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## Checklist for Transition from Danish GAAP to IFRSs in 2005.

This checklist is intended as an aiding tool which by asking a few questions provides a quick and overall view of the main differences in recognition and measurement between the International Financial Reporting Standards (IFRS) and existing Danish GAAP in 2004/2005. This means that the IFRSs (as approved by the International Accounting Standards Board (IASB) as of 30 June 2005 – including the June 2005 amendment to IAS 39, Financial Instruments: Recognition and Measurement – The Fair Value Option currently pending approval by European Commission for use in Europe) are compared with the Danish Financial Statements Act (DFSA) and applicable Danish Accounting Standards (DKAS), including the two latest: Danish Accounting Standard 21, Leasing, and Danish Accounting Standard 22, Revenues. The checklist does not cover the basic criteria for recognition and measurement, nor does it include all presentation and disclosure requirements. However, the most significant differences in disclosure requirements are included.

The checklist provides guidance and illustrates the most significant implications for Danish listed entities when making the transition to IFRS in 2005. The list cannot replace a detailed review of all the standards and interpretations, which combined represent the IFRSs and are relevant for the entity, nor can it replace consultation and advice in cases of specific and/or complex accounting issues.

## Additional requirements and guidance under IFRS

Description	DFSA/ DKAS	IFRS	✓
Detailed rules of transition on first-time adoption of IFRS. As a general rule, accounting policies are changed retrospectively. However, IFRS 1 includes a number of specific, optional or mandatory exemptions. The Standard imposes additional disclosure requirements and requires explanation of the effect from the transition to IFRS on the entity's financial position, results and cash flows.		IFRS 1	
Share-based payment (e.g. employee shares and share options) of management and staff shall be measured at fair value and expensed over the vesting period. IFRS 2 distinguishes between three types of share-based payment transactions: equity-settled, cash-settled and with cash alternatives.	DKAS 20	IFRS 2	
Business combinations are accounted for under the purchase method, meaning that assets acquired and liabilities assumed are measured at fair value. More intangible assets and contingent liabilities shall be recognised in the acquisition balance sheet. As a general rule, expenses for restructuring the acquired entity cannot be recognised in the acquisition balance sheet. Minority interests of the acquired entity shall be measured at fair value. Application of the pooling of interests method is not permitted for business combinations within the scope of IFRS 3. Negative goodwill is recognised immediately in profit or loss.	§§121, 122 DKAS 18	IFRS 3	
Acquired intangible assets with indefinite useful lives, including goodwill, when acquiring an entity or activity, shall be recognised in the balance sheet, but they are not amortised. Instead, they shall be tested for impairment at least annually.	§§33, 43, 122	IFRS 3, IAS 38	
Assets – including goodwill – shall be written down to their recoverable amount, if lower than the carrying amount. Goodwill is allocated to cash-generating units, as defined in IAS 36, and shall be tested annually for impairment together with the units' other assets. Additional and comprehensive guidance on performing impairment tests upon impairment of assets (including goodwill), including when and how to perform the test. Impairment on goodwill cannot be reversed under IFRS.	§42 DKAS 10	IAS 36	

Description	DFSA/ DKAS	IFRS	✓
IFRS 5 sets requirements for recognition, measurement and presentation of non-current assets and disposal groups held for sale. These assets are not depreciated, but shall be written down to fair value less cost to sell, if this is lower than the carrying amount. They shall also be presented separately in the balance sheet.	§43 DKAS 10	IFRS 5	
IFRS 5 contains disclosure and presentation requirements for discontinued operations. Discontinued operations shall be presented separately in the income statement with restatement of comparatives.	§80	IFRS 5	
Detailed rules, restrictive requirements and comprehensive guidance on financial assets and financial liabilities, particularly on hedge accounting, derecognition and impairment of financial assets. Derivatives (including embedded derivatives) shall always be recognised and measured at fair value. Previous hedge transactions do not necessarily qualify for the same treatment under IFRS, since IAS 39 contains explicit requirements for documentation of hedge accounting and measurement of hedge effectiveness. Hedges of non-recognised firm commitments, e.g. a purchase order or a sales order, shall be classified as fair value hedges. However hedges of the foreign currency risk relating to non-recognised firm commitments may be classified as fair value or cash flow hedges. The entity is not required to apply the hedge accounting rules in IAS 39, even if it is economically designated as a hedge transaction. Basis adjustments in cash flow hedges are only permitted for non-financial assets (e.g. machinery or inventories) and non-financial liabilities. Further guidance exists on how to determine the fair value in the absence of available market prices. Forward contracts to purchase or sell non-financial assets are subject to IAS 39 if they can be settled net in cash or another financial instrument.	§37, 49, 50	IAS 39	
Detailed rules, restrictive requirements and comprehensive guidance on pension liabilities, particularly on defined benefit plans, even if they are funded, and application of the "corridor" method. In addition, IFRS contains specific regulations on liabilities relating to anniversary bonuses and post-employment benefits.	§47	IAS 19	
Intangible assets with indefinite useful lives are not amortised, but are tested at least annually for impairment. Further guidance on recognition and measurement of intangible assets, including development projects and intangible assets acquired in business combinations. Intangible assets with definite useful lives may be amortised over more than 20 years.	§33, 41, 83 DKAS 7	IAS 38	
Under IFRS, there are limited rules governing accounting for insurance contracts and significant disclosure requirements compared to Danish GAAP for insurance companies. Amounts reported from insurance contracts shall be explained in the notes to the financial statements (e.g. significant assumptions for determining the amounts), and amounts, timing and uncertainties in cash flows (e.g. risk management policy) shall be specified.		IFRS 4	

## General requirements

Description	DFSA/ DKAS	IFRS	✓
IFRS imposes certain limited accounting requirements for activities within exploration for and evaluation of mineral resources and significant disclosure requirements compared to Danish GAAP (e.g. accounting policy for recognising and measuring assets, liabilities, revenues, expenses and cash flows from exploration and evaluation activities).		IFRS 6	
Generally, additional guidance and interpretations under IFRS that may result in differences in recognition and measurement.			
Generally, many additional disclosure requirements under IFRS, e.g. for business combinations, impairment of assets and impairment losses, intangible assets, earnings per share, discontinued operations and non-current asset held for sale, financial instruments, share-based payment, pensions, related parties and segments.			
The Management's Review (Management's Discussion and Analysis (MD&A)) does not form part of the parent financial statements or the consolidated financial statements under IFRS. Under Danish GAAP, the parent financial statements, the consolidated financial statements and the management's review form a whole, and together with the "Statement by Management on the Financial Statements" and voluntary supplementary reports they constitute the annual report.	§§2, 22, 78, 102 DKAS 1	IAS 1	
Under IFRS, the entity is required to select a relevant measurement currency (functional currency). Another currency may be applied for presentation. In the event of hyperinflation, IFRS provides further guidance on how to adjust the financial statements for inflation.	§16 DKAS 9	IAS 21 IAS 29	
The exchange rate at the balance sheet date shall under IFRS be applied to the translation of goodwill and other fair value adjustments of foreign entities.	DKAS 9	IAS 21	
Currency translation of an account that is really an addition to or a deduction from a net investments in a foreign entity, applying a functional currency that is different from the one applied by the parent, shall under IFRS be recognised in the income statement of the parent only financial statements.	DKAS 9	IAS 21	
IAS 8 contains specific guidance on cases in which it may be regarded as impossible to change accounting policies or to adjust material errors reported in prior financial periods with retrospective effect. In cases where change or adjustment is not possible, the circumstances leading to this shall be disclosed.	DKAS 3	IAS 8	
The term fundamental errors no longer exist under IFRS. Instead, the Standard defines "prior period errors". Significant corrections of prior period errors shall be made through equity with retrospective effect, and comparatives shall be restated. Comprehensive disclosure requirements exist in those cases.	DKAS 3	IAS 8	
Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the cash flow statement (e.g. finance leases). Relevant information on such transactions shall be disclosed elsewhere in the financial statements.	DKAS 11	IAS 7	



Description	DFSA/ DKAS	IFRS	✓
Under IFRS, securities are only regarded as cash and cash equivalents in the cash flow statement if the term to maturity is three months or less at the acquisition date.	DKAS 11	IAS 7	
Specific minimum disclosure requirements apply to the income statement under IAS 1. IAS 1 does not require disclosure of "Profit or loss from primary activities/operating profit or loss" or "Profit or loss from ordinary activities". For example, if operating profit or loss is disclosed as a sub-total to the income statement, this sub-total shall include all line items relating to operations. Contrary to DFSA, fixed formats or "schedules" do not apply to the income statement.	DFSA schedules DKAS 1	IAS 1	
Presentation as extraordinary items is not permitted in the income statement or in the notes to the financial statements. However, unusual ordinary items may be presented as one separate line item in the income statement or in the notes to the financial statements.	§30 DKAS 3	IAS 1	
Allocations of profit or loss for the year to minority shareholders and to shareholders of the parent shall be disclosed in connection with the income statement (allocation of profit or loss) and not as a separate line item therein.	DKAS 1	IAS 1	
Associates' profits and losses that are measured applying the equity method shall be presented in the income statement after tax.	§85, DFSA schedules	IAS 1 IAS 28	
Under DKAS 22, it is a basic criterion for recognition of income from sale of goods and services that documentation exists of income having been realised. For example, documentation may exist in the form of a written sales contract, a binding purchase order by a third party or an electronically authorised transaction. IAS 18 does not deal with this issue.	DKAS 22	IAS 18	
Intangible assets may under IFRS be revalued at fair value through equity under revaluation reserves if the fair value is determined referring to the existence of an active market, as described in IAS 38.	§41	IAS 38	
Property, plant and equipment shall be split into their major components that are depreciated separately (components approach) if their depreciation periods vary significantly.	DKAS 10	IAS 16 IAS 37	
Operating leases of investment property may be classified as finance leases if the property is measured at fair value under IFRS.	§33 DKAS 21	IAS 17 IAS 40	
If borrowing costs are capitalised into the cost of own manufactured assets, this accounting policy shall be applied to all qualifying assets under IFRS.	§40	IAS 23 IAS 8	
IFRS permits government grants related to assets to be presented by offsetting them against the carrying amount of the relevant assets. Similarly, IFRS permits grants related to the covering of expenses to be presented by offsetting them against the relevant items of the income statement.	§13	IAS 20	
Provisions for obligations to dismantle, remove and restore items of property, plant and equipment shall be recognised as part of the asset's cost. IFRIC 1 describes how to account for changes in the timing of payment or the carrying amount of this type of obligations.	DKAS 10 DKAS 17	IAS 16 IAS 37 IFRIC 1	

## Income statement

## Assets

Description	DFSA/ DKAS	IFRS	✓
Subsequent costs (e.g. costs of maintenance and improvement) shall always be assessed separately and be capitalised when incurred if it is probable that their incurrence will result in increased future economic benefits for the entity, and costs can be measured reliably.	DKAS 10	IAS 16 IAS 38	
Assets' residual value (scrap value) shall be determined and revalued at each balance sheet date to the effect that the residual value reflects the amount the entity estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life.	DKAS 10	IAS 16 IAS 38	
Revenue from incidental operations (incidental revenue) relating to items of property, plant and equipment in the course of construction shall be recognised in profit and loss (and not as a deduction from the asset's cost).	DKAS 10	IAS 16	
Items of property, plant and equipment acquired in exchange transactions shall be measured at fair value, and this also includes exchange of similar assets, unless the transaction "lacks commercial substance".	DKAS 10 DKAS 22	IAS 16 IAS 18	
Revaluation of inventories at replacement cost is no longer permitted under IFRS and DKAS. In addition, there is a requirement to disclose impairment of inventories as well as cost of sales for the year.	§46 DKAS 8	IAS 2	
In the parent IFRS financial statements, investments in subsidiaries, associates and joint ventures shall be measured either at cost or at fair value under IAS 39.	§84, 85	IAS 27 IAS 28 IAS 31	
Treasury shares may not be recognised as an asset, but shall be presented as a change in equity under IFRS and DKAS.	§35 DKAS 19	IAS 32	
Deferred tax assets shall under IFRS be presented as non-current assets.	§47 DKAS 14	IAS 1 IAS 12	
A financial asset may be classified as at fair value through profit and loss provided it is classified as held for trading or meets certain specific criteria to be designated as at fair value through profit or loss and the entity makes such designation at initial recognition. For example, a financial asset may be measured at fair value through profit or loss if it eliminates an accounting mismatch.	§37	IAS 39	
Fair value changes to financial assets classified as available-for-sale shall under IFRS be recognised directly in equity until the asset is sold or otherwise disposed of.	§37	IAS 39	
Under IFRS, investment property may be measured at fair value with changes through profit or loss, even if it is not the entity's primary activity.	§38	IAS 40	
Under IFRS, biological assets shall be measured at fair value less point-of-sale costs with changes through profit or loss.	§38	IAS 41	
Under IFRS, contingent assets and reimbursements may not be recognised until realisation or receipt is virtually certain.	DKAS 17	IAS 37	

Description	DFSA/ DKAS	IFRS	✓
IFRS requires presentation of a special statement of changes in equity.	§§21, 56 DKAS 1	IAS 1	
There may be differences in the classification of debt and equity and related expenses (interest/dividends) because of comprehensive guidance under IFRS. Certain derivatives linked to treasury shares (compensated for by a fixed amount cash for a fixed number of own shares) shall under IAS 32 be accounted for as equity instruments that are not re-measured subsequent to initial recognition, but remain an element of equity.	§§25, 33	IAS 32	
IAS 1 requires minority interests to be presented as a component of equity, and in the income statement net profit or loss for the year shall be allocated to the portion attributable to the parent's shareholders and to the portion attributable to minority interests.	§118	IAS 1	
IAS 37 requires the enactment of a new law to be virtually certain before a change may be recognised to provisions.	DKAS 17	IAS 37	
Detailed conditions exist under IFRS for recognising restructuring provisions. Recognition requires restructuring either to be started or to have been published no later than on the balance sheet date.	§47 DKAS 17	IAS 37	
When classifying debt as current liabilities or non-current liabilities, the terms of the loan agreements applicable at the balance sheet date shall under IFRS be determined, without taking into consideration any changes agreed after the balance sheet date. If, at the balance sheet date, there is not an unconditional agreement to extend the credit facility and hence settlement more than 12 months after the balance sheet date, the debt item shall be classified as a current liability.	DKAS 1	IAS 1	
A long-term liability that is payable upon breach of a loan condition shall under IFRS be presented as a current liability if the agreed loan terms are breached at the balance sheet date.	DKAS 1	IAS 1	
A financial liability shall be measured at amortised cost unless it is classified as held for trading, or meets certain specific criteria to be designated as at fair value through profit or loss and the entity makes such designation at initial recognition or is part of a hedging relationship.*	§37 §38	IAS 39 IAS 40	
IFRS does not divide liabilities into provisions and debts. As a general rule, provisions are included under current liabilities and non-current liabilities, respectively.	DFSA schedules, DKAS 1	IAS 1	
Under IFRS, higher-level consolidated financial statements shall be prepared under IFRS before a sub-group may neglect to prepare consolidated financial statements (e.g. presentation under US GAAP does not exempt a sub-group from presenting consolidated financial statements).	§112	IAS 27	
Under both IFRS and DKAS, the net assets of entity that in substance has been acquired shall be re-stated at fair value even though, legally, it has not been acquired (reverse acquisition).	§122 DKAS 18	IFRS 3	
The acquisition balance sheet may only under IFRS be adjusted for a period of 12 months from the acquisition date.	§122 DKAS 18	IFRS 3	

## Equity and liabilities

\* On 19 November 2004, the European Commission endorsed a carve-out version of IAS 39 to be used in Europe. One of the implications is that, presently, it is not possible under this version to measure financial liabilities at fair value unless they are financial liabilities forming part of a portfolio held for trading or are derivative financial instruments. The IASB issued a revised version of the fair value option in June 2005 in order to address the concerns of the EU Commission. It is expected that the EU Commission will replace the carve-out with the revised version of the fair value option.

## Consolidated financial statements

## Disclosure requirements

Description	DFSA/ DKAS	IFRS	✓
IFRS 3 requires recognition of negative goodwill directly in profit or loss on the date of acquisition.	§122 DKAS 18	IFRS 3	
IFRS requires the elimination of intra-group profits and losses when preparing consolidated financial statements even though transactions may have been carried out on an arm's length basis, and non-elimination would involve disproportionate expenses.	§120	IAS 27	
The balance sheet date of the financial statements forming the basis for recognition of investments in an associate in the consolidated financial statements may not differ by more than three months from the group's balance sheet date.	§84	IAS 28	
Under certain circumstances, IFRS requires consolidation of Special Purpose Entities (SPEs) even though the parent does not hold equity interests in the SPE. IFRS puts more emphasis on the substance of the control environment (including also governance, risks and rewards). There is no exemption from consolidating subsidiaries in consolidated financial statements under IFRS.	Appendix 1, B, item 4	IAS 27 SIC-12	
Minority interests shall under IFRS be presented as a separate line item under equity, distinct from the parent's share.	§118	IAS 27	
If the entity holds more than half of the voting rights in another entity, the latter entity shall be classified as a joint venture under IFRS if it has been agreed to exercise joint control with other entities. IFRS permits investments in joint ventures to be presented as separate main groups in the income statement and in the balance sheet.	§§34, 124	IAS 31	
A number of reconciliations are required to be prepared for amounts under the accounting policies formerly applied and the policies applied in the first IFRS financial statements. They include reconciliation of equity at the opening balance sheet date and at the opening date of the current period as well as of profit or loss for the comparative period.		IFRS 1	
The following disclosures shall be given under accounting policies (or in the notes to the financial statements): <ul style="list-style-type: none"> <li>• Management's decisive and most significant assessments when applying accounting policies</li> <li>• Key assumptions concerning the future</li> <li>• Other key sources of estimation uncertainty at the balance sheet date</li> </ul>	DKAS 1 DKAS 3	IAS 1	
Under DKAS 22, the entity is required to disclose accounting policies applied to each element of multi-element service contracts and to disclose the policy applied to returned assets, if material. IAS 18 does not contain these requirements.	DKAS 22	IAS 18	
Extended disclosure requirements in the event of policy changes or correction of errors. The effect thereof shall be disclosed by line item, and the ratios "earnings per share" and "diluted earnings per share" shall be adjusted accordingly.	DKAS 1 DKAS 3	IAS 8	
Disclosures required to be given for future changes to accounting policies resulting from impending application of standards or interpretations that have been issued by IASB, but are not yet effective at the balance sheet date.	DKAS 1 DKAS 3	IAS 8	
Proposed dividends for the current period shall be disclosed in the notes to the financial statements.	§31 DKAS 1	IAS 1 IAS 10	



Description	DFSA/ DKAS	IFRS	✓
Extended and detailed segment information requirements under IFRS.	§§65, 88, 96	IAS 14	
Extended and comprehensive related party disclosures under IFRS. Related party transactions shall be disclosed giving amount per transaction (or type of transaction) and be specified by category (counter party). Also amounts are required to be disclosed (at an appropriately aggregated level) in the parent's IFRS financial statements for transactions between the parent and its subsidiaries and associates as well as for investments in joint ventures even though they are eliminated in the consolidated financial statements. Information about transactions having been carried out on an arm's length basis shall only be given if this can be substantiated. Total management remuneration shall be specified by salary, pension, share-based payment and similar items. No exemptions from the disclosure requirements apply to government controlled entities, wholly owned subsidiaries or parents.	§70 DKAS 13	IAS 24	
Under IFRS, related parties include, e.g. a parent-subsidiary relation, members of management and other key members of staff as well as close family members thereof. Two entities are regarded as related parties too if they are controlled by the same parent or in any other way subject to common control or significant influence.	§70 DKAS 13	IAS 24	
Disclosures required for financial instruments differ, including risk management policy, interest rate exposure, credit risk, fair value and hedges. Disclosure of financial instrument liabilities measured at less than fair value is not required under IFRS.	DKAS 9 DKAS 15	IAS 32	
IFRS requires disclosure of earnings per share and diluted earnings per share and contains specific and comprehensive guidance on the determination thereof.	§87	IAS 33	
IFRS requires detailed and comprehensive information about impairment losses and impaired assets, e.g. allocation of impairment loss for the period on profit or loss and equity items as well as allocation by segment.	§§57, 58	IAS 36	
IAS 38 contains a number of detailed disclosure requirements for intangible assets, including, e.g. disclosure of research and development costs that have been expensed during the year.	DKAS 7	IAS 38	
IFRS contains detailed requirements for disclosures on defined benefit plans.	§64	IAS 19	
Detailed and comprehensive disclosure requirements under IFRS for share-based payment (e.g. employee shares and share options) for management and others.	§69, DKAS 20	IFRS 2	
Under IAS 40, operating expenses relating to investment property shall be split by leased and non-leased property. IAS 40 does not require rental income, value adjustments and operating expenses to be disclosed directly in the income statement.	DKAS 16	IAS 40	

Description	DFSA/ DKAS	IFRS	✓
Detailed and comprehensive disclosure requirements for business combinations, facilitating the users' evaluation of <ul style="list-style-type: none"> <li>The nature and financial effect of business combinations</li> <li>Any gains, losses, error corrections or other adjustments relating to business combinations, and</li> <li>Any changes in the carrying amount of goodwill during the period</li> </ul>	DKAS 18	IFRS 3	
Detailed requirements under IFRS for disclosure of discontinued operations and non-current assets held for sale.	§80	IFRS 5	
Disclosure of acquisition and sale of entities may not be omitted under IFRS even if only one entity was acquired or sold.	DKAS 11 DKAS 18	IAS 7 IFRS 3	
Presentation of a cash flow statement in the parent and the subsidiaries' stand alone IFRS financial statements even if this is included in the group's cash flow statement and published in the same annual report.	§86 DKAS 11	IAS 7	

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