

IFRS for SMEs
vs NL GAAP
Showing you
the key differences



Golden Delicious



Cameo



Pink Lady



Royal Gala



Granny Smith



Braeburn

Contacts

IFRS Centre of Excellence, The Netherlands

Ralph ter Hoeven

rterhoeven@deloitte.nl

Dingeman Manschot

dmanschot@deloitte.nl

Deloitte's www.iasplus.com website provides comprehensive information about international financial reporting in general and IASB activities in particular.

Unique features include:

- daily news about financial reporting globally;
- summaries of all Standards, Interpretations and proposals;
- many IFRS-related publications available for download;
- model IFRS financial statements and disclosure checklists;
- an electronic library of several hundred IFRS resources;
- all Deloitte comment letters to the IASB;
- links to nearly 200 IFRS-related websites;
- e-learning modules for each IAS and IFRS – at no charge;
- complete history of adoption of IFRSs in Europe and information about adoptions of IFRSs elsewhere around the world;
- updates on developments in national accounting standards.

Foreword

Welcome to the first edition of “IFRS for SMEs vs NL GAAP, A pocket comparison”. The objective of this publication is to provide a summary of key differences between the requirements of IFRS for SMEs compared to NL GAAP. This publication does not attempt to capture all of the differences between IFRS for SMEs and NL GAAP that may exist or that may be material to a particular company’s financial report.

On 9 July 2009 the International Accounting Standards Board (IASB) issued IFRS for SMEs. An important question is if Dutch legal entities can apply IFRS for SMEs? The answer to that question is not yet completely clear. In the current Dutch accounting law the application of IFRS for SMEs is not included as an option. It should be noted that there are some provisions in IFRS for SMEs which conflict with specific provisions of Dutch law. However, a part of these conflicts can be addressed by choosing an option within IFRS for SMEs which is in line with Dutch law. In our opinion many other conflicts can be solved by presenting and disclosing additional information required by Dutch law.

Looking at the future, we believe that the legislator should explicitly allow IFRS for SMEs to be applied in Dutch legal entities. Not as a mandatory requirement, of course, but as a voluntary option in the same way that voluntary application of full IFRSs is allowed on condition that mandatory additional notes are included in the financial statements as required under Netherlands jurisdiction. Financial statements prepared under full IFRSs or IFRS for SMEs are based on internationally accepted financial reporting standards and provide the required fair view. Whether or not IFRS for SMEs will ultimately be accepted or not depends largely on whether it will become a worldwide standard. The administrative burden of internationally operating companies would certainly diminish if local financial statements could be prepared under the same standards, and in particular the consolidated financial statements. We also believe that companies should be regarded as capable of judging whether the application of IFRS for SMEs is desirable or preferable. Only if they are allowed to do so, they can weigh the pros and cons of application of IFRS for SMEs. It may also have a positive effect on the competitive edge of companies. One universally accepted set of simple accounting rules will simplify the administrative processes. We believe that the European Union has an important role to play in this development. If the 27 EU Member States allow the application of IFRS for SMEs, it will be an important gesture that will not go unnoticed in other economic spheres of influence. It will also give the internal European market more appeal and render it more competitive.

We thank Linda Tonkes-Boers for her significant contribution in analysing the differences between IFRS for SMEs and NL GAAP.

Ralph ter Hoeven, Dingeman Manschot
IFRS Centre of Excellence, The Netherlands

Abbreviations used in this publication

DAS(s)	Dutch Accounting Standard(s)
DASB	Dutch Accounting Standards Board
IASB	International Accounting Standards Board
IFRS for SMEs	International Financial Reporting Standards for Small and Medium-sized Entities
IAS(s)	International Accounting Standard(s)
IFRS(s), full IFRSs	International Financial Reporting Standard(s)
NL GAAP	Generally Accepted Accounting Standards in the Netherlands, comprising the Netherlands Civil Code and the Dutch Accounting Standards published by the DASB

The table below explains some of the terms used in this document.

Separate financial statements	Those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. Separate financial statements can only be prepared in addition to consolidated or individual financial statements.
Consolidated financial statements	The financial statements of a parent and its subsidiaries presented as those of a single economic entity.
Individual financial statements	The financial statements of an entity that has no subsidiaries, but which has an investment in an associate and/or a jointly controlled entity.

Introduction

On 9 July 2009, the International Accounting Standards Board (IASB) issued the IFRS for Small and Medium-sized Entities (IFRS for SMEs). This Standard provides an alternative framework that can be applied by eligible entities in place of the full set of International Financial Reporting Standards (IFRSs) in issue.

The IFRS for SMEs is a self-contained Standard, incorporating accounting principles that are based on full IFRSs but that have been simplified to suit the entities within its scope (known as SMEs). By removing some accounting treatments permitted under full IFRSs, eliminating topics and disclosure requirements that are not generally relevant to SMEs, and simplifying requirements for recognition and measurement, the IFRS for SMEs reduces the volume of accounting requirements applicable to SMEs by more than 90 per cent when compared with the full set of IFRSs.

Where financial statements are prepared using the Standard, the basis of presentation note (and, where applicable, the auditor's report) would refer to compliance with the IFRS for SMEs. Many SMEs may find that this internationally recognised 'cachet' for their financial statements will improve their access to capital.

The IASB has not set an effective date for the Standard because the decision as to whether to adopt the IFRS for SMEs (and also, therefore, the timing for adoption) is a matter for each jurisdiction.

The complete IFRS for SMEs (together with basis for conclusions, illustrative financial statements, and presentation and disclosure checklist) can be downloaded free from <http://go.iasb.org/IFRSforSMEs>.

Key features of the IFRS for SMEs

The Standard has been organised by topic to make it more like a reference manual – intended by the IASB to be more user-friendly for SME preparers and users of SME financial statements.

The IFRS for SMEs and full IFRSs are separate and distinct frameworks. Entities that are eligible to apply the IFRS for SMEs, and that choose to do so, must apply that Standard in full (i.e. they are not permitted to 'mix and match' the requirements of the IFRS for SMEs and full IFRSs).

The IFRS for SMEs includes requirements for the development and application of accounting policies

in the absence of specific guidance on a particular subject.

In particular, an entity may, but is not required to, consider the requirements and guidance in full IFRSs dealing with similar and related issues.

The following are the key simplifications made:

- some topics in IFRSs are omitted because they are not relevant to typical SMEs;
- some accounting policy treatments in full IFRSs are not allowed because a simplified method is available to SMEs;
- simplification of many of the recognition and measurement principles that are in full IFRSs;
- substantially fewer disclosures; and
- simplified language and explanations throughout.

Topics that have been omitted from the IFRS for SMEs

The IFRS for SMEs does not address the following topics that are dealt with in full IFRSs, because these topics are not generally relevant to SMEs:

- earnings per share;
- interim financial reporting;
- segment reporting;
- assets held for sale; and
- insurance (because entities that issue insurance contracts will not be eligible to use the IFRS for SMEs).

Accounting treatments disallowed under the IFRS for SMEs

The IFRS for SMEs does not allow the following accounting treatments that are available under full IFRSs (generally because a simplified method is available to SMEs):

- the revaluation model for property, plant and equipment and intangible assets;
- proportionate consolidation for investments in jointly controlled entities;
- for investment property, measurement is driven by circumstances rather than allowing an accounting policy choice between the cost and fair value models. Under the IFRS for SMEs, if an entity can measure the fair value of an item of investment property reliably without undue cost or effort, it must use fair value. Otherwise cost is applied;
- various options for government grants permitted by IAS 20 Accounting for Government Grants and Disclosure of Government Assistance;
- capitalisation of borrowing costs;
- capitalisation of development costs; and

- deferral of actuarial gains and losses of defined benefit pension plans.

Regarding financial instruments, the Standard drops the 'available-for-sale' and 'held-to-maturity' categories of IAS 39, has no fair value option, and has simplified hedge accounting and derecognition requirements. However, there is a fallback that allows entities to choose to apply IAS 39 in its entirety instead of the financial instrument requirements in the IFRS for SMEs. This is the only fallback option to full IFRSs in the IFRS for SMEs. It is expected that most SMEs will not choose to apply IAS 39 due to the additional complexity.

Recognition and measurement simplifications

The IFRS for SMEs makes numerous simplifications to the recognition and measurement requirements in full IFRSs. For example:

- goodwill and other indefinite-life intangibles are amortised (over their useful lives, but if useful life cannot be reliably estimated, then use 10 years);
- a simplified calculation is allowed if measurement of defined benefit pension plan obligations using the projected unit credit method involves undue cost or effort;
- the cost model is permitted for investments in associates and joint ventures; and
- there are no special accounting requirements for assets held for sale.

Reductions in disclosure requirements

The disclosure requirements in the IFRS for SMEs are substantially reduced when compared with those in full IFRSs. Disclosures required by full IFRSs have been omitted from the IFRS for SMEs for two principal reasons, i.e. either:

- they relate to topics or accounting policy options in full IFRSs that are omitted from the IFRS for SMEs, or
- they relate to recognition and measurement principles in full IFRSs that have been replaced by simplifications in the IFRS for SMEs; or
- they are not considered appropriate based on users' needs and/or cost-benefit considerations. For example, some disclosures in full IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical SMEs.

Additional guidance material

To accompany the Standard, the IASB has produced implementation guidance consisting of illustrative financial statements and a presentation and disclosure checklist.

Effective date and transition

The effective date of the IFRS for SMEs will be determined in each jurisdiction that adopts it. The Standard contains a section on transition which contains all of the exemptions in IFRS 1 First-time Adoption of International Financial Reporting Standards – with additional simplifications in relation to comparative information. IFRS 1 requires an entity's first IFRS financial statements to include at least one year of comparative information under IFRSs. The IFRS for SMEs provides some relief from this by including an 'impracticability' exemption. Similarly, it provides an impracticability exemption with respect to restating the opening statement of financial position.

Who is eligible to use the IFRS for SMEs?

The IFRS for SMEs is intended by the IASB for use by entities that have no public accountability and that are required, or choose, to publish general purpose financial statements for external users. Essentially, an entity is considered to have public accountability if its debt or equity instruments are publicly traded, or if it is a financial institution or other entity that, as part of its primary business, holds and manages financial resources entrusted to it by clients. Ultimately, the decision regarding which entities should use the IFRS for SMEs rests with national regulatory authorities and standard-setters – and those bodies will often specify more detailed eligibility criteria, including quantified criteria based on revenue, assets etc.

A subsidiary that is part of a consolidated group that uses full IFRSs is not prohibited from using the IFRS for SMEs in its individual financial statements, provided that the subsidiary itself does not have public accountability. If the subsidiary opts to use the IFRS for SMEs, it must follow that Standard in its entirety – it cannot pick and choose between the requirements of the IFRS for SMEs and those of full IFRSs.

Application of IFRS for SMEs by Dutch legal entities

Legal entities incorporated in the Netherlands are regulated principally under Book 2 of the Netherlands Civil Code. The provisions relating to annual reporting are based largely on European Company Law (EC) Directives and are incorporated in Part 9, Book 2 of the Netherlands Civil Code (hereinafter: Part 9). Part 9 applies to Dutch legal entities such as public limited liability companies (NVs) and private limited liability companies (BVs). Part 9 also applies to limited or general partnerships (a.o. CVs) where all partners who are fully liable towards creditors for the debts are capital companies under foreign law. Part 9 covers the annual accounts, the directors' report and other information. According to Part 9 Dutch legal entities must apply NL GAAP or can (option) voluntarily apply the standards of the IASB endorsed by the European Commission (hereinafter: IFRS). Obviously, as a result of the EC IAS Regulation, application of IFRS is mandatory in the consolidated financial statements of Dutch listed companies.

NL GAAP is the term used to indicate the whole body of authoritative accounting law, standards and literature, including the Netherlands Civil Code, the Framework and the Dutch Accounting Standards (DASs) published by the Dutch Accounting Standards Board (DASB). Part 9 stipulates that the principles generally used for valuation of assets and liabilities and the determination of results are in accordance with standards generally considered acceptable. DASs are considered as standards generally considered acceptable. The DASB defines these standards in the Netherlands and publishes accounting standards. The authoritative statements in either the draft (ED) or the definitive standards are not binding in the way the legal requirements are. However, the authoritative statements published by the DASB are not expected to be departed from without good reason.

Can IFRS for SMEs be applied by Dutch legal entities?

The answer to that question is not yet completely clear. In the current Dutch accounting law the application of IFRS for SMEs is not included as an option. However, Part 9 stipulates that the principles generally used for valuation of assets and liabilities and the determination of results should be in accordance with standards generally considered acceptable. The DASB states that authoritative statements made by the DASB are not expected to be departed from without good reason. Based on our analysis we conclude that some differences exist between IFRS for SMEs and the authoritative statements of DASB. Material differences are limited because these authoritative statements of DASB are to a very large extent based on, i.e. in line with, IFRSs. Moreover, IFRSs are considered as standards generally acceptable in the Netherlands. Therefore, in our opinion the provisions of IFRS for SMEs should be considered as standards generally considered acceptable in the Netherlands, too. Our rationale is that the provisions of IFRS for SMEs are based on the same concepts and principles as full IFRSs and NL GAAP. We also believe that for example the existence of (potential) international stakeholders could be considered a good reason to apply IFRS for SMEs. The ultimate decision on the acceptability of IFRS for SMEs rest upon the Enterprise Chamber of the Court of Justice and ultimately the Supreme Court. However, we will only know the 'position' of the Enterprise Chamber in this specific area if a case will be brought before court by a plaintiff.

It should be noted that some provisions of IFRS for SMEs conflict with specific provisions of Part 9. However, a part of these conflicts can be addressed by choosing an option within IFRS for SMEs which is in line with Dutch law. We believe that most other conflicts can be solved by presenting and disclosing additional information required by Dutch law.

The table on the next page sets out the provisions within IFRS for SMEs which conflict with specific provisions of Part 9.

Section of IFRS for SMEs	Topic	IFRS for SMEs	Dutch law (Part 9)
4	Presentation of provisions	Provisions shall be presented as long-term liabilities and/or as short-term liabilities	Provisions shall be presented between the long-term liabilities and equity as a separate category.
5	Statement of comprehensive income and income statement	A single amount comprising the total of post-tax profit or loss of a discontinued operation shall be presented separately.	Prescriptive formats of the profit and loss account do not allow separate presentation of post-tax profit or loss of a discontinued operation.
9	Goodwill relating to associates	The initial measurement of an investment in an associate is based on the cost of acquisition. Any difference between the cost of acquisition and the investor's share of the net identifiable assets of the associate is accounted for in accordance with Section 19. Goodwill is included in the carrying amount of the investment.	The recognition is based on the investor's share of the fair value of the net identifiable assets of the associate. Any goodwill should be separately recognised and disclosed as an intangible asset.
9	Measurement of subsidiaries, associates and jointly controlled entities in the separate financial statements	In the parent's separate financial statements investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost less impairment or at fair value with changes in fair value recognised in profit or loss.	In the parent's separate financial statements investments in subsidiaries, associates and jointly controlled entities are accounted for in accordance with the net asset value method (almost similar to the equity method). Only for valid reasons, to be disclosed in the notes, a deviation from applying net asset value is allowed. The international structure of the group or application of the provisions of Section 2:408 of the Netherlands Civil Code (consolidation exemption for intermediate holding companies) are considered to be valid reasons.
14	Measurement of associates in financial statements other than the separate financial statements (consolidated or individual financial statements)	An investor shall account for all of its investments in associates using one of the following: - the cost model; - the equity method; or - the fair value model (fair value with changes in fair value recognised in profit or loss).	An associate in which significant influence is exercised should be measured according to the net asset value method. The net asset value method differs from the equity method because the initial measurement is based on the investor's share of the fair of the net identifiable assets and liabilities of the associate. Any goodwill should be separately recognised and disclosed as an intangible asset. The initial measurement under the equity method is cost (thus including goodwill).
15	Jointly controlled entities in financial statements other than the separate financial statements (consolidated or individual financial statements)	Proportionate consolidation is not allowed. An investor shall account for all of its interests in jointly controlled entities using one of the following: - the cost model; - the equity method; or - the fair value model (fair value with changes in fair value recognised in profit or loss).	Proportionate consolidation is permitted in the consolidated financial statements, if this satisfies the required true and fair view. Otherwise the equity method shall be used. In the individual financial statements the equity method shall be used.

Comparison of IFRS for SMEs and NL GAAP

The table on the following pages sets out some of the key differences between IFRS for SMEs and NL GAAP for annual periods beginning on or after 1 January 2010.

The summary does not attempt to capture all of the differences that exist or that may be material to a particular entity's financial statements. Our focus is on differences that are commonly found in practice.

The significance of these differences – and others not included in this list – will vary with respect to individual entities, depending on such factors as the nature of the entity's operations, the industry in which it operates, and the accounting policy choices it has made.

Reference to the underlying accounting standards and any relevant national regulations is essential in understanding the specific differences.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
3	Departure from a standard when compliance would be misleading	Permitted in "extremely rare" circumstances to achieve a fair presentation. Specific disclosures are required.	Departure from Netherlands Civil Code is required to the extent necessary to provide a true and fair view. The reasons for departure shall be disclosed. Departure from DASS may only occur with good reasons. There is no requirement to disclose a departure from DASS.
4	Presentation of liabilities	The situation at the balance sheet date is crucial for the presentation of liabilities as current or non-current.	Allowed to present a liability as non-current if the lender has granted a waiver for a period greater than one year after the balance sheet date but before the issuance of the financial statements or when the violation is corrected after the balance sheet date, but before the issuance of the financial statements. Allowed to present a liability as non-current if refinancing for a period greater than one year is completed after the balance sheet date, but before date of issuance of the financial statements.
4, 5, 6	Financial statements presentation	Specific line items required.	Prescriptive formats of the balance sheet and profit and loss account are applicable.
4	Presentation of provisions	Provisions shall be presented as long-term liabilities or as short-term liabilities.	Provisions shall be presented between the long-term liabilities and equity as a separate category.
5	Statement of comprehensive income and income statement	A single amount comprising the total of post-tax profit or loss of a discontinued operation shall be presented separately.	Prescriptive formats of the profit and loss account do not allow separate presentation of post-tax profit or loss of a discontinued operation.
9	Subsidiary acquired with the intention to dispose of in the near future	Consolidation is required.	Consolidation is not required.
9	Consolidation exemption for small-sized groups	No exemption.	Consolidation is not required for small-sized groups.
9	Consolidation exemption for intermediate holdings	An intermediate holding need not present consolidated financial statements if, among other requirements, the ultimate or any intermediate parent of the intermediate holding produces consolidated financial statements for public use that comply with IFRSs or with IFRS for SMEs.	An intermediate holding need not present consolidated financial statements if, among other requirements, the financial information which the intermediate holding should consolidate has been included in the consolidated financial statements of the ultimate or any intermediate parent and these consolidated financial statements have been prepared for public use in accordance with the provisions of the Seventh Directive of the EU on Company Law or in an equivalent manner (IFRSs and other high quality GAAPs included).
9	Measurement of subsidiaries, associates and jointly controlled entities in the separate financial statements	In the parent's separate financial statements investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost less impairment or at fair value with changes in fair value recognised in profit or loss.	In the parent's separate financial statements investments in subsidiaries, associates and jointly controlled entities are accounted for in accordance with the net asset value method (almost similar to the equity method). Only for valid reasons, to be disclosed in the notes, a deviation from applying net asset value is allowed. The international structure of the group or application of the provisions of Section 2:408 of the Netherlands Civil Code (consolidation exemption for intermediate holding companies) are considered to be valid reasons.
10	Correcting errors	Material prior period errors shall be recognised retrospectively in the first set of financial statements authorized for issue after their discovery.	Distinction between fundamental and other material errors. Fundamental errors shall be recognised retrospectively in the first set of financial statements authorized for issue after their discovery. Other material errors are recognised in profit or loss.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
11	Measurement of non-associates	Non-associates (no significant influence) should be accounted for as financial instruments in accordance with Section 11.	Associates in which no significant influence is exercised should be measured by using the cost method or by using current (fair) value (with value differences recorded in a revaluation reserve). Non-associates should be accounted for as financial instruments in accordance with DAS 290.
11	Effective interest method	Application of effective interest method is required.	Linear amortisation is allowed if that does not lead to major differences with application of effective interest method.
11, 12	Financial instruments	Fallback that allows entities to choose to apply IAS 39 in its entirety instead of the financial instrument requirements in the IFRS for SMEs.	Not applicable.
11, 12	Categories of financial assets	Financial assets must be classified into one of two categories: at (amortised) cost or at fair value through profit or loss.	Financial assets must be classified into one of five categories: trading portfolio, derivatives, acquired loans and bonds, loans and other receivables and investment in equity instruments.
11, 12	Categories of financial liabilities	Financial liabilities must be classified into one of two categories: at (amortised) cost or at fair value through profit or loss.	Financial liabilities must be classified into one of three categories: trading portfolio, derivatives and other financial liabilities.
11, 12	Measurement of financial assets	After initial recognition financial assets (including derivatives) at (amortised cost) if certain criteria are met and otherwise fair value through profit or loss.	<p>Financial assets that classify as part of the trading portfolio shall be measured at fair value.</p> <p>Purchased loans and bonds held until the end of the term are measured at amortised cost.</p> <p>Other purchased loans and bonds with a stock exchange quotation are measured at fair value.</p> <p>Other purchased loans and bonds without a stock exchange quotation are measured at amortised cost or at fair value.</p> <p>Loans granted and other receivables are measured at amortised cost.</p> <p>Investments in listed equity instruments are measured at fair value.</p> <p>Investments in equity instruments without stock exchange quotation are measured at cost or at fair value.</p>
12	Hedge accounting	<p>Hedge accounting is only permitted for the following risks:</p> <ul style="list-style-type: none"> - interest rate risk of a debt instrument measured at amortised cost; - foreign exchange or interest rate risk in a firm commitment or a highly probable forecast transaction; - price risk of a commodity that it holds or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity; and - foreign exchange risk in a net investment in a foreign operation. <p>Cost price hedge accounting is not allowed.</p>	<p>Hedge accounting is allowed for the following hedging relationships: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation. NL GAAP also identifies cost price hedge accounting. In the event of cost price hedge accounting recognition occurs as follows:</p> <ul style="list-style-type: none"> - as long as the hedged item is not yet recognised in the balance sheet, the hedge instrument is not revalued; - if the hedged item regards a foreign currency monetary item the derivative, if applicable, is also measured at the rate as at balance sheet date; - when the results of the hedged position are recognised in the profit or loss, the related result on the hedge instrument is also recognised directly in profit or loss.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
13	Measurement of inventory	Inventories shall be measured at the lower of cost and estimated selling price less costs to complete and sell.	Inventories shall be measured at the lower of cost and net realisable value or at current cost ("replacement value").
13	Method for determining cost	LIFO is prohibited.	LIFO is permitted, but not recommended.
14	Definition of associate	An entity in which the investor has significant influence and which is neither a subsidiary nor a joint venture.	An enterprise holds an associate if the enterprise, or one of its subsidiaries, has provided capital for its own account for furthering its own business activities by establishing a long-term relationship. A distinction is made between associates ("deelnemingen") in which significant influence is exercised and other associates. This distinction is made for measurement purposes.
14	Measurement of associates in financial statements other than the separate financial statements	An investor shall account for all of its investments in associates using one of the following: - the cost model; - the equity method; or - the fair value model (fair value with changes in fair value recognised in profit or loss).	An associate in which significant influence is exercised should be measured according to the net asset value method in the consolidated financial statements and individual financial statements.
14	Equity method versus net asset value	The initial measurement of an investment in an associate accounted for using the equity method is based on the cost of acquisition. Any difference between the cost of acquisition and the investor's share of the net identifiable assets of the associate (goodwill or negative goodwill) is accounted for in accordance with Section 19. Goodwill is included in the carrying amount of the investment.	The net asset value method differs from the equity method because the initial measurement is based on the investor's share of the fair value of the net identifiable assets and liabilities of the associate. Any goodwill should be separately presented as an intangible asset. An investor may deviate from the equity method when insufficient data is available. The associate should then be valued at the so-called visible equity value of the associate.
14	Loss of significant influence as a result of partial disposal	The investment is remeasured to its fair value at that date, with the gain or loss recognised in profit or loss.	The last known carrying amount under the equity method should be the basis for subsequent measurement at cost or fair value.
15	Jointly controlled entities in the financial statements other than the separate financial statements	Proportionate consolidation is not allowed. An investor shall account for all of its interests in jointly controlled entities using one of the following: - the cost model; - the equity method; or - the fair value model (fair value with changes in fair value recognised in profit or loss).	Proportionate consolidation is permitted in the consolidated financial statements, if this satisfies the required true and fair view. Otherwise the equity method shall be used.
16	Investment property	Measurement is driven by circumstances rather than an accounting policy choice between the cost and fair value models. If an entity can measure the fair value of an item of investment property reliably without undue cost or effort, it must use the fair value model. Otherwise, it must use the cost model.	Accounting policy between the cost and fair value with changes in fair value recognised in profit or loss.
16	Fair value changes of investment property measured at fair value	Shall be recognised in profit or loss. A revaluation reserve is not required.	Shall be recognised in profit or loss. However, a revaluation reserve shall be recognised for the difference between cost and the fair value until the fair value is realised.
17	Revaluation of property, plant and equipment	Revaluation is not allowed.	Revaluation is allowed.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
17	Costs of decommissioning, restoration and similar liabilities	The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.	Allowed to recognise a provision for costs of decommissioning, restoration and similar liabilities over the useful life of an item of property, plant and equipment.
17	Major inspection and maintenance	Accounted for as part of the cost of an asset.	Allowed to recognise a provision for costs of major inspection and maintenance.
18	Development costs	Capitalisation of development costs is not an option.	Capitalisation of development costs is required if certain criteria are satisfied.
18	Revaluation of intangibles	Revaluation of intangibles is not allowed.	Revaluation of intangible assets is allowed if there is an active market for those assets.
19	Accounting method for business combinations	All business combinations should be accounted for using the purchase method. The pooling of interests method is prohibited.	The purchase method is required for combinations classified as acquisitions and the pooling of interests method is required for combinations classified as uniting of interests.
19	Recognising a liability for a planned post-acquisition restructuring	An acquirer shall recognise liabilities for terminating or reducing the activities only when the acquiree has at the acquisition date an existing liability for restructuring.	An acquirer is required to recognise, as part of allocating the cost of a business combination, a provision for terminating or reducing the activities of the acquiree that was not a liability of the acquiree at the acquisition date, provided the acquirer satisfies specified criteria at the acquisition date.
19	Recognising contingent liabilities of acquiree	An acquirer shall recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably.	An acquirer shall not recognise separately the acquiree's contingent liabilities. Such contingent liabilities are subsumed within the amount recognised as goodwill or negative goodwill.
19	Intangibles	An intangible asset is recognised separately from goodwill when it meets the definition of an intangible asset and its fair value can be measured reliably.	An intangible asset is recognised separately from goodwill when it meets the definition of an intangible asset, its fair value can be measured reliably and it is probable that any associated future economic benefits will flow to the acquirer.
19	Goodwill	Goodwill should be capitalised and should subsequently be amortised. If the useful life cannot be estimated reliably, the life shall be presumed to be ten years.	<p>The benchmark treatment is that goodwill should be capitalised and subsequently systematically amortised over its useful life. There is a rebuttable presumption that the useful life of goodwill will not exceed twenty years from initial recognition.</p> <p>An enterprise should, at least at each financial-year end, estimate the recoverable amount of goodwill that is amortised over a period exceeding twenty years from initial recognition, even if no indication exists that it is impaired.</p> <p>Based on Dutch law DASs also permits the method by which goodwill is charged immediately to the shareholders' equity or profit and loss account.</p>

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
19	Excess of fair value of net assets acquired over the acquisition cost (negative goodwill)	Recognise immediately as a gain.	<p>To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill should be recognised as income in the income statement when the future losses and expenses are recognised.</p> <p>To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill should be recognised as income in the income statement as follows:</p> <ul style="list-style-type: none"> - the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets should be recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable, acquired, depreciable/amortisable assets; and - the amount of negative goodwill in excess of the fair values of acquired, identifiable non-monetary assets should be recognised as income immediately.
21	Provision for restructuring	Should only be recognised if the restructuring was started or announced prior to the balance sheet date.	Allowed to recognise if the restructuring was started or announced after the balance sheet date but before the date of issue, if certain conditions have been met.
21	Measurement of provisions	Where the effect of the time value of money is material, the amount of a provision should be the present value. If the effect is not material, the use of the nominal value is allowed.	May be measured at present value or nominal value.
21	Accrued interest	Where discounting is used, the carrying amount of a provision increases in each period with the accrued interest, to reflect the passage of time. This increase is recognised as borrowing cost in profit or loss.	Additions to the provision due to accrued interest should be presented either as borrowing costs or as part of the related expense in profit or loss.
22	Classification as equity or liability	In the consolidated financial statements, individual and separate financial statements an instrument is classified as a liability if the issuer could be obliged to settle in cash or another financial instrument.	In the consolidated financial statements the classification of financial instruments by issuers is based on the economic substance of a financial instrument, with some exceptions. In the individual and separate financial statements the classification of financial instruments by the issuer is based on the legal form of an instrument instead of the economic substance of a financial instrument.
22	Preference shares	Preference shares that bear contingent dividends shall be classified as a liability, because the payment of dividend cannot be avoided indefinitely.	An entity has an accounting policy choice to classify preference shares that bear contingent dividends as equity or as a liability.
22	Financial instrument that contains both a liability and an equity element	The issuer shall classify the instrument's component parts separately in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument.	The issuer may, but is not required to, classify the instrument's components separately in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument.
22	Puttable instruments at fair value	Classified as equity if they are subordinated to all other classes of instruments and if certain other criteria are met.	Presentation as equity is allowed, but not required.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
23	Definition of a construction contract	A contract that must be specifically negotiated for the construction of an asset.	A construction contract is defined in a more broad sense which might lead to a broader application of the percentage of completion method.
23	Presentation of construction contracts	An enterprise should present: the gross amount due from customers for contract work as an asset; the gross amount due to customers for contract work as a liability.	DASs contain an alternative treatment allowing the balance of all construction contracts to be shown as one amount. If this balance is a credit balance it shall be presented as a liability. However, if the alternative treatment is applied an entity shall disclose the gross amount due to customers and the gross amount due from customers.
24	Government grants	All grants are recognised in income when the performance conditions are met or earlier if there are no performance conditions. All grants are measured at the fair value of the asset received or receivable.	DASs permit a range of other methods that are not allowed by the IFRS for SMEs.
24	Non-monetary government grants	Non-monetary government grants are recognised at fair value.	DASs contain no specific requirements. On the basis of general DASs-requirements, measurement at fair value better reflects economic reality.
25	Borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale	Capitalisation is not allowed.	Capitalisation is an available accounting policy choice.
26	Equity-settled share-based payments	For equity-settled share-based payment transactions the goods or services received are measured at fair value.	DASs contain an alternative treatment allowing to measure equity share-based payments with employees at their intrinsic value at the grant date and this value is recognised immediately as an expense.
26	Measurement of share-based payments	If observable market prices are not available, entities should measure the expense using the directors' best estimate of the fair value of the equity-settled share-based payment.	If observable market prices are not available, an entity shall estimate the fair value of the equity instruments granted using a valuation technique. If the fair value of the equity instruments cannot be estimated reliably an entity shall apply the intrinsic value model.
27	Reversals of impairment losses for goodwill	Prohibited.	Required if the impairment was due to a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. Prohibited in all other situations.
28	Post-employment benefit plans	Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.	In its profit and loss account, the legal entity must recognise the contribution to be paid to the pension provider as an expense. A legal entity must assess on the basis of the administration agreement whether and, if so, which liabilities exist at the balance sheet date in addition to the annual contributions payable to the pension provider. In addition to the liabilities owed to the pension provider, there may also be liabilities that are owed to employees. These latter may arise, among other things, from fully or partially unfunded pension commitments. The amount recognised as a pension provision must be the best estimate of the amounts needed to settle the relevant liabilities as at the balance sheet date.

Section of IFRS for SMEs	Topic	IFRS for SMEs	NL GAAP
28	Application of US GAAP	Not allowed.	Entities that also - for internal or external purposes - prepare a balance sheet and profit and loss account according to US GAAP (or IFRS), are allowed to apply the US GAAP (or IFRS) standards relating to pensions and other "post retirement benefits" in their financial statements, subject to the condition that these standards are applied integrally.
29	Measurement of deferred tax assets and liabilities	Not to be discounted.	Measured at nominal value (undiscounted) or at present value (discounted).
29	Uncertain tax positions	No probability-based recognition threshold is applied. Rather, the uncertainty is included in the measurement of the tax assets and liabilities. That is done by measuring current and deferred tax assets and liabilities using the probability-weighted average of all possible outcomes.	DASs are silent on how to treat any uncertainty relating to amounts submitted to the tax authorities.
30	Goodwill arising as a result of the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising as a result of the acquisition	Shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated to the presentation currency at the closing rate.	Any goodwill arising as a result of the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising as a result of the acquisition shall be treated as either: - assets and liabilities of the foreign operation; or - as assets and liabilities of the acquirer.
30	Exchange differences deferred in a separate component of equity relating to a disposed foreign operation	Shall not be recognised in profit or loss when the gain or loss on disposal is recognised.	Recognition in profit or loss is recommended. Under the allowed alternative it may be transferred directly to other reserves.
32	Declared dividends after the balance sheet date	Declared dividends through holders of equity instruments after the balance sheet date should not be recognised as a liability at the balance sheet date.	The balance sheet should be drawn up before or after the appropriation of profit. If the latter option is used, a difference with IFRSs could arise, because an entity is allowed to present the proposed dividend as a liability at the balance sheet date.
33	Disclosure of related party transactions	An entity shall disclose related party transactions.	Only significant transactions that have been entered into by the entity with related parties under irregular market ('not at arm's length') conditions shall be disclosed. This disclosure requirement does not apply to medium-sized legal entities, unless the legal entity is a public limited liability company, and small legal entities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

© 2009 Deloitte, Member of Deloitte Touche Tohmatsu

Designed and produced by MCB D at Deloitte, Rotterdam.