



## Is the European retail industry ready for the switch to IFRS/IAS?

**Survey reveals inconsistent levels of preparation; highlights those standards retail groups should pay particular attention to in the coming months**

Published: 11/10/04

Contact: [Oriana Pound](#)  
Deloitte Touche Tohmatsu  
+44 20 7303 5055

Contact: [Dorothee Guillbert](#)  
Deloitte  
Service de presse  
+33 (0) 1 55 61 63 30

London, November 9, 2004 — With the new international accounting standards (IFRS/IAS) coming into force on January 1, 2005 for all European listed companies, global professional services organization [Deloitte undertook a comprehensive survey](#) during the summer of 2004 to assess how prepared major listed European retailers are for the adoption of the new standards. The survey highlighted those standards where the specific impact of IFRS on the financial statements and the consequent interpretation of retailers' performance will require particular attention and detailed technical responses by companies in this sector.

Based on the analysis of a sample of major European retailers by a working group comprising retail and IFRS specialists in five European countries, the survey's key findings are:

- **Preparedness:** At the time Deloitte carried out the survey, significant work remained to be performed by some retailers in order to comply with IFRS by January 2005. They appeared to have underestimated the scale of work required to prepare for certain aspects of IFRS.
- **Industry consistency:** There is not a consistent view within the sector on how some of the major standards impacting the retail industry should be applied, which could lead to divergent applications among the retailers, thereby undermining the comparability of financial statements. If current practices are maintained, companies may find themselves applying the standards in very different ways.
- **Stakeholder communications:** The application of IFRS in the retail industry will mean significant changes to traditional performance indicators. Retailers must inform the various third parties interested in reading their published financial statements (i.e. analysts, rating agencies, investors) in advance of the changes.

All the [new IFRS standards](#) will affect the retail industry, but some require an understanding and accounting responses specific to the sector's issues. The survey highlights certain standards which are of particular relevance to the retail industry:

- IAS 2 Inventories
- IAS 14 Segment reporting
- IAS 16 and IAS 17 Property, plant and equipment (for the determination of assets' useful life under IAS 16, and the treatment of leased properties under IAS 17);
- IAS 18 Revenue recognition and measurement (IAS 18);
- IFRS 3 and IAS 38 Business combinations and the identification of Intangible Assets
- IAS 36 Impairment of assets (IAS 36).

To assist retail companies in meeting this upcoming challenge, Deloitte has examined the implications of each of these standards, and has developed pragmatic and internationally consistent recommendations on the application of IFRS for the retail industry. The key elements of this are featured in: "On your marks! Just how ready is the European retail industry for IFRS?," which summarizes the survey's results and provides commentary for a successful and on-time switch to the new international accounting standards.

### Notes to editors

The confidential [survey](#) was conducted during summer 2004 involving eight of Europe's largest retailers, with headquarters operations in five different European countries and operations all over the world. The companies selected covered a representative group of European retailers including mass market, specialist, non-food, global, listed and private companies. For detailed technical information on IAS and IFRS, please go to Deloitte's dedicated IAS website: [www.iasplus.com](http://www.iasplus.com).

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Page Last Updated: November 22, 2004  
Source: Deloitte Touche Tohmatsu (English)

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