

Formazione Professionale
Continua

Circ. 24/70

CORSO

I principi contabili Internazionali I.A.S./I.F.R.S. (corso in lingua inglese)

Sala Convegni
Corso Europa, 11 - 2° piano

3/11 - 10/11 - 15/11 - 22/11 2005

ore 9.30 - 13.30

28/11 2005

14.30 - 18.30

Riconosciuti 20 C.F.P.

Commissione Principi Contabili



FONDAZIONE DEI DOTTORI COMMERCIALISTI
DI MILANO

PROGRAMMA

3/11 Apertura dei lavori - Saluto di benvenuto
Dott. Paolo Farinella
Dottore Commercialista in Milano

Introduzione
Dott. David Crackett
Chartered Accountant

L'introduzione dei principi contabili IAS/IFRS.
Principio di riferimento IFRS 1
Dott. Mario Difino
Dottore Commercialista in Milano

Principi di riferimento IAS 1 e framework
Avv. Colin Jamieson
Solicitor, Avvocato in Milano

Co-relatore: **Dott. Fabrizio Hugony**

10/11 Le imposte anticipate e differite
Principi di riferimento IAS 8, 10, 12
Dott. Francesco Gerla
Dottore Commercialista in Milano

Co-relatore: **Dott. Fabrizio Hugony**

15/11 Le attività immobilizzate e circolanti.
Principi di riferimento IAS 12
IAS 2, 16, 17, 36 e 38
Dott. Roger King
Dottore Commercialista in Milano

Co-relatore: **Dott. Fabrizio Hugony**

PROGRAMMA

22/11 Il fair value. Gli strumenti finanziari.
Principi di riferimento IAS 32 e 39
Dott. Marin Gueorguiev
Chartered Financial Analyst

Co-relatore: **Dott. Fabrizio Hugony**

28/11 Le partecipazioni, le operazioni
infragruppo e il bilancio consolidato (cenni).
Principi di riferimento
IAS 24, 27, 28 e 31, IFRS 3
Avv. Colin Jamieson
Solicitor, Avvocato in Milano

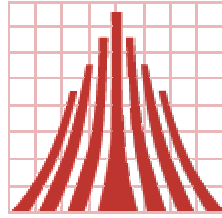
Confronto tra US GAAP e IAS/IFRS
Dott. Luigi Ricetti
Dottore Commercialista in Firenze

Co-relatore: **Dott. Fabrizio Hugony**

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Dott. Marco Lovati

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Fondazione dei Dottori Commercialisti di Milano

CORSO

I principi contabili internazionali I.A.S./I.F.R.S.

Mario Difino

**L'introduzione dei principi contabili internazionali.
Principio di riferimento IFRS 1.**

3 November 2005

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- 2. Transition to IAS/IFRS**
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1. CHANGES IN THE REGULATORY FRAMEWORK

1.1. Previous Financial Reporting Framework

1.2. EU Financial Reporting Strategy

1.3. New Financial Reporting Framework

1.1. Previous Financial Reporting Framework

- **Legislation**

(implementation of Directives no. 78/660 and 83/349):

- Annual accounts:

Civil Code (c.c.) art. 2423/ 2435-bis amended by D.Lgs. 17 Jan. 2003, no. 6 from 1 Jan. 2004

- Consolidated accounts:

D.Lgs. 9 April 1991, no. 127 art. 25/40

- **Accounting Principles**

- **Tax law**

(former art. 2426, 2° par., c.c. and art. 75, 4° par. TUIR)

1.1. Previous Framework – Accounting Principles

- Technical accounting rules
- In Italy: issued by **CNDC-CNR** (accounting profession)
- Until 2001: **IAS-International Accounting Standards** issued by **IASC-International Accounting Standards Committee** (accounting profession)
- Now: **IFRS-International Financial Reporting Standards** issued by **IASB-International Accounting Standards Board** (independent members representing the accounting profession, academics and enterprises)
- In the US: US GAAP issued by **FASB-Financial Accounting Standards Board** (accounting profession and enterprises)

1.1. Role of APs (standard-setters' view)

- Accounting principles constitute the source of legislator's basic principles, which they integrate and explain (Principio Contabile 11)
- Accounting standards are valid on condition that they comply with the provisions of the legislation on financial statements; IAS do not prevail over local regulations (IASB, Preface to International Accounting Standards) 1975/1982

in 2001 changed to:

- Governmental requirements should not affect F/S published for the benefit of other users (IASB, Preface to Framework, 2001)

1.1. Role of APs (legislators' view - Italy)

Legislators sometimes implicitly refer to APs (e.g. art. 2423 c.c.):

- true and fair view of financial position
- supplementary information required
- possible conflicts between true and fair view presentation and civil code provisions in exceptional circumstances

1.1. Role of APs (legislators' view - Italy)

Legislators sometimes explicitly refer to APs :

- art. 4, 2° par., L. 136/1975 (*audit of F/S of listed companies*): ref. to correct APs, later on replaced by rules governing F/S
- art. 11, 2° par., D.Lgs. 446/1997 (*IRAP*): ref. to correct APs, later on replaced by correct classification
- art. 117, D.Lgs. 58/1998: reference to IAS
- D.M. 29 December 1999 (*Fiscal Audit*): reference to national APs or, in their absence, to IAS
- L. 3 October 2001, no. 366 – *Delegated law for company law reform*: reference to IAS
- CONSOB repeatedly referred to national and international APs

1.1. Role of APs (legislators' view – EU)

- **APs affect public policy interest**
- **Responsibility for setting financial reporting requirements cannot be delegated to a non-governmental third party**
- **To achieve legal status, accounting standards must be integrated into the financial reporting legislative framework**
- **Authorities must have the means to exercise the necessary regulatory oversight and correct any material deficiencies or concerns in relation to accounting standards**

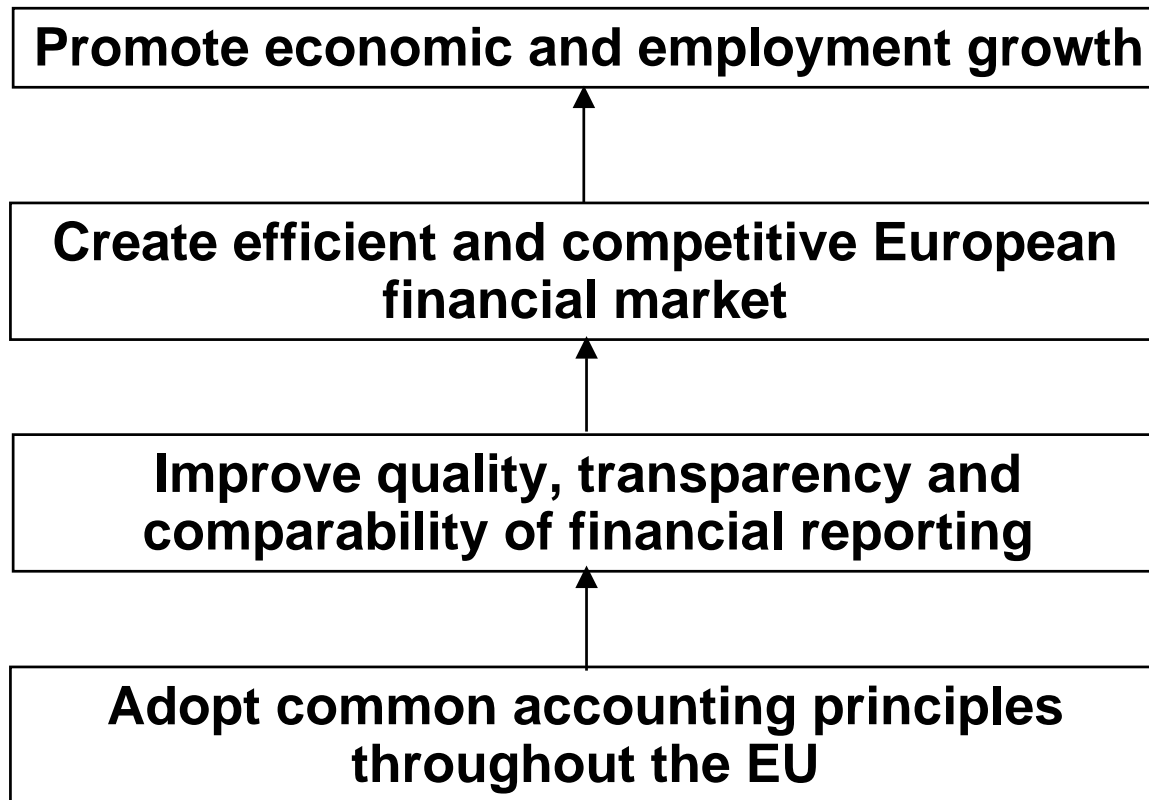
1.1. Tax law

- Value adjustments and accruals are permitted pursuant to fiscal rules (**former** art. 2426, 2° par., c.c.)
- Abolished from 1 January 2004 by:
 - Company law reform, D.Lgs. no. 6/2003
 - Tax reform, D.Lgs. no. 344/2003

1.2. EU Financial Reporting Strategy

- **Lisbon EU Council of 23/24 March 2000**
- **EU Commission: Communication COM/2000/359, 13 June 2000**
- **Required infrastructure**
- **Endorsement mechanism**

1.2. Lisbon EU Council of 23/24 March 2000



1.2. Communication EU COM/2000/359 13 Jun 2000

Overly prescriptive accounting Directives and their many options are inadequate for internationally listed companies:

Lengthy EU legislative processes does not meet the challenges of the accelerating pace o business

Need for an internationally recognised, responsive and investor-oriented financial reporting framework

US GAAP

or

IAS

1.2. COM/2000/359, 13 June 2000 (continued)

Application of US GAAP requires considerable training
Effective application depends on SEC's authority
US GAAP are tailored to the US environment
The EU does not have influence on elaboration of US GAAP

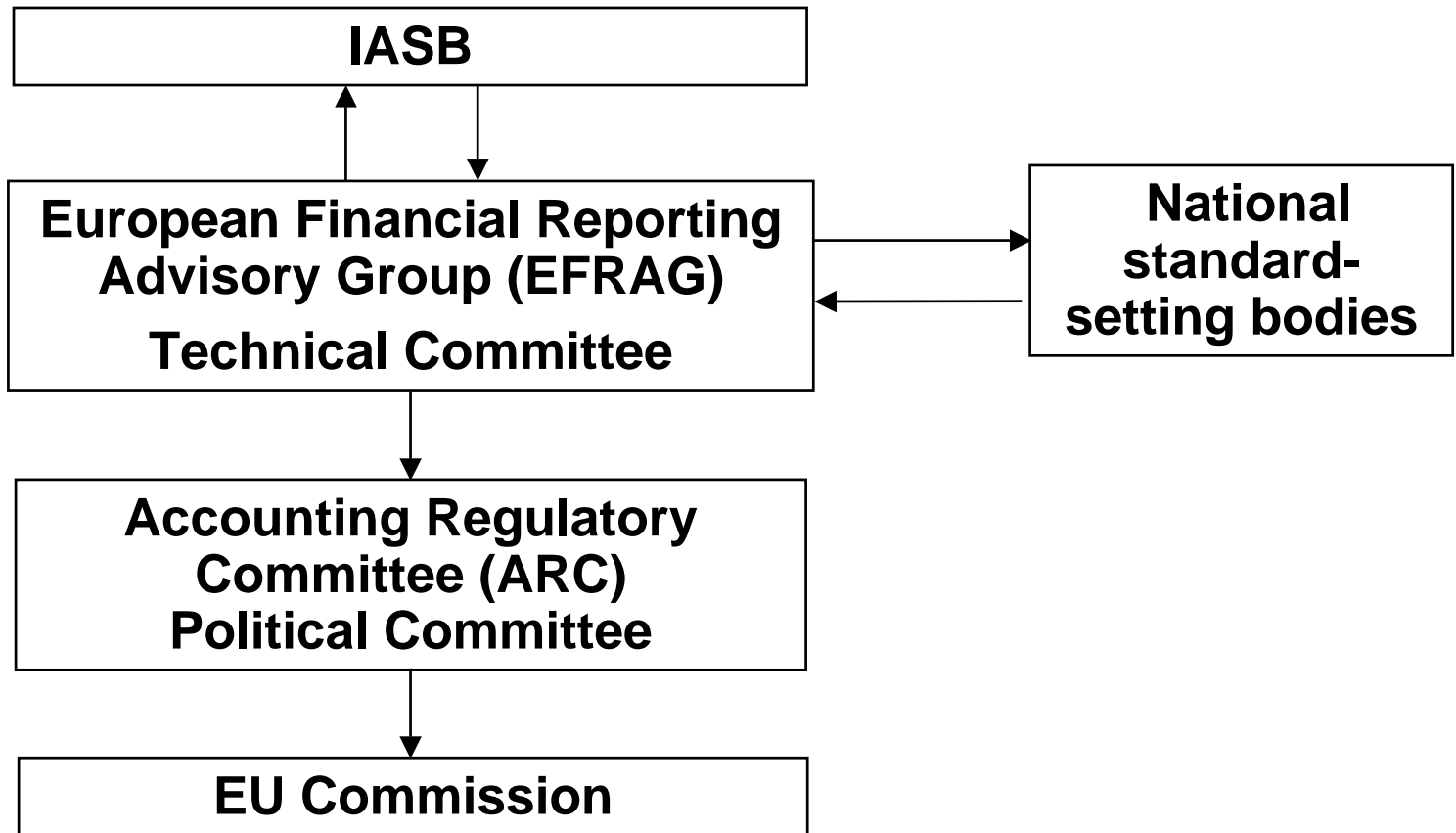
IAS have been drawn up with an international perspective

EU Commission advocated the adoption of IAS for consolidated accounts of listed companies
Encouraged Member States to permit or require adoption of IAS for individual accounts of listed companies and for consolidated and individual accounts of other companies

1.2. Required steps

1. **Endorsement mechanism ensuring that:**
 - **IAS comply with EU accounting directives**
 - **IAS provide a suitable basis for FR by EU listed companies**
2. **Establish contacts with IASC/IASB aimed at obtaining suitable revision of the IAS which do not meet the above requirements**
3. **Update EU accounting directives, if obsolete**
4. **Coordinate with national standard-setters and market supervisory authorities**
5. **Improve audit regulations**

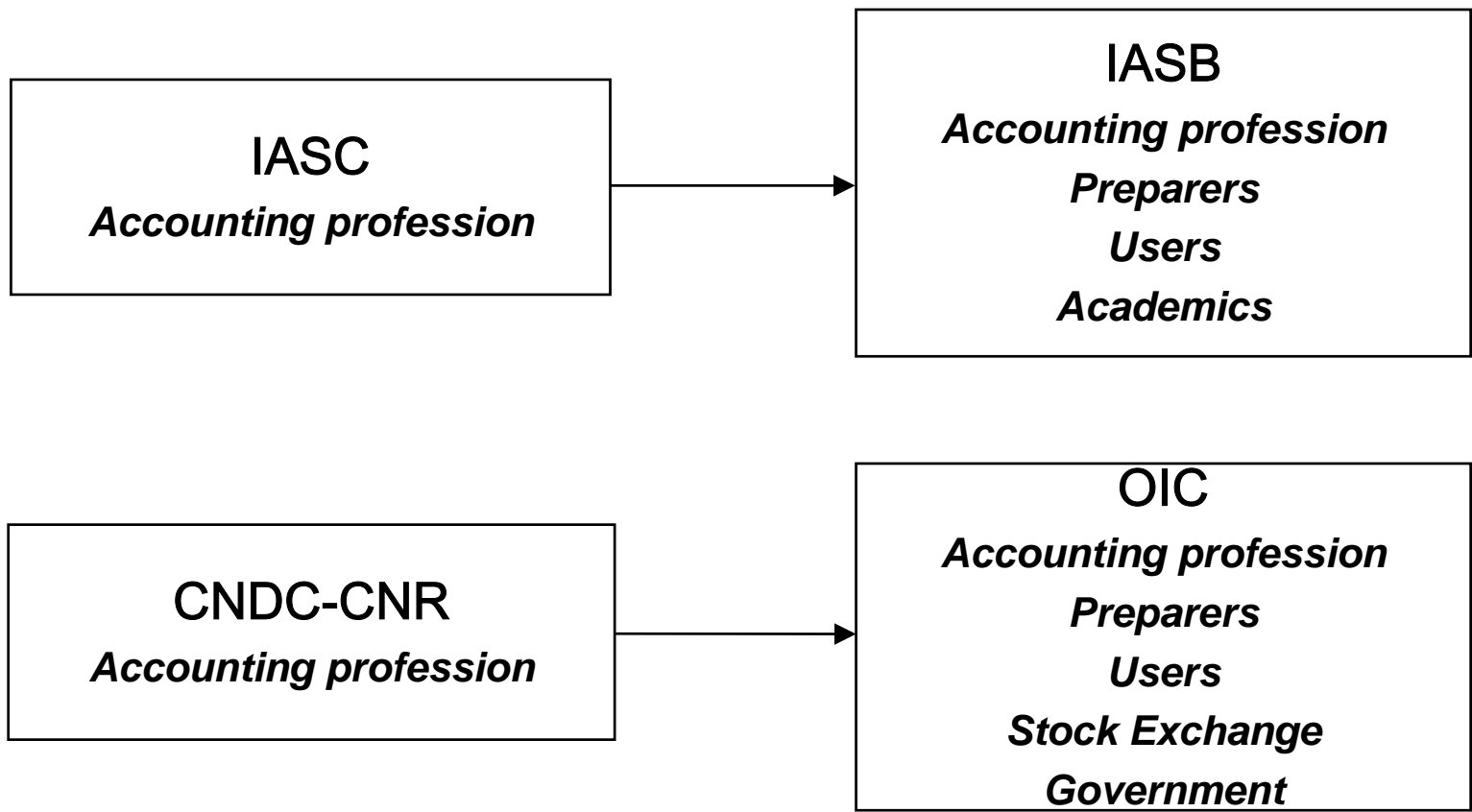
1.2. Endorsement mechanism



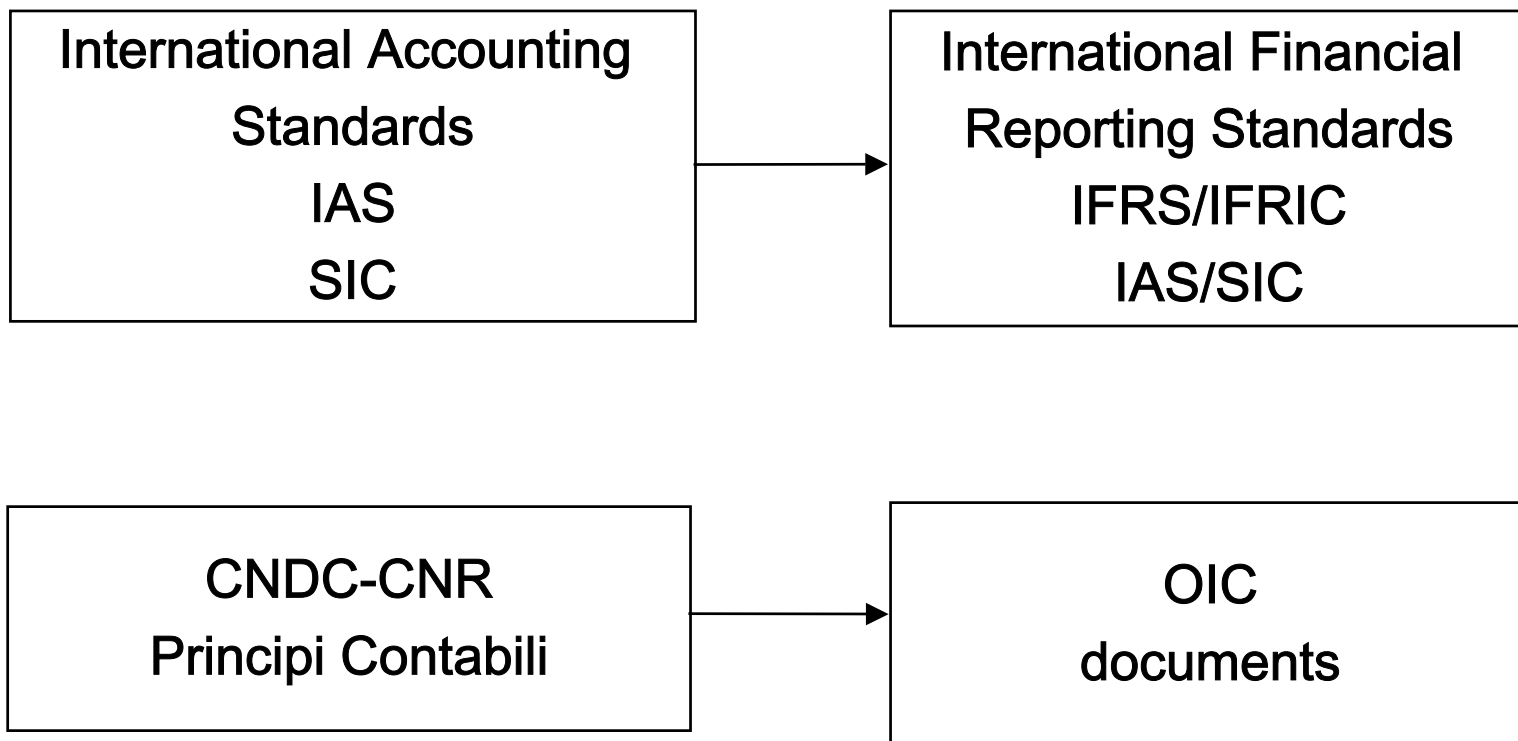
1.3. New financial reporting framework

- **New accounting bodies**
- **New accounting principles**
- **Company and Tax reforms**
- **EU Directives and Regulations**
- **Adoption in Italy**

1.3. New Accounting bodies



1.3. New Accounting Principles



1.3. Company and Tax reforms

- **Effective from 1 January 2004:**
 - L. 366/2001 and D.lgs. no. 6/2003
 - D.lgs. 12 December 2003, no. 344
- **Abrogation of fiscal interference:**
 - art. 2426, 2° par., c.c.
 - art. 75, 4° par., TUIR

1.3. EU Directives and Regulations

- **EU Regulation no. 1606/2002 of 19 July 2002**
- **EU Directive no. 2003/51/EC of 18 June 2003**
- **EU Regulation no. 1725/2003 of 29 Sept. 2003**
- **Subsequent EU Regulations**

1.3. EU Regulation no. 1606/2002 of 19 July 2002

- EU Commission shall decide on the applicability of the existing IAS/IFRS and related interpretations if they:
 - are not contrary to the principles of accounting directives
 - are conducive to the European public good
- The adopted IAS/IFRS shall be published in each official language of the EU
- Companies listed in the EU shall prepare their consolidated accounts in conformity with the IAS adopted
- For each FY starting on or after 1 January 2005
- Member States may permit or require the adoption of IAS for:
 - annual accounts of listed companies
 - annual/consolidated accounts of non-listed companies

1.3. EU Directive no. 2003/51/EC of 18 June 2003

- **New EU scenario:**
 - Certain F/S shall be prepared in compliance with IAS
 - Other F/S shall be prepared in compliance with EU directives
- **Goal:**
 - Harmonise accounting rules applicable to EU non-listed enterprises and IAS
 - Reducing differences between EU directives and IAS
 - Allowing enterprises subject to accounting directives to opt for IAS

1.3. EU Directive no. 2003/51/EC (continued)

- **Amendments of accounting directives inconsistent with IAS (first three already amended by 2001/65/EC Directive in order to allow fair value measurement of financial instruments):**
 - **78/660/EC Directive (4th Directive) – annual accounts**
 - **83/349/EC Directive (7th Directive) – consolidated accounts**
 - **86/635/EC Directive – annual and consolidated accounts of banks and other financial institutions**
 - **91/674/EC Directive – annual and consolidated accounts of insurance companies**

1.3. EU Directive no. 2003/51/EC (continued)

Allows Member States to:

- modify **presentation** of P&L and of BS in compliance with IAS with reference to:
 - **substance over form** principle
 - distinction between **current** and **non-current** items
- permit or require preparation of **cash flow statements**
- permit or require **fair value** measurement of assets other than financial instruments
- require standard content in **audit reports**
- permit or require **fair value** measurement of certain assets by insurance companies
- require disclosure of financial performance indicators and non-financial information (e.g. environmental and social info)

1.3. EU Regulation no. 1725/2003 of 29 Sept. 2003

- **Concluded that IAS as at 14 September 2002 met the criteria set out in Regulation no. 1606/2002**
- **Adopted all the IAS in existence on 14 September 2002 and related interpretations (SIC), except for the following to be adopted after completion of their revision by IASB :**
 - **IAS 32 Financial Instruments: Disclosure and Presentation**
 - **IAS 39 Financial Instruments: Recognition and Measurement**
 - **SIC 5 Classification of Financial Instruments – Contingent Settlement Provisions**
 - **SIC 16 Share capital – Share buyback**
 - **SIC 17 Equity – Costs of an Equity Transaction**

1.3. Amended IASs and new IFRSs

A dynamic and responsive legislative framework

- **2004/2005 – Approved by ARC:**
 - **2 IAS previously not adopted**
 - **16 revised IAS**
 - **5 new IFRS**
 - **2 new IFRIC**
- **Subsequent adoption by the EU and publication in EU Official Journal:**

–Reg. 707/2004	–Reg. 2238/2004
–Reg. 2086/2004	–Reg. 211/2005
–Reg. 2236/2004	–Reg. 1073/2005
–Reg. 2237/2004	–Reg. 1751/2005

1.3. Adoption in Italy

- **Art. 25, L. 31 October 2003, no. 306**
(Legge Comunitaria 2003)
- **D.Lgs. 28 February 2005, no. 38**
- **L. 18 April 2005, no. 62**
(Legge Comunitaria 2004)

1.3. Art. 25, L. 31 October 2003, no. 306 (*Legge Comunitaria 2003*)

- **The Italian Government shall issue of one or more legislative decrees for implementing art. 5 of EU Regulation 1606/2002**
- **By 30 November 2004**
- **Following these guidelines:**
 - **Non-listed companies allowed to adopt IFRS**
 - **Tax regulations to be harmonised with new financial reporting provisions**
 - **Existing financial reporting provisions for companies not applying IFRS to be harmonised with IFRS**

D.Lgs. 28 February 2005, no. 38

1.3. L. 18 April 2005, no. 62 (*Legge Comunitaria 2004*)

- Italian Government shall issue legislative decrees to implement Directive 2003/51/EC that amends the accounting directives inconsistent with IAS
- Deadline: 18 months (November 2006)

1.3. D.Lgs. 38/2005

- **IFRS = those adopted by the EU**
- **Reporting currency is Euro**
- **Option for IFRS is irrevocable, except in extraordinary circumstances**
- **Under exceptional circumstances an IFRS provision shall not be applied if inconsistent with true and fair view**
- **Any profits resulting from the above shall be recognised in a special reserve and may only be distributed up to the realised amount**

2. TRANSITION TO IAS/IFRS

- 2.1. Companies required or permitted to adopt IAS/IFRS pursuant to D.Lgs. 38/2005**
- 2.2. Main differences between IFRS and Italian APs**
- 2.3. Reference documents**
- 2.4. Relevant dates**
- 2.5. Recognition and Measurement**
- 2.6. Disclosure and Presentation**

2.1. Companies adopting IFRS/D.Lgs. 38/2005

Adoption of IFRS	Annual accounts	Consolidated accounts
a) Listed companies (other than insurance companies)	Permitted from 2005	Required from 2005
b) Companies issuing financial instruments (other than insurance)	Required from 2006	Required from 2005
c) Banks and financial brokers		
d1) Insurance companies preparing consolidated accounts (<i>listed and non-listed</i>)	Excluded	Required from 2005
d2) <i>Listed</i> insurance companies <u>not</u> preparing consolidated accounts	Required from 2006	N/A
d3) <i>Non-listed</i> insurance companies <u>not</u> preparing consolidated accts	Permitted (date to be determined)	N/A
e) Other companies consolidated by the above, not permitted to prepare abbreviated accounts	Permitted from 2005	Permitted from 2005

2.1. Subjects adopting IFRS/D.Lgs. 38/2005

Adoption of IFRS	Annual accounts	Consolidated accounts
f) Other companies preparing consolidated accounts	Permitted from 2005	Permitted from 2005
g1) Other companies not permitted to prepare abbreviated accounts, consolidated by companies indicated under item f)	Permitted from 2005	N/A
g2) Other companies not permitted to prepare abbreviated accounts, not consolidated by other companies	Permitted (effective date to be determined)	N/A
h) Companies permitted to prepare abbreviated accts pursuant to art. 2435-bis c.c.	Excluded	N/A

2.2. Main differences between IFRS and Italian APs

1. Assumptions and characteristics of F/S:

- *Accrual* prevails over *prudence*
- *Substance* prevails over *form*

2. Cash flow statements

3. Fair value (*)

- *Benchmark* accounting principle for
 - Financial instruments (IAS 32 and 39)
 - Investments (IAS 40)
 - Agricultural produce (IAS 41)
- *Alternative* accounting principle for recurring revaluations of
 - property, plant and equipment (IAS 16)
 - Intangible fixed assets (IAS 38)

2.2. Main differences

(*) Fair value

- amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Concept similar to

- economic value
- as the maximum amount which can be recognised in case of special revaluations

2.2. Main differences

- 4. Financial accounting for leases**
- 5. Derivative financial instruments**
- 6. Consolidation area**
- 7. Cost capitalization**
- 8. Impairment test for goodwill**
- 9. Own shares**

2.2. Main differences

- 10. FIFO as benchmark treatment – exclusion of LIFO as alternative treatment (IAS 2)**
- 11. Employee benefits (TFR – Severance indemnity):
Actuarial method**
- 12. Recognition in the net equity of the effects of the adoption of new accounting standards**
- 13. Additional disclosures**

2.3. Reference documents

- ***IFRS 1, First-time Adoption of International Financial Reporting Standards***

First accounting standard issued by IASB: provides guidance in the transition to IFRS

2. ***Guidance on Implementing IFRS 1***

Provides examples of how to disclose the effects of the transition from the previous standards to IAS/IFRS on:

- financial position
- financial performance
- cash flows

3. ***Basis for Conclusions on IFRS 1***

Summarises considerations and reasonings made by IASB in reaching the conclusions in IFRS 1

2.3. Scope of IFRS 1

- Replaces SIC-8 interpretation
- Applies to entities adopting IFRSs for the first time (*first-time adopter*) by an *explicit and unreserved statement of compliance* with IFRSs
- Compliance is required with each IFRS effective at the *reporting date*

2.3. Scope of IFRS 1

An entity is considered a *first-time adopter* if:

- a) It presented its most recent financial statements:
- under national requirements inconsistent with IFRSs
 - in conformity with IFRSs, but the F/S did not contain an explicit and unreserved statement of compliance with IFRSs
 - containing an explicit statement of compliance with some, but not all, IFRSs
 - under national requirements inconsistent with IFRS, using some individual IFRSs to account for items for which national requirements did not exist
 - under national requirements, with a reconciliation of some amounts to the amounts determined under IFRSs

2.3. Scope of IFRS 1

- b) it prepared F/S in compliance with IFRSs for internal use only**
- c) it prepared F/S in compliance with IFRSs for consolidation purposes only**
- d) it never presented F/S for previous periods**

2.4. Relevant dates

- **Effective date**

Ending date of the first reporting period for which an entity presents its F/S containing an explicit and unreserved statement of compliance with IFRSs

- **Date of transition**

Beginning date of the earliest reporting period for which full comparative information is presented under IFRSs in the first IFRS F/S

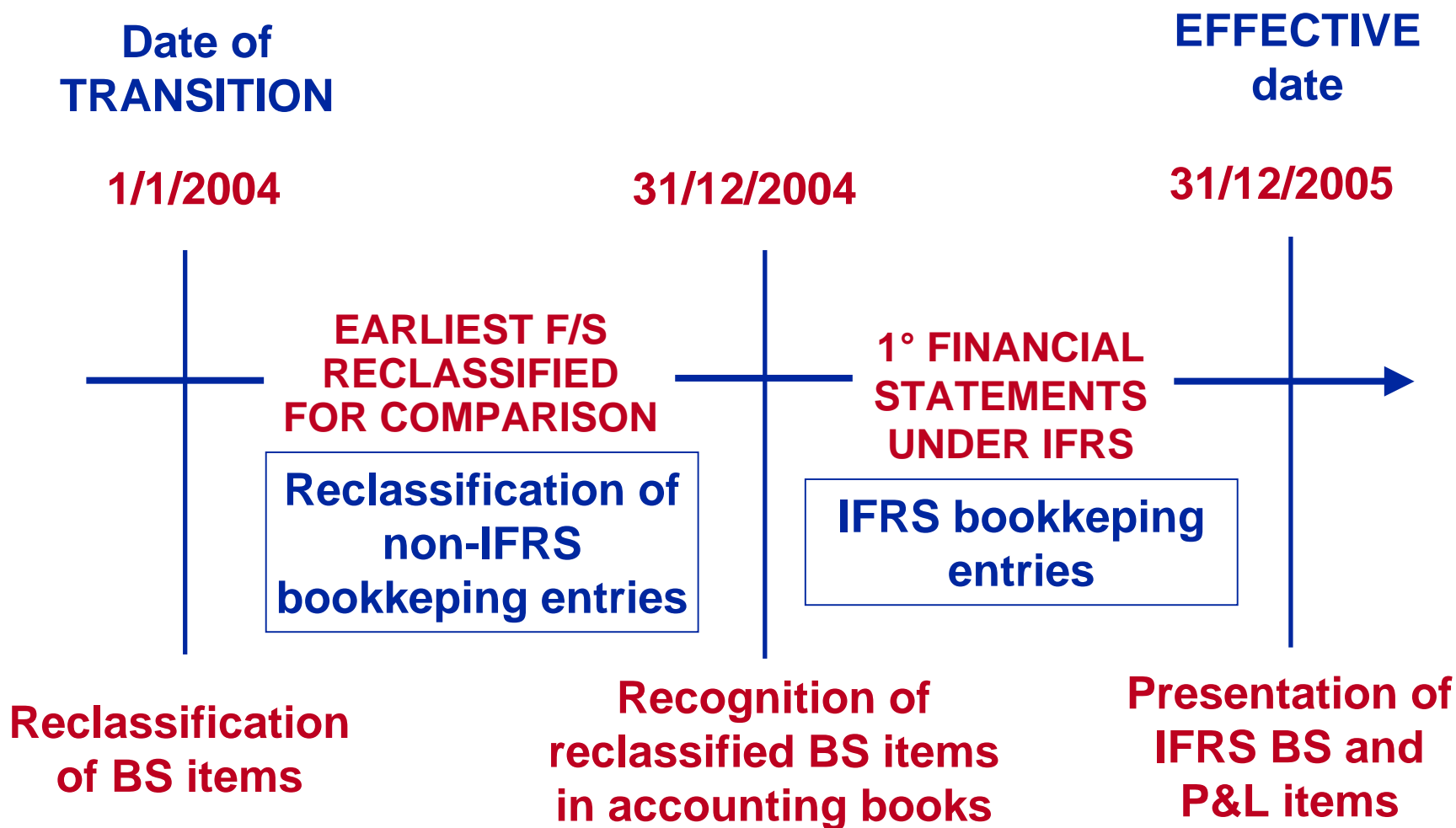
2.4. Relevant dates

A first-time adopter shall prepare (but need not present) an ***opening balance sheet*** at the ***date of transition*** to *IFRS*. This is the starting point for its accounting under IFRS.

EXAMPLE:

- First IFRS financial statements as at 31 December 2005, comparative information as at 31 December 2004
- Date of transition to IFRS: 1 January 2004 (equivalent to the BS closed as at 31 December 2003)

2.4. Relevant dates



2.5. Recognition and Measurement

PROCEDURE: IFRS 1 requires the first-time adopter to do the following in the *opening IFRS balance sheet* at the *date of transition*:

- a) Recognise all assets and liabilities whose recognition is required by IFRSs
- b) Not recognise items as assets and liabilities if IFRSs do not permit such recognition
- c) Reclassify items that it recognised under previous Aps as any type of asset, liability or component of equity, but are a different type under IFRSs
- d) Apply IFRSs in measuring all recognised assets and liabilities

- e) Recognise adjustments resulting from transition in respect of differences in accounting policies arisen from events and transactions occurred before the date of transition to IFRS

Adjustments shall be recognised in retained earnings, or another appropriate equity item at the date of transition (*retrospective approach*)

This concept is new to Italian practice, according to which the opening balances of a reporting period must coincide with the closing balances of the previous period. Under *Principio Contabile 29 Cambiamenti di Principi Contabili*, all adjustments shall be recognised in the income statements of the following period

- f) Transitional provisions included in individual IFRSs cannot be applied to a *first-time adopter*.

2.6. Disclosure and Presentation

- **An entity's first IFRS financial statements (e.g. 31 December 2005) shall include at least one year of comparative information (e.g. 31 December 2004), reclassified under IFRSs**
- **An entity shall explain the effects of the transition from previous APs to IFRSs on its reported:**
 - **financial position**
 - **financial performance**
 - **cash flows**

2.6. Disclosure and Presentation

An entity's first IFRS financial statements (e.g. as at 31 December 2005) shall include:

- a) reconciliation of equity under previous APs to equity under IFRSs:
 - at the date of transition to IFRSs (1 January 2004), and
 - at the date of the last F/S presented under previous APs (31 December 2004)**
- b) reconciliation of P&L presented under previous APs (31 December 2004) to P&L presented under IFRSs**
- c) If the entity recognised or reversed any impairment losses for the first time in preparing its opening IFRS balance sheet, the disclosures that IAS 36-Impairment of Assets would have required**

3. MAIN ADOPTION ISSUES

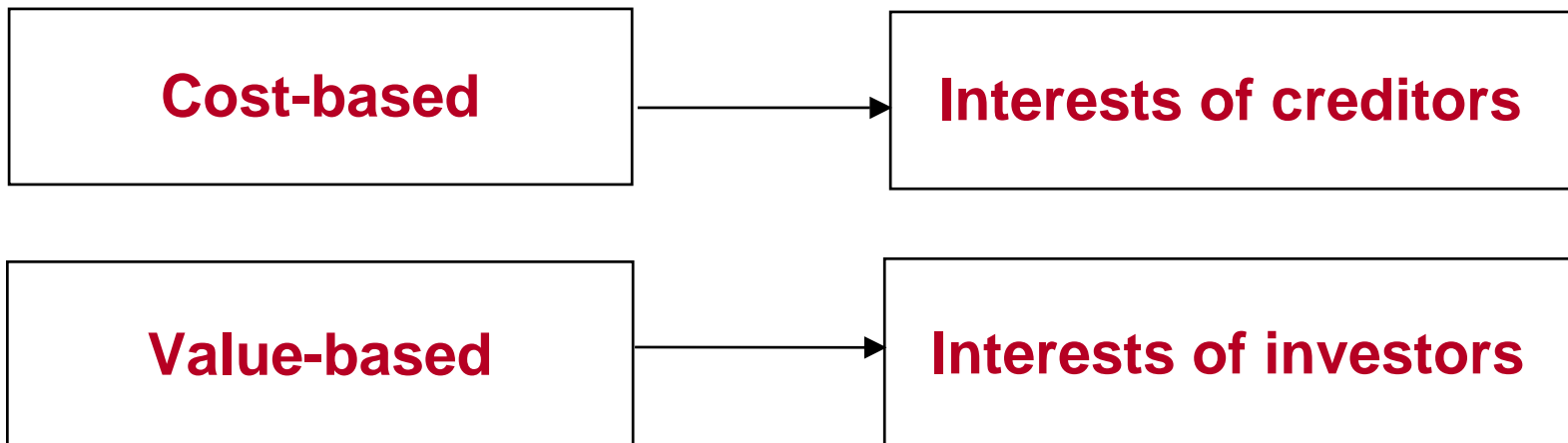
- 3.1. Effects on F/S values (particularly IAS 32/39)**
- 3.2. Effects on comparability of F/S**
- 3.3. Effects on third party interests**
- 3.4. Tax effects**
- 3.5. Small and Medium-sized Entities**
- 3.6. Expected developments**

3.1. Effects on F/S values

IASs attempt to bridge

- traditional cost-based accounting, and
- a system based on market values

(Statement of IASB Chairman to the Economic Committee of the EU Parliament, 22 September 2004)



3.1. IAS 32/39

- Commentators, in particular the banking community, have expressed the following concerns:
 - IASs may introduce an unnecessary **accounting volatility**, particularly regarding financial instruments
 - IASs rules on financial instruments are excessively complex
- IASB believes that cost-based accounting is inappropriate for derivatives, because cost is generally zero, while potential exposure may be huge
- IASB issued revisions/amendments in 2003, 2004 and 2005
- Federation of European Banks opposed adoption of IAS 32/39

3.1. IAS 39

- EU *partially* approved IAS 39 with Regulation EC 2086/2004 of 19 November 2004, carving out:
 - Fair value option
 - Hedging for core deposits

EAS versus IAS?

- Differences jeopardize strategy of adopting internationally recognised, common ASs
- IASB expected to propose further amendments to eliminate differences

3.2. Effects on comparability of F/S

Adoption of IFRS (optional or required) does not apply to all companies.

RISK:

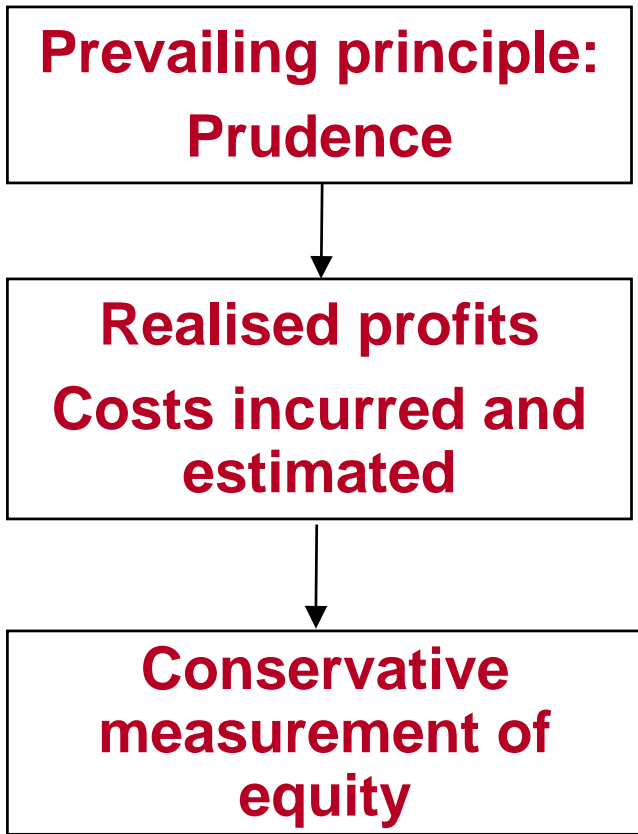
- **Comparability jeopardized**
- **Different measurement of similar transactions**
- **Inconsistent reporting of transactions by the parties involved (e.g. leasing)**
- **Application of Basilea 2 to non-comparable F/S**

SOLUTION:

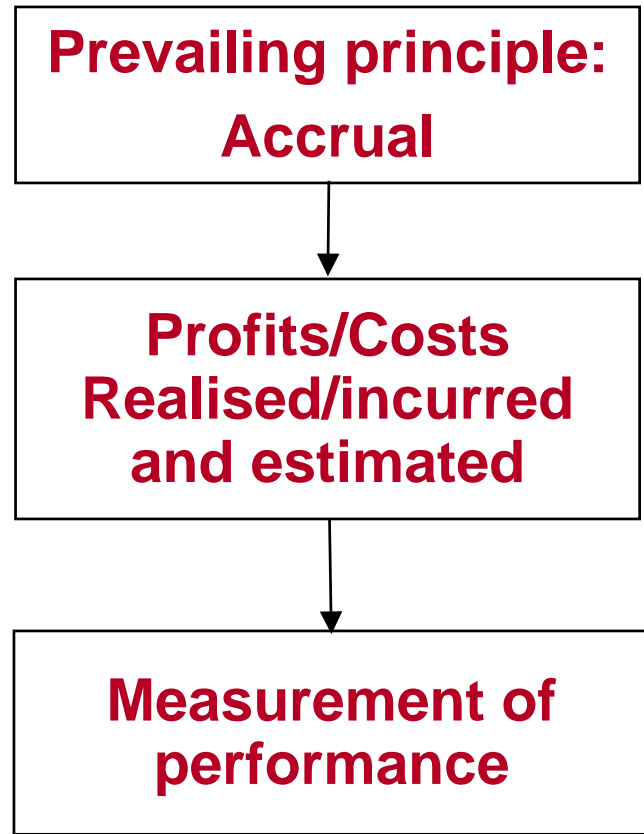
- **Convergence of non-IFRS reporting regulations**
- **Fast implementation of Directive 2003/51/ EC**

3.3. Effects on third party interests

EU Directives



IFRS



3.3. Effects on third party interests - Fair Value

RISK:

Recognising non-existing profits

SOLUTION:

**Fair value estimates through reliable criteria
“true and fair view is the result of correct estimates”
(Government Report on D.Lgs. 127/1991)**

3.3. Effects on third party interests

RISK:

Distribution of unrealised profits

SOLUTION:

Art. 6 D.Lgs. 38/2005 restricts the use of the following items resulting from fair value measurement:

- **Profits** – resulting from fair value measurement of P&L items
- **Reserves** – resulting from fair value measurement of items recognised directly in equity

Restrictions also apply for the purposes of the following operations, allowed by the Civil Code within the limits of free reserves:

- **Covering losses**
- **Appropriation to capital**
- **Payment of dividends to special classes of shares (art. 2350)**
- **Purchase of own shares (art. 2357)**
- **Loans or guarantees for the purchase of shares by employees (art. 2358)**
- **Purchase of shares of parent company (2359-bis)**
- **Promoters', promoting partners' and directors' sharing in profits (art. 2432)**
- **Distribution of profits to shareholders (art. 2478-bis)**

3.4. Tax effects - objectives

- **Keep tax revenue unaffected, despite:**
 - national legislator no longer being responsible for accounting principles/assessing accounting profit**
- **Maintain current system of tax base determined according to domestic rules**
- **Maintain control over tax policy**

Until adoption of EU common tax base

3.4. Changes in income tax law (D.Lgs. 38/2005)

- Taxe base still derived from accounting profit +/- tax adjustments
- Tax burden independent of accounting principles
- Amendment to art. 83 TUIR:

Taxable income =

Net profit +/-

Ordinary tax adjustments +/-

Taxable items recognised directly in equity

(e.g. fair value, effects of transition to IFRS)

3.4. Tax reporting

- **EC section of tax return used to report deductible items not in P&L**
- **Additional tax adjustments for IFRS F/S, e.g.:**
 - **Non-taxable fair value revaluation of fixed assets (art. 110, 1° c., lett. c)**
 - **Depreciations calculated on a different basis**
 - **Different criteria for recognising revenue**
 - **Different TFR calculation**
 - **Tax deduction of lease payments independent of accounting treatment**

3.4. Changes in IRAP law (D.Lgs. 38/2005)

- **Art. 11-bis DLgs 445/1997 - revenues and costs are:**
 - Determined in accordance with articles 5, 6, 7, 8 and 11
 - ***Increased or reduced by items directly recognised in equity in compliance with IFRSs***
 - Increased or reduced according to the adjustments provided by TUIR
- **A special Ministerial Decree will regulate production value measurement according to new IFRS F/S layouts**

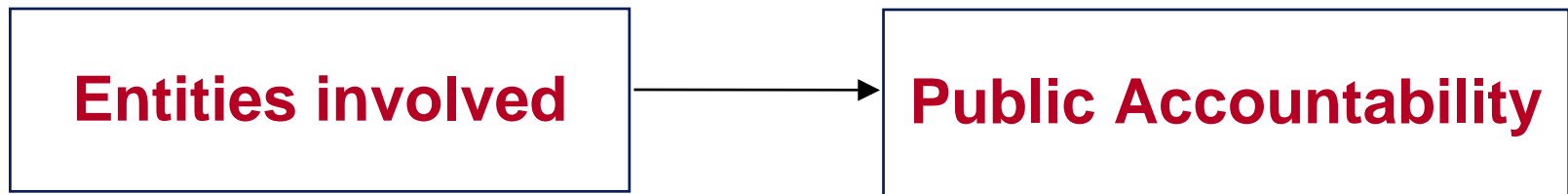
3.4. Changes in IRAP law (continued)

- **Until the Ministerial Decree is issued, entities adopting IFRSs shall determine production value by reclassifying revenues and costs according to the layouts provided by the Italian civil code**
- **Until Decree is issued (or IRAP abolished?) three reclassifications of the accounts are required:**
 - **According to IFRSs for the adopters**
 - **According to TUIR in EC section of tax return**
 - **According to IRAP provisions**

3.5. Small and Medium-sized Entities

Are IAS/IFRS adequate for SMEs?

7,000 listed companies in the EU + subsidiaries



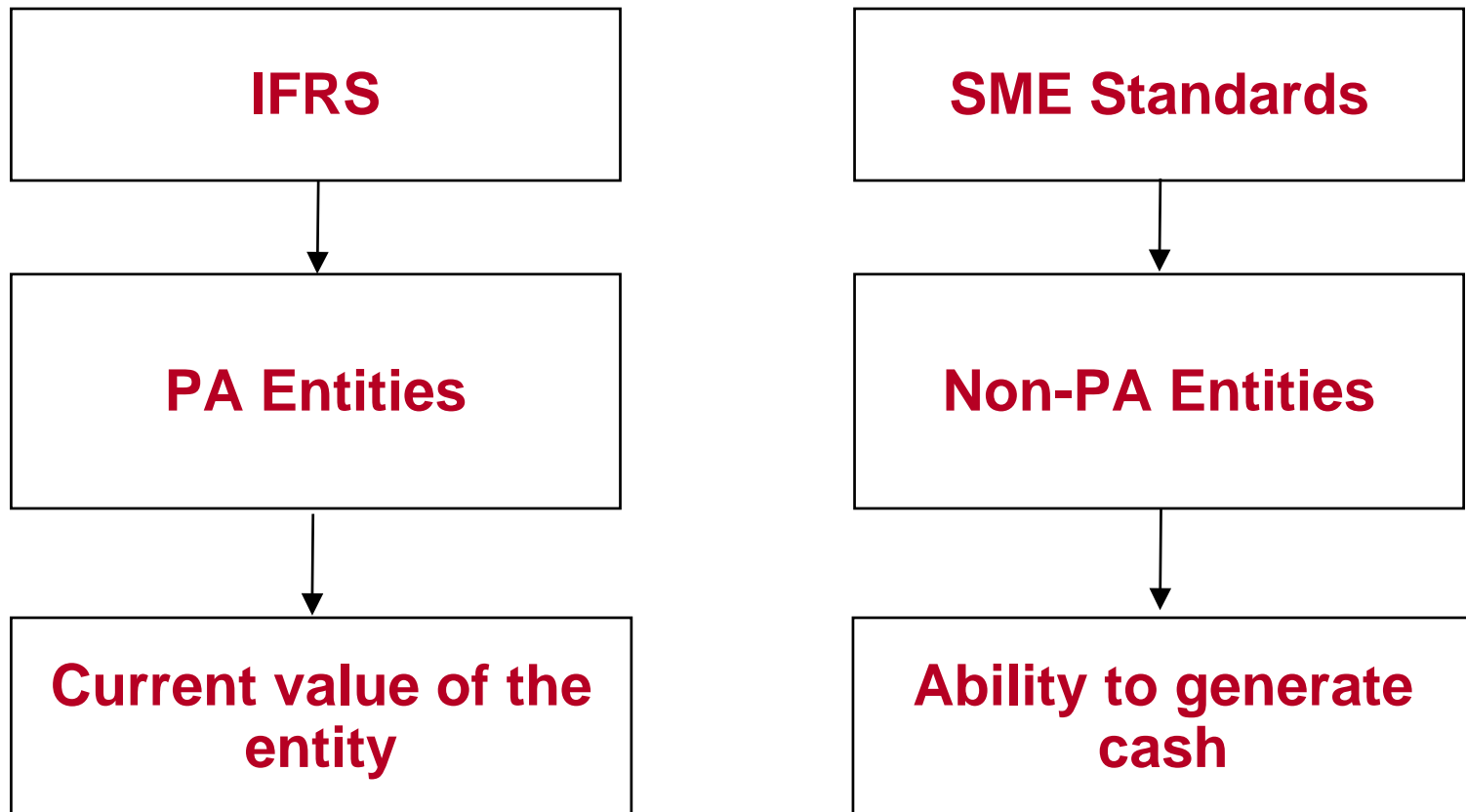
IFRS are complex and their adoption involves

costs of compliance

Are these costs justified with regard to the needs of users of SMEs financial statements?

3.5. Small and Medium-sized Entities

Needs of users



3.5. SMEs – Definition

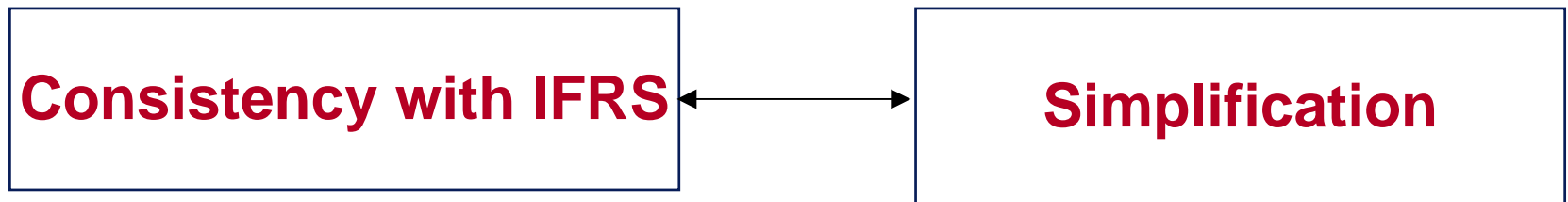
NPAAE: Non-Publicly Accountable Entities:

- **Entities other than listed companies**
- **Entities other than subsidiaries of listed companies**
- **To be identified according to certain *qualitative* criteria**
- **No *quantitative* size test: dimensional thresholds set by national legislators**

3.5. Small and Medium-sized Entities

Conflicting needs in issuing

NPAE Standards



Features of ASs for SMEs according to OIC:

- Based on the users' needs
- Apply the same principles as IFRS
- Allow some exemptions
- Less complex

3.6. Expected developments

- **Two sets of standards:**
 - **IFRS for listed companies and other entities**
 - **EU Directives for remaining entities**
- **Development of international ASs for SMEs**
- **New company law reform to implement EU Directives (Community Law 2004)**
- **Subsequent tax amendments**
- ***Road Map* for convergence of IFRS and US GAAP by 2009 (April 2005, agreement between SEC and EU Commission)**
- **Convergence process will continue**
- **Great effort but opportunity for professional accountants**

3.5. SME - Timing

- **June 2004** – IASB “Discussion Paper”:
Preliminary Views on Accounting Standards for Small and Medium-sized Entities
- **September 2004** – OIC response
- **March 2006** – *Exposure Draft* to be issued
- **2007** – SME Accounting Standards to be issued
- **1.1.2008** – Effective date

4. LINKS AND DOCUMENTS

4.1. Links

www.iasb.org

International Accounting Standards Board

<http://europa.eu.int/eur-lex/en/>

Eur-Lex – the portal to European Union Law

http://europa.eu.int/comm/internal_market/accounting/ias_en.htm

European Commission - The International Accounting Standards (IASs)

www.fondazioneoic.it

Organismo Italiano di Contabilità

4.2. Documents

COMMISSION OF THE EUROPEAN COMMUNITIES

EU financial reporting strategy: the way forward Com (2000) 359
Brussels, 13 June 2000

REPORT BY THE IASB CHAIRMAN to the IASCF Trustees Meeting
Brussels, 4 November 2003

ORGANISMO ITALIANO DI CONTABILITÀ

Rassegna sistematica delle principali differenze fra IAS e Principi Contabili Nazionali

Rome, 23 December 2003

Response on discussion paper re Preliminary Views on Accounting Standards for Small and Medium-sized Entities

Rome, 20 September 2004

Guida operativa per la transizione ai principi contabili internazionali IAS/IFRS

Rome, October 2005

5. IAS/IFRS ADOPTED

Table 1 – IAS adopted by Reg. EC 1725/2003 and corresponding Italian *Principi Contabili*

Table 2 – SIC interpretations adopted by Reg. EC 1725/2003

Table 3 – Revised IFRSs adopted by Reg. EC 2238/2004

Table 4 – New and Revised IFRSs adopted by other regulations

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5. Adopted IAS/IFRS

Table 1 – IASs adopted by Reg. EC 1725/2003 and corresponding Italian *Principi Contabili*

	IAS	PC
IAS 1	Presentation of Financial Statements	11
IAS 2	Inventories	13
IAS 7	Cash Flow Statements	14
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	12 28 29
IAS 10	Events After the Balance Sheet Date	19
IAS 11	Construction Contracts	23
IAS 12	Income Taxes	25
IAS 14	Segment Reporting	22
IAS 15	Information Reflecting the Effects of Changing Prices*	N/A
IAS 16	Property, Plant and Equipment	16 28
IAS 17	Leasing	16
IAS 18	Revenue	15
IAS 19	Employee Benefits	N/A
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A
IAS 21	The Effects of Changes in Foreign Exchange Rates	26 27
IAS 22	Business Combinations*	17
IAS 23	Borrowing Costs	N/A
IAS 24	Related Party Disclosures	N/A
IAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	17
IAS 28	Accounting for Investments in Associates	20
IAS 29	Financial Reporting in Hyperinflationary Economies	N/A
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	N/A
IAS 31	Financial Reporting of Interests in Joint Ventures	N/A
IAS 33	Earnings Per Share	N/A
IAS 34	Interim Financial Reporting	30
IAS 35	Discontinuing Operations*	N/A
IAS 36	Impairment of Assets	N/A
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	19
IAS 38	Intangible Assets	24 28
IAS 40	Investment Property	16
IAS 41	Agriculture	N/A

* Subsequently withdrawn by IASB as superseded by new and revised standards

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Table 2 – SIC Interpretations adopted by Regulation EC 1725/2003

INTERPRETATIONS OF INTERNATIONAL ACCOUNTING STANDARDS	
SIC-1	Consistency – Different Cost Formulas for Inventories*
SIC-2	Consistency – Capitalisation of Borrowing Costs*
SIC-3	Elimination of Unrealised Profits and Losses on Transactions with Associates*
SIC-6	Costs of Modifying Existing Software*
SIC-7	Introduction of the Euro
SIC-8	First-time Application of IASs as the Primary Basis of Accounting*
SIC-9	Business Combinations – Classification either as Acquisitions or Unitings of Interests*
SIC-10	Government Assistance – No Specific Relation to Operating Activities
SIC-11	Foreign Exchange – Capitalisation of Losses Resulting from Severe Currency Devaluations*
SIC-12	Consolidation – Special Purpose Entities
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC-14	Property, Plant and Equipment – Compensation for the Impairment or Loss of Items*
SIC-15	Operating Leases – Incentives
SIC-18	Consistency – Alternative Methods*
SIC-19	Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29*
SIC-20	Equity Accounting Method – Recognition of Losses*
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC-22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported*
SIC-23	Property, Plant and Equipment – Major Inspection or Overhaul Costs*
SIC-24	Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares*
SIC-25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
SIC-27	Evaluating the Substance of Transactions in the Legal Form of a Lease
SIC-28	Business Combinations – “Date of Exchange” and Fair Value of Equity Instruments*
SIC-29	Disclosure – Service Concession Arrangements
SIC-30	Reporting Currency – Translation from Measurement Currency to Presentation Currency*
SIC-31	Revenue – Barter Transactions Involving Advertising Services
SIC-32	Intangible Assets – Website Costs
SIC-33	Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests*

* Subsequently withdrawn by IASB as superseded by new and revised standards

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Table 3 – IFRSs adopted by Regulation EC 2238/2004

REVISED IASs	
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Net Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 33	Earnings Per Share
IAS 40	Investment Property

Table 4 – IFRSs adopted by other Regulations

ADOPTED IAS		Provvedimento
IAS 32	Financial instruments: disclosure and presentation	Reg. EC 2237/2004
IAS 39	Financial Instruments: Recognition and Measurement	Reg. EC 2086/2004
REVISED IAS		REVISED IAS
IAS 36	Impairment of Assets	Reg. EC 2236/2004
IAS 38	Intangible Assets	Reg. EC 2236/2004
IAS 39	Financial Instruments: Recognition and Measurement	Reg. EC 1751/2005
IFRS		
IFRS 1	First-time Adoption of International Financial Reporting Standards	Reg. EC 707/2004
IFRS 2	Share-based Payment	Reg. EC 211/2005
IFRS 3	Business Combinations	Reg. EC 2236/2004
IFRS 4	Insurance Contracts	Reg. EC 2236/2004
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Reg. EC 2236/2004
IFRIC		Provvedimento
IFRIC1	Changes in existing decommissioning, restoration and similar liabilities	Reg. EC 2237/2004
IFRIC2	Members' shares in cooperative entities and similar instruments	Reg. EC 1073/2005