, The Netherlands
Phone +31(0)10 272 13 01
Fax +31(0)10 272 11 19
Internet http://www.deloitte.nl

VNO-NCW

The Confederation of Netherlands Industry and Employers (known as VNO-NCW) is the largest employers' organisation in the Netherlands. VNO-NCW represents the common interests of Dutch business, both at home and abroad and provides a variety of services for its members.
VNO-NCW has 150 branch associations, representing more than 90,000 enterprises covering almost all sectors of the economy, including more than 60% of all medium-sized companies in the Netherlands and almost all of the larger, corporate institutions.

P.O. Box 93002, 2509 AA The Hague, The Netherlands
Phone +31(0)70 349 03 49
Fax +31(0)70 349 03 00
Internet http://www.vno-ncw.nl

March 2002

ISBN: 90-5771-081-1

Price: Members € 30, non-members € 55

List of Contents

Preface 5

Executive update and summary 7

1. Scope, limitations and recommendations for use 11

2. Summary of main differences identified 13

3. General Accounting Policy Issues 25

3.1 Compliance with general accepted accounting principles (GAAP) 25
3.2 Changes in accounting policies and estimates, fundamental errors, direct changes in equity 28
3.3 Revenue recognition 37
3.4 Impairment of assets 43
3.5 Business combinations 54
3.6 Consolidation 63
3.7 Foreign currency translation 67
3.8 Accounting in hyperinflationary economies 71

4. Balance Sheet and Income Statement Items 74

4.1 Intangible assets 74
4.2 Property, plant and equipment 82
4.3 Leasing 87
4.4 Accounting for Investments in Associates 101
4.5 Joint ventures 106
4.6 Investment property 109
4.7 Financial Instruments 113
4.8 Inventories and costs of goods sold 127
4.9 Construction contracts 130
4.10 Equity 134
4.11 Provisions, contingent liabilities and contingent assets 138
4.12 Post-retirement (pension) benefits 149
4.13 Employee benefits (excluding post-retirement (pension) benefits) 162
4.14 Taxes 170
4.15 Government grants and assistance 179

5. Major Presentation and Disclosure items 182

5.1 Presentation of financial statements 182
5.2 Segment reporting 189
5.3 Discontinuing operations 195

5.4 Cash flow statements 202
5.5 Interim financial reporting 207
5.6 Earnings per share 214

List of abbreviations 217

Deloitte & Touche, VNO-NCW, and how to contact them 219

List of sponsors of VNO-NCW project 'IASC' 220

Preface

Already since 1997, VNO-NCW and Deloitte & Touche work closely together in a VNO-NCW project, named *'IASC'*. An important result of this project are the accounting studies, in which the differences between international and national accounting standards are analysed. The first publication: *'Are International Accounting Standards applicable in the Netherlands'*, was published in 1998 (in Dutch) and was followed in 2000 by the publication: *'International and US Accounting Standards: The Impact on Dutch Companies'* (summary in English). For the first time the accounting standards effective in the United States (US-GAAP) were included in this study.

We are pleased to announce the third publication in a row, named: *'Accounting Standards Compared: Differences between IAS, NL-GAAP and US-GAAP'*. As with the previous publications, Deloitte & Touche assumes responsibility for its contents.

This study has been updated on the basis of accounting standards published on or before 1 January 2002. Because the regulatory bodies concerned have not exactly been standing still during the past years, this study has been thoroughly adjusted compared to the previous edition. Besides this, the opportunity was taken to analyse the numerous pronouncements of US-GAAP more thoroughly. A translation completely in Dutch, *'Financiële verslaggevingsregels vergeleken: IAS, Nederlandse wet- en regelgeving en US-GAAP'*, is also available.

The underlying study is very informative for any person or organisation interested in the main differences between international, Netherlands and US accounting standards. In this regard we not only refer to companies that are acitive in the international market and that have to comply with different standards due to multiple listings, but also to Netherlands companies considering to make the change to international accounting standards (IAS/IFRS) or US-GAAP. Of course this study is equally relevant to international and national auditors and analysts.

It is important to note that probably from 1 January 2005 onwards, listed European Companies should be obliged to use IAS. This would imply that 7,000 listed European companies should apply IAS as from this date. However, there will probably be an exemption for companies that also have a listing in the United States: for them the mandatory application of IAS would start as from 1 January 2007.

This study shows that there are still many differences between the standards of the accounting bodies that we have scrutinised. VNO-NCW and Deloitte & Touche support a worldwide harmonisation of accounting standards. Through a worldwide harmonisation, it should be made possible for multinational companies to issue one set of financial statements in all countries in which they are active. As a result the capital markets will be provided with the same information and the costs of preparing and analysing financial statements will be reduced.

Without the support of the sponsors of the VNO-NCW project *'IASC'*, this report could not have been published. Last but not least, we extend our thanks to them.

N.J.J. van Kesteren	W.A. Biewinga
General director VNO-NCW	Chairman Deloitte & Touche

Executive update and summary

Accounting Standards Compared: Differences between International, Netherlands and US

Introduction

This report contains an analysis of differences in financial reporting between Netherlands legislation and regulations (NL-GAAP), the standards of the International Accounting Standards Board (IASB) and the standards issued by the US regulatory bodies (US-GAAP).

Not only the rules with respect to financial reporting have changed nationally and internationally, there have also been interesting developments in the institutional field.

IASB developments

The IASB is a private organisation that prepares standards regarding corporate financial reporting. The Board is committed to developing, in the public interest, a single set of high-quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements. In addition, the Board co-operates with national regulatory bodies to achieve convergence in accounting standards around the world. The IASB is the legal successor of the International Accounting Standards Committee (IASC) This succession took place on 1 April 2001, when the IASC as a result of a fundamental reorganisation passed over all its responsibilities to a new board that, as one of its first decisions, changed the name into IASB.

An important event for the IASB was the decision (on 17 May 2000) of the International Organisation of Securities Commissions (IOSCO) to endorse IAS. This endorsement implied that the IOSCO advised its members (the Securities Commissions) to accept 30 IASC standards as the reporting basis for companies that are listed at several (national) stock exchanges. Notwithstanding this recommendation, the US Securities and Exchange Commission (SEC), member of the IOSCO and regulating the world's largest securities market, does not unconditionally accept the use of IAS as basis for the preparation of the financial statements. According to the SEC, if IAS is used also the equity and the result should be presented in accordance with US-GAAP, by means of so-called reconciliation statements or reconciliations. This means that all foreign companies listed on American stock exchanges must not only keep their books according to local GAAP (or IAS, if allowed locally), but also according to US-GAAP in order to prepare the reconciliation statements. The SEC's decision whether or not to accept IAS unconditionally will be of crucial importance for the worldwide harmonisation of accounting standards.

IAS within the European Union

Another important event for the worldwide recognition of IAS, is a draft regulation of the European Commission (EC) published in June 2000. This document proposes a compulsary use of IAS for the consolidated financial statements of European listed companies. This obligation would have to be effective as from 1 January 2005 onwards and would imply that 7,000 European listed companies, including those listed at the Amsterdam stock exchange, should apply IAS for their financial reporting as from this date. The EC also provides the member states with the possibility to compel or allow the application of IAS for the parent company financial statements ***and*** for the category non-listed companies. The European Council and the European Parliament will probably enact the draft regulation in 2002 already.

If the regulation is effective, the private rules of the IASB will directly affect the concerned listed companies within the EU. Therefore, an important aspect is the democratic procedure to be followed within the EU in order to judge the existing and future IASB standards. At the moment, this procedure is still the subject of negotiations between the various European bodies (in particular the European Parliament and the European Commission). It is to be expected that a recently established organisation (the European Fianancial Reporting Advisory Group: EFRAG) will play an important role in this procedure as an advisory body. EFRAG comprises ten financial accounting experts from the EU with different professional backgrounds (employers, accountants, analysts, standard setters). EFRAG has as its main aim to give a pro-active contribution from a European interest perspective to the work of the IASB (pro-active role), and to judge whether the set IASB standards are acceptable within a European context (endorsement role).

National developments
As far as the national developments are concerned, it is important to note that the government has laid down in a bill that companies that fully adopt IAS comply with the legally required ‘true and fair view’. Among others this means that also non-listed companies in the Netherlands can change to IAS.

For a longer time now IAS have been an important factor in the development of Dutch reporting rules. The reason is that the Netherlands Council for Annual Reporting (*Raad voor de Jaarverslaggeving* – RJ) incorporates IAS in the Guidelines for Annual Reporting (*Richtlijnen voor de Jaarverslaggeving* – Guidelines), unless they cannot be regarded as acceptable in the Dutch situation. Since most Guidelines apply to all companies, this often means that it is a matter of time before the companies established in the Netherlands are confronted with IAS (as incorporated by the RJ).

Analysis of differences
When analysing the differences between the Dutch rules and IAS, it is important to note that two important IASC standards (IAS 19 with respect to post-retirement benefits and IAS 39 with respect to recognition and measurement of financial instruments) have not yet been incorporated in the final Guidelines as of 1 January 2002. In particular relating to these two subjects many differences between IAS and the Guidelines have been noticed.

Upon the implementation of IAS 19, the RJ published a draft Guideline in November 1999 that agreed to IAS 19 on the main issues. Given the nature and size of the comments received, up to now this draft Guideline has not been made final as far as it relates to recognition of pensions and other long-term employee benefits in the financial statements of companies. The RJ aims at issuing a separate *revised* draft Guideline at the beginning of 2002.

With respect to the recognition and measurement of financial instruments, the RJ has issued – together with a discussion memorandum – a draft Guideline that is actually a translation of IAS 39. The term for comments ended 1 June 2001. At the moment the RJ is judging the comments received. Given the fundamental character of most of the comments, the RJ takes its time drawing up a future Guideline. An important reason for this is that the draft Guideline contradicts with the Netherlands Civil Code on a number of issues. This relates to measurement at fair value of certain categories of financial assets and liabilities and recognising unrealised results as a result of changes of this fair value (required by the draft Guideline, not allowed by Dutch law). It will be possible to eliminate these potential internal inconsistencies within the Dutch rules when the Dutch legislator adopts the adjustments of the Fourth EEC Guideline that were finalised in September 2001. These adjustments comprise a number of supplementary clauses that enable IAS 39 to be applied within the framework of the EEC Guidelines involved.

The same sort of internal inconsistency exists within the Dutch rules at the moment with respect to recognition of (positive) goodwill arising from acquisitions of companies. Where the RJ's Guidelines (in line with IAS and US-GAAP) no longer consider it acceptable to charge goodwill directly to equity or to the income statement, Dutch law still allows these options. However, the government has sent a bill to the Dutch Lower Chamber recently, in which it is proposed to prohibit the immediate write-down of the goodwill in equity or in results.

Also IAS 40 (investment properties) has not yet been incorporated in the final text of the Guidelines. There is, however, a draft Guideline that agrees to IAS 40.

The following other differences between IAS and the Dutch rules for financial accounting attract attention. Unlike IAS (and also US-GAAP), a departure from the Guidelines of the RJ does not need to be reported in the financial statements or in the auditor's report. Further, disclosing the integral application of the Guidelines of the RJ is not required, whereas this disclosure is compulsory when applying IAS.
With respect to the principles of measurement and determination of result, the differences particularly concern the areas of (positive) goodwill (see above), exchange differences upon the sale of foreign entities, measurement of intangible assets and of inventories, recognition of proposed dividends, measurement of provisions, recognition of provisions for major inspection (overhaul) costs and for dismantling and restoring costs, and finally, recognition of equity compensation benefits. As to disclosure requirements, IAS and the RJ differ in the area of negative goodwill and the reclassification of financial instruments as equity or liability. Compared to IAS the RJ has less far-reaching disclosure requirements with respect to cash flow statements, taxes and leasing.

Apart from IAS that have not been incorporated yet (by the RJ), it is possible to choose a set of principles for valuation and the determination of the result that is in accordance with the Guidelines as well as with IAS. Only the difference relating to reclassification of financial instruments, if this difference occurs in practice, results in a deviation of the result (and the equity) based on IAS compared to that based on the Guidelines. After all, the classification of a financial instrument as equity or liability also determines whether the remuneration paid should be classified as interest or as dividend.

There are still numerous differences between IAS/RJ and US-GAAP. Partly this is due to recently effected FASB standards regarding the recognition of business combinations and the recognition of goodwill and other intangible assets (FAS 141 and 142). Based on these standards it is no longer allowed to apply the 'pooling of interests method'. Furthermore, systematic amortisation of goodwill and intangible assets with a deemed infinite life is no longer allowed, but should be replaced by (at least) yearly impairment test procedures. All these conditions are contrary to IAS/RJ. However, the provisional views of the IASB show that the starting points incorporated in FAS 141 and 142 are endorsed. It is expected that the IASB will state these views in an exposure draft in the second quarter of 2002.

Another difference between IAS/RJ and US-GAAP existing for a longer time is that in the American rules the cost price method is required. Revaluations are thus not allowed (apart from certain kinds of financial instruments). IAS as well as the RJ, on the other hand, offer the option to revalue certain assets to fair (actual) value. In IAS this concerns tangible fixed assets, intangible fixed assets, investment properties and biological assets. The law/RJ offer the possibility to value tangible fixed assets, financial fixed assets and inventories at actual value.

Furthermore, with respect to principles of valuation and determination of result, the differences between IAS/RJ and US-GAAP are mainly found in the area of determination of impairments in value (and reversals thereof), recognition of business combinations (in-process research and development), consolidation exclusions, development costs, capitalisation of interest costs, leases, joint ventures, pensions and equity compensation benefits.

Differences between the RJ and IAS arising as a result of the fact that IAS 19 and 39 have not yet been incorporated, also exist between the RJ and US-GAAP. The reason is that IAS and US-GAAP choose the same approach towards pensions and financial instruments (although on a detailed level they mutually differ).

For a more detailed summary we refer to the next chapter, in which the most important identified differences have been summarised in a table format.

Conclusion

As a result of a draft regulation of the EC, listed companies will want to analyse the consequences of the adoption of IAS. There is also the expectation that larger non-listed companies will consider to apply to IAS, for example if they consider appealing to the public capital market, or if companies in the same industry also apply IAS. Other companies have already made the switch to IAS or US-GAAP, but still have to follow Dutch rules (for the time being) for their statutory accounts and again other companies have the Dutch rules as accounting basis, but also have to report according to US-GAAP because of an American listing. For all these companies it is important to know what the most important differences are between Dutch rules, IAS and US-GAAP.

This report aims to assist with this by presenting the nature and size of these differences.

1. Scope, limitations and recommendations for use

In chapter 2 of this report, a summary of the main differences analysed is presented. The selection of the main differences is primarily based on the expected frequency of occurrence and expected materiality in size and nature of the differences concerned (however, see the last sentence of this chapter for a qualification of this selection). In the summary, references are given to the main part of the study (chapter 3, 4 and 5) on which the summary is based. For a closer analysis a study of chapter 3, 4 and 5 is strongly recommended.

The analysis in chapter 3, 4 and 5 primarily regards the *differences* between IAS, US-GAAP and NL-GAAP.

The differences have been analysed on a per item basis for the following four aspects:
definition;
recognition;
measurement; and
disclosure.

Specific regulations aimed at the Dutch situation (e.g. those on tax groups or co-operations, banks and insurance companies) are not included in the analysis of differences.

Original source texts have not been included. If no differences have been noted, this is only mentioned. Therefore, the report cannot be used to find out which accounting requirements the IASB and the American and Dutch legislators have issued per item. The report does give the user a quick overview of the main differences. Through detailed references, the original sources in the law and regulations can be found.

The differences have been presented by item, in tables. The tables include separate columns for the pronouncements of IAS, NL-GAAP and US-GAAP.

Because the differences are identified in subsequent rows, it is important to read the tables per row.

The study is up to date through December 2001. We have taken into consideration the following standards:

Accounting body	Updated up to
IAS	Up to IAS 41 and SIC 25
NL-GAAP	Edition 2001 of the Council for Annual Reporting (Raad voor de Jaarverslaggeving: RJ)
US-GAAP	Up to FAS 144

If we use the term *current text*, this term refers to all pronouncements effective as per 1 January 2002. Especially within NL-GAAP some important draft-Guidelines are published for exposure by the Netherlands regulatory body (Council for Annual Reporting: RJ) during 2001. Among these are draft-Guidelines with respect to Financial Instruments (as a result of the incorporation of IAS 39) and Revenue Recognition (in order to comply fully with IAS 18). Already in 1999, the RJ has published a draft-Guideline with respect to long-term employee benefits (under which post-retirement benefits) that was related to the incorporation of IAS 19. According to RJ this draft-Guideline will soon be replaced by a *revised* draft-Guideline.

The IASB has decided that future IASB-standards will be indicated as *International Financial Reporting Standards* (IFRS) instead of *International Accounting Standards* (IAS). Because individual standards are still named IAS and no IFRS has been issued yet, this report will use the abbreviation IAS for the standards of the IASB.

Regarding to the depth with which the numerous pronouncements of US-GAAP has been studied, is has to be noted that especially the pronouncements of the FASB (Financial Accounting Standards Board) and her legal predecessors has been taken as referring basis. These pronouncements (FASs, FINs, APBs en ARBs[1]) are classified as the highest level within the hierarchy of US-GAAP. Furthermore, the FASB Technical Bulletins and the AICPA Statement of Positions (SOPs) and Practice Bulletins have been scrutinised if relevant. This holds as well for the pronouncements of the Emerging Issues Task Force (EITF). In specific cases, reference has been made to the pronouncements of the SEC (Securities and Exchange Commission), being of course only effective for listed companies at the American exchanges. If no specific pronouncements could be found, reference is made sometimes to the Concepts Statements (CONs) of the FASB[2].

Although this study has been carried out and reviewed with careful consideration, we cannot guarantee that all significant differences between IAS, NL- and US-GAAP have been identified. Apart from that, it has to be noted that the significance of differences might vary, depending on the individual enterprises and individual transactions. Those who enter into material transactions for which the regulations of the GAAP-bodies slightly differ (at first sight), might ultimately be confronted with material reconciliation differences.

1 See the appendix for an explanation of these abbreviations.

2 For a description of the term US-GAAP and an explanation of the levels of hierarchy, we refer to SAS (Statement on Auditing Standards) 69 of the AICPA (AU Section 411).

2. Summary of main differences identified

Subject	IAS	NL-GAAP	US-GAAP	ref.
General accounting policy issues				
Application of GAAP	Full application is required and that fact should be disclosed.	Netherlands civil code should be obeyed (for departure: see hereafter). Guidelines does not have force of law. Disclosure of full application is not required.	Full application of US-GAAP can be considered as an 'implicit code'.	3.1.1
Departure from GAAP	Departure only in the event that compliance would be misleading. Detailed disclosure requirements given.	Netherlands Civil Code: same as IAS. Guidelines: RJ expects that departure from its authoritative guidelines is only allowed for sound reasons. No requirement given to disclosure departure from Guidelines.	Same as IAS. Departure should be described in auditor's report.	3.1.2
Change in depreciation or amortisation method	IAS 16 and IAS 38 specifically require that a change in depreciation or amortisation method be accounted for as a change in estimate.	In current text a change in depreciation or amortisation method is considered as a change in accounting *policy*. According to a recently published *draft-Guideline* such a change is considered to be a change in accounting estimate.	A change in depreciation method related to existing balances, should be reported as a change in *policy* by showing the cumulative effect of the change in the income statement. Retrospective recognition of these kinds of changes is therefore required as opposed to IAS.	3.2.2.2
Change in accounting policy	IAS states that the resulting adjustments should be reported as an adjustment to the opening balance of retained earnings	Current text same as IAS.	US-GAAP requires resulting adjustments to be included in current year income statement (IAS alternative treatment).	3.2.2.4

Subject	IAS	NL-GAAP	US-GAAP	ref.
	(benchmark treatment) or as part of current year income (alternative treatment).			
Impairment of assets, impairment trigger	IAS 36 uses a discounted impairment trigger, because the value in use is by definition a discounted value.	Same as IAS.	If the sum of the expected *undiscounted* future cash flows is less than the carrying amount of the asset, the entity shall recognise an impairment loss. This means that the impairment trigger is an undiscounted amount.	3.4.2.1
Impairment of assets, reversals	Reversal of impairment losses recognised in prior years is allowed.	Same as IAS.	Reversal of previously recognised impairment losses is prohibited for *assets to be held and used.*	3.4.2.3
Impairment of assets, depreciation	Under IAS an impaired asset should be depre-ciated or amortised over its remaining useful life.	Same as IAS.	Assets to be disposed of shall not be depreciated while they are held for disposal.	3.4.3.2
Impairment of assets, goodwill involved	The recoverable amount of a cash-generating unit should be compared with the carrying value of its net assets. Resulting impairment losses should first be deducted from goodwill and then from other assets (pro rata).	Same as IAS.	US-GAAP (FAS 144) requires determination of the implied fair value of the goodwill. If the implied fair value is less than its carrying value, this carrying amount should be reduced. Such a goodwill impairment test cannot affect the carrying value of other assets.	3.4.3.3
Business combinations, pooling of interests	In exceptional circum-stances, it may not be possible to identify an acquirer, in which case the pooling of interests method should be applied	Same as IAS.	FAS 141 prohibits the pooling of interests method.	3.5.2.1
Business combinations, restructuring	At the date of acquisition, the acquirer should recognise a	Same as IAS.	US-GAAP requires that at the acquisition date management having the	3.5.2.2

Subject	IAS	NL-GAAP	US-GAAP	ref.
liabilities	provision that was not a liability of the acquiree at that date if, and only if, the acquirer *has developed and announced* the main features of a plan at, or before, the date of acquisition.		appropriate level of authority need only *have begun to formulate and assess* a plan.	
Business combinations, in-process research and development	Purchased in-process research and development that meets the recognition criteria for an intangible asset should be valued at fair value. Even if it is not a separate identifiable intangible asset, the IAS method results in capitalisation of those costs as (part of) goodwill.	Same as IAS.	Under US GAAP, purchased in-process research and development assets (tangible and intangible) should be charged to expense at acquisition date, if no alternative future use for the assets can be determined.	3.5.2.3
Business combinations, goodwill	Goodwill should be amortised on a systematic basis over its useful life, which is presumed not to exceed twenty years.	Guidelines in line with IAS. Netherlands Civil Code still has options to charge goodwill directly to equity or to income. Government put forward a bill into Parliament in which the option to charge goodwill directly to equity or results is deleted.	Goodwill shall not be amortised. Goodwill shall be tested for impairment at the level of the reporting unit. (based on FAS 142 superseding APB 17, note the effective date).	3.5.2.4
Business combinations, presentation negative goodwill	Negative goodwill should be presented as a deduction from the assets of the reporting enterprise, in the same balance sheet classification as goodwill.	IAS allowed, but negative goodwill that does not relate to expected future losses should be recognised as a revaluation reserve within equity.	An excess over cost should be allocated as a pro rata reduction to assets.	3.5.4.3
Consolidation, grounds for exclusion	A subsidiary should be excluded from consolidation when: - control is intended to be temporary; or - it operates under se-	The RJ does not have the same prescriptions as IAS regarding long-term restrictions, but dictates under these circumstances a	Subsidiaries for which control is likely to be temporary *should be* consolidated (former exclusion is amended by FAS 144).	3.6.2.1

Subject	IAS	NL-GAAP	US-GAAP	ref.
	vere long-term restrictions, which significantly impair its ability to transfer funds to the parent.	provision for particular risks.	The long-term restrictions are not specified as ground for exclusion.	
Foreign currency translation of foreign entities	On disposal of a foreign entity, the appropriate amount of cumulative translation difference relating to the entity is transferred (from equity) to the income statement.	The RJ only recommends the IAS treatment. Therefore 'recycling' of the cumulative translation difference to the income statement is not required.	Same as IAS.	3.7.2.3
Foreign currency translation of foreign entities in hyperinflationary economies	The financial statements of a foreign entity that reports in the currency of a hyperinflationary economy should be first restated to current purchasing power (see IAS 29) before they are translated into the reporting currency of the reporting enterprise.	Same as IAS.	FAS 52 requires that the financial statements of a foreign entity in a hyperinflationary economy should be remeasured as if the functional currency of the foreign entity were the reporting currency of the reporting enterprise.	3.7.2.6
Balance sheet and income statement items				
Intangible assets, development costs	Intangible assets arising from development should be recognised if specified conditions are met.	Same as IAS.	All *research and development* costs should be accounted for directly in the profit and loss account.	4.1.2.4
Intangible assets, measurement	IAS allows two measurement methods: cost method (benchmark) and a fair-value revaluation method.	Under NL-GAAP the cost method is mandatory.	Same as NL-GAAP.	4.1.3.2
Intangible assets, amortisation method	The depreciable amount of an intangible asset should be allocated on a systematic basis over its useful life, which is presumed not to exceed twenty years.	Same as IAS.	An intangible asset with a finite useful life is amortised, while an intangible asset with an indefinite useful life is *not amortised* (based on FAS 142 superseding APB 17, note the effective date).	4.1.3.3

Subject	IAS	NL-GAAP	US-GAAP	ref.
Tangible fixed assets, interest costs	Interest cost should be expensed (benchmark treatment under IAS 23), unless it is capitalised in accordance with the allowed alternative treatment in IAS 23.	Same as IAS.	Qualifying interest cost should be capitalised as part of the historical cost of acquiring certain assets. All other interest costs should be expensed.	4.2.3.3
Tangible fixed assets, measurement method	IAS allows two measurement methods: cost method (bench-mark) and a fair-value revaluation method.	In substance similar to IAS.	Under US-GAAP the cost method is mandatory.	4.2.3.6
Leases, classification between finance and operating lease	IAS takes a conceptual approach and provides *examples and indicators* of situations which would normally lead to a finance lease.	Same as IAS.	US-GAAP sets some bright-line criteria that a lease contract should meet in order to be classified as operating lease.	4.3.2.2
Leases, Sale and lease-back transactions	If a sale and lease-back transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognised *immediately*.	Same as IAS.	*Any* excess of sales proceeds should be deferred and amortised in proportion to the depreciation of the leased asset (there are some exceptions to this rule).	4.3.3.5.2
Joint ventures, accounting method	IAS permits propor-tionate consolidation (benchmark) and equity method (alternative treatment).	Dutch law *permits* proportionate consoli-dation, if this satisfies the required true and fair view. Otherwise equity method should be used.	ABP 18 requires the use of the equity method of accounting for corporate joint ventures.	4.5.2.1
Investment property	IAS 40 permits enterprises to choose between a fair value model and a cost model. If first model is used, gains or losses arising from changes in the fair value should be inclu-ded in net profit or loss.	An item of property, plant and equipment could be measured at *cost* or at its *current value*. In the latter case, value changes should be recorded directly in equity as part of a revaluation reserve.	Like other tangible fixed assets, a cost model should be used.	4.6.3.1/2

Subject	IAS	NL-GAAP	US-GAAP	ref.
Financial instruments				
Financial instruments; status of current text	IAS contain a specific standard regarding recognition and measurement of financial instruments.	IAS 39 has not been incorporated in current text of NL-GAAP. Only a draft-Guideline (basically a translation of IAS 39) has been published for exposure.	Several pronouncements are included within US-GAAP that cover the subjects of IAS 39.	4.7.0
Financial Instruments, commodity based contracts	Commodity based contracts with net settlement provisions are not considered to be financial instruments if contracts are designated and meet expected purchase, sale or usage requirements and are expected to be settled by delivery.	Not specified in current text. Draft-Guideline similar to IAS.	Commodity contracts with net-settlement conditions fall within the scope of financial instrument.	4.7.1.2
Financial instruments, recognition of profits	IAS 39 does not use the prudent income recognition principle of the Netherlands Civil Code. Fair value changes of financial instruments should or could be recognised in income, whether or not they are realised at balance sheet date. Gains and losses are treated similarly.	According to the Netherlands Civil Code, profits must only be shown to the extent that they have been realised at the balance sheet date. Losses and risks originating prior to the end of the financial year must be taken into account if they have become known prior to drawing up the financial statements.	Same as IAS.	4.7.2.4
Financial instruments, cash flow hedges	Gains and losses used to hedge forecasted asset and liability transactions are (removed from equity and) included in the cost of the asset and liability, the so-called *basic adjustment*.	Not specified in current text. Draft-Guideline similar to IAS.	The basic adjustment approach is not permitted. Gains and losses related to the hedging instrument in a cash flow hedge are reclassified to earnings over the period that the hedged item affects earnings.	4.7.2.11

Subject	IAS	NL-GAAP	US-GAAP	ref.
Financial instruments, measurement	After initial recognition, an enterprise should measure financial assets (including derivatives) at their fair values except for some specified categories of financial assets.	According to the Netherlands Civil Code only financial fixed assets, tangible fixed assets and inventories can be valued at current value. Financial current assets are valued only at cost. The RJ makes an exception for listed securities which can be sold (almost) immediately. Draft-Guideline similar to IAS.	Same as IAS.	4.7.3.1.1
Financial instruments. income recognition	Apart from some exceptions, a recognised gain or loss arising from a change in the fair value of a financial asset or financial liability should be recognised in directly income.	If financial fixed assets are valued at current value (which is an option according to Dutch law), value increases and decreases should be recognised directly in equity as part of a revaluation reserve. If part of current assets, only fair value changes of active listed securities should be recognised directly in income.	Same as IAS.	4.7.3.3
Financial instruments, presentation redeemable preferent shares	IAS 32 requires preferred stock subject to mandatory redemption requirements be classified as liability.	Same as IAS.	US-GAAP does not explicitly address this issue. For public enterprises, SEC requires these financial instruments to be classified between the liability and the equity section.	4.7.4.2
Financial instruments, classification under equity or liability	After initial recognition, this classification of the liability and equity components of a convertible instrument cannot be revised.	Revision should be made if classification is no longer consonant with the substance.	Not addressed under US-GAAP.	4.7.4.3

Subject	IAS	NL-GAAP	US-GAAP	ref.
Financial instruments, split accounting compound instruments	The issuer of a financial instrument that contains both a liability and an equity element should classify the instrument's component parts separately.	NL-GAAP only recommends separate classification.	Not addressed in general by US-GAAP.	4.7.4.4
Inventories, measurement	Inventories should be measured at the lower of cost and net realisable value.	Same as IAS, but inventories might also be valued at the current value (with changes recorded in equity).	Same as IAS.	4.8.3.2
Equity, proposed dividend	If dividends to holders of equity instruments are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date.	Dividends proposed or declared after the balance sheet date are part of liabilities if the balance sheet is to be drawn up after the appropriation of profit. *Draft-Guideline is in accordance with IAS.*	Same as IAS.	4.10.2.1
Equity, classification preferent shares	When a preference share provides for mandatory redemption by the issuer for a fixed or determinable amount, the instrument should be classified as a liability.	Same as IAS.	US-GAAP does not explicitly address this issue and practice is diverse for non-listed enterprises. Specific SEC-rules apply for listed companies.	4.10.4.1
Equity, minimum capital requirements	IAS does not give requirements for a minimum capital level to be attained by an enterprise or for specific non-distributable reserves.	The Netherlands Civil Code contains minimum capital requirements for private and public limited companies. The so-called legal reserves are part of this minimum capital level. Legal reserves may not be distributed.	Same as IAS.	4.10.4.3
Provisions, recognition	If certain criteria are met, the cost of a major inspection or overhaul should be capitalised as a component of the asset. Otherwise it	Besides the IAS treatment, it is allowed to recognise a provision for large scale maintenance work on a systematic basis over the	Same approach as IAS.	4.11.2.4

Subject	IAS	NL-GAAP	US-GAAP	ref.
	should be expensed.	interval period of the maintenance projects.		
Provisions, measurement	Where the effect of the time value of money is material, the amount of a provision should be the present value.	RJ 252 offers a choice between either using the time value or the nominal value when valuing the amount to be provided for.	No specific guidelines regarding this matter exist under US GAAP.	4.11.3.3
Pension accounting, recognition	The determining factor for the accounting method used depends on the fact whether a *defined benefit* or a *defined contribution plan* can be identified.	The Guidelines do not provide different accounting methods for the different plans. Instead, a general requirement is given, indicating that the method employed for allocating pension costs to successive reporting periods should be based on prudent and generally accepted accounting principles. *Draft-Guideline in accordance with IAS.*	Same as IAS.	4.12.2.1
Pension accounting, multi-employer plans	Multi-employer plans should be qualified as a defined benefit plan if conditions are met.	The Guidelines do not contain multi-employer plan accounting rules. Accounting practice treats such plans as defined contribution. A provision will be recognised for company's share in a plan deficit, if any. *Draft-Guideline in accordance with IAS.*	According to FAS 87.68 all multi-employer plans, can be treated under the same rules as a defined contribution plan.	4.12.2.2
Pension accounting, past-service costs	An enterprise should recognise past-service costs as an expense on a straight-line basis over the average period until the benefits become vested. An enterprise should	NL-GAAP does not address this issue specifically. *Draft-Guideline in accordance with IAS.*	Total past-service costs should be expensed over the estimated average service period of the employees, whether or not benefits are vested.	4.12.2.5

Subject	IAS	NL-GAAP	US-GAAP	ref.
	recognise past-service costs *immediately* if the benefits are already vested.			
Pension accounting, actuarial gains and losses	The amortisation period under IAS 19 for actuarial gains and losses is the expected average remaining *service period* of plan participants.	Issue not addressed by Guidelines. *Draft-Guideline in accordance with IAS.*	If all or almost all of the plan participants are inactive, the amortisation period for actuarial gains and losses should be the average remaining *life expectancy* of the inactive plan participants instead of average remaining service.	4.12.2.6
Pension accounting, actuarial assumptions	IAS 19 provides specific guidance for making actuarial assumptions. One of the assumptions regards the *future* salary levels of plan participants.	In NL-GAAP no guidance is given for actuarial assumptions. In carrying out a *sufficiency test* (thereby using the actuarial assumptions of the Dutch pension supervisory committee) future salary levels are not taken into account. *Draft-Guideline in accordance with IAS.*	Same as IAS.	4.12.3.2
Pension accounting, measurement	IAS 19 neither mentions a *sufficiency test (NL GAAP)* nor the *minimum liability requirement* of FAS 87.	A '*sufficiency test*' is required to determine whether the defined benefit obligations of enterprises (valued using the guidelines of the Dutch pension supervisory committee) are sufficient to meet the obligations resulting from the pension plans. If not, an additional provision should be recognised. *Draft-Guideline in accordance with IAS.*	FAS 87 includes a minimum liability provision that requires that at least the unfunded accumulated benefit obligation be recognised in the balance sheet.	4.12.3.3
Pension accounting, discount rates	According to IAS 19 the discount rate used should be determined	The guidelines of the Dutch pension supervisory committee	Same approach as IAS.	4.12.3.6

Subject	IAS	NL-GAAP	US-GAAP	ref.
	by reference to market yields at balance sheet date on high-quality corporate bonds.	prescribe a conservatively low discount rate. Note: the liability increasing effect of this measure is (to an extent) compensated by the fact that future salary increases are not included in the actuarial assumptions. *Draft-Guideline in accordance with IAS.*		
Other long-term employee benefits	Costs of other long-term employee benefits should be accounted for *similar to post-employment benefits* (some simplifications should be applied).	NL-GAAP does not address this issue. It is presumed that in Dutch accounting practice these types of costs are recorded when incurred. *Draft-Guideline in accordance with IAS.*	With respect to recognition and measurement, US-GAAP provides very general guidance. The expected future benefit payments should be determined either on a discounted or an undiscounted basis.	4.13.2.1
Equity compensation benefits	IAS 19 does not specify recognition and measurement requirements for *equity compensation benefits.* IAS 19 only requires extensive disclosures.	If and only if at the date of granting the equity compensation plan, the exercise price per share is lower than the quoted market price of that share, the difference has to be recognised as a compensation expense.	Two methods for the valuation of stock-based compensation can be applied: *Intrinsic value method* Same approach as under NL-GAAP. *Fair value based method* The staff costs are based on the difference between the fair value of the stock (at the grant date) and the amount that staff members will have to pay to obtain the stock.	4.13.2.6
Income taxes, recognition deferred tax assets	Under IAS 12, deferred tax assets are recognised if it is *probable* that they will be realised.	Same as IAS.	Under FAS 109, the criterion for recognition of deferred tax assets is 'more likely than not', the level of likelihood is defined as more than 50 percent.	4.14.2.1

Subject	IAS	NL-GAAP	US-GAAP	ref.
Income taxes, measurement	Deferred tax assets and liabilities should not be discounted. (i.e. valued at present value).	Deferred tax assets and liabilities in the balance sheet should be measured either at nominal (undiscounted; face) value or at present value.	Same as IAS.	4.14.3.1
Major presentation and disclosure items				
Segment reporting, segment bases	According to IAS 14, the two types of segments (business and geographic) are to be considered primary or secondary, depending on the dominant source and nature of an enterprise's risks and returns.	The Netherlands Civil Code does not distinguish between primary and secondary formats for reporting segment information. RJ 350 is in conformity with IAS 14.	US-GAAP does not distinguish between primary and secondary bases of segmentation.	5.2.2.1
Segment reporting, method of segment identification	IAS gives exceptions to the rule that the identification of segments should be based on the management information system (internal division structure).	Same as IAS.	US-GAAP adopts a full management approach. The distinction between segments is based on the division structure used for internal reporting.	5.2.2.2
Segment reporting, accounting policies	Segment information should be prepared in conformity with the accounting policies adopted in financial statements.	Same as IAS.	Accounting policies to be used are similar to those used for the information reported.	5.2.3.1
Discontinuing operations, definition	A discontinuing operation represents a separate *major* line of business or geographical area of operations.	Same as IAS.	The threshold for qualifying a discontinuing operation is lower under FAS 144. It might even be the smallest identifiable cash-generating unit (asset group).	5.3.1.1