



IFRS Gets the Green Light (R)evolution in Czech Accounting

On 1 January 2011 takes effect the amended Accounting Act that brings a significant change in the use of International Financial Reporting Standards by entities operating in the Czech Republic.

The amendment does not bring a significant change to entities that are issuers of securities registered on the regulated securities market in the European Union. They continue to be obliged to maintain accounting records and prepare their separate and consolidated financial statements under IFRS as adopted by the European Union (hereinafter referred to as "IFRS").

The amendment brings a welcome change, however, to entities whose securities are not listed on stock exchanges in the European Union. So far, these entities have been able to choose whether to prepare their consolidated financial statements according to Czech accounting regulations or IFRS.

The amended act allows entities that will prepare their consolidated financial statements under IFRS to choose whether to maintain their accounting records and prepare their separate financial statements under IFRS. Consolidated companies whose consolidating entity uses IFRS to prepare their consolidated financial statements have the same advantage.

Only those companies that are not part of a consolidation group that prepares the consolidation according to IFRS are exempt from the possibility of using IFRS to maintain their accounting records and to prepare the statutory financial statements. These include specifically those companies that do not form a consolidation group on their level and are not consolidated by their parent company under IFRS.

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Why IFRS

- Financial statements prepared under IFRS are of high quality and informative value, and are internationally comprehensible and comparable for this reason:
 - It may attract potential investors and positively impact their decision making
 - Relevant data is offered to institutions that provide financing and funding
- In cases where a company prepares reporting under IFRS in the consolidation group, the preparation of periodic reporting will not require additional adjustments. The resulting principal advantages are as follows:
 - Single accounting policies in the group
 - Simplified communication in the group, budget preparation, assessment of the results, etc
 - The possibility to allocate time previously spent adjusting the Czech accounting records versus IFRS to other tasks
- IFRS is an appropriate basis for corporate management accounts
- Companies are prepared for an initial public offering (IPO) anytime
- The use of IFRS in the global scope has increased

What we should not forget about

- The income tax base is based on the accounting profit prepared under Czech accounting regulations
- One-off costs may arise in relation to the accounting introduced under IFRS
- The notes to the financial statements prepared under IFRS may be more extensive compared to the current practice
- The resolution on the change is subject to the approval by the supreme body of the company (ie the General Meeting)

How Deloitte may assist you

Given our extensive practical experience we have gained from IFRS implementation projects, we are able to:

Rapidly Assess the Situation

- Effectively assess the situation in your company, provide reasoning, and recommend an appropriate accounting system (IFRS or Czech accounting regulations)

Assist with Setting the System in respect of Accounting and Taxes

- Provide comprehensive services in IFRS implementation
- Analyse differences between both sets of accounting specifically for your company
- Assist in preparing the supporting documentation needed for preparing the financial statements under IFRS
- Identify the information necessary for preparing the income tax return and recommend the data recording system necessary for calculating the tax payable

Should you need more information on services regarding IFRS provided by Deloitte Czech Republic, do not hesitate to contact us. We look forward to cooperating with you.

Contacts

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