

GAAP 2001

A Survey of National Accounting Rules
Benchmarked against
International Account Standards

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“The rapid development of global financial markets has greatly reinforced the desirability of – indeed now demands – international consistency in accounting standards and auditing approaches”.

Paul Volcker
Chairman of the Trustees of the IASC Foundation
June 2001

What progress is being made toward convergence of accounting standards?

Two years of GAAP comparison information shows that, while progress has been made in many countries, much work remains to be done. Convergence will require a joint effort of governments, stock market regulators, standards setters, preparers, users and the accounting profession.

The information provided in *GAAP 2001* should not be seen as a comprehensive comparison of national accounting rules to International Accounting Standards. Readers should not rely upon the report for the interpretation of financial statements of specific companies, nor otherwise rely on it for any purpose without seeking professional advice. No responsibility for loss to any person or organization acting or refraining from acting as a result of any material in the publication can be accepted by the preparers of the publication or the accountancy firms that assisted in the underlying survey.

In completing this survey, we gratefully acknowledge the contribution of many hundreds of large-firm partners and managers across the world. Special thanks also go to Hayley Mead for her significant contribution and enthusiasm in coordinating *GAAP 2001*.

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GAAP 2001 and *GAAP 2000* are available at www.ifad.net. In addition to the country summaries, the web site includes an analysis of new national requirements that affected the differences reported in *GAAP 2000* and includes a similar analysis of national requirements or proposals for national requirements which will further reduce differences from IAS when they come into effect in the future.

Overview

Background

Harmonization of the financial accounting and reporting standards on which financial statements are based is a necessity to respond to today's global capital markets. The world's economies are facing a future in which cash flows across borders will grow. Accounting and financial reporting is an important element of this evolving market and can support or undermine the efficiency of markets. Reporting financial information on the internet is fast becoming common, giving investors from any country ready access to the financial information of companies, regardless of their country of domicile. This globalization of capital markets and the developments in telecommunications and the internet bring a new significance to the need for comparable and transparent financial reporting and require new thinking by companies, investors, creditors and auditors about what financial information companies should publish and how best to communicate it.

The present lack of common accounting requirements around the world serves as a significant impediment to the globalization of capital markets by restricting an investor's ability to make informed decisions about investment alternatives. For investors and other users to compare investment opportunities and, indeed, for a company to benchmark itself against its competitors, a common accounting and financial reporting framework is needed.

The work of the International Accounting Standards Committee (IASC) has had a significant impact on the development of accounting standards all over the globe. Countries increasingly look to International Accounting Standards (IAS) in the absence of domestic standards. Many others permit the use of IAS in cross-border filings, and some countries permit IAS in domestic filings. Importantly, the constitution of the IASC was modified in 2000 to provide for standard-setting by an independent International Accounting Standards Board (IASB) of fourteen individuals, each chosen for his or her technical expertise. The fundamental objective of the IASC also has been refined – specifically, it seeks to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in financial statements.

The potential for IAS to provide the basis for comparable national and cross-border financial reporting is increasingly clear. Evidence includes the May 2000 recommendation by the International Organization of Securities Commissions that regulators should allow multi-national issuers to use IAS for cross-border offerings and listings, subject to the provision of supplemental data. In addition, in February 2001, the European Commission proposed a Regulation that will require Europe's listed companies to prepare their consolidated financial statements in accordance with IAS from 2005 onward. Across the world from Asia to Latin America, national governments, regulators and accountancy professionals are actively considering how their national accounting

rules differ from IAS and how to reduce those differences. This process will, in many countries, lead to a significant improvement in financial reporting transparency and comparability.

The process of reducing differences and improving financial statement transparency will take time, but the ultimate benefit will be worth the effort. Paul Volcker, Chairman of the Trustees of the IASC Foundation, voiced this view in June 2001, when he said, “the rapid development of global financial markets has greatly reinforced the desirability of – indeed now demands – international consistency in accounting standards and auditing approaches.” Strong support for high quality international standards has come from a number of other sources, including the European Commission’s Commissioner on Internal Markets, Frits Bolkestein, who, in commenting on the EC’s proposal for a Regulation on the application of IAS said, “The adoption of a common financial reporting language for listed companies throughout Europe will greatly benefit both companies and investors in bringing about more transparency and a higher degree of comparability.” And, one of the Commissioners of the United States Securities and Exchange Commission, Isaac Hunt, commented recently, “... I can think of no greater gift to the investing public than establishing a set of world wide accounting standards.”

High-quality global accounting standards are needed to improve the ability of investors to make informed financial decisions, thereby leading to a reduction in risk for investors and, ultimately, to a reduction in the cost of capital. Equally important, global standards can improve access to capital markets and reduce costs and the complexity for international companies by reducing or eliminating some of the multiple reporting obligations. Companies will save both time and costs by being able to report all financial information under the same set of accounting and reporting rules, irrespective of location. Together, these benefits of improved access to capital markets, reduced cost of capital and reduced internal costs will reward companies that improve their financial reporting by implementing global, high-quality accounting standards and will reward economies in general, delivering greater investment opportunities.

This Year’s Report

GAAP 2001 provides summaries of areas in which national standards require different accounting and reporting treatments from IAS. It is designed to increase the awareness of users of financial statements that, although financial reports from different countries may appear to be similar, significant differences in national requirements and the resulting financial statements still exist. Users of financial statements are also alerted to the potential for differences between requirements by the reference in audit reports to the national set of requirements adopted in the financial statements under review.

To obtain the data necessary to compile *GAAP 2001*, we asked partners in the large accountancy firms in more than 60 countries to benchmark their local written requirements against some 80 accounting measures, focusing on standards (both IAS and national) in force for the financial

reporting period ending 31 December 2001. The resulting high level summaries were prepared by identifying, for the selected accounting measures, those instances in which a country would not allow (because of inconsistent requirements) or would not require (because of missing or permissive requirements) the IAS treatment. To highlight progress that has been made in achieving convergence during the past year, we also have identified differences noted in *GAAP 2000* that were affected as a result of new national requirements that have come into force this year. Similarly, we have recorded changes in national requirements or proposals expected to come into force in the future, which will further reduce differences from IAS.

In carrying out the study and preparation of the country summaries, there necessarily were a number of limitations on scope and methodology. These limitations are discussed in more detail in Section 2 and should be referred to when reviewing any country summary.

Key Observations

The availability of two years of information – with last year’s *GAAP 2000* as a point of comparison – allows some analysis of the current progress toward convergence. We summarize here some themes emerging from the data with respect to three issues: national efforts; overall increase in differences; and major topics of difference.

National efforts

Approximately twenty countries are responding to the challenge of convergence with an active agenda and proposed changes to national requirements. These countries can be identified by the number of entries at the end of its summary. Other countries have only a limited number of differences, and convergence for them is a less difficult process. However, a year ago when *GAAP 2000* was published, a number of countries exhibited many and major differences from IAS, and these differences continue to exist. *GAAP 2001* shows that there are approximately thirty countries with major differences but with no indication of proposed changes. Generally, more effort needs to be made in these countries to identify differences from international standards and to plan for their removal over a period of time. For many, the process has commenced, but it may take some years for actual results to materialize because the strategy for convergence varies widely. Of course, for a few other countries, convergence of their standards is not an issue because they simply require the use of IAS.

Increase in differences

IAS 39 (*Financial Instruments: Recognition and Measurement*) and IAS 40 (*Investment Property*) came into force during 2001. As a result, most countries have added these to their list of differences from IAS. Also, in a few countries, new national requirements have increased divergence from IAS. Thus, convergence is a moving target. Changes in both international and national standards will require extra effort to achieve convergence.

Major topics of difference

Lack of convergence is particularly obvious for certain accounting and financial reporting issues, such as:

- the recognition and measurement of
 - financial assets and derivative financial instruments,
 - impairment losses,
 - provisions,
 - employee benefit liabilities,
 - income taxes;
- accounting for business combinations; and
- disclosure of
 - related party transactions,
 - segment information.

The Way Forward

As a result of the reorganization of the IASC/IASB, few new international accounting standards were issued in the last 12 months. This may mean that fewer new national differences from IAS will emerge in 2002 than in 2001. However, the IASB has given priority to certain improvements that will lead to the removal of options in a number of standards, and therefore, the differences between IAS and some sets of national requirements will increase significantly. Other major changes to IAS are also on their way. As a result, national standard setters will have to redouble their efforts in the coming years to keep pace with the changes in IAS and to ensure that the gap between national and international standards narrows rather than dramatically increases.

One national response to this potential for wider differences between national and IAS requirements would be to abandon domestic requirements and adopt IAS fully. This response might be effective if applied to a limited group of companies (for example, only to listed companies in a country with a manageable level of such companies) and in the context of a highly trained accounting profession. However, this “big bang” approach to convergence poses a much greater threat to short term quality of the application of new standards when compared with managing change over a period. Thus, when practical, staged implementation may be more appealing to national regulators. This “evolutionary approach” would enable proper development of educational, professional and regulatory infrastructures; necessary financial accounting and reporting information systems modification; translation from English into local language; and so on. An evolutionary approach involving gradual changes to national rules could perhaps start by focusing on those areas – or groups of related areas – of greatest difference from IAS.

Another version of an evolutionary approach is the European Commission's announcement of its proposed Regulation, which has provided several years of advance warning before IAS becomes compulsory for listed European Union companies. This will allow time for the management and finance functions of affected companies to develop a well-considered, orderly transition to IAS.

As a first step in achieving full convergence, we encourage companies to begin to identify and quantify differences between their current accounting practices and IAS requirements. Companies need to prepare early for change. Quantification of the impact should be an urgent priority, even if only for a company's internal management purposes. And, in time, a requirement to present a numerical reconciliation to IAS could help to prepare the users of financial statements for the forthcoming change and could help to satisfy market expectations.

The quantity and significance of the differences in the *GAAP 2001* country summaries makes it clear that, for many countries, convergence with IAS is a major task and requires a joint effort in each country by the government, stock market regulators, financial statement preparers, users, standard setters and the accounting profession. Changing the requirements will be difficult enough, but it will be more difficult still to ensure a high quality of implementation. Accountants and auditors must be trained, enforcement mechanisms must be improved and users must be informed. Although some efforts may be initiated internationally, it is clear that the most significant actions must be undertaken at the country level, where plans for convergence of high quality accounting standards need to be developed and implemented.

As a final comment, users of any particular financial information should take great care to understand which accounting principles (national or international) have been applied in preparing the relevant financial statements. Not only do alternative treatments exist in accounting requirements, but also particular events and transactions in different companies can take on more or less significance. While *GAAP 2001* is not meant to provide a comprehensive analysis to facilitate the in-depth interpretation of financial statements of specific companies, it will alert users to the care needed in interpreting financial information from across the world. We particularly hope that this report on current differences will encourage regulators, users and others to continue to press for further convergence and improvements in standards.

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Survey Methodology and Limitations

The following remarks are important in understanding the material presented in *GAAP 2001*.

The questionnaire used to generate the information for the country summaries is included as Section 4 of this report. Our work did not aim to record all areas of difference that a more detailed study would disclose. It focused on some 80 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 (IAS) in force for accounting periods ending on 31 December 2001. 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;
- 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 record a difference when IAS permits alternative treatments and the national rules follow one of those treatments or are more detailed or more restrictive than IAS. 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);
- are based solely on standards in force for the financial reporting period ending 31 December 2001, except for India and Japan where March year ends are most common and where we have therefore applied a 31 March 2002 cut-off. We have only included those standards published as of 31 October 2001, therefore careful attention should be paid to areas where requirements may have been issued after this date but prior to 31 December 2001. In addition, 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, 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 “80 key measures” of the 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 2001 (or 31 March 2002, for India and 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.

For those countries that were included in *GAAP 2000*, the summary of progress made in effecting convergence in the past year identifies differences noted in *GAAP 2000* that were affected as a result of new national requirements that have come into force. In general, affected means that the differences have been removed, although in certain instances differences have not been completely removed, have changed in nature or additional differences have arisen due to the introduction of conflicting national requirements. 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 62 countries; nevertheless, it should be emphasized that the depth of explanation of differences for each country may not be comparable.

The information provided herein should not be seen as a comprehensive comparison of national accounting rules to International Accounting Standards. Readers should not rely upon the report for the interpretation of financial statements of specific companies, nor otherwise rely on it for any purpose, without seeking professional advice. No responsibility for loss to any person or organization acting or refraining from acting as a result of any material in this publication can be accepted by the preparers of this publication or the accountancy firms that assisted in the underlying survey

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 on recognition and measurement 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
- trading liabilities and derivatives IAS 39.93
- hedge accounting for derivatives. IAS 39.142

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
- the fair values of investment properties IAS 40.69
- 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
- an enterprise only consolidates a special purpose entity when control of it is established by a contract SIC 12
- 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

- deferred tax accounting is not required IAS 12
- 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, pre-opening 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
- provisions can be made for major overhaul costs SIC 23
- if investment properties are revalued, gains and losses are not taken to income IAS 40.28
- 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
- on acquisition, restatement of net assets to fair value can be limited to the difference between cost and book value, thereby avoiding the creation or increase of negative goodwill IAS 22.59
- 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
- there are no detailed requirements for calculating value in use in assessing possible impairment of assets IAS 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
- a contingent gain may be recognized if it falls in the “probable” category and the amount can be reasonably estimated IAS 37.31
- financial assets can be derecognized on other bases than loss of control IAS 39.35
- some non-listed companies are not required to prepare a cash flow statement. IAS 7

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Four technical resolutions that would affect most of the differences from IAS, except those relating to IAS 39, have been approved in some Argentine provinces, and are awaiting approval in others.

Australia

Australian requirements are based mainly on the Corporations Act 2001 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 on recognition and measurement in the following areas:

- intangible assets IAS 38
- the derecognition of financial assets IAS 39.35
- 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:

- the fair values of investment properties IAS 40.69
- 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:

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- gains and losses on the change in value of trading financial instruments are not required to be taken to income IAS 39.103
- hedge accounting is permitted more widely IAS 39.142
- deferred tax is accounted for on the basis of timing differences rather than temporary differences IAS 12.15
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences in equity is not recognized in income IAS 21.37
- investment properties can be held at cost without depreciation IAS 40.50
- the changes in value of investment properties held at a current value are taken to reserves IAS 40.28
- revaluations of intangible assets are permitted without an active market IAS 38.64
- poolings/unitings of interests are prohibited IAS 22.77

- 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
- 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

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
- there is no specific prohibition of discounting of deferred tax balances. IAS 12.53

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued that will largely remove the above differences with respect to:

- the translation of the financial statements of hyperinflationary subsidiaries
- deferred tax
- provisions
- disclosures concerning discontinuing operations
- segment reporting.

An exposure draft has been issued that proposes to harmonize practice with IAS with respect to:

impairment of assets.

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 and certain other requirements.

Austrian accounting may differ from that required by IAS because of the absence of specific Austrian rules on recognition and measurement 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
- consolidation of special purpose entities SIC 12
- translation of financial statements of hyperinflationary subsidiaries IAS 21.36
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- impairment tests on goodwill and intangibles with lives of over 20 years IAS 22.56; IAS 38.99
- the treatment of changes in accounting policies and fundamental errors. IAS 8.34-44

There are no specific rules requiring disclosures of:

- a cash flow statement IAS 7
- a primary statement of changes in equity IAS 1.7
- 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
- the fair values of investment properties IAS 40.69
- 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
- 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 22.59

- inventories are valued at the lowest of cost, net realizable value and 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 principally 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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 carryforwards 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 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
- there are no specific rules on the treatment of the cumulative exchange differences on disposal of a foreign entity IAS 21.37
- internally generated intangible assets must not be capitalized IAS 38.19
- the option to capitalize pre-operating or start-up costs IAS 38.56
- the treatment of own (treasury) shares as assets. SIC 16

Differences in the following areas were recorded in the *GAAP 2000* publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

Belgium

Belgian requirements are based on the Accounting Law and the Royal Decree included in the Company Code and 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 Belgian rules on recognition and measurement in the following areas:

- the consolidation of special purpose entities SIC 12
- 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
- accounting for employee benefits. IAS 19

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- discontinuing operations IAS 35
- segment information beyond sales figures IAS 14
- earnings per share IAS 33
- a cash flow statement IAS 7
- related party transactions (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:

- on acquisition, the restatement of net assets to fair value can be limited to the difference between cost and book value, thereby avoiding the creation or increase of negative goodwill IAS 22.59
- 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
- tax-based depreciation is sometimes not corrected in consolidated statements IAS 27.27; IAS 28.20
- 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

- 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
- provisions are made in certain cases where there is no obligation at the balance sheet date; and they need not be discounted IAS 37.14/45
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value, but provisions should be established where necessary to cover derivative positions IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- extraordinary items are defined more widely. IAS 8.6/12

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
- there are no specific rules on the translation of the statements of hyperinflationary foreign subsidiaries IAS 21.36
- the recognition of deferred tax assets on tax losses carried forward is not required IAS 12.34
- derecognition of financial assets IAS 39.35
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 on recognition and measurement in the following areas:

- provisions in the context of business combinations accounted for as acquisitions IAS 22.31
- the treatment of acquired research and development IAS 22.27
- the consolidation of special purpose entities SIC 12
- employee benefit obligations IAS 19
- intangible assets IAS 38
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- impairment of assets IAS 36
- leases. IAS 17

There are no specific rules requiring disclosures of:

- cash flow statements IAS 7
- the fair values of investment properties IAS 40.69
- 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
- exchange differences on the translation of the financial statements of foreign entities are taken to income IAS 21.30
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- for raw materials and other inventories used in production, replacement costs is used instead of net realizable value as the measure of market value IAS 2.6
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Changes to requirements will bring Brazilian rules into line with IAS 19 on accounting for employee benefits in 2002.

Bulgaria

Bulgarian requirements are mainly based on the Accounting Act and upon Standards and Regulations issued by the Ministry of Finance

Bulgarian accounting may differ from that required by IAS because of the absence of specific Bulgarian rules on recognition and measurement in the following areas:

- the consolidation of special purpose entities SIC 12
- the treatment of cumulative exchange differences on the disposal of a foreign entity IAS 21.37
- impairment of assets IAS 36
- the treatment of internally generated intangible assets IAS 38.51
- sale and leaseback transactions IAS 17.50/52
- the discounting of provisions IAS 37.45
- the discount rate used in the calculations of employee benefit obligations IAS 19.78
- the deferred tax treatment of tax loss carryforwards, revaluations of assets, and offset of tax assets and liabilities IAS 12
- the treatment of 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
- the fair values of investment properties IAS 40.69
- segment reporting IAS 14
- a reconciliation of cash flows to cash and cash equivalents IAS 7.45
- the FIFO or current cost of inventories valued on a LIFO basis. IAS 2.36

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

- associates are defined by reference to a threshold shareholding of 25% (rather than 20%) of voting equity IAS 28.4
- pre-operating costs can be capitalized IAS 38.57
- the revaluation of assets is carried out by reference to official statistics not to fair value IAS 16.29
- the definition of a finance lease includes, as a necessary condition, the transfer of title to the lessee IAS 17.3
- the aggregate benefit of lease incentives is not necessarily recognized as a reduction of rental expense SIC 15
- lessors recognize finance lease income for a period in proportion to the amount of the minimum lease payments received according to the contract IAS 17.30
- own (treasury) shares are shown as assets SIC 16

- a wider range of items are shown as extraordinary IAS 8.6
- the gains on revaluation of investment properties are taken to equity. IAS 40.28

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

- negative goodwill is shown as deferred income IAS 22.64
- there are no requirements concerning the treatment of proposed dividends. IAS 10.11

This country was not included in the GAAP 2000 publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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
- the fair values of investment properties IAS 40.69
- 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
- goodwill acquired prior to 1 July 2001 is amortized for any fiscal year beginning before 1 January 2002 based on its useful life, limited to 40 years, and is not amortized for years beginning after 31 December 2001; goodwill acquired on or after 1 July 2001 is not amortized IAS 22.40/42
- for business combinations on or after 1 July 2001, negative goodwill should be allocated to specified non-financial assets, with the remainder treated as an extraordinary gain IAS 22.59
- trading, available-for-sale and derivative financial assets are not required to be recognized at fair value IAS 39.69
- trading and derivative liabilities are not required to be recognized at fair value IAS 39.93
- financial assets are derecognized on a different basis IAS 39.35
- hedge accounting is allowed under different criteria IAS 39.142
- 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 on assets other than intangible assets with indefinite lives and goodwill 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
- many liabilities and provisions are not discounted 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:

- business combinations must be accounted for as acquisitions IAS 22.77
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

There is a requirement not to amortize goodwill but to test it annually for impairment, unless certain criteria are met. The same applies to intangible assets with indefinite lives. This will add to the differences from IAS.

There is a new requirement that prohibits the deferral of foreign currency gains and losses on long-term monetary items. This will remove a difference from IAS 21.

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 on recognition and measurement in the following areas:

- the recognition of provisions in the context of business combinations treated as acquisitions IAS 22.31
- employee benefit obligations IAS 19
- start-up and organizational costs IAS 38.57
- the prohibition of discounting of deferred tax assets and liabilities IAS 12.53
- 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
- the derecognition of financial assets IAS 39.35
- the treatment of liabilities held for trading IAS 39.93
- hedge accounting for derivatives IAS 39.142
- 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
- special purpose entities are not necessarily consolidated SIC 12
- 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
 - replacement cost can be used for the valuation of inventories if it is lower than cost and net realizable value IAS 2.6
 - 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
 - trading and available-for-sale financial assets are not recognized at fair value IAS 39.69
 - 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
 - proposed dividends are accrued as liabilities 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 particularly to the requirements for listed companies.

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

- | | |
|---|--------------|
| – uniting of interests | IAS 22.8 |
| – provisions in the context of acquisitions | IAS 22.31 |
| – employee benefit obligations | IAS 19 |
| – discounting of liabilities | IAS 37.45 |
| – the treatment of an issuer's financial instruments | IAS 32.18/23 |
| – the derecognition of financial assets | IAS 39.69 |
| – hedge accounting for derivatives | IAS 39.142 |
| – the treatment of the cumulative amount of deferred exchange difference on disposal of a foreign entity. | IAS 21.37 |

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 values of financial instruments (except for listed investments) | IAS 32.77 |
| – the fair values of investment properties | IAS 40.69 |
| – discontinuing operations | IAS 35 |
| – 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:

- | | |
|--|--------------|
| – certain subsidiaries with dissimilar activities can be excluded from consolidation | IAS 27.14 |
| – subsidiaries are excluded from consolidation if intended for sale, even if previously consolidated | IAS 27.13 |
| – for most business combinations accounted for using purchase accounting, the identifiable assets and liabilities of subsidiaries acquired are consolidated based on their book values | IAS 22.40 |
| – either provisions for major overhaul costs or deferral of incurred major overhaul costs are allowed | SIC 23 |
| – trading and derivative financial assets and liabilities are generally not held at fair value | IAS 39.69/93 |
| – proposed dividends are accrued | IAS 10.11 |

- deferred tax accounting is uncommon and, when done, is calculated on the basis of timing differences, with the deferral method or the liability method allowed IAS 12
- the definition of extraordinary items is wider IAS 8.6/12
- certain disclosures relating to primary segments (e.g., acquisitions and depreciation of assets) are not required IAS 14.57/58
- there are no rules addressing the consolidation of special purpose entities. SIC 12

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

- under some circumstances, finance leases can be recognized at the undiscounted amount of minimum lease payments IAS 17.12
- there is no specific requirement for segment reporting to be prepared on the basis of the policies used for financial reporting. IAS 14.44

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

National standards came into force which reduced the differences recorded above in the following areas:

- business combinations
- lease accounting
- impairment of assets
- pre-operating expenses
- foreign currency translation
- rules concerning the calculations of earnings per share
- segment reporting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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. For unlisted companies, the requirements of law are inconsistent with IAS in the area of the definition of subsidiaries.

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 Czech rules on recognition and measurement 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
- the prohibition of the discounting of deferred tax assets and liabilities IAS 12.53
- 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
- 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
- gains and losses on translation of the financial statements of foreign entities are taken to income IAS 21.30
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- financial assets are derecognized on the basis of legal form IAS 39.35
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and proposals coming into force for year ends after 2001 that would affect the above summary:

New legislation is expected which will reduce differences in a number of areas mentioned above.

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 on recognition and measurement in the following areas:

- accounting for leases IAS 17
- impairment tests for goodwill or other intangibles with useful lives in excess of 20 years IAS 22.56; IAS 38.99
- the derecognition of financial assets IAS 39.35
- provisions IAS 37
- employee benefit obligations. IAS 19

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity IAS 1.7
- the fair values of investment properties IAS 40.69
- 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
- special purpose entities are only consolidated when there is ownership of at least one share SIC 12
- on disposal of a foreign entity, the cumulative exchange differences in equity are not recognized as income IAS 21.37
- 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
- on acquisition, the restatement of net assets to fair value can be limited to the difference between cost and book value, thereby avoiding the creation or increase of negative goodwill IAS 22.59
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93

- hedge accounting is permitted more widely IAS 39.142
- contracts can be accounted for on a completed contract basis IAS 11.22
- dividends can be 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
- inventories can be valued at replacement cost IAS 2.6
- extraordinary items can be defined more widely IAS 8.6/12
- own (treasury) shares can be recognized as assets. SIC 16

Differences in the following area were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- a standard on deferred tax, that is largely in line with IAS 12, has come into force.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A new Accounting Law comes into force for 2002 that will reduce the differences concerning:

- impairment of assets
- lease accounting
- financial assets and liabilities
- provisions
- the measurement of assets and liabilities (including provisions) in the context of an acquisition
- segment reporting
- disclosures on discontinuing operations.

Accounting standards have been published that will remove the above differences concerning:

- the valuation of inventories
- accounting for contracts
- proposed dividends
- the treatment of cumulative exchange differences on the sale of a foreign entity.

Exposure drafts have been published that are similar to IAS and will reduce the above differences concerning:

- business combinations
- provisions
- investment properties
- own (treasury) shares
- presentation of a primary statement of changes in equity
- extraordinary items.

Also a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 Egyptian rules on recognition and measurement 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 derecognition of financial assets IAS 39.35
- 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
- the fair values of investment properties IAS 40.69
- 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:

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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 rate need not be based on current bond interest rates IAS 19.78/83
- 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; and past service costs are recognized immediately IAS 19.92/96
- 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, this other issue could lead to differences from IAS:

- there are no requirements concerning those employee benefits, beyond retirement benefits and pension systems, that might be found in foreign subsidiaries. IAS 19.52

Differences in the following areas were recorded in the *GAAP 2000* publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 on recognition and measurement in the following areas:

- provisions in the context of a business combination accounted for as an acquisition IAS 22.31
- impairment tests refer to permanent diminutions in value and there are no detailed rules on impairment measurement IAS 36
- employee benefit obligations IAS 19
- deferred tax, although domestic companies do not pay corporate income tax IAS 12
- derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- 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

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
- the fair values of investment properties IAS 40.69
- discontinuing operations. IAS 35

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

- special purpose entities are generally not consolidated if ownership is not more than 50% SIC 12
- except for certain listed investments, financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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

- on acquisition, restatement of net assets to fair value is limited to the difference between cost and book value IAS 22.59
 - if the purchase consideration in a business combination is non-monetary assets these are valued at book value, and any share issue costs are treated as a deduction from equity not as cost of acquisition IAS 22.21
 - negative goodwill is deducted from non-monetary assets IAS 22.59/64
 - the income tax consequences of dividends are charged to retained earnings and not recognized in the income statement. IAS 12.52B
- 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

Differences in the following area were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- segment reporting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 on recognition and measurement in the following areas:

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|---|--------------|
| – the consolidation of special purpose entities | SIC 12 |
| – 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 |
| – derecognition of financial assets | IAS 39.35 |
| – hedge accounting for derivatives | IAS 39.142 |
| – 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 |
| – the fair values of investment properties | IAS 40.69 |
| – 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
 - inventories can be valued at replacement cost if lower than cost or net realizable value IAS 2.7
 - the revenues on uncompleted construction contracts need not be recognized by stage of completion IAS 11.22
 - trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
 - trading and derivative liabilities are not recognized at fair value IAS 39.93
 - 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
 - on acquisition, restatement of net assets to fair value is limited to the difference between cost and book value IAS 22.59
 - there are no specific requirements relating to the translation of the financial statements of subsidiaries in hyperinflationary economies IAS 21.36
 - 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

Differences in the following area were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

France

French requirements are based on the Code de commerce, company law and decrees, rules established by the Comité de la Régelmentation Comptable (Committee of Accounting Regulation) including, 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 French rules on recognition and measurement 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 discounting of provisions IAS 37.45
- the calculation of basic and diluted earnings per share. IAS 33

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
- the fair values of investment properties. IAS 40.69

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

- there is a requirement to hold at least one share 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
- some business combinations can be treated as unitings of interest even if an acquirer can be identified, when at least 90% of the share capital 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 can be recognized as an expense immediately IAS 22.27/40; IAS 38.79
- 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
- financial assets and liabilities are not fair valued except in very limited circumstances IAS 39.69/93
- derivatives that are assets or liabilities are usually not shown in the balance sheet except for premiums paid and received; only unrealized losses on derivatives are accounted for in the income statement in the absence of hedge accounting IAS 39.69/93
- a financial asset should be derecognized when legal title is transferred even if the control is retained by the transferor IAS 39.35/37/38
- hedge accounting is permitted more widely IAS 39.142
- 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
- extraordinary/exceptional items are defined more broadly. IAS 8.6/12

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
- when investment properties are accounted for at fair value, gains arising from fair valuation are credited to equity IAS 40.28
- the classification of a lease as a finance or an operating lease may be based on different criteria IAS 17.3

- the revaluation of assets does not have to be kept up to date
IAS 16.29
- 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
- no deferred tax should be recognized on taxable temporary differences that arise from the fair valuation of intangible assets that are not amortized and cannot be sold separately from the acquired enterprise taken as a whole
IAS 12.15
- 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 after the end of the period opened for adjustments to goodwill, the amount of goodwill is not reduced accordingly and the adjustment is recognized in the consolidated statement of income.
IAS 22.85

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A Regulation of the CRC has been passed that will introduce rules on provisions broadly in line with IAS 37. However, discounting will still not be compulsory, and it will still be possible to create provisions more widely than under IAS.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

Germany

German requirements are mainly based on the Commercial Code (HGB). In addition, standards prepared by the German Accounting Standards Committee (GASC), and thereafter published by the Federal Ministry of Justice supplement the HGB with respect to the consolidated financial statements of listed companies. Once the standards (GASs) have been published by the Federal Ministry of Justice, they are presumed to represent proper accounting principles for group financial reporting. However, when the GASs conflict with the current provisions of the HGB, it is unclear whether the GASs are mandatory before they are actually incorporated into the HGB.

Listed companies may alternatively 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 on recognition and measurement 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
- fair values of investment properties IAS 40.69
- related party transactions other than certain disclosures (e.g., payments to management) 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 even though 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, the measurement of assets and liabilities acquired at their fair values must not exceed the cost of acquisition IAS 22.59
 - goodwill arising on consolidation can be deducted immediately against equity IAS 22.40
 - internally generated intangible assets which are expected to provide ongoing service to the enterprise must not be recognized IAS 38.19
 - 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
 - trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
 - trading and derivative liabilities are not recognized at fair value IAS 39.93
 - hedge accounting is permitted more widely IAS 39.142
 - 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 the lowest of cost, net realizable value and 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
 - long term 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 carryforwards 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

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| – certain subsidiaries with dissimilar activities should be excluded from consolidation | IAS 27.14 |
| – there is also a choice to exclude certain other 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, if held for re-issue, but otherwise they are 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 |

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

The GASC has prepared, and the Federal Ministry of Justice has published, standards which, when incorporated into the HGB, will reduce or remove the above differences concerning:

- business combinations
- the presentation of equity.

Exposure drafts have been published by the GASC that propose to reduce the above differences with respect to:

- deferred tax
- related party disclosures.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 on recognition and measurement 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
- hedge accounting for derivatives. IAS 39.142

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
- the fair values of investment properties IAS 40.69
- 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
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- inventories are valued at the lowest of cost, net realizable value and replacement cost IAS 2.6
- investment properties are revalued every four years and depreciated IAS 40.27
- 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 necessarily 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
- 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

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

- there is no specific guidance on the treatment of the cumulative exchange differences on disposal of a foreign entity IAS 21.37

- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 on recognition and measurement in the following areas:

- employee benefits IAS 19
- accounting for derivatives IAS 39.69/93
- the measurement of financial liabilities IAS 39.93
- hedge accounting for derivatives. IAS 39.142

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

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:

- 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
- 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
- gains and losses on the revaluation of investment properties are taken to reserves unless there is a deficit on a portfolio basis IAS 40.28
- available-for-sale financial assets held for an identified long-term purpose may be valued at cost IAS 39.69
- 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
- the format of the cash flow statement and certain disclosures and the definition of cash equivalents are different. IAS 7

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

- for Hong Kong incorporated parents, enterprises that are controlled by them but do not meet the definition of subsidiary under the Hong Kong Companies Ordinance are excluded from consolidation IAS 27.6
- 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 also no specific rules concerning own (treasury) shares. SIC 16

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

National standards based on IAS came into force in 2001 which reduced differences concerning:

- business combinations
- foreign currency translation
- the impairment of assets
- intangible assets
- provisions
- post balance sheet events
- segment reporting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Exposure drafts have been published that propose to remove or reduce the above differences concerning:

- employee benefits
- cash flow statements
- disclosures on discontinuing operations.

Hungary

Hungarian requirements are based on the Accounting Act of 2000.

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

- provisions in the context of a business combination accounted for as an acquisition IAS 22.31
- the treatment of the accumulated deferred exchange difference on the disposal of a foreign entity IAS 21.37
- the derecognition of financial assets IAS 39.35
- discounting of provisions IAS 37.45
- employee benefit obligations, other than early retirement costs and severance payments IAS 19
- the recognition of finance lease income by lessors IAS 17.30
- accounting for an issuer’s financial instruments IAS 32
- accounting for construction contracts IAS 11
- deferred taxes, other than those arising as part of the consolidation process or on tax losses carried forward. IAS 12

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 values of financial instruments IAS 32.77
- the fair values of investment properties IAS 40.69
- 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 for most assets, 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- provisions may only be recognized for obligations arising under statute IAS 37.14
- proposed dividends are accrued IAS 10.11
- there is a wider definition of extraordinary items IAS 8.6/12
- cash flow statements are presented as supplementary notes and reconciled to cash (not to cash and cash equivalents) IAS 7.1/45
- 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 or if it has not yet been registered by the Court of Registration IAS 27.13
- negative goodwill is shown as a liability in consolidated financial statements and not taken to income until disposal IAS 22.61-64
- there are no specific rules on the treatment of hyperinflationary subsidiaries IAS 21.36
- set-up costs can be capitalized IAS 38.56
- inventories can be valued at replacement cost if lower than cost or net realizable value IAS 2.7
- it is possible that the uniting of interests method could be used under different conditions from those imposed by IAS IAS 22.8-16

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| – 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 |

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- intangible assets
- deferred tax on tax losses carried forward.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 on recognition and measurement 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 the cumulative foreign exchange gains and losses on the disposal of a foreign entity IAS 21.37
- 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
- the fair values of investment properties IAS 40.69
- 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:

- subsidiaries are defined on the basis of majority ownership rather than de facto control IAS 27.6; SIC 12
- certain dissimilar subsidiaries may be excluded from consolidation IAS 27.14
- some part of the cost of the acquisition of a subsidiary that is related to acquired research and development can be recognized as an expense immediately IAS 22.27/40; IAS 38.79
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69

- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005. As a member of the European Economic Area, the Regulation would apply in Iceland.

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. Exceptionally, and because March year ends are the most common in India, this analysis is prepared based on Indian standards which will be in force for accounting periods ending on 31 March 2002.

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

- | | |
|--|-----------------|
| – accounting for associates | IAS 28 |
| – accounting for joint ventures | IAS 31 |
| – the treatment of the cumulative exchange gains and losses on disposal of a foreign entity | IAS 21.36 |
| – the creation of provisions in the context of business combinations accounted for as acquisitions | IAS 22.31 |
| – the impairment of assets | IAS 36 |
| – the derecognition of financial assets | IAS 39.35 |
| – hedge accounting for derivatives | IAS 39.142 |
| – the treatment of lease incentives | SIC 15 |
| – discounting of provisions | IAS 37.45 |
| – the methods to be used when accounting for employee benefit obligations. | IAS 19.64/78/83 |

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 |
| – the fair values of investment properties | IAS 40.69 |
| – discontinuing operations. | IAS 35 |

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 |
| – negative goodwill is treated as a capital reserve | IAS 22.64 |
| – trading, available-for-sale and derivative financial assets are not recognized at fair value | IAS 39.69 |
| – trading and derivative liabilities are not recognized at fair value | IAS 39.93 |
| – 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
– investment properties are carried at cost less permanent diminutions in value	IAS 40.50
– certain expenditures on intangible items that are not assets can be deferred and amortized	IAS 38.56
– revaluations of assets do not need to be kept up-to-date	IAS 16.29
– the completed contract method may be used to recognize revenues on construction contracts	IAS 11.22
– deferred tax is calculated on the basis of timing differences	IAS 12.15/24
– 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- the Securities Exchange Board has made it mandatory for listed companies to present consolidated financial statements
- standards on lease accounting, segment reporting, earnings per share and related party disclosures have been issued which bring Indian accounting broadly into line with IAS
- a standard on deferred tax has been issued, although some significant differences from IAS 12 remain.

National requirements and published drafts coming into force for year ends after March 2002 that would affect the above summary:

A Standard has been issued on accounting for investments in associates.

Exposure drafts have been issued that would reduce the above differences concerning:

- construction contracts
- disclosures relating to discontinuing operations.

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 on recognition and measurement in the following areas:

- the derecognition of financial assets IAS 39.35
- 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 values of financial assets and liabilities IAS 32.77
- segment reporting of liabilities. IAS 14.56

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

- investment properties can be carried at cost without depreciation IAS 40.50
- 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 required to be 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:

- in an acquisition, if the fair values of net assets acquired exceed cost, the fair values of non-monetary assets should be reduced proportionately IAS 22.59

- | | |
|--|--------------|
| <ul style="list-style-type: none"> – there are no specific rules for the inclusion of joint venture entities in consolidated financial statements, therefore interests of less than 20% in a joint venture might be accounted for on a cost basis | IAS 31.25/32 |
| <ul style="list-style-type: none"> – there are no rules concerning the translation of the financial statements of subsidiaries operating in hyperinflationary economies | IAS 21.36 |
| <ul style="list-style-type: none"> – there are no rules concerning the treatment of lease incentives | SIC 15 |
| <ul style="list-style-type: none"> – segment information may be prepared using different accounting policies from those used for the financial statements | IAS 14.44 |
| <ul style="list-style-type: none"> – there are no rules addressing the consolidation of special purpose entities. | SIC 12 |

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- recognition and measurement of provisions
- intangible assets.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will remove the above differences concerning segment reporting and discontinuing operations.

Iran, Islamic Republic of

Iranian requirements are based on the guidelines of the Accounting Standards 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 Iranian rules on recognition and measurement in the following areas:

- accounting for joint ventures IAS 31
- the treatment of lease incentives SIC 15
- the derecognition of financial assets IAS 39.35
- accounting and hedge accounting for derivatives IAS 39.93/142
- accounting for financial liabilities IAS 39.93
- 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:

- the fair values of investment properties IAS 40.69
- 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:

- on disposal of a foreign entity, the cumulative exchange differences in equity are taken to accumulated profit and loss as a prior year adjustment and disclosed in the statement of comprehensive income IAS 21.37
- trading and available-for-sale financial assets are not recognized at fair value IAS 39.69
- 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
- provisions can be made before an obligation arises IAS 37.14
- proposed dividends can be recognized before being declared IAS 10.11
- 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 specific requirements concerning the treatment of hyperinflationary subsidiaries. IAS 21.36

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- business combinations
- accounting for associates
- lease accounting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

- an exposure draft has been issued on earnings per share.

Ireland

Irish requirements are based on the Companies Acts 1963 to 2001, 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 can be 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 can be recognized only if they are expected to crystallize, or when the event giving rise to the asset or liability has occurred by the balance sheet date IAS 12.5/15
- deferred tax assets and liabilities can be discounted IAS 12.53
- the recognition of deferred tax assets can be more restrictive IAS 12.34
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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
- revaluation gains and losses on investment properties are reported in the statement of changes in equity not in the income statement. IAS 40.28

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will reduce the differences with respect to employee benefits and deferred tax.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

Israel

Israeli requirements are based on the Companies Law 1999 and on accounting standards issued by the Institute of Certified Public Accountants in Israel and the Israel Accounting Standards Board. 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 Board. 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.

Israeli accounting may differ from that required by IAS because of the absence of specific Israeli rules on recognition and measurement in the following areas:

- the consolidation of special purpose entities, especially as a minimum holding of 25 per cent is specified for consolidation SIC 12
- measurement of financial instruments IAS 39.69/93
- hedge accounting for derivatives IAS 39.142
- the prohibition of discounting of deferred tax assets and liabilities. IAS 12.53

There are no specific Israeli rules requiring disclosures of:

- the fair values of investment properties IAS 40.69
- 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
- in the context of an acquisition, part of the purchase price can be allocated to research and development and immediately expensed IAS 22.27/40; IAS 38.45/79
- 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
- start-up and promotional expenses are sometimes capitalized IAS 38.57
- provisions are not required to be discounted IAS 37.45
- 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:

- under certain circumstances, replacement cost can be used as the measure of market value for inventories instead of net realizable value IAS 2.6
- 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

Differences in the following area were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- the treatment of proposed dividends.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued that will remove the above differences concerning inflation accounting, discontinuing operations and segment reporting.

An exposure draft has been published that would remove the above difference concerning provisions.

Italy

Italian requirements are mainly based on the Civil Code, a legislative decree of 1991, the principles of the Commissione per la Statuizione dei Principi Contabili of the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri, and the regulations of CONSOB.

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

- impairment of assets, especially as the law refers to permanent diminution in value IAS 36
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- 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
- the fair values of investment properties IAS 40.69
- 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
- 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
- inventories other than finished goods are valued at the lower of cost and replacement cost IAS 2.6
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- deferred tax assets may only be recognized when recovery is reasonably certain IAS 12.24
- 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
- segment reporting may, in practice, be incomplete IAS 14
- some government grants of 1997 or earlier were partly recognized as equity. IAS 20.12

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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. 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 2002.

Japanese accounting may differ from that required by IAS because of the absence of specific Japanese rules on recognition and measurement 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
- the discounting of provisions IAS 37.45
- the recognition of lease incentives SIC 15
- 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
- the fair values of investment properties IAS 40.69
- 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:

- 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
- under a temporary regulation, land can be revalued, but the revaluation does not need to be kept up to date IAS 16.29
- pre-operating costs can be capitalized IAS 38.57
- leases, except those which transfer ownership to the lessee, can be 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
- inventory cost can include overheads in addition to those relating to production IAS 2.6
- the completed contract method can be used for the recognition of revenues on construction contracts IAS 11.22
- some trading liabilities are measured at fair value, but the category is not clearly defined IAS 39.93

- provisions can be made on the basis of decisions by directors before an obligation arises IAS 37.14
- proposed dividends can be accrued in consolidated financial statements IAS 10.11
- 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 possible, though unusual, for dissimilar subsidiaries to be excluded from consolidation if the consolidation of such subsidiaries would mislead stakeholders IAS 27.14
- there are no requirements concerning the translation of the financial statements of hyperinflationary subsidiaries. IAS 21.36

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after March 2002 that would affect the above summary:

None.

Kenya

Kenyan requirements are based on the Companies Act, which requires companies to prepare financial statements and to have them audited. The Institute of Certified Public Accountants of Kenya is empowered by the Accountants Act to issue practicing certificates to entitle auditors to sign audit opinions. The Institute requires auditors to give an opinion on whether or not the financial statements of companies comply with IAS. Consequently, an unqualified audit opinion on a company's financial statements implies full compliance with IAS.

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 on recognition and measurement in the following areas:

- the determination of value in use as part of the measurement of impairment losses IAS 36.5
- derecognition of financial assets IAS 39.35
- 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 values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- 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
- special purpose entities established before 2000 are not consolidated. SIC 12

Differences in the following area were recorded in the *GAAP 2000* publication but have been affected as a result of national requirements that have come into force since then:

- special purpose entities established in 2000 onwards are consolidated.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

An exposure draft proposes to require that dividends should only be accrued when declared.

Latvia

Latvian requirements are mainly found in the Laws on annual accounts and consolidated accounts (based on the EU fourth and seventh directives).

Latvian accounting may differ from that required by IAS because of the absence of specific Latvian rules on recognition and measurement in the following areas:

- the classification of business combinations into unitings of interest and acquisitions IAS 22.8
- the creation of provisions in the context of acquisitions IAS 22.31
- the treatment of subsidiaries reporting in hyperinflationary currencies IAS 21.36
- the treatment of the cumulative exchange differences on the disposal of a foreign entity IAS 21.37
- hedge accounting for derivatives IAS 39.142
- the calculation of value in use for impairment tests IAS 36.5
- the requirement for impairment calculations on intangible assets and goodwill with useful lives in excess of 20 years IAS 22.56; IAS 38.99
- the derecognition of financial assets IAS 39.35
- the capitalization of finance leases IAS 17.12/28
- the treatment of construction contracts IAS 11
- employee benefit obligations IAS 19
- the discounting of provisions IAS 37.45
- deferred tax accounting IAS 12
- the treatment of an issuer's financial instruments IAS 32.18/23
- the consolidation of special purpose entities. SIC 12

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- related party transactions IAS 24
- discontinuing operations IAS 35
- segment reporting, except for sales IAS 14
- earnings per share. IAS 33
- a reconciliation of cash flow to cash and cash equivalents. IAS 7.45

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

- research costs can be capitalized IAS 38.42
- pre-opening costs can be capitalized IAS 38.57

- inventories can be valued at the lower of cost and replacement cost IAS 2.6
- own (treasury) shares are shown as assets SIC 16
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- investment properties can be revalued and then depreciated IAS 40.27
- gains on the revaluation of investment properties are taken to equity. IAS 40.28

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

- subsidiaries can be excluded on grounds of excessive cost or delay IAS 27.11
- the rules relating to the calculation of negative goodwill are less detailed IAS 22.59
- under certain circumstances, dissimilar subsidiaries can be excluded from consolidation IAS 27.14
- there are no specific rules on the translation of foreign currency monetary balances IAS 21.11
- there are no specific rules on whether foreign exchange losses can be capitalized as part of a related asset IAS 21.21; SIC 11
- the requirements relating to the revaluation of tangible fixed assets are less detailed IAS 16.29
- there is no requirement relating to the aggregate benefit of lease incentives. SIC 15

This country was not included in the GAAP 2000 publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

Lithuania

Lithuanian requirements are mainly based on the 1992 Law on the Principles of Accounting and on various resolutions and pronouncements of the Ministry of Finance

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

- there are no requirements or guidance on accounting for business combinations subsidiaries, joint ventures and associates. IAS 22; IAS 27; IAS 31; IAS 28

Lithuanian accounting may differ from that required by IAS because of the absence of specific Lithuanian rules on recognition and measurement in the following areas:

- impairment of assets IAS 36
- the treatment of research costs IAS 38.42
- the treatment of lease incentives SIC 15
- construction contracts IAS 11
- provisions IAS 37
- employee benefit obligations IAS 19
- deferred tax IAS 12
- accounting for an issuer’s financial instruments IAS 32.18/23
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- accounting for events after the balance sheet date, including proposed dividends. IAS 10

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- related party transactions IAS 24
- discontinuing operations IAS 35
- segment reporting IAS 14
- earnings per share. IAS 33

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

- start-up, reorganization and certain other intangible items can be capitalized IAS 38.57
- revaluations of tangible fixed assets do not need to be kept up-to-date IAS 16.29
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93

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|---|-----------|
| – operating lease payments are recognized when payable even if this departs from a straight- line basis | IAS 17.25 |
| – contingent liabilities are not always disclosed | IAS 37.86 |
| – gains or losses from the sale of an enterprise’s own shares are recognized as income | SIC 16 |
| – extraordinary items are defined more widely. | IAS 8.6 |

This country was not included in the *GAAP 2000* publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft Law on consolidated statements reflects the key requirements of IAS 27. It is expected to be effective in 2002.

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 fourth and seventh 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 on recognition and measurement 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
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- 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
- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- 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
- goodwill can be immediately deducted from equity IAS 22.40
- on acquisition, restatement of assets and liabilities acquired to fair value can be limited to the amount of the first consolidation difference (i.e. the gross goodwill before the allocation exercise); it is thus possible to avoid the creation or increase of negative goodwill IAS 22.59
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- formation expenses, such as pre-operating costs, training costs and advertising costs, can be capitalized IAS 38.57
- inventory cost can include overheads in addition to those related to production IAS 2.7
- inventories can be valued at the lowest of cost, replacement 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 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 as 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 IAS's as the basis for developing accounting standards.

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

- the recognition of intangible assets IAS 38.51/56
- impairment of assets other than property, plant and equipment IAS 36
- the derecognition of financial assets IAS 39.35
- 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
- the prohibition of discounting of deferred tax assets and liabilities IAS 12.53
- 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
- the 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:

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- surpluses on the revaluation of investment properties are generally taken to reserves IAS 40.28

- 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 may be 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will remove the above differences concerning unitings of interest (IAS 22), provisions (IASs 22 and 37), impairment of assets (IAS 36), accounting for an issuer's financial instruments (IAS 32), proposed dividends (IAS 10) and segment reporting (IAS 14).

Exposure drafts have been published which would remove the above differences concerning the treatment of goodwill (IAS 22), investment property (IAS 40) and deferred tax (IAS 12).

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
- there is no direct rule relating to hedge effectiveness, so hedge accounting is permitted more widely IAS 39.142
- 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 29.3
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Exposure drafts have been published that will reduce the above differences concerning the capitalization of pre-operating and set-up costs, and the impairment of long-lived assets.

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; IAS 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
- accounting for financial assets and liabilities IAS 39
- 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
- the fair values of investment properties IAS 40.69
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 Dutch rules on recognition and measurement in the following areas:

- 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
- hedge accounting for derivatives. IAS 39.142

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity IAS 1.7
- the fair values of investment properties. IAS 40.69

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

- except for listed securities, financial assets and liabilities are not recognized at fair value IAS 39.69/93
- financial assets are derecognized using a different approach IAS 39.35
- 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:

- an extraordinary reduction in the value of inventories which is reasonably foreseeable in the short term can be taken into account IAS 2.6
- inventories can be valued at current value (generally replacement cost) IAS 2.6
- negative goodwill need not be deducted from goodwill IAS 22.64

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| – exclusion of certain subsidiaries with dissimilar activities from consolidation | IAS 27.13/14 |
| – the lack of a requirement to split compound instruments into equity and liability components | IAS 32.23 |
| – 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 |
| – investment properties can be held at depreciated current cost, and revaluation gains and losses are not included in income | IAS 40.27/28 |
| – discounting of deferred tax provisions is allowed | IAS 12.53 |
| – disclosure of segment revenue and operating results 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 |
| – unusual losses such as those due to natural disasters or expropriations of assets can be taken directly to equity. | IAS 8.7 |

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- accounting for goodwill
- the consolidation of special purpose entities
- impairment of assets
- intangible assets
- lease accounting
- disclosures concerning discontinuing operations.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

The Guidelines have been amended and further amendments are proposed in order to incorporate similar rules to those of IAS 19 on employee benefits.

Draft Guidelines would remove the above differences concerning investment properties, financial instruments, extraordinary reductions in the value of inventories, proposed dividends and extraordinary items.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 New Zealand rules on recognition and measurement in the following areas:

- intangible assets other than goodwill IAS 38
- the derecognition of financial assets IAS 39.35
- the prohibition of discounting of deferred tax assets and liabilities IAS 12.53
- accounting for employee benefits, but defined contribution schemes are predominant. IAS 19

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
- it is not necessary to discount the cash flows when calculating recoverable amount for impairment losses IAS 36.5
- 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
- trading, available-for-sale and derivative financial assets are not required to be recognized at fair value IAS 39.69
- trading and derivative liabilities are not required to be recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- investment properties are held at net selling price rather than at cost or fair value IAS 40.24
- gains and losses on the revaluation of investment properties can be taken to equity IAS 40.28
- 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 classification 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

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

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| <ul style="list-style-type: none"> – 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 |
| <ul style="list-style-type: none"> – lessors are allowed to recognize finance lease income by reference to the net cash investment | IAS 17.30 |
| <ul style="list-style-type: none"> – disclosures concerning a discontinuing operation might begin later | IAS 35.27 |
| <ul style="list-style-type: none"> – there are not specific rules on the translation of the financial statements of hyperinflationary subsidiaries | IAS 21.36 |
| <ul style="list-style-type: none"> – negative goodwill is eliminated by proportionately writing down the carrying value of non-monetary assets | IAS 22.59 |
| <ul style="list-style-type: none"> – it is possible that internally generated brands and similar intangible assets could be capitalized. | IAS 38.51 |

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- revaluations of tangible fixed assets
- provisions
- the treatment of proposed dividends.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A standard has been passed which will eliminate the above differences with respect to the impairment of tangible fixed assets.

Exposure drafts have been published that would remove the above differences with respect to intangible assets, and would reduce the differences with respect to consolidation and the calculation of goodwill.

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 on recognition and measurement in the following areas:

- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- accounting for employee benefits other than pensions IAS 19
- impairment tests when goodwill or intangible assets have depreciable lives of more than twenty years. IAS 38.99; IAS 22.56

There are no specific rules requiring disclosures of:

- a primary statement of changes in equity IAS 1.7
- the fair values of investment properties IAS 40.69
- the financial impact of any departure from a standard. IAS 1.13

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
- available-for-sale financial assets are not valued at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- an issuer is not required to classify its financial instruments on the basis of their substance and to split them into equity and liability components IAS 32.18/23
- 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; and 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005. As a member of the European Economic Area, the Regulation would apply in Norway.

Pakistan

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

Pakistani accounting may differ from that required by IAS because of the absence of specific Pakistani rules on recognition and measurement 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
- the derecognition of financial assets IAS 39.35
- intangible assets. IAS 38

There are no specific rules requiring disclosure of:

- the fair values of investment properties IAS 40.69
- discontinuing operations. IAS 35

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

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- certain pre-operating costs can be deferred IAS 38.57
- 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 carryforwards 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

Differences in the following areas were recorded in the *GAAP 2000* publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been approved (without as yet an adoption date) that will remove the above differences concerning:

- business combinations
- impairment of assets
- financial instruments.

Peru

Due to the amendment of the General Corporations Law, companies are obliged to prepare financial statements 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.

There are no specific rules requiring disclosure of:

- the fair values of investment properties. IAS 40.69

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

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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

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

- employee benefit accounting, although companies generally have no employee benefit plans. IAS 19

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- intangible assets
- impairment of assets
- the capitalization of set-up costs
- provisions in the context of acquisitions
- consolidation of special purpose entities
- the primary / secondary split for segment reporting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been approved that will remove the above differences concerning investment properties (in 2002) and financial instruments (in 2003).

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 on recognition and measurement 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 research and development in the context of an acquisition IAS 22.27/39
- the consolidation of special purpose entities SIC 12
- impairment of assets IAS 36
- the treatment of research and development costs IAS 38.42/45
- the derecognition of financial assets IAS 39.35
- 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 depreciable lives of goodwill or intangible assets exceed twenty years IAS 22.56; IAS 38.99
- hedge accounting for derivatives. IAS 39.142

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties. IAS 40.69

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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- 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

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

- the discounting of deferred tax balances is not prohibited. IAS 12.53

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- a primary statement of changes in equity
- segment reporting
- the valuation of inventories.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Requirements have been issued that will remove the above differences concerning the revaluation of assets and the consolidation of special purpose entities.

Drafts have been issued that propose to introduce changes that would eliminate the above differences concerning business combinations, intangible assets, the impairment of assets, the treatment of foreign exchange gains and losses, and the creation and discounting of provisions.

Poland

Polish requirements are based on the Commercial Code, the Law on Accounting (as amended in 2000) 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 Polish rules on recognition and measurement 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
- sale and leaseback transactions IAS 17.49-57
- recognition of profit on construction contracts IAS 11.22
- derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- 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
- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- 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:

- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142

- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

The amended Law on Accounting allows companies in 2001 to follow rules similar to IAS for construction contracts and lease accounting.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

The amended Law on Accounting requires that (from 2002) revenue and costs on construction contracts be recognized by stage of completion. The above differences concerning lease accounting will also be reduced.

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 standardization (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 Portuguese rules on recognition and measurement 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
- the derecognition of financial assets IAS 39.35
- recognition and measurement of provisions IAS 37
- the treatment of deferred tax IAS 12
- translation of the financial statements of foreign operations IAS 21
- 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 values of financial assets and liabilities IAS 32.77
- fair values of investment properties IAS 40.69
- related party transactions IAS 24.22
- discontinuing operations IAS 35
- 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
- trading and available-for-sale financial assets are not recognized at fair value IAS 39.69
- trading liabilities are not recognized at fair value IAS 39.93
- hedge accounting for derivatives is permitted more widely IAS 39.142

- gains on foreign currency medium and long-term receivables and 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
- inventories of materials to be included in production can be valued at the lower of cost and replacement cost IAS 2.6
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

Accounting Directive 27, which closely follows IAS 14 on segment reporting, was approved by the CNC during 2000, promulgated by the Ministry of Finance on 25 May 2001 and published in the official gazette on 27 July 2001. This new accounting directive is applicable for financial years beginning on or after 1 January 2001 and will be mandatory for 31 December 2001 financial statements of listed entities following a new Comissão do Mercados de Valores Mobiliários Regulation, which is expected to be approved.

National requirements and published drafts not yet in force that would affect the above summary:

Accounting Directive 28, which closely follows IAS 12 on deferred tax, was approved by the CNC on 29 June 2001 and is now pending promulgation. This new accounting directive will be applicable for financial years beginning on or after 1 January 2002.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

Romania

Romanian accounting requirements are based on the Accounting Law of 1991. However, large companies (following the definitions in the EU Fourth Directive) are required by Order 94/2001 to comply with International Accounting Standards. This requirement will gradually be extended to all medium-sized companies by 2005. Romanian companies must also comply with the requirements of the EU Directives. If a conflict exists, either IAS or the Directives must be followed. However, the auditors' opinion must be qualified if IAS is not fully complied with.

Consequently, for Romanian companies subject to the Order and with an unqualified audit opinion, there should be no departures from IAS.

This country was not included in the *GAAP 2000* publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 on recognition and measurement 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
- consolidation of special purpose entities SIC 12
- 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
- the treatment of accumulated deferred exchange differences on disposal of a foreign entity IAS 21.37
- impairment of assets IAS 36
- derecognition of financial assets IAS 39.35
- 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
- hedge accounting for derivatives IAS 39.142
- the treatment of exchange differences resulting from severe devaluation or depreciation of a currency IAS 21.21; SIC 11
- 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; and the notion and definition of cash equivalents, and detailed guidance on the preparation of cash flow statements IAS 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
- the fair values of investment properties IAS 40.69
- related parties information except by certain reporting companies with specific legal form (joint stock companies); the definition of a related party is a narrower one, based on legislation 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 under certain conditions 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 useful life of property, plant and equipment is usually determined using periods prescribed by government for tax purposes which are longer than those for which the assets are expected to be used IAS 16.6/41
- if investment properties are revalued, they are still depreciated IAS 40.27
- if investment properties are revalued, the gains and losses are not required to be taken to income IAS 40.28
- 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
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93

- 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
- internally generated brands and similar items can be capitalized if the enterprise has an exclusive legal right IAS 38.51
- inventories are generally carried at cost rather than at the lower of cost and net realizable value; this is often not an important difference because of inflation IAS 2.6
- the realizable value of inventories can be measured without deduction of selling costs IAS 2.6
- certain overheads in addition to those related to production can be capitalized. IAS 2.7

Differences in the following areas were recorded in the *GAAP 2000* publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A standard has been issued which will remove the above difference concerning the valuation of inventories.

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 on recognition and measurement in the following areas:

- 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
- 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; IAS 40
- lease accounting IAS 17
- accounting for government grants IAS 20
- borrowing costs IAS 23
- accounting for associates and joint ventures IAS 28; IAS 31
- hyperinflation IAS 29
- financial instruments IAS 32
- hedge accounting IAS 39.142
- 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:

- the fair values of investment properties IAS 40.69
- segment reporting IAS 14
- discontinuing operations. IAS 35

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

- on acquisition, the restatement of net assets to fair value can be limited to the difference between cost and book value, thereby avoiding the creation or increase of negative goodwill IAS 22.59
- inventories can be valued at the lower of cost and replacement cost IAS 2.6
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- derivative assets are not recognized at fair value. IAS 39.69

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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued that will reduce the above differences concerning property, plant and equipment and lease accounting.

Exposure drafts have been published that propose to reduce the above differences concerning intangible assets and accounting for associates.

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 on recognition and measurement in the following areas:

- hedge accounting, for derivatives IAS 39.142
- the derecognition of financial assets IAS 39.35
- the prohibition of discounting of deferred tax assets and liabilities. IAS 12.53

There are no specific rules requiring disclosures of:

- the fair values of investment properties carried at cost. IAS 40.69

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 27.13
- there is no requirement to recognize trading, available-for-sale and derivative financial assets at fair value IAS 39.69
- when financial assets are revalued, gains can be taken directly to equity IAS 39.103
- there is no requirement to recognize trading and derivative financial liabilities at fair value IAS 39.93
- when investment properties are revalued, gains can be taken directly to equity IAS 40.28
- 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
- income statements items of foreign subsidiaries can be translated at the closing rate IAS 21.30
- deferred tax is calculated on the basis of timing differences rather than temporary differences, and partial provision (on the basis of likelihood of crystallization of assets and liabilities) is allowed IAS 12.5/15
- deferred tax assets on loss carryforwards are infrequently recognized. IAS 12.34

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- the classification of business combinations (IAS 22)
- impairment of assets (IAS 36)
- employee benefits (IAS 19)
- accounting for an issuer’s financial instruments (IAS 32)
- capitalization of internally generated intangibles (IAS 38)
- goodwill (IAS 22)
- provisions (IAS 37)
- extraordinary items (IAS 8)
- proposed dividends (IAS 10)
- disclosing fair values of financial instruments (IAS 32)
- disclosures on discontinuing operations (IAS 35).

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will remove the above differences concerning financial instruments and deferred tax.

Exposure drafts have been published which would remove the above differences concerning investment property, foreign currency and construction contracts.

Slovak Republic

Slovak requirements are mainly based on the Commercial Code and related Accountancy Law, and on Standards and Regulations issued by the Ministry of Finance.

Slovakian accounting may differ from that required by IAS because of the absence of specific Slovakian rules on recognition and measurement in the following areas:

- business combinations IAS 22
- the consolidation of special purpose entities SIC 12
- the treatment of subsidiaries reporting in hyperinflationary currencies IAS 21.36
- the distinction between adjusting and non-adjusting post balance sheet events IAS 10.8
- procedures for the impairment of assets IAS 36
- the discounting of provisions IAS 37.45
- contingent liabilities IAS 37.86
- employee benefit obligations IAS 19
- the prohibition of discounting of deferred tax balances IAS 12.53
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives. IAS 39.142

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
- the fair values of investment properties IAS 40.69
- discontinuing operations IAS 35
- segment reporting, except for sales IAS 14
- earnings per share. IAS 33

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

- gains on foreign currency monetary items are deferred until settlement IAS 21.15
- foreign exchange losses can be included in the carrying value of related fixed assets beyond the circumstances foreseen under IAS IAS 21.21; SIC 11
- pre-opening costs can be capitalized IAS 38.57
- goodwill arising on consolidation must be amortized over a maximum life of five years or written off against paid-in-capital retained earnings or negative goodwill IAS 22.42
- on acquisition, negative goodwill is limited to the difference between cost and book value IAS 22.59
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69

- trading and derivative liabilities are not recognized at fair value IAS 39.93
 - finance leases are not capitalized IAS 17.12/28
 - provisions can be recognized when there is no obligation IAS 37.14
 - deferred tax is accounted for only on depreciation (on a timing difference basis) and on consolidation adjustments IAS 12
 - 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 broadly. IAS 8.6
- In certain enterprises, this other issue could lead to differences from IAS:**
- dissimilar subsidiaries can be excluded from consolidation. IAS 27.13

This country was not included in the GAAP 2000 publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

Slovenia

Slovenian accounting is mainly based on the Companies Law and on accounting standards issued by the Slovenian Institute of Auditors.

In one major respect Slovenian accounting differs from that under IAS requirements:

- although Slovenia is not a hyperinflationary economy, financial statements are adjusted for inflation; the resulting revaluations of assets are treated as income, and revaluations of liabilities and equity are treated as expense; revaluations have a direct impact on the income statement. IAS 29

Slovenian accounting may differ from that required by IAS because of the absence of specific Slovenian rules on recognition and measurement in the following areas:

- business combinations IAS 22
- events after the balance sheet date IAS 10
- the capitalization of pre-opening costs IAS 38.57
- construction contracts IAS 11
- employee benefit obligations IAS 19
- accounting for an issuer's compound instruments IAS 32.23
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives. IAS 39.142

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 IAS 32.77
- the fair values of investment properties IAS 40.69
- discontinuing operations IAS 35
- segment reporting IAS 14
- earnings per share. IAS 33

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

- associates and joint ventures are included in consolidated statements on the cost basis IAS 28; IAS 31
- goodwill must be depreciated over a maximum life of five years IAS 22.42
- the cumulative foreign currency gains and losses are not taken to income on disposal of a foreign entity IAS 21.39
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69

- trading and derivative liabilities are not recognized at fair value IAS 39.93
- operating lease payments and lease incentives do not have to be recognized on a straight-line basis IAS 17.25; SIC 15
- lessors do not need to recognize finance lease income by reference to the return on net investment IAS 17.30
- the cost of inventory can include more or less overhead than required by IAS IAS 2.7
- inventories can be valued at the lower of cost and replacement cost IAS 2.6
- provisions can be created when there is no obligation; and they are not discounted IAS 37.14
- investment properties are measured at depreciated revalued amounts IAS 40.24
- deferred tax is not accounted for IAS 12
- treasury shares are recorded as assets SIC 16
- extraordinary items are defined more widely IAS 8.6
- statement of changes in financial position rather than cash flow statements are prepared. IAS 7

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

- there are no requirements concerning the translation of the financial statements of subsidiaries in hyperinflation economies. IAS 21.36

This country was not included in the GAAP 2000 publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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 JSE Securities Exchange South Africa (“the JSE”) 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. In addition, the revised JSE Listing Requirements require financial statements of listed companies to be prepared in accordance with South African GAAP or IAS.

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

- recognition, measurement and derecognition of financial instruments IAS 39
- hedge accounting for derivatives. IAS 39.103

There are no specific rules requiring disclosure of:

- the fair values of all investment properties. IAS 40.69

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

- investment properties are not clearly defined; owner-occupied properties can be classified as such IAS 40.4
- investment properties can be carried at undepreciated cost. IAS 40.50

Differences in the following areas were recorded in the GAAP 2000 publication but have been removed as a result of national requirements that have come into force since then:

- employee benefits (IAS 19)
- lease accounting (IAS 17)
- proposed dividends (IAS 10).

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will remove the above differences concerning financial instruments (IAS 39) and investment property (IAS 40).

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 on recognition and measurement in the following areas:

- the treatment of provisions in the context of business combinations accounted for as acquisitions IAS 22.31
- the consolidation of special purpose entities SIC 12
- annual calculations of impairment when intangible assets have depreciable lives in excess of 20 years IAS 38.99
- the derecognition of financial assets IAS 39.35
- 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
- the fair values of investment properties IAS 40.69
- 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:

- 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

- negative goodwill is calculated using the difference between the cost of an acquisition and the book values of net assets acquired IAS 22.59
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences are not taken to income IAS 21.37
- gains on foreign currency balances (except highly liquid ones) are deferred until settlement IAS 21.15
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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
- for raw material inventories, replacement cost can be used instead of net realizable value as a measure of market value IAS 2.6
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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 on recognition and measurement in the following areas:

- accounting for employee benefits other than pensions IAS 19.52
- accounting for an issuer’s financial instruments on the basis of their substance IAS 32.18/23
- the derecognition of financial assets. IAS 39.35

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
- the fair values of investment properties IAS 40.69
- 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
- if investment properties are revalued, this does not need to be kept up to date, and revaluation gains are taken to equity IAS 40.24/28
- impairment tests are based on the existence of permanent diminution in value IAS 36.58
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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
- in the context of acquisitions, a deferred tax liability may be discounted IAS 12.53
- 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
- a provision can be created even if it does not meet all the requirements for being an obligation; and provisions 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
- on acquisition, any excess of fair value of net assets over cost is used to reduce the carrying value of the acquired non-monetary assets IAS 22.59
- the statements of hyperinflationary subsidiaries may with certain restrictions as an allowed alternative be translated using the temporal method IAS 21.36
- start-up costs and costs for certain other internally generated brands and similar 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- a standard has been issued on deferred tax that is in line with IAS 12 except for the specific issue mentioned above.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued that will remove the above differences relating to:

- internally generated assets
- impairment of assets
- provisions
- provisions in the context of acquisitions
- the exclusion of certain subsidiaries (although certain dissimilar subsidiaries may still be equity accounted)
- a primary statement of changes in equity
- discontinuing operations.

Exposure drafts have been published that would remove or reduce the above differences with respect to:

- investment properties
- presentation and disclosure of financial instruments
- accounting for employee benefits .

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

Switzerland

Swiss requirements are based on the Company Law of 1992 and Swiss GAAP FER (Financial Reporting Standards of the Foundation for Accounting and Reporting Recommendations). 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 on recognition and measurement in the following areas:

- the classification of business combinations between acquisitions and unitings of interest IAS 22.8
- the consolidation of special purpose entities SIC 12
- provisions in the context of business combinations accounted for as acquisitions IAS 22.31
- the calculation and treatment of negative goodwill other than tangible fixed assets IAS 22.59-63
- impairment of assets IAS 36
- government grants IAS 20
- hedge accounting for derivatives IAS 39.142
- 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
- the prohibition of discounting of deferred tax balances IAS 12.53
- the discounting of provisions IAS 37.45
- 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
- the treatment of accounting policy changes and the correction of fundamental errors. IAS 8

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
- the fair values of investment properties IAS 40.69
- discontinuing operations IAS 35
- 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
- part of the cost of an acquisition can be allocated to research and development and then written off immediately IAS 22.27/39; IAS 38.45/79
- on disposal of a foreign entity, the cumulative amount of deferred exchange differences are not taken to income IAS 21.37
- long-term foreign currency monetary items can be translated at an historical exchange rate IAS 21.11
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- investment properties can be revalued and subsequently depreciated IAS 40.24
- the gains and losses on the revaluation of investment properties can be taken directly to equity IAS 40.28
- 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, these other issues could lead to differences from IAS:

- there are no requirements concerning the translation of the financial statements of hyperinflationary subsidiaries IAS 21.36
- there are no rules concerning the derecognition of financial assets. IAS 39.35

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will remove the above differences concerning the impairment of assets and accounting for construction contracts.

Exposure drafts have been published which would remove the above differences concerning provisions and accounting for own (treasury) shares.

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 Taiwanese rules on recognition and measurement in the following areas:

- impairment of assets IAS 36
- the derecognition of financial assets IAS 39.35
- recognition of operating lease payments and incentives IAS 17.25; SIC 15
- hedge accounting for derivatives IAS 39.142
- discounting of provisions IAS 37.45
- the prohibition of discounting of deferred tax assets and liabilities IAS 12.53
- the use of the projected unit credit method for calculating pension obligations IAS 19.64
- disclosure of segment liabilities IAS 14.56
- pooling of interests method. IAS 22.8

There are no specific rules requiring disclosures of:

- the fair values of investment properties IAS 40.69
- 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:

- special purpose entities are not generally consolidated SIC 12
- provisions in the context of business combinations can be made under less strict conditions IAS 22.31
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- if investment properties are revalued, the gains are taken directly to equity IAS 40.28
- 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
- the discount rate for the calculation of employee benefit obligations takes account of long-term investment rates as well as current interest rates. IAS 19.78

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
- 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 this is below cost and net realizable value IAS 2.6
- 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

Differences in the following area were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

- the choice of discount rate for the calculation of employee benefit obligations.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A standard has been issued which will remove other differences relating to employee benefits.

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 on recognition and measurement in the following areas:

- intangible assets, apart from research, development and start-up costs IAS 38
- hedge accounting for derivatives IAS 39.142
- the treatment of acquired research and development IAS 22.27
- the recognition of lease incentives SIC 15
- the derecognition of financial assets IAS 39.35
- 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 no specific rules requiring disclosures of:

- discontinuing operations IAS 35
- the fair values of investment properties IAS 40.69
- a cash flow statement need 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

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

- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been published that will reduce or move the above differences with respect to:

- segment reporting (in 2002)
- intangible assets (in 2004)
- proposed dividends (in 2004)
- provisions (in 2004)
- discontinuing operations (in 2007)
- deferred tax (in 2007).

Exposure drafts have been issued that propose to remove the above differences with respect to:

- lease accounting
- financial instruments.

Tunisia

Tunisian requirements are based on the Law of 30 December 1996 and on Standards issued by the National Accounting Council.

Tunisian accounting may differ from that required by IAS because of the absence of specific Tunisian rules on recognition and measurement in the following areas:

- the consolidation of special purpose entities SIC 12
- accounting for employee benefit obligations IAS 19
- deferred tax IAS 12
- accounting for an issuer’s financial instruments IAS 32.18/23
- derivatives and trading liabilities IAS 39.93
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives. IAS 39.142

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
- the fair values of investment properties IAS 40.69
- related party transactions IAS 24
- discontinuing operations IAS 35
- segment reporting IAS 14
- earnings per share. IAS 33

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

- under certain circumstances, pre-opening, training and other intangible costs can be capitalized IAS 38.56
- replacement cost can be used instead of net realizable value for determining the market value of raw material and consumable inventories IAS 2.6
- the classification of financial assets is based on current versus non-current IAS 39.69
- gains and losses on long-term unsettled foreign currency monetary items are deferred IAS 21.15
- government grants are credited directly to equity. IAS 20.12

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

- there are no requirements on the treatment of foreign subsidiaries reporting in hyperinflationary currencies IAS 21.36
- there are no requirements on the treatment of the cumulative translation gains and losses on disposal of a foreign entity. IAS 21.37

This country was not included in the *GAAP 2000* publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

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; IAS 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 Turkish rules in the following areas:

- impairment of assets IAS 36
- the derecognition of financial assets IAS 39.35
- 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
- hedge accounting for derivatives. IAS 39.142

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

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

- available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69

- trading and derivative liabilities are not recognized at fair value IAS 39.93
- 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
- extraordinary items are defined more widely 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; and inventories can be valued at the lower of cost and replacement cost IAS 2.6
- construction contracts are accounted for on a completed contract basis. IAS 11.22

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts not yet in force that would affect the above summary:

The Capital Markets Board has issued draft standards on inflation accounting and consolidation which are approximately in line with IAS requirements. The proposed date for application is for financial periods ending on 31 December 2001.

Ukraine

Ukrainian accounting is based on the Law on Accounting and Financial Reporting and on accounting standards issued by the Ministry of Finance.

Ukrainian accounting may differ from that required by IAS because of the absence of specific Ukrainian rules on recognition and measurement in the following areas:

- the creation of provisions in the context of an acquisition IAS 22.31
- whether part of the cost of an acquisition can be ascribed to acquired research and development IAS 22.27
- the translation of the financial statements of subsidiaries in hyperinflationary economies IAS 21.36
- the requirements for impairment reviews IAS 36.6-14
- the treatment of lease incentives SIC 15
- the discounting of provisions IAS 37.45
- employee benefit obligations IAS 19
- the prohibition of discounting of deferred tax assets and liabilities IAS 12.53
- the treatment of an issuer’s financial instruments IAS 32.18/23
- the treatment of own (treasury) shares SIC 16
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives. IAS 39.142

There are no specific rules requiring disclosures of:

- the fair values of financial assets and liabilities IAS 32.77
- the fair values of investment properties IAS 40.69
- discontinuing operations IAS 35
- segment reporting. IAS 14

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

- the presumption concerning significant influence is made by reference to a 25%, rather than a 20%, holding of voting rights IAS 28.4
- internally generated brands and some other intangible items can be capitalized IAS 38.51
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- operating lease payments need not be recognized on a straight line basis IAS 17.25
- costs and revenues on construction contracts are not recognized by stage of completion IAS 11.22

- rules for calculation and disclosure of earnings per share are less precisely defined.

IAS 33

This country was not included in the *GAAP 2000* publication, so any changes to national rules coming into force in 2001 are not noted here.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

- standards have been issued which, in 2002, will bring accounting for construction contracts and earnings per share disclosures broadly into line with the requirements of IAS.

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 can be 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 can be recognized only if they are expected to crystallize, or when the event giving rise to the asset or liability has occurred by the balance sheet date IAS 12.5/15
- deferred tax assets and liabilities can be discounted IAS 12.53
- the recognition of deferred tax assets can be more restrictive IAS 12.34
- trading, available-for-sale and derivative financial assets are not recognized at fair value IAS 39.69
- trading and derivative liabilities are not recognized at fair value IAS 39.93
- hedge accounting is permitted more widely IAS 39.142
- 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
- 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
- revaluation gains and losses on investment properties are reported in the statement of changes in equity not in the income statement. IAS 40.28

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

Standards have been issued which will reduce the differences with respect to employee benefits and deferred tax.

Also, a draft EU Regulation proposes to require all listed companies to use IAS for consolidated statements from 2005.

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

There are no specific rules requiring disclosures of:

- the fair values of investment properties IAS 40.69
- 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 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
- up to 30 June 2001, 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; subsequent combinations are treated as acquisitions IAS 22.8
- the derecognition of financial assets is based on legal isolation IAS 39.35
- 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

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
- goodwill acquired up to 30 June 2001 is amortized for any fiscal year beginning up to 15 December 2001 based on the useful life, limited to 40 years; goodwill acquired after 30 June 2001 is not amortized but is subject to an impairment test performed at least annually. IAS 22.44

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None; although the classification of business combinations has been changed (see the entry for IAS 22.8, above).

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

A standard has been issued that will require (from 2002 onwards) impairment tests at least annually for goodwill and intangible assets with indefinite lives.

Venezuela

Venezuelan requirements are based on approved principles published by the Venezuelan Federation of Colleges of Public Accountants (VF CPA). 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 VF CPA, 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 on recognition and measurement 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
- the consolidation of special purpose entities SIC 12
- accounting for inventories IAS 2
- accounting for property, plant and equipment IAS 16
- accounting for intangible assets IAS 38
- the measurement of available-for-sale investments, trading liabilities and derivatives IAS 39.69/93
- the derecognition of financial assets IAS 39.35
- hedge accounting for derivatives IAS 39.142
- 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
- the fair values of investment properties IAS 40.69
- 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
- recognition of the effects of inflation are required when the rate of inflation is equal to or exceeds 10 per cent in the year IAS 29

- 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 realization is assured beyond any reasonable doubt. IAS 12.34
- In certain enterprises, this other issue could lead to differences from IAS:**
- negative goodwill is included in equity IAS 22.64
 - 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

Differences in the following areas were recorded in the GAAP 2000 publication but have been affected as a result of national requirements that have come into force since then:

None.

National requirements and published drafts coming into force for year ends after 2001 that would affect the above summary:

None.

Survey Questionnaire

IAS Reference		National GAAP for 31 December 2001	
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)?
SIC-12. 8-11	<p>An SPE should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that enterprise.</p> <p>In the context of an SPE, control may arise through the predetermination of the activities of the SPE (operating on “autopilot”) or otherwise. IAS 27.12 indicates several circumstances which result in control even in cases where an enterprise owns one half or less of the voting power of another enterprise. Similarly, control, may exist even in cases where an enterprise owns little or none of the SPE’s equity. The application of the control concept requires, in each case, judgment in the context of all relevant factors.</p> <p>In addition to the situations described in IAS 27.12, the following circumstances, for example, may indicate a relationship in which an enterprise controls an SPE and consequently should consolidate the SPE (additional guidance is provided in the Appendix to SIC-12):</p> <p>(a) In substance, the activities of the SPE are being conducted on behalf of the enterprise according to its specific business needs so that the enterprise obtains benefits for the SPE’s operation;</p> <p>(b) In substance, the enterprise has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an “autopilot” mechanism, the enterprise has delegated these decision making powers;</p> <p>(c) In substance, the enterprise has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or</p> <p>(d) In substance, the enterprise retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.</p> <p>Predetermination of the ongoing activities of an SPE by an enterprise (the sponsor or other party with a beneficial interest) would not represent the type of restrictions referred to in IAS 27.13(b).</p>	2A	Must special purpose entities be consolidated when they are, in substance, controlled?
27.13/ 14	<p>A subsidiary should be excluded from consolidation when:</p> <p>(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</p> <p>(b) it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.</p> <p>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.</p>	3	Must subsidiaries with “dissimilar” activities be consolidated (unless control is very temporary or is severely restricted)?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
28.3/4	<p>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.</p> <p>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.</p>	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	<p>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.</p>	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	<p>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</p> <p>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. Or in its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using the equity method.</p>	6	Must a joint venture entity be equity accounted or proportionally consolidated (i.e. not carried at cost or valuation)?
22.8	<p>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.</p>	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	<p>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:</p> <p>(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:</p> <ul style="list-style-type: none"> (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; <p>(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</p> <p>(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:</p> <ul style="list-style-type: none"> (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. <p>Any provision recognized under this paragraph should cover only the costs of the items listed in (a)(i) to (iv) above.</p>	8	In acquisition accounting are the provisions which can be made by the acquirer limited as in paragraph 31 of IAS 22?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
22.27/ 39(g) 38.45/ 79		8A	In the context of an acquisition, must any part of the purchase price, which is separately identified as research and development, be amortized over its useful life rather than being expensed immediately?
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?
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?
21.37	On the disposal of a foreign entity, the cumulative amount of the exchange differences which have been deferred and which relate to that foreign entity should be recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.	13A	On disposal of a foreign entity, is the cumulative amount of deferred exchange difference recognized in income?
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 that 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.	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?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
	<p>For example:</p> <p>(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</p> <p>(ii) the sale of inventories after the balance sheet date may give evidence about their net realizable value at the balance sheet date;</p> <p>(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;</p> <p>(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</p> <p>(e) the discovery of fraud or errors that show that the financial statements were incorrect.</p> <p>An enterprise should not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the balance sheet date.</p>		
36.5/58	<p>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.</p> <p>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.</p>	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	<p>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.</p>	16	Must research costs be expensed?
38.51/ 45	<p>Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognized as intangible assets.</p> <p>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:</p> <p>(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;</p> <p>(b) its intention to complete the intangible asset and use or sell it;</p> <p>(c) its ability to use or sell the intangible asset;</p> <p>(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;</p> <p>(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and</p> <p>(f) its ability to measure the expenditure attributable to the intangible asset during its development reliably.</p>	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	<p>Expenditure on an intangible item should be recognized as an expense when it is incurred unless:</p> <p>(a) it forms part of the cost of an intangible asset that meets the recognition criteria (see paragraphs 18-55);or</p>	18	Must expenditures on intangible items that cannot be capitalized as intangible assets be expensed, and not subsequently capitalized?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
	<p>(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).</p> <p>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.</p>		
38.56-57	<p>In some cases, expenditure is incurred to provide future economic benefits to an enterprise, but no intangible asset or other asset is acquired or created that can be recognized. In these cases, the expenditure is recognized as an expense when it is incurred (see paragraph 42 of IAS 38). For example, expenditure on research is always recognized as an expense when it is incurred. Examples of other expenditure that is recognized as an expense when it is incurred include:</p> <p>(a) expenditure on start-up activities (start-up costs), unless this expenditure is included in the cost of an item of property, plant and equipment under IAS 16. Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or business (pre-opening costs) or expenditures for commencing new operations or launching new products or processes (pre-operating costs);</p> <p>(b) expenditure on training activities;</p> <p>(c) expenditure on advertising and promotional activities; and</p> <p>(d) expenditure on relocating or re-organizing part or all of an enterprise.</p>	18A	Can pre-operating costs be capitalized?
22.40/42	<p>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.</p> <p>Goodwill should be amortized by recognizing it as an expense over its useful life. In amortizing 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.</p>	19	Must goodwill be treated as an asset (and then amortized) rather than being written off directly against equity?
22.59	<p>Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition should be recognized as negative goodwill.</p>	19A	On acquisition, can restatement of net assets to fair value be limited to the amount of the difference between cost and book value, thereby avoiding the creation or increase of negative goodwill?
38.99 22.56	<p>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:</p> <p>(a) an intangible asset that is not yet available for use; and</p> <p>(b) an intangible asset that is amortized over a period exceeding twenty years from the date when the asset is available for use.</p> <p>The recoverable amount should be determined under IAS 36 and impairment losses recognized accordingly.</p> <p>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.</p>	20	<p>Must impairment tests be carried out annually on</p> <ul style="list-style-type: none"> – intangible assets, if these are amortized over longer than 20 years? – goodwill, if this is amortized over longer than 20 years?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
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)?
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?
2.7	The cost of inventories should comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.	27A	Must inventory cost include production overheads but no other overheads?
2.6	Inventories should be measured at the lower of cost and net realizable value.	27B	Can replacement cost be used instead of net realizable value as a measure of market 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	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].

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
	(c) a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision should be recognized.		
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?
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.	32	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?

IAS Reference		National GAAP for 31 December 2001	
Para	Extract from IAS Text		Question
	(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	<p>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:</p> <p>(a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and</p> <p>(b) 10% of the fair value of any plan assets at that date.</p> <p>These limits should be calculated and applied separately for each defined benefit plan.</p> <p>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</p>	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	<p>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:</p> <p>(a) goodwill for which amortization is not deductible for tax purposes; or</p> <p>(b) the initial recognition of an asset or liability in a transaction which:</p> <p>(i) is not a business combination; and</p> <p>(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). [Similar for deferred tax assets].</p> <p>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:</p> <p>(a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and</p> <p>(b) it is probable that the temporary difference will not reverse in the foreseeable future.</p>	40	Is deferred tax calculated on the basis of temporary differences (balance sheet basis) as opposed to timing differences (income statement basis)?
		41	Must deferred tax be calculated on all temporary differences (except those as exempted in IAS)?
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?
12.53	Deferred tax assets and liabilities should not be discounted.	43A	Is the discounting of deferred tax balances prohibited?

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Para	Extract from IAS Text		Question
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	<p>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.</p> <p>Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.</p> <p>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.</p>	48	Must there be disclosures relating to relationships and transactions with all parties who can exercise significant influence or control?
35.16/27	<p>With respect to a discontinuing operation, the initial disclosure event is the occurrence of one of the following, whichever occurs earlier:</p> <p>(a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or</p> <p>(b) the enterprise's board of directors or similar governing body has both:</p> <p style="padding-left: 20px;">(i) approved a detailed, formal plan for the discontinuance and</p> <p style="padding-left: 20px;">(ii) made an announcement of the plan.</p> <p>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:</p> <p>(a) a description of the discontinuing operation;</p> <p>(b) the business or geographical segment(s) in which it is reported in accordance with IAS 14;</p> <p>(c) the date and nature of the initial disclosure event;</p> <p>(d) the date or period in which the discontinuance is expected to be completed if known or determinable;</p> <p>(e) the carrying amounts, as of the balance sheet date, of the total assets and the total liabilities to be disposed of;</p> <p>(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;</p>	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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	(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	<p>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.</p> <p>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.</p> <p>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.</p>	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 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.	51	Must segment information be provided by publicly-traded entities?
		52	Must segment information use the same accounting policies as in the financial statements?
14.26/27	<p>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.</p> <p>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 and differing rates of return facing the enterprise and, therefore, for determining which reporting format is primary and which is secondary.</p>	53	Is segment reporting required using a primary/secondary split which is normally made on the basis of internal reporting?
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	<p>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.</p> <p>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.</p>	57	Must cash flow statements reconcile to cash and cash equivalents?
1.7	<p>A complete set of financial statements includes the following components:</p> <p>(a) balance sheet</p> <p>(b) income statement,</p>	58	Is a primary statement (not just a note) showing changes in equity required?

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	<p>(c) a statement showing either:</p> <p>(i) all changes in equity; or</p> <p>(ii) changes in equity other than those arising from capital transactions with owners and distributions to owners;</p> <p>(d) cash flow statement; and</p> <p>(e) policies and explanatory notes</p>		
1.13	<p>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:</p> <p>(a) that management has concluded that the financial statements fairly present the enterprise's financial position, financial performance and cash flows;</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	59	Is departure from standards permitted in order to give a fair presentation?
		60	If so, must there be disclosure of the financial impact of such a departure?
33.10/ 11/20	<p>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.</p> <p>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.</p> <p>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.</p>	61	Must entities with publicly-traded shares disclose an earnings per share amount?
		62	If so, is this determined as in IAS 33?
39.69	<p>After initial recognition, an enterprise should measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs that it may incur on sale or other disposal, except for the following categories of financial assets, which should be measured under paragraph 73:</p> <p>(a) loans and receivables originated by the enterprise and not held for trading;</p> <p>(b) held-to-maturity investments; and</p> <p>(c) any financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured.</p> <p>Financial assets that are designated as hedged items are subject to measurement under the hedge accounting provisions in paragraphs 121-165 of IAS 39</p>	63	Is it required to measure financial assets (except for the three types in IAS 39.69) at fair value?
39.93	<p>After initial recognition, an enterprise should measure all financial liabilities, other than liabilities held for trading and derivatives that are liabilities, at amortized cost. After initial recognition, an enterprise should measure liabilities held for trading and derivatives that are liabilities at fair value, except for a derivative liability that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which should be measured at cost. Financial liabilities that are designated as hedged items are subject to measurement under the hedge accounting provisions in paragraphs 121-165 of IAS 39</p>	64	Is it required to measure trading and derivative liabilities at fair value?
		65	Are any other financial assets and liabilities (beyond those in Questions 63 and 64) required to be fair valued other than in a business combination?

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Para	Extract from IAS Text		Question
39.35/3 7/38	<p>A financial asset or a portion of a financial asset should be derecognized when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset (or portion of the financial asset). An enterprise loses such control if it realizes the rights to benefits specified in the contract, the rights expire or the enterprise surrenders those rights.</p> <p>Determining whether an enterprise has lost control of a financial asset depends both on the enterprise's position and that of the transferee. Consequently, if the position of either enterprise indicates that the transferor has retained control, the transferor should not remove the asset from its balance sheet,</p> <p>A transferor has not lost control of a transferred financial asset and, therefore, the asset is not derecognized if, for example:</p> <p>(a) the transferor has the right to reacquire the transferred financial asset unless either (i) the asset is readily obtainable in the market or (ii) the reacquisition price is fair value at the time of reacquisition;</p> <p>(b) the transferor is both entitled and obligated to repurchase or redeem the transferred asset on terms that effectively provide the transferee with a lender's return on the assets received in exchange for the transferred asset. A lender's return is one that is not materially different from that which could be obtained on a loan to the transferor that is fully secured by the transferred asset; or</p> <p>(c) the asset transferred is not readily obtainable in the market and the transferor has retained substantially all of the risks and returns of ownership through a total return swap with the transferee or has retained substantially all of the risks of ownership through an unconditional put option on the transferred asset held by the transferee (a total return swap provides the market returns and credit risks to one of the parties in return for an interest index to the other party, such as a LIBOR payment).</p>	66	May an enterprise derecognise a financial asset (or a portion of a financial asset) at any time other than when the enterprise has lost control of the contractual rights that comprise the financial asset (or a portion of the financial asset)?
39.103 (a)	<p>A recognized gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship (see paragraphs 121-165 of IAS 39) should be reported as follows:</p> <p>a gain or loss on a financial asset or liability held for trading should be included in net profit or loss for the period in which it arises (in this regard, a derivative should always be considered to be held for trading unless it is a designated hedging instrument – see paragraph 122 of IAS 39.)</p>	67	Are gains and losses on the change in value of trading financial assets and liabilities required to be taken immediately to income?
39.142	<p>Under IAS 39, a hedging relationship qualifies for special hedge accounting as set out in paragraphs 153-164 of IAS 39 if, and only if, all of the following conditions are met:</p> <p>(a) at the inception of the hedge there is formal documentation of the hedging relationship and the enterprise's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the enterprise will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;</p> <p>(b) the hedge is expected to be highly effective (see paragraph 146 of IAS 39) in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;</p> <p>(c) for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;</p> <p>(d) the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured (see paragraph 95 of IAS 39 for guidance on fair value); and the hedge was assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period.</p>	68	Is hedge accounting restricted to cases where the criteria in IAS 39.142 apply?

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Para	Extract from IAS Text		Question
40.24/ 50	<p>An enterprise should choose either the fair value model in paragraphs 27 to 49 of IAS 40 or the cost model in paragraph 50 as its accounting policy and should apply that policy to all of its investment property.</p> <p>After initial recognition, an enterprise that chooses the cost model should measure all of its investment property using the benchmark treatment in IAS 16, Property, Plant and Equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses.</p>	69	<p>Are investment properties required to be measured at depreciated historical cost?</p> <p>If “yes”, please proceed to question 70. If “no”, how are investment properties allowed or required to be measured?</p>
40.28	A gain or loss arising from a change in the fair value of investment property should be included in net profit or loss for the period in which it arises.	70	If investment properties are allowed or required to be valued at above depreciated historical cost, must revaluation gains and losses be reported in the income statement?
40.69e	In addition to the disclosure required by paragraph 66 of IAS 40, an enterprise that applies the cost model in paragraph 50 should also disclose the fair value of investment property	71	Is it a requirement to disclose the fair value of any investment property that is held on a cost basis?

