EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES

The Trickle Down Effect – IFRS and accounting by SMEs

23 March 2017

BY
MARIE LANG AND RICHARD MARTIN

Acknowledgements

This report was produced by the members of the EFAA Accounting Expert Group. EFAA would like to acknowledge the assistance of the following individuals and institutions in particular:

Richard Martin	ACCA	Association of Chartered Certified Accountants
Esther Ortiz Martínez	CGE	Consejo General De Economistas
René Bittner	DSTV	Deutscher Steuerberaterverband e.V.
Henk Verhoek & Andries Smeding	NBA	Nederlandse Beroepsorganisatie an Accountants
Paula Franco	OCC	Ordem dos Contabilistas Certificados

CONTENTS

About EFAA

The European Federation of Accountants and Auditors for SMEs (EFAA) is an umbrella organisation for national professional organisations whose individual members provide services primarily to small- and medium-sized entities (SMEs). EFAA has 17 members and represents more than 370,000 accountants, auditors, and tax advisors on their behalf in the European Union and Europe as a whole. EFAA's constituents are small- and medium-sized practitioners (SMPs), including a significant number of sole practitioners. They are SMEs themselves and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs, the back bone of Europe's economy.

However, most accounting and auditing rules and standards are set up at the EU or international level and are often inspired by large companies and oriented towards their needs. EFAA supports Europe's SMEs and SMPs by providing our members and regulators with an evidence based SMP perspective. More information about EFAA can be found at www.efaa.com.

1 EXECUTIVE SUMMARY

1.1 Background

This paper identifies whether the accounting standards for listed companies in Europe, the International Financial Reporting Standards (IFRS), influence the development of the accounting treatments required of small and medium-sized entities (SMEs); we are calling this the 'trickle down' effect.

SMEs are defined by European accounting legislation in terms of staff headcount, turnover or balance sheet total and include micro entities. SMEs are the lifeblood of European economies and are thus of huge strategic importance.

The accounting rules for SMEs in Europe are set by the requirements in the European Accounting Directive ('the Directive') supplemented by the requirements of national GAAP. Where the Directive is silent on how to account for certain matters, national requirements (GAAP) will often be developed. National GAAP requirements may follow IFRS pronouncements. One commonly quoted example of this is in accounting for leases, where in certain countries (such as the Netherlands and the United Kingdom) there is no difference between how a small company or a large or listed company accounts for a lease. This understanding has led EFAA to identify and debate what impact, if any, IFRS has on the accounting for those entities in the EU that are not required to use IFRS.

Arguably the 'trickle down' impact has evolved because there may have been a desire in some countries for accounting by different entities to remain broadly the same. This has typically been motivated by considerations including the need to achieve:
- reduced complexity
- better understanding by readers of accounts
- comparability between entities, where IFRS can be used as the basis for tax
- a comparable basis for the preparation of accounts within groups, and
- efficiency in the training of accountants.

1.2 Methodology

A survey was conducted, covering the following countries within the EU:
- Germany
- the Netherlands
- Portugal
- Spain, and
- the United Kingdom.

The preparers were asked to identify and provide details of the application (or not) to SMEs of what were judged the main (not all) accounting treatments in full IFRS. The survey considered what we judged to be the most significant accounting treatments (recognition and measurement issues) and, within that category, 96 treatments were identified and classified using the following principles:

Red	The accounting treatment for SMEs of the topic is different from IFRS
Green	The accounting treatment for SMEs is the same as IFRS and was derived by 'trickle down'
White	The accounting treatment for SMEs is the same as IFRS but was not derived by 'trickle down' because it was established practice before specific convergence with IFRS.

The extent of the green is the relevant measure in addressing the main question of whether there has been evidence of 'trickle down'.

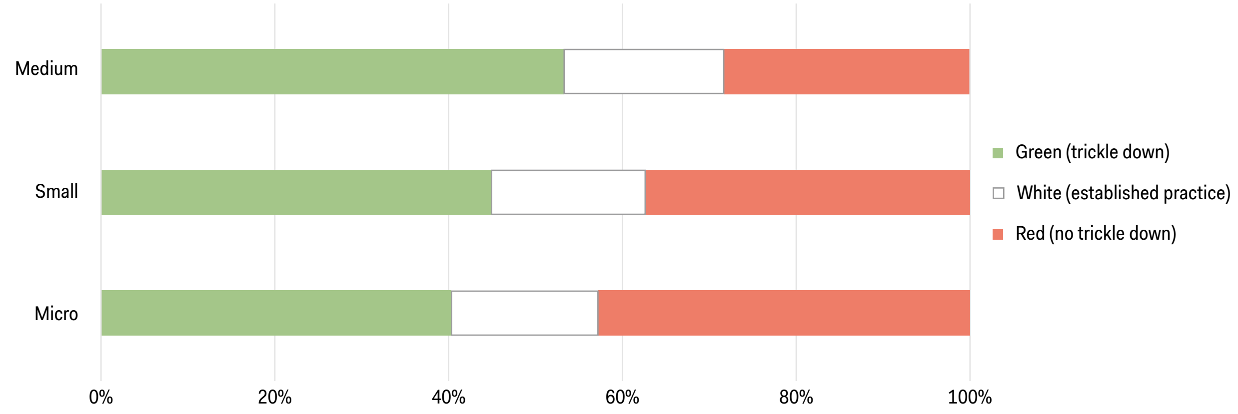
1.3 Findings and conclusions

The evidence enables us to conclude that the impact of 'trickle down' is significant in all five countries.

In all cases, convergence (white plus green) of SME accounting with IFRS is at least 57% and the countries fall into a relatively narrow range of between 57% for Germany and the Netherlands, and 72% for the UK. All show clear signs that 'trickle down' has been a major factor in producing that convergence (ranging from 33% in the Netherlands to 59% in Portugal). It should be noted that distinguishing whether a current treatment derived from IFRS or from pre-existing practice can be a difficult matter to judge, in some cases. Difference in country ranges arise from specific actions taken by individual countries. These are noted within this report. The background to the changes in SME accounting in recent years in these countries reveal that these were often specifically intended to achieve greater convergence between national GAAP and IFRS (or IFRS for SMEs).

It is also observed that the extent of 'trickle down' is clearly greater for larger SMEs, as shown below.

Table 1: Overall effect of 'Trickle Down' in SMEs



We suggest that this is because of the following factors:

- the complexity of transactions can often be linked to the size of the entity
- stakeholders are often judged to be more remote from entities as they grow in size and therefore more transparency of accounting information is often considered warranted and

- legislators often have the objective of reducing the administrative burden of preparation, and this applies particularly to the smallest entities, which are judged to have the fewest resources for meeting accounting requirements.

Having concluded that the largest SMEs were most likely to have 'trickle down', a more detailed analysis of the medium-sized entities was carried out to ascertain what other conclusions might be drawn. The following factors were noted:

- more 'trickle down' is likely in areas where the Accounting Directive is silent, because national GAAP will tend to use IFRS where that is so: for example, over restatements of prior years, pensions, deferred tax, revenue, leases and provisions
- less 'trickle down' will be seen in more complex matters, such as financial instruments and complex group structures, and
- a mixed impact is noted because some countries, for example Germany, have avoided implementing fair value principles in most instances.

In summary there is significant evidence of 'trickle down' and this increases with the size of the entity. Changes in SME accounting have often been motivated by convergence with IFRS, but the extent of 'trickle down' varies owing to factors that include how countries have judged the complexity of accounting and the use of fair value provisions. In addition, 'trickle down' takes time and the most recent IFRS have tended not to have been adopted for SMEs.

This implies that when IFRS are being set or considered for endorsement in the European Union (EU), the impact on SMEs of changes to IFRS may not be sufficiently considered when determining their appropriateness. Arguably this weakens the IFRS endorsement process within the EU, together with the associated impact assessments. EFAA, therefore, encourages standard setters and regulators to consider more comprehensive and systematic assessments of the likely impact of changes to IFRS on SMEs in light of their combined significance to the EU economy and the evidence in this report.

2 INTRODUCTION TO THE PAPER

2.1 Objectives of this paper

The purpose of the survey was to identify evidence as to whether the accounting standards in Europe for large or listed businesses have in recent years been influencing the development of the accounting treatments required for small and medium-sized entities (SMEs). More specifically, the survey sought evidence as to whether the changes in IFRS have come to be applied to SMEs where initially they applied only to larger businesses, i.e. the phenomenon referred to above as the 'trickle down' effect.

2.2 International Financial Reporting Standards (IFRS)

IFRS, as adopted by the EU, are required to be used by entities listed on regulated exchanges within the EU for the preparation of their consolidated financial statements. This requirement has been applied as an EU regulation to accounts prepared for years from 2005 onwards.

IFRS represented a major change to the accounting for these companies in most member states. For some, it was a less fundamental change than for others, as the former already had national GAAP (Generally Accepted Accounting Principles) that had major elements in common with IFRS (good examples in this study being the Netherlands and the UK). For the others, however, it was a bigger change. Since 2005, IFRS have continued to evolve by the issue of new or amended standards. So the primary question the survey sought to answer was 'How much did the changes introduced in 2005, and the later amendments, subsequently 'trickle down' to SMEs in Europe?

2.3 Why is this important?

If a significant 'trickle down' effect exists then it is important that the changes proposed to the standards for large or listed companies are considered in light of the knowledge that they may well come to be applied to SMEs as well, even if the latter are not within the initial scope of application.

Impact assessments or effects analyses are often called for when determining the impact of standards. Such assessments are already used by certain regulatory bodies, notably the International Accounting Standards Board (IASB), the European Financial Reporting Advisory Group (EFRAG) and the UK Financial Reporting Council (UK FRC), and by legislators, notably the European Commission (EC). The assessments currently cover only those that are directly affected.

2.4 SMEs

This report focuses on small and medium-sized entities (SMEs), i.e. those defined as SMEs by European Accounting legislation in terms of staff headcount, turnover or balance sheet total (see section 3 below); 'SMEs' here include micro entities.

SMEs are the lifeblood of most economies and are thus of huge strategic importance, as noted below. Günter Verheugen, Member of the EC responsible for Enterprise and Industry:

> *'Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment.'*

To put that into context, in the EU there are around 23 million SMEs.

- They provide about 75 million jobs (two out of every three private sector jobs).
- They represent 99% of all enterprises.
- They contribute to more than half of the total added value created by businesses in the EU.
- They are responsible for the majority of new jobs created in Europe.

SMEs are the true backbone of the European economy. They are primarily responsible for economic growth and prosperity. Their capacity for innovation and flexibility in a changing business environment makes them crucial for Europe's success in the global economy.

Nine out of ten SMEs are actually micro-enterprises with fewer than 10 employees.

The SME category is thus of huge importance in relation to accounting and accounting impact.

2.5 The Accounting Directive and national GAAP

Under the Regulation, member states may extend an allowance or a requirement to individual (non-consolidated) accounts of certain entities and to the consolidated accounts of non-listed entities. With some exceptions (such as Malta and Cyprus), most member states do not require SMEs to use IFRS. In those that allow IFRS (such as the UK and Denmark) most SMEs have not taken up this option.

That means that the vast majority of non-listed entities within the EU are subject not to IFRS, but to those requirements included within the European Accounting Directive[1] ('the Directive') and to any additional requirements that are laid down under their own national laws or GAAP

The Directive is a European framework that prescribes the accounting requirements for annual financial statements of certain undertakings within the EU (mostly any limited liability companies), and that needs to be implemented via the national legislation in each member state. In 2013, a new revised Directive was issued to replace the two previous ones.

The new Directive changed the accounting treatments for small and medium-sized entities to a limited extent, but also recognised that different treatments could be applied to micro entities. The more significant changes were in the presentational and disclosure requirements for small, as opposed to medium-sized, entities.

The period for national implementation of the Accounting Directive ended in July 2015, and the Directive took effect from 1 January 2016.

The Directive (new or old version) contains many specific member state options (MSOs), some of which affect the accounting treatments that are the subject of this paper. In 2016 EFAA published a report, *The New Accounting Directive: A Harmonised European Accounting Framework?*, which is a survey of how certain member states (including all those included in this paper) have implemented the various options.[2]

There are, however, a number of very significant accounting issues on which the Directive is silent. These include treatments governing:

- definitions of assets and liabilities
- accounting for leases

[1] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC Text with EEA relevance.

[2] See http://www.efaa.com/files/pdf/Publications/Articles/EFAA_Accounting_Directive_Survey_2016.pdf

- accounting for, and presentation of, pension obligations, including the measurement of the liability, disclosures and netting-off pension obligations with assets or insurance policies held to settle them
- use of the percentage-of-completion method for recognising revenue on construction or other long-term contracts, and
- translation of amounts in foreign currencies: for example, the rates to be used in the balance sheet, profit and loss account and in dealing with the consolidation of foreign operations.

In 2010, EFAA's study *Comparison of IFRS for SMEs and National GAAP of Nine European Countries*[3] highlighted a number of issues where the accounting varied significantly between member states. Some such instances represented areas where the Directive was in effect silent, and still is, in the areas of:

- deferred tax
- restatements of prior period results for the effect of changes in accounting policy or for the correction of errors, and
- compound financial instruments.

Other differences noted by that study arose either through the use of specific options or because of insufficiently specific guidance in the Directive. Such examples include:

- investment properties
- other tangible fixed assets, and
- provisions and commitments.

2.6 How might 'trickle down' take place?

EFAA therefore argues that SME accounting in Europe is not only framed by the requirements of the Directive but is also influenced and driven by the requirements of national GAAP.

Where the Directive is silent on how to account for certain matters, then national GAAP is usually developed. These requirements often follow IFRS pronouncements. For example, in the UK and the Netherlands there is no difference between how an SME accounts for a lease and how a listed company accounts for a lease.

In recent years, however, there have been developments that might not lead to 'trickle down'. There has been an increasing acceptance of the 'think small first' approach to regulation. In the accounting field, this takes the form of differential reporting, which is mostly justified by cost/benefit considerations and the reporting 'burden' that would be imposed on SMEs if they had to apply rules more suited to large companies. Sometimes, differential reporting has focused on note disclosures. Since 2005, IFRS have prescribed not only expanded disclosure requirements, but also increasingly complex accounting, which is intended to achieve better reporting by listed companies.

2.7 Why might 'trickle down' take place?

There may well have been a desire in some countries for the accounting by different entities to remain broadly the same. This may have been motivated by considerations including a need for:

- reduced complexity
- better understanding by readers of accounts
- comparability between entities where IFRS is allowed as a basis for tax
- having a comparable basis for the preparation of accounts within groups, and
- efficiency in the training of accountants.

[3] *Comparison of IFRS for SMEs and National GAAP of Nine European Countries*, http://www.efaa.com/files/pdf/Publications/Annual%20reports/EFAA%20Comparison%20IFRS%20for%20SMEs%20-%20National%20GAAPs%202010.pdf

2.8 Other outcomes

As noted above, the main objective of the survey on which this paper is based was to determine whether a 'trickle down' effect exists between IFRS and accounting requirements for SMEs in Europe and, if it does, its implications for effects analyses.

The survey was also designed to give some indications as to how trickle down might happen, and if so whether it is increasing or not.

The Accounting Directive differentiates between the requirements for medium-sized, small and micro entities and so this study looked at 'trickle down' as it has affected the requirements for those three separate categories and whether there is increasing divergence.

Trickle down has been assessed by a comparison of requirements of IFRS and those for SMEs. The paper identifies, as far as possible, whether this resulted from a specific adoption from IFRS or whether this treatment pre-existed the impact of 2005.

In assessing the extent of 'trickle down' across different countries, the study was also intended to provide information about the divergence between or comparability of the accounting treatments required of European SMEs and IFRS:

- topic by topic
- entity by entity (medium, small and micro), and
- country by country.

3 METHODOLOGY

3.1 Countries included in the survey

The survey covered the following countries within the EU: Germany, the Netherlands, Portugal, Spain and the United Kingdom. The preparer of the survey material for each country was the EFAA member body in that country.

The accounting requirements for Ireland are very similar to those of the UK.

3.2 Analysis undertaken

The analysis considers predominately the significant accounting treatments (recognition and measurement issues), that is, those requirements of the standards that would potentially change the numbers in the balance sheet or income statements. It also includes some presentation issues for the major statements that comprise the accounts. Disclosure issues in the notes to the accounts are not covered.

The preparers were asked to provide a brief summary of the development of accounting in their country since 2005.

They were then asked to identify and provide details of the application (or not) to SMEs (medium-sized, small and micro firms separately) of what were judged the main accounting treatments from full IFRS. The requirements relating to SMEs are those in force post-implementation of the Accounting Directive.

3.3 IFRS requirements included in the survey

The standards that were considered as part of the survey were as follows:

- IAS1 – Presentation of Financial Statements
- IAS2 – Inventories
- IAS7 – Statement of Cash Flows
- IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors
- IAS10 – Events after the Reporting Period
- IAS11 – Construction Contracts
- IAS12 – Income Taxes
- IAS16 – Property, Plant and Equipment
- IAS17 – Leases
- IAS18 – Revenue
- IAS19 – Employee Benefits
- IAS20 – Accounting for Government Grants and Disclosure of Government Assistance
- IAS21 – The Effects of Changes in Foreign Exchange Rates
- IAS23 – Borrowing Costs
- IAS28 – Investments in Associates and Joint Ventures
- IAS29 – Financial Reporting in Hyperinflationary Economies
- IAS32 – Financial Instruments: Presentation
- IAS36 – Impairment of Assets
- IAS37 – Provisions, Contingent Liabilities and Contingent Assets
- IAS38 – Intangible Assets
- IAS39 – Financial Instruments: Recognition and Measurement
- IAS40 – Investment Property

- IAS41 – Agriculture
- IFRS2 – Share-based Payment
- IFRS3 – Business Combinations
- IFRS9 – Financial Instruments
- IFRS10 – Consolidated Financial Statements
- IAS31 – Interests in Joint Ventures
- IFRS11 – Joint Arrangements.

There were 96 main treatments identified from these standards.

IFRS requirements excluded from the survey
The following IFRS requirements were not covered in the analysis, mostly because they are disclosure standards, or because they apply to listed companies in particular sectors only or because they were published too recently to have been implemented into national GAAP:

- IAS24 – Related Party Disclosures
- IAS26 – Accounting and Reporting by Retirement Benefit Plans
- IAS27 – Separate Financial Statements
- IAS33 – Earnings Per Share
- IAS34 – Interim Financial Reporting
- IFRS1 – First-time Adoption of International Financial Reporting Standards
- IFRS4 – Insurance Contracts
- IFRS5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS6 – Exploration for and Evaluation of Mineral Assets
- IFRS7 – Financial Instruments: Disclosures
- IFRS8 – Operating Segments
- IFRS12 – Disclosure of Interests in Other Entities
- IFRS13 – Fair Value Measurement
- IFRS14 – Regulatory Deferral Accounts
- IFRS15 – Revenue from Contracts with Customers
- IFRS16 – Leases.

3.4 Definitions of medium, small and micro

The analysis was undertaken across all SMEs in each survey country. That is, it was separately performed for medium-sized, small and micro entities.

The classifications of 'medium', 'small' and 'micro' are those defined in the legislation of each member state and are based on the thresholds defined in the new Accounting Directive. The maximum size criteria that apply to the survey population for small and micro entities are as shown in Table 3.1.

Table 3.1: Criteria for entity classification, by country

Small entities	Germany	Netherlands	Portugal	Spain	*United Kingdom
Income	EUR 12m	EUR 12m	EUR 8m	EUR 8m	GBP 10.2m
Balance sheet	EUR 6m	EUR 6m	EUR 4m	EUR 4m	GBP 5.1m
Employees	50	50	50	50	50

** United Kingdom used GBP£ equivalent of maximum Euro€ threshold allowed*

Micro entities	Germany	Netherlands	Portugal	**Spain	*United Kingdom
Income	EUR 700,000	EUR 700,000	EUR 700,000	N/A	GBP £632,000
Balance sheet	EUR 350,000	EUR 350,000	EUR 350,000	N/A	GBP £316,000
Employees	10	10	10	N/A	10

** United Kingdom used GBP£ equivalent of maximum Euro€ threshold allowed*
*** New Micro Directive not yet implemented in Spain*

Medium-sized entities are thus those defined by the Directive as:

> *'undertakings which are not micro-undertakings or small undertakings and which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:*
>
> *1. (a) balance sheet total: EUR 20 000 000;*
> *2. (b) net turnover: EUR 40 000 000;*
> *3. (c) average number of employees during the financial year: 250.'*

3.5 Identification of potential 'trickle down'

The preparers were asked to classify each of the 96 treatments identified into one of three categories using the following principles.

Red	The accounting treatment for SMEs of the topic is different from IFRS.
Green	The accounting treatment for SMEs is the same as IFRS and was derived by 'trickle down'.
White	The accounting treatment for SMEs is the same as IFRS but was not derived by 'trickle down' because it was established practice before specific convergence with IFRS.

The coding therefore means that to answer the main question of whether there has been evidence of 'trickle down', the extent of the green is the relevant measure. To assess the extent of similarity between SME accounting and IFRS, the measure is the extent of green plus white. There are some difficulties on deciding between green and white. For example, there were some cases where national GAAP could be inspired by proposed IFRS, but implemented for SMEs before the final IFRS was published.

The measure chosen is simply a fairly crude one of compliance or failure to comply with 96 main accounting treatments.

The individual country analyses were then aggregated to provide a summary, by colour, of the overall effect for alignment with IFRS.

4 SUMMARY OF RESULTS

4.1 Scores by country out of 96

Table 4.1: Scores by country and size of entity (max. 96)

Classification	Medium	Small	Micro	Country
Green	38	37	37	Germany
White	17	17	17	Germany
Red	41	42	42	Germany
Green	36	29	29	Netherlands
White	25	23	22	Netherlands
Red	35	44	45	Netherlands
Green	76	49	46	Portugal
White	7	8	7	Portugal
Red	13	39	43	Portugal
Green	50	48	48	Spain
White	16	16	16	Spain
Red	30	32	32	Spain
Green	56	53	34	UK
White	23	21	19	UK
Red	17	22	43	UK

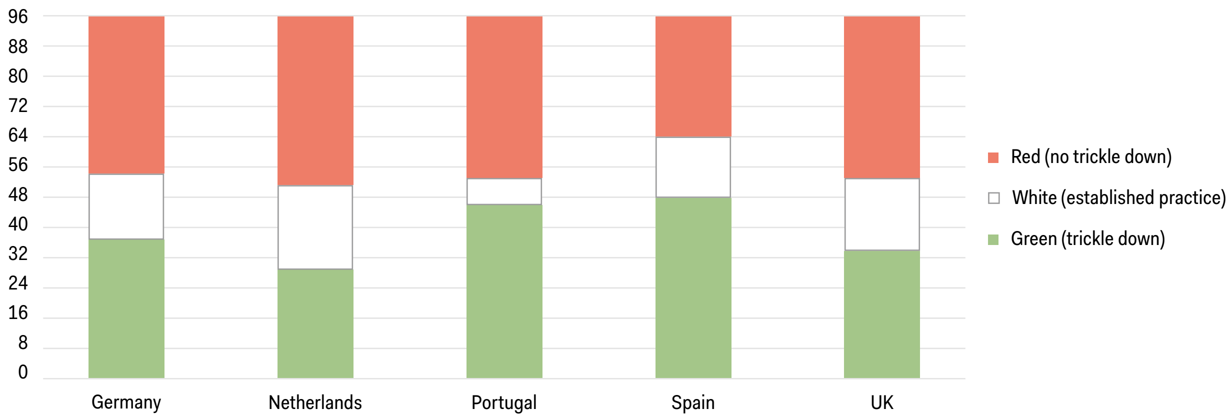
Overall results by size of entity expressed as percentages

Green	54%	45%	40%	Overall %
White	18%	18%	17%	Overall %
Red	28%	37%	43%	Overall %

4.2 Summary of 'trickle down' effect in micro entities, by country

Table 4.2 shows the impact of 'trickle down'. It is significant in all five countries, ranging from a score of 29 in the Netherlands to 46 in Portugal. What is also clearly evident is the level of consistency between IFRS / IAS and GAAP in the survey countries, even for the very smallest of entities. The convergence measure of green plus white is never less than half of the treatments surveyed and is up to 64 in Spain (which has no separate micro regime).

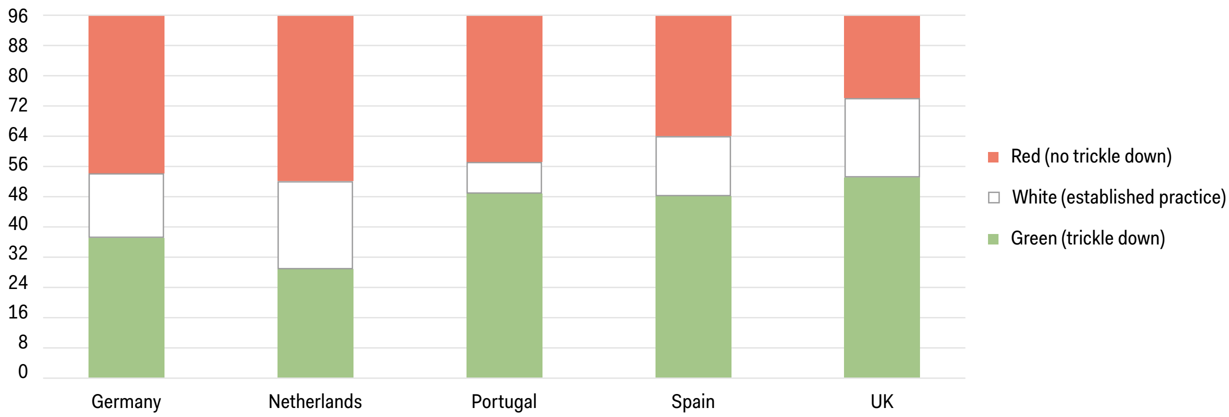
Table 4.2: Micro entities – effect of 'Trickle Down'



4.3 Summary of 'trickle down' effect in small entities, by country

The pattern of 'trickle down' for micro entities is almost exactly replicated for small entities (Table 4.3). There is some extra convergence in Portugal for small companies compared with micro, but the main difference is in the UK, where the impact can be seen of the greater convergence in FRS102 (small entities) than in FRS105 (micro entities).

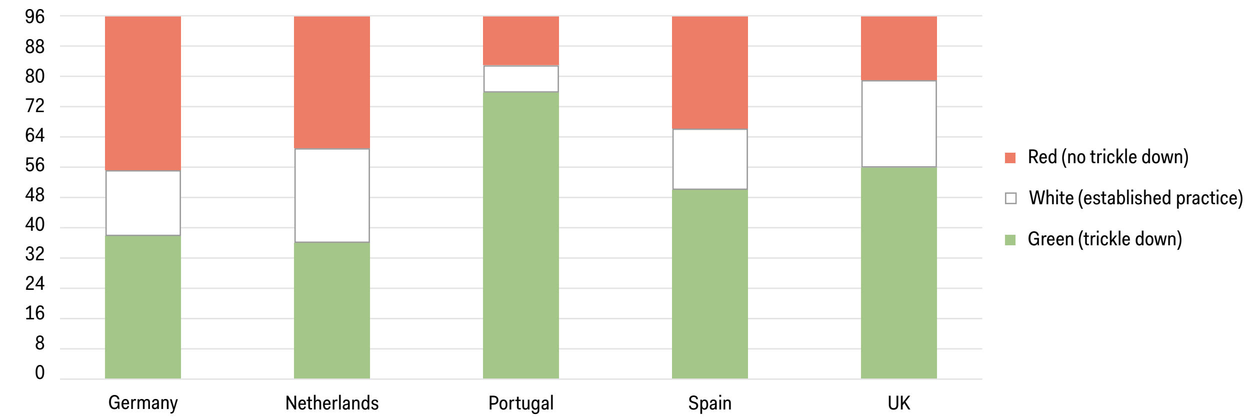
Table 4.3: Small entities – effect of 'Trickle Down'



4.4 Summary of 'trickle down' effect in medium-sized entities, by country

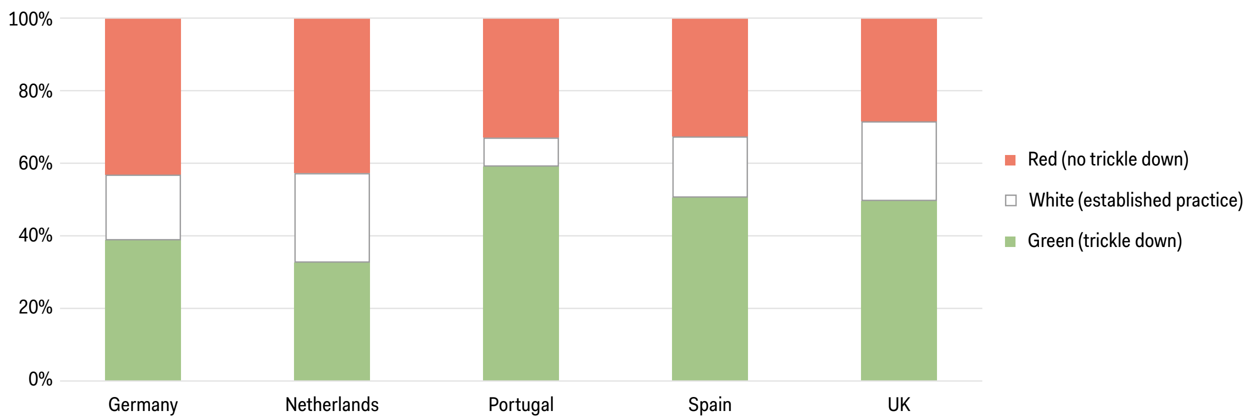
For medium-sized entities there is even further consistency between IFRS / IAS and GAAP in the survey population (Table 4.4). More of this convergence is also attributed to the 'trickle down' effect, as the term is used in this paper. The most notable increase in convergence for medium-sized, as compared with small entities, is in Portugal, where the accounting treatments for medium-sized companies are the closest to IFRS in the sample, with a score of 83 out of 96.

Table 4.4: Medium-sized entities – effect of 'Trickle Down'



4.5 Summary of 'trickle down' across all SMEs, by country

Table 4.5: All SMEs – effect of 'Trickle Down'



While there are clear patterns in the extent of 'trickle down' according to SME size, the extent by country is not the same. In all cases convergence (white plus green) is at least 50% and the countries fall into a relatively narrow range of between 57% for Germany and 72% for the UK. All show clear signs that 'trickle down' has been a major factor in producing that convergence. Portugal is the leading example. Respondents in the Netherlands judge that more of the country's convergence on IFRS has predated the take up of IFRS in 2005 compared to the other countries. These differences arise from specific actions taken by countries, some of which are noted below.

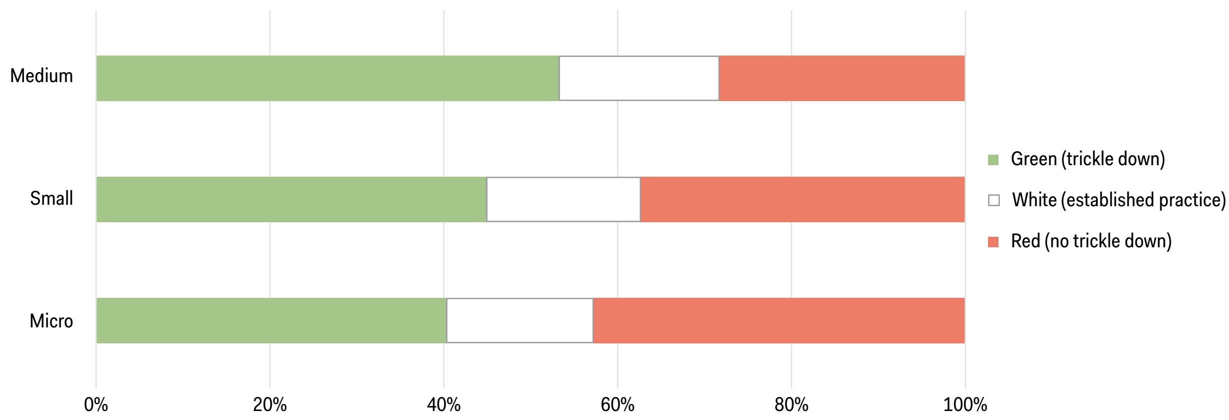
- **Germany** – The development of accounting standards in Germany has seen some alignment to IFRS, albeit not a continual adoption of IFRS, and very few differences arise between the treatment of medium-sized, small and micro entities.
- **Netherlands** – The Dutch Accounting Standards Board has been careful to take into account the burden for SMEs (especially for small and micro entities) from the complexity of accounting method, for example, in pension accounting.

- **Portugal** – Portugal has moved to introduce fair value to accounts (especially for medium-sized companies) and move away from the sole use of historical cost, although the use of the latter is restricted when considering the extent of distributable profits and when calculating taxes.
- **Spain** – There has been a move to introduce IFRS / IAS principles to SMEs as a class – that is, very few differences are noted between micro, small and medium-sized entities.
- **United Kingdom** – previous UK GAAP (including a separate small company regime) has been replaced largely by an introduction of IFRS for SMEs (FRS102), and for micro entities with some further simplifications (FRS105).

4.6 Overall by company size

There are clear patterns emerging when looking at 'trickle down' by size of entity (Table 4.6).

Table 4.6: Overall effect of 'Trickle Down' in SMEs



The extent of 'trickle down' from IFRS / IAS is clearly greater for larger SMEs, although entities of all sizes within the SME category are clearly affected by IFRS / IAS accounting methodology.

We suggest that this is because of the following factors/arguments.

- **Complexity of transactions** can often be linked to size of entity, although this will not always be the case. Medium-sized entities may well be likely to engage in transactions that are more complex than those in which micro entities engage. Regulators and legislators thus believe that the more complete and sometimes more complex requirements are justified in their case.
- **Stakeholders** are often judged to be more remote from entities as they grow in size and therefore more transparency of accounting information is often justified, in the view of standard setters and legislators.
- **The burden of accounting** is a theme for legislators and they have an objective of reducing the administrative burden of preparation; this applies particularly for the smallest entities, which are judged to have the fewest resources for meeting accounting requirements.

4.7 Timing and rate of 'trickle down' and topic by topic

While the survey shows evidence of the effect of 'trickle down' we note below a potential slowdown in its impact. One might conclude that this slowdown in rate is due to the accounting subjects that IFRS / IAS is now addressing and the complexity of their nature.

4.8 Medium-sized entities

It is clear from the previous analysis that the medium-sized category has seen significant 'trickle down' and has had significant alignment with IFRS accounting treatments and principles. It is therefore of value to identify the similarities and differences. In summary, we noted the following points.

The most consistent alignment with IFRS occurred in the following standards.

- **IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors –** Alignment was seen across the surveyed countries, with the exception of Germany, where prior-period adjustments are accounted for in the period. The Directive is silent on the extent of restatements arising from the effects of correction of errors and includes a member state option for adjusting prior years for non-comparability.
- **IAS12 – Income Taxes –** Alignment is seen across all surveyed countries for the adoption of the general principle of deferred tax accounting following the IAS12 requirements. The Netherlands considers this treatment to have been already in force – not a 'trickle down' effect. The Directive includes no guidance on the extent of accounting for deferred tax.
- **IAS16 – Property, Plant and Equipment –** Alignment is seen across the surveyed countries with the exception of Germany, where fair value is not allowed. There is a member state option of requiring or allowing revaluations.
- **IAS17 – Leases –** Alignment is seen across the surveyed countries with the exception of Germany, where leases are treated as required by tax legislation. There is no requirement in the Directive to account for finance leases as borrowing and the acquisition of an asset.
- **IAS18 – Revenue –** There is almost complete alignment. All the countries apply the main principles of IAS18, albeit some view them as being in place before 2005. The Directive includes only the general principle of realisation.
- **IAS19 – Employee Benefits –** There is general consensus but the Netherlands has chosen not to adopt what it believes are complex accounting treatments for pensions and Germany does not allow multi-employer pension plans to be treated sometimes as Defined Contribution Schemes. The Directive is silent on the accounting for defined benefit pension promises.
- **IAS21 – The Effects of Changes in Foreign Exchange Rates –** There is general consensus in applying the approach of the standard. The Directive is silent upon this subject.
- **IAS32 – Financial Instruments: Presentation –** There is consensus in applying this, with the exception of Portugal, which does not allow the use of IAS32. No definition of equity and liabilities is included in the Directive.
- **IAS36 – Impairment of Assets –** There is general consensus in applying this, with the exception of the UK, which does not require goodwill to be tested each year, and Germany, which does not allow 'value in use' considerations.
- **IAS37 – Provisions, Contingent Liabilities and Contingent Assets –** Application of this is most fully consistent across the surveyed companies, with the exception of how risks and uncertainties are to be valued in Germany and the Netherlands does not allow discounting.

The most consistent differences with IFRS treatments were seen in the following standards.

- **IAS39 – Financial Instruments: Recognition and Measurement –** Germany and Spain do not allow the principles of IAS39 and the Netherlands and the United Kingdom prohibit certain fair value elements of the standard. In the Directive, fair value accounting for financial instruments is allowed as a member state option to require or permit.
- **IFRS11 and IAS31 – Interests in Joint Ventures –** There is as yet no evidence of trickle down in the Netherlands or Spain for the most recent IFRS treatment. The United Kingdom has never allowed the proportional consolidation method and so did not converge with IAS31 but the UK treatment is

consistent with IFRS11. There is strong evidence of trickle down in Germany, because it changed to IAS31 and then changed again when IFRS11 came in. Both equity accounting and proportional consolidation are envisaged in the Directive.

- **IFRS9 – Financial Instruments –** Given that IFRS9 is not yet a mandatory requirement of IFRS it is not surprising that this has not yet trickled down to SMEs. The United Kingdom has, however, adopted some elements, such as the basic classification of financial assets and the hedging requirements. Germany has likewise adopted some elements of the new IFRS.
- **IFRS10 Consolidated Financial Statements –** There has been adoption in Germany but no 'trickle down' in Spain, Portugal or the United Kingdom, though this is a recent standard.

4.9 Conclusions

So what can we conclude?

- More 'trickle down' is likely in areas where the Accounting Directive is silent, because national GAAP will tend to use IFRS where that is so: for example, over restatements of prior years, pensions, deferred tax, revenue, leases and provisions.

- Less 'trickle down' is expected in more complex matters of financial instruments and complex group structures.

- There has been a mixed impact where some countries have avoided implementing fair value principles across the board, for example in Germany in most instances

- 'Trickle down' takes some time and the most recent IFRS have not been much adopted for SMEs.

- 'Trickle down' has progressed at different speeds in different countries. Portugal, Spain and Germany have brought in many IFRS treatments as part of major 'step changes' in their national accounting requirements. The Netherlands has adopted a more gradual approach. The UK moved from a gradual approach, applied until 2005, to incorporating more recent treatments via a step change effective from 2015.

5 GERMANY

5.1 Evolution of accounting in Germany

Germany has in the past tried to modernise the German Commercial Code at regular intervals. During these periods of review, some of the new developments, mostly those that come from IFRS, have been accepted.

However, the most significant change in the last 20 years was presented in 2009 with the Accounting Modernization Act. The preamble to this stated the following:

"In addition, small and medium-sized companies cannot be expected to move from established, simple and cost-effective German GAAP to IFRSs for cost reasons. The different conceptual concepts of the German GAAP and the IFRS are of increasing importance. The IFRSs emphasize the idea of comprehensive information for the user of the financial statements, which is reflected in the comprehensive notes. The caution principle, which prevails under German GAAP, takes the backseat. As a result, the transition towards IFRSs not only lacks added value, but also raises the risk that, due to the degree of detailing IFRSs, it is necessary to disclose competitive data. This may be necessary for capital-market-oriented companies. It can also be acceptable to diversified and internationally active large companies which are not capital-market-oriented, but can pose a risk to small and medium-sized enterprises. In light of its complexity and regulatory density, the current IFRS for SMEs (Draft February 2007) is also not suited to meet the needs of small and medium-sized enterprises in an informative, but limited accounting framework should be adequately taken into account.

Companies in Germany need a modern accounting basis. The aim of the German Accounting Modernization Act is therefore to develop the established German GAAP into a durable, and more cost-effective and simpler alternative to international accounting standards, without losing the key points of the German Commercial Code (HGB) – being the basis for profit distribution and for tax assessment. In addition, companies should be relieved of unnecessary costs wherever possible."

5.2 Overall scores

The following overall scores were noted for Germany.

Table 5.1: Convergence and 'trickle down' scores in Germany, by size of entity

Classification	Medium	Small	Micro	Overall Germany %
Green	38	37	37	39%
White	17	17	17	18%
Subtotal	55	54	54	57%
Red	41	42	42	43%
Total	**96**	**96**	**96**	**100%**

Convergence scores in percentage terms

Red	43%	44%	44%
White/Green	57%	56%	56%

5.3 Summary of the results

The German analysis indicates a limited amount of 'trickle down' from IFRS to the accounting treatment, principally via IAS32, IFRS3, IFRS9, IFRS10, IAS31 and IFRS11.

Certain standards, notably IAS1, IAS7, IAS10, IAS17, IAS39, IAS40 and IAS41, have not been adopted for smaller entities.

There is little notable difference between the 'trickle down' effect for medium-sized, small and micro entities.

5.4 Conclusions

There is some evidence that certain standards have found their way into the German Commercial Code. Of interest is the fact that there is only one identified difference between medium-sized entities on the one hand and small and micro entities on the other, that being in relation to IAS12 whereby small and micro entities can opt out of deferred tax accounting.

6 THE NETHERLANDS

6.1 Evolution of accounting in the Netherlands

Since 2005, the Dutch Accounting Standards Board (DASB) has published a separate booklet that contains the accounting standards to be applied by small entities ('small' is defined according to the EU Accounting Directive regime). Before 2005, these standards were included in the yearly publication of the DASB that contains the Dutch Accounting standards, with specific exemptions for small and medium-sized entities. The publication of a 'small booklet' was driven by efficiency and 'easy access' reasons, not as a result of changes in IFRS.

The DASB considers the appropriateness of each new or amended IFRS standard before implementation in the Netherlands, as a matter of due process. Divergence will therefore exist where the IFRS standards are deemed to be too complex or too burdensome to apply. Good examples of these are for pension accounting under IAS19 Employee Benefits, and hedge accounting under IAS39 Financial Instruments: Recognition and Measurement. Although the pension accounting concept of IAS19 was initially adopted by the DASB, the board decided in 2009 to reject this concept and to implement a new standard based on what it calls the 'liability approach'. In addition, although the IFRS hedge accounting models can be applied in the Netherlands, a specific Dutch model exists: cost price hedge accounting. Again, this has been driven by a desire to reduce the administrative burden and complexity.

Cash flow statements, for example, are required only for large and medium-sized companies and not for small entities.

Small and micro entities are allowed by law to use tax accounting measurement principles in their financial statements in order to prevent differences between tax accounts and statutory financial statements.

In addition, IFRS for SMEs has not been explicitly adopted in the Netherlands.

6.2 Overall scores

The overall scores shown in Table 6.1 were noted for the Netherlands.

Table 6.1: Convergence and 'trickle down' scores in the Netherlands, by size of entity

Classification	Medium	Small	Micro	Overall Netherlands %
Green	36	29	29	33%
White	25	23	22	24%
Subtotal	61	52	51	57%
Red	35	44	45	43%
Total	**96**	**96**	**96**	**100%**

Convergence scores in percentage terms

Red	36%	46%	47%
White/Green	64%	54%	53%

6.3 Summary of the results

Overall
The Netherlands analysis indicates some 'trickle down' from IFRS to the accounting treatment adopted by Dutch entities, with over 30% of the IFRS changes noted in the survey being taken into Dutch GAAP.

Some people might see this percentage as fairly low but it is probably because the DASB has assessed potential standard changes in the light of considerations of complexity and the likely burden on entities.

What is consistent with IFRS?
The requirements of the following standards have in the main been applied to all entities.
- IAS20 – Accounting for Government Grants and Disclosure of Government Assistance
- IAS32 – Financial Instruments: Presentation
- IAS36 – Impairment of Assets
- IAS37 – Provisions, Contingent Liabilities and Contingent Assets
- IAS38 – Intangible Assets
- IAS40 – Investment Property

What has not been taken on board from IFRS?
The DASB's due process and assessment of complexity and appropriateness has helped to ensure that certain accounting treatments have not filtered down. The main ones are:
- IAS19 – Employee Benefits
- IAS39 – Financial Instruments: Recognition and Measurement
- IAS41 – Agriculture
- IFRS3 – Business Combinations.

Areas of clear difference?
One might conclude that clear differences exist for small entities, for which complexity is deemed unnecessary. That is, small entities have been excluded from the application of accounting treatments that are particularly complex, such as pension accounting and accounting for financial instruments.

6.4 Conclusions

The matrix might lead one to conclude that many accounting treatments for SMEs in the Netherlands are derived from IFRS. In fact, this conclusion is partly incorrect, because in the 1970s and 1980s representatives of European National Standard Setters contributed to the development of IASC and its IAS standards. Alternatively, one could argue that, in the early years of standard setting, certain common existing accounting practices provided the foundations for the current IFRS standards.

The overall incidence of 'trickle down' from IFRS to Dutch accounting standards has been managed. This is principally because the DASB determines the applicability and usefulness of each IFRS amendment (case by case), and where the DASB considers standards to be inappropriate for the Dutch environment or for specific entities, its own standards have been developed.

7 PORTUGAL

7.1 Evolution of accounting in Portugal

From 1989 Portugal used a historical-cost-based accounting system until the new Portuguese Accounting Standards System (commonly designated as SNC) came into force on 1 January 2010.

SNC was consistent with the Fourth and Seventh EU Directives on Company Law. It was mainly intended to meet the accounting harmonisation requirements in the EU, albeit that some specific provisions have been adapted to Portuguese company needs.

Therefore, although for over three decades Portugal had used a historical-cost-based accounting system, it now uses a system that favours the application of fair value so that financial statements give a true and a fair view. While adopting fair value accounting, Portugal has chosen to limit its use in the following ways.

Commercial law. This prevents the distribution of profits until such profits are made.

Tax law. The use of fair value to compute corporation tax payable is rarely accepted.

Additionally, Portugal has taken steps to simplify accounting rules for the small and micro entities such that these do not allow fair value.

7.2 Overall scores

The overall scores shown in Table 7.1 were noted for Portugal.

Table 7.1: Convergence and 'trickle down'scores for Portugal, by size of entity

Classification	Medium	Small	Micro	Overall Portugal %
Green	76	49	46	59%
White	7	8	7	8%
Subtotal	83	57	53	67%
Red	13	39	43	33%
Total	**96**	**96**	**96**	**100%**

Convergence scores in percentage terms

Red	14%	41%	45%
White/Green	86%	59%	55%

7.3 Summary of the results

Overall

The Portuguese analysis indicates significant 'trickle down' from IFRS to the accounting treatment adopted by Portuguese entities. Indeed, 59% of the IFRS changes noted in the survey were ultimately taken into Portuguese GAAP. Nonetheless, one-third of the IFRS changes have not found their way into Portuguese GAAP.

This result is partly to be expected, given the fact that Portugal has now developed its accounting regimes to favour fair value accounting rather than the historical cost accounting that it favoured for over three decades.

What is also worthy of note, however, is the clear pattern whereby the accounting treatments required for larger entities are being more closely linked to those of IFRS. That is, accounting treatments for micro entities exhibit more differences from IFRS than is the case for small entities and, in turn, those for smaller entities exhibit more differences from IFRS than is the case for medium-sized entities. To some extent, this has resulted from the Portuguese strategy of simplifying accounting rules for small and micro entities by prohibiting the use of fair value accounting.

What is consistent with IFRS?
IAS17, IAS18, IAS19, IAS20, IAS21, IAS29, IAS36, IAS37 and IAS38 are almost entirely reflected in small company accounting.

What has not been taken on board from IFRS?
Exceptions relate to some items that were not taken on board, namely IAS32, IFRS2, IFRS9, IFRS10 and IFRS11. To a significant extent, this reflects the fact that fair value accounting is not required for smaller entities (IFRS2) and that certain complex financial accounting standards have also been omitted from small company accounting.

Areas of clear difference?
The above items reflect matters that have not been applied in Portugal.

7.4 Conclusions

There has been evidence in the past of 'trickle down' into Portuguese GAAP from IFRS / IAS although certain standards that reflect fair value accounting have not been required for smaller entities.

8 SPAIN

8.1 Evolution of accounting in Spain

In Spain there is an accepted compulsory ‘trickle down’ as the Spanish accounting system requires that SMEs apply IFRS / IAS only when they have been introduced into Spanish law. ‘Generally accepted’ is normally read as ‘compulsorily required’. Indeed, the publication of both General Accounting Plans in 2007 (first applied by SMEs in 2008) provided the real step change, with IFRS / IAS being applied in Spain.

That said, the effect was not a ‘trickle down’ but more of a step change; the General Accounting plans are required by the government and applied as compulsory by SMEs.

The Spanish government has chosen to reform all Spanish laws so as to obtain comparable Spanish financial statements linked to the degree of independence of each company: listed, non-listed, groups of companies, SMEs or micro entities.

8.2 Overall scores

The overall scores shown in Table 8.1 were noted for Spain.

Table 8.1: Convergence and ‘trickle down’ scores in Spain, by size of entity

Classification	Medium	Small	Micro	Overall Spain %
Green	50	48	48	51%
White	16	16	16	16%
Subtotal	66	64	64	67%
Red	30	32	32	33%
Total	**96**	**96**	**96**	**100%**

Convergence scores in percentage terms

Red	31%	33%	33%
White/Green	69%	67%	67%

8.3 Summary of the results

Overall

The Spanish analysis indicates a significant ‘trickle down’ from IFRS to the accounting treatment adopted by Spanish entities. Indeed, 51% of the IFRS changes noted in the survey were ultimately taken into Spanish GAAP. Only one-third of the IFRS changes have not found their way into Spanish GAAP.

What is also worthy of note, however, is the consistent treatment of items irrespective of size of entity – medium-sized, small or micro – with very few differences arising. Where they have occurred, these have been in respect of IAS7 (cash flows) and IAS1 (Statement of change in equity). These are both required for medium-sized entities.

What is consistent with IFRS?
IAS17, IAS18, IAS19, IAS20, IAS21, IAS36 and IAS37 are almost entirely reflected in small company accounting.

What has not been taken on board from IFRS?
Exceptions relate to some items that were not taken on board, namely IAS39, IAS41, IFRS9, IFRS10 and IFRS11. A significant amount of these exceptions reflect the fact that fair value accounting is not required for smaller entities (IFRS2) and that certain complex financial accounting standards have also been omitted from small company accounting.

Areas of clear difference?
The above items reflect requirements that have not been applied in Spain.

8.4 Conclusions

There has been evidence in the past of ‘trickle down’ into Spanish GAAP from IFRS / IAS, although certain standards that reflect fair value accounting have not been required for smaller entities. In addition, there is a significant amount of consistency between what is required for SMEs as a whole, with very few differences noted between medium-sized and small and micro entities.

9 UNITED KINGDOM

9.1 Evolution of accounting in the UK

Before 1997 there were no differences between small and other companies in the recognition and measurement (R&M) of items in accounts – apart from the exemption from preparing consolidated accounts, which came from the Seventh Accounting Directive. Any differences between small and other companies were to be found in reduced disclosures, but there were relatively few of these.

In 1997, the Financial Reporting Standard for Smaller Entities (FRSSE) created a separate accounting regime. Even so, at its inception, there were essentially no R&M differences with the then full UK GAAP. Instead, the FRSSE contained a simplified set of standards with disclosure exemptions and no requirement for a cash flow statement. The FRSSE also included a reference back to full UK GAAP in areas where the FRSSE provided no guidance.

Medium-sized entities continued to use full UK standards, with a few disclosure reductions from the Fourth Directive. The use of the FRSSE (by eligible small companies) began at a fairly modest level but rose steadily in the UK, although it was never widely taken up in Ireland.

The FRSSE was amended on a fairly regular basis to reflect changes in UK GAAP, some of which mirrored changes in IFRS / IAS (for example IAS36 to IAS38). In 2005, IFRS were adopted by the EU and applied by UK listed companies. UK GAAP continued being used largely by unlisted large or medium-sized entities, but was increasingly not adjusted for changes happening in IFRS.

In 2013 the new UK standard FRS102 was issued – based on IFRS for SMEs (itself issued in 2009) – but the UK standard incorporated some significant R&M adaptations. These mostly added options (for example revaluation of fixed assets, capitalisation of development costs and interest) that were available in existing full UK GAAP and the FRSSE.

From 2016 the FRSSE was withdrawn and UK small (but not micro) entities will use FRS102 for the R&M treatments (except for the consolidation requirement), with the reduced disclosures from the new Accounting Directive. Micro-companies have their own regime (FRS105), which incorporates some R&M differences from FRS102 (detailed in section 9.3 below) and uses the severely curtailed formats and note disclosures set out in the new Accounting Directive.

9.2 Overall scores

The overall scores shown in Table 9.1 were noted for the UK.

Table 9.1: Convergence and 'trickle down' scores for the United Kingdom, by size of entity

Classification	Medium	Small	Micro	Overall UK %
Green	56	53	34	50%
White	23	21	19	22%
Subtotal	79	74	53	72%
Red	17	22	43	28%
Total	**96**	**96**	**96**	**100%**

Convergence scores in percentage terms

Red	18%	23%	45%
White/Green	82%	77%	55%

9.3 Summary of the results

Overall
The UK analysis indicates a significant 'trickle down' from IFRS to the accounting treatments adopted by UK entities. Indeed, 50% of the IFRS changes noted in the survey were ultimately taken into UK GAAP. Only 28% of IFRS changes have not found their way into UK GAAP.

This result is partly to be expected, given the UK's adoption of IFRS for SMEs into the new UK GAAP, FRS 102.

What is also worthy of note, however, is the clear pattern whereby the accounting treatment required for larger entities is being more closely linked to that of IFRS. That is, the accounting treatment for micro entities exhibits more differences from IFRS than is the case for small entities and, in turn, that for smaller entities exhibits more differences from IFRS than that for medium-sized entities. Therefore, one may conclude that the larger the entity, the more likely the 'trickle down' from IFRS, and the smaller the entity, the less likely this is.

What is consistent with IFRS?
IAS18 Revenue, IAS36 Impairment of Assets (excluding goodwill) and IAS37 Provisions, Contingent Liabilities and Contingent Assets are consistent for all sizes of entities.

What has not been taken on board from IFRS?
Exceptions relate to some items that were not applied to IFRS for SMEs, including:
- the corridor approach in IAS19
- the government grants treatment from IAS20
- immediate write-off of borrowing costs
- the impairment-only model for goodwill
- classifications from IAS39 especially available for sale treatment and
- no separation of embedded derivatives and the treatment of acquisition costs (IFRS3).

Areas of clear difference?
Other items that have not 'trickled down' include the Statement of Changes in Equity.

A number of treatments will no longer be required for micro companies, including deferred tax, defined benefit schemes, interest capitalisation and revaluation.

9.4 Conclusions

There has been evidence in the past of 'trickle down' into UK GAAP from IFRS / IAS. Interestingly enough, it appears that the 'trickle down' process in the UK proceeded rather faster before 2005 and the adoption of IFRS, although there has been a significant catching up since the FRSSE was replaced by FRS102 in 2016. The 'trickle down' effect tends to be less when the entity is smaller; accounting for micro entities is affected to a lesser degree than accounting for medium-sized entities.

ABOUT THE AUTHORS

Marie Lang is an EFAA Special Advisor (former Director of Professional Development) and the Head of Corporate Finance at GBAC Ltd.

Marie Lang has been overseeing EFAA's technical work for 5 years and represents EFAA at the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) Consultative Advisory Groups (CAGs) as well as being a past member of European Commission Expert Groups on SME Accounting and Transfer of Business.

Richard Martin is Head of Corporate Reporting at ACCA (Association of Chartered Certified Accountants). He is Chairman of the Accounting Expert Group at EFAA the European Federation of Accountants and Auditors for SMEs.

He was a member of the Expert Group on the evaluation of the IAS Regulation for the European Commission in 2014. For the ISAR group at UNCTAD he is a member of the Consultative Group on Reporting and Sustainable Development. He was a member of the working party which developed the accounting guidance for SMEs (SMEGA).

APPENDIX 1, MEDIUM SIZED ANALYSIS

IFRS	Date published	Main changes	Germany	Netherlands	Portugal	Spain	UK
IAS1	1997						
	2007	Two performance statements (P&L and OCI) or combined					
		Statement of change in equity (SoCE)					
		Dividends must be in SoCE not in P&L					
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost					
		LIFO not allowed as a cost formula					
IAS7	1992	Cash flow statement required with operating, investing and financing sections					
		Cash and cash equivalents concept					
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment					
		Material prior period errors require retrospective adjustment					
		Change in accounting estimate is adjusted prospectively					
		Hierarchy of guidance for policies where no IFRS applies					
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date					
	1999	Dividends declared after date are non-adjusting events					
IAS11	1978	Percentage of completion method for construction contracts					
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments					
IAS16	1998	Disposal and restoration costs to be included in initial measurement					
		Component recognition, depreciation and de-recognition					
		Fair value for exchange transactions					
		Depreciation method and life to reflect the pattern of consumption of economic benefits					
		Option for revaluation					

IFRS	Date published	Main changes	Germany	Netherlands	Portugal	Spain	UK
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees					
		Finance leases to be accounted for as borrowing by lessors					
		Profit deferral on sale and leasebacks treated as finance leases					
IAS18	1993 and 1982	Revenue recognised at fair value not necessarily same as transaction price					
		Conditions for sale of goods – transfer of risks and rewards etc.					
		Services based on stage of completion etc.					
		Interest –effective interest method					
		Royalties on accrual					
		Dividends when right to receive					
IAS19	1998	Paid absences accrued when service rendered					
		Defined benefit (DB) and defined contribution (DC) schemes					
	2004	Multi-employer plans can sometimes be treated as DC schemes					
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases					
		Corporate bond discount rate					
		DB schemes: Separation of service cost and interest cost from actuarial gains and losses					
		P&L recognition using the 'corridor' approach or actuarial gains and losses to OCI					
	2011	Corridor approach eliminated					
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged					
		Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset					

IFRS	Date published	Main changes	Germany	Netherlands	Portugal	Spain	UK
IAS21	1993	Functional currency concept					
		P&L items translated at transaction date or period average rates					
		Monetary assets and liabilities at closing rates					
		All translation differences to P&L except for retranslation of interest in a foreign operation					
IAS23	2007	Elimination of option for immediate write off of interest					
IAS28	1989	Associates defined based on significant influence					
		Equity method of accounting for associates					
IAS29	1989	Non-monetary items are to be restated using a general price index					
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares					
		Split accounting for hybrids					
		Treasury shares as a deduction from equity					
		Offsetting assets and liabilities only when a legal right to do so and intention to settle net					
IAS36	1998	Goodwill etc. tested each year otherwise only if impairment triggered					
		Cash generating unit concept					
		Impairment based on higher of value in use and disposal value					
		Value in use (VIU) – discounted future cash flows					
		VIU to reflect variability, uncertainties, time value of money and illiquidity					
		Reversal of impairment possible, except for goodwill					

IFRS	Date published	Main changes	Germany	Netherlands	Portugal	Spain	UK
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses					
		Constructive obligation concept					
		Transfer to be more likely than not, or disclosure as a contingency					
		Risks and uncertainties to be valued					
		Time value of money – discounting					
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated					
		Except development costs of new products, services etc. Must be recognised as assets if certain conditions met.					
		Revaluation option					
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale					
		Derivatives and held-for-trading at fair value through P&L					
		Equities to be at fair value – except if no reliable measurement					
		Certain liabilities can be at fair value					
		AFS at fair value on balance sheet with historical cost in P&L					
		Embedded derivatives to be separated from hosts					
		De-recognition based on risk & reward etc.					
		Impairments only when there is objective evidence of loss incurred					
		Hedge accounting classification: fair value, cash flow, net investment					
		Restrictions on hedge accounting: designation, documentation, effectiveness testing					
IAS40	2000	Investment property separately identified					
		Measure at either fair value through P&L or on cost model					

IFRS	Date published	Main changes	Germany	Netherlands	Portugal	Spain	UK
IAS41	2001	Biological assets at fair value through P&L					
IFRS2	2004	Cost of share-based payments recognised – fair value at grant date					
IFRS3	2004	Acquisition method only – no poolings					
		Recognition of intangibles separately from goodwill in a business combination					
		Impairment only model for goodwill and intangibles with indefinite lives – no amortisation					
		Negative goodwill to P&L immediately					
	2009	Exchange of fair values – full goodwill option					
		Acquisition costs written off					
		Transactions with NCI are in equity					
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows					
		Equities always at fair value					
		Own credit risk impacts to OCI					
		Hedge accounting revised					
		Expected loss model for impairment					
IFRS10	2013	Consolidation – new definition of control					
IAS31	1990	Joint ventures – either by proportional consolidation or equity method					
IFRS11	2013	Joint ventures – purely equity method					
		New classification based on a net interest or interest in separate assets					

APPENDIX 2, GERMANY

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS1	1997						
	2007	Two performance statements (P&L and OCI) or combined				Not Implemented for SME	
		Statement of change in equity (SoCE)				Not Implemented for SME	Change in equity is reported and reconciled at the end of P&L
		Dividends must be in SoCE not in P&L				Not Implemented for SME	Same as above
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost				Implemented, tax driven	
		LIFO not allowed as a cost formula					LIFO still allowed (§ 256 HGB)
IAS7	1992	Cash flow statement required with operating, investing and financing sections					Cash Flow Statement Not Implemented, however, normal practice in reporting
		Cash and cash equivalents concept				Implemented, not IFRS driven	
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment					Voluntary changes not allowed, changes need a material reason
		Material prior period errors require retrospective adjustment				voluntary 2007, IFRS driven	Any prior period adjustment is accounted for in the period, when incurred; retrospective adjustments are voluntary
		Change in accounting estimate is adjusted prospectively				2002	GAS 13
		Hierarchy of guidance for policies where no IFRS applies				Followed	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date					Events, which will be known after balance sheet date and have their origin before are accounted for. However, events after balance sheet date (e.g. a fire of the main manufacturing building) would only be reported as subsequent event, but not accounted for
	1999	Dividends declared after date are non-adjusting events				Agreed, not IFRS driven	
IAS11	1978	Percentage of completion method for construction contracts				Not Implemented for SME	
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments				Implemented	Small and micro entities can opt out
IAS16	1998	Disposal and restoration costs to be included in initial measurement					
		Component recognition, depreciation and de-recognition					Only if components can be used on their own, tax driven
		Fair value for exchange transactions				Not Implemented for SME, due to prudence, only lower values must be recognized, with an obligation for reversal if value increases (up to original cost	
		Depreciation method and life to reflect the pattern of consumption of economic benefits				2000	
		Option for revaluation				Not Implemented for SME	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees					No lease accounting rules issued. Only tax lease rulings adopted by SMEs
		Finance leases to be accounted for as borrowing by lessors					No lease accounting rules issued. Only tax lease rulings adopted by SMEs
		Profit deferral on sale and leasebacks treated as finance leases					No lease accounting rules issued. Only tax lease rulings adopted by SMEs
IAS18	1993 and 1982	Revenue recognised at fair value not necessarily same as transaction price				Implemented	§ 277 Abs. 1 HGB
		Conditions for sale of goods – transfer of risks and rewards etc.				Implemented, not IFRS driven	
		Services based on stage of completion etc.				in some cases, not IFRS driven	Depends on the contract, if a success is owed, then no
		Interest –effective interest method				Implemented	To keep it easy just for >1y
		Royalties on accrual				Implemented	
		Dividends when right to receive				Implemented, not IFRS driven	
IAS19	1998	Paid absences accrued when service rendered				Implemented	
		Defined benefit (DB) and defined contribution (DC) schemes				Implemented	
	2004	Multi-employer plans can sometimes be treated as DC schemes				Not Implemented for SME	
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases				Implemented, salary increase since 2007	
		Corporate bond discount rate				Not Implemented	Discount rate is set by the German Central Bank
		DB schemes: Separation of service cost and interest cost from actuarial gains and losses				Implemented	
		P&L recognition using the 'corridor' approach or actuarial gains and losses to OCI				Implemented	
	2011	Corridor approach eliminated					

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged				Grants are only accounted when supported by a grant assessment	Grants are only accounted when supported by a grant assessment
		Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset				Not Implemented	Can only be shown as deferred income
IAS21	1993	Functional currency concept				Not Implemented	
		P&L items translated at transaction date or period average rates				Common practice	
		Monetary assets and liabilities at closing rates				Common practice	Also through profit since 2007, before only losses
		All translation differences to P&L except for retranslation of interest in a foreign operation				Common practice	
IAS23	2007	Elimination of option for immediate write off of interest				never had	
IAS28	1989	Associates defined based on significant influence				1989	
		Equity method of accounting for associates				1989	Solely since 2007
IAS29	1989	Non-monetary items are to be restated using a general price index					
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares					
		Split accounting for hybrids				2007	
		Treasury shares as a deduction from equity				2007	
		Offsetting assets and liabilities only when a legal right to do so and intention to settle net				2007	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS36	1998	Goodwill etc. tested each year otherwise only if impairment triggered				Implemented	
		Cash generating unit concept				Not Implemented	
		Impairment based on higher of value in use and disposal value				Implemented	
		Value in use (VIU) – discounted future cash flows				Not Implemented	
		VIU to reflect variability, uncertainties, time value of money and illiquidity					
		Reversal of impairment possible, except for goodwill				Implemented	§253 Abs. 5 HGB
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses				Implemented, not IFRS driven	
		Constructive obligation concept				Implemented	
		Transfer to be more likely than not, or disclosure as a contingency				Implemented	
		Risks and uncertainties to be valued				Not Implemented	No valuation with likelihood of occurrence
		Time value of money – discounting				2007	
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated				Implemented	
		Except development costs of new products, services etc. Must be recognised as assets if certain conditions met				allowed since 2007	Voluntarily
		Revaluation option				Not Implemented, revaluation only in cases of lower values, then obligatory	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale				Not Implemented for SME	
		Derivatives and held-for-trading at fair value through P&L				Not Implemented for SME	
		Equities to be at fair value – except if no reliable measurement				Not Implemented for SME	
		Certain liabilities can be at fair value				Not Implemented for SME	
		AFS at fair value on balance sheet with historical cost in P&L				Not Implemented for SME	
		Embedded derivatives to be separated from hosts				Not Implemented for SME	
		De-recognition based on risk & reward etc.				Not Implemented for SME	
		Impairments only when there is objective evidence of loss incurred				Not Implemented for SME	
		Hedge accounting classification: fair value, cash flow, net investment				Not Implemented for SME	
		Restrictions on hedge accounting: designation, documentation, effectiveness testing.				Not Implemented for SME	
IAS40	2000	Investment property separately identified				Not Implemented for SME	
		Measure at either fair value through P&L or on cost model				Not Implemented for SME	
IAS41	2001	Biological assets at fair value through P&L				Not Implemented	
IFRS2	2004	Cost of share-based payments recognised – fair value at grant date				Not fully solved for GCC	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS3	2004	Acquisition method only – no poolings				Implemented	
		Recognition of intangibles separately from goodwill in a business combination				Not Implemented	
		Impairment only model for goodwill and intangibles with indefinite lives – no amortisation				Not Implemented	
		Negative goodwill to P&L immediately				Not Implemented	
	2009	Exchange of fair values – full goodwill option				Not Implemented	
		Acquisition costs written off				Not Implemented	
		Transactions with NCI are in equity				Not Implemented	
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows				Not Implemented	
		Equities always at fair value				Not Implemented	
		Own credit risk impacts to OCI				Not Implemented	
		Hedge accounting revised				Not Implemented	
		Expected loss model for impairment				Not Implemented	
IFRS10	2013	Consolidation – new definition of control				Not Implemented	
IAS31	1990	Joint ventures – either by proportional consolidation or equity method				Not Implemented	
IFRS11	2013	Joint ventures – purely equity method				Not Implemented	
		New classification based on a net interest or interest in separate assets				Not Implemented	

APPENDIX 3, NETHERLANDS

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS1	1997						
	2007	Two performance statements (P&L and OCI) or combined					SMEs exempted, only P&L is required. This is a disclosure issue
		Statement of change in equity (SoCE)					Small entities are only required to disclose the change in the revaluation reserve. Medium sized entities must draw up a SoCE, not as a separate statement, but as part of the disclosure paragraph
		Dividends must be in SoCE not in P&L					To be applied by all entities, is not driven by IFRS
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost					Cost of conversion must be included, inclusion of overheads is optional, not driven by IFRS
		LIFO not allowed as a cost formula					LIFO Is allowed for SMEs
IAS7	1992	Cash flow statement required with operating, investing and financing sections					Required for medium sized entities, not for small entities, not driven by IFRS
		Cash and cash equivalents concept				2004	This concept is being applied for medium sized entities, based on IFRS
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment					Retrospective adjustments are required for SMEs
		Material prior period errors require retrospective adjustment					This is required for SMEs
		Change in accounting estimate is adjusted prospectively				2005	All entities are required to account for changes in estimates prospectively, based on IFRS
		Hierarchy of guidance for policies where no IFRS applies					There is no specific guidance regarding an accounting hierarchy

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date					This differentiation applies for all entities, not based on IFRS
	1999	Dividends declared after date are non-adjusting events					There is an option to recognize the proposal of the appropriation of the result of the year in the balance sheet at the end of that year
IAS11	1978	Percentage of completion method for construction contracts					This method is mandatory for medium sized entities and optional for small entities. Small entities can opt for the completed contract method. Not driven by IFRS
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments					Accounting for deferred tax assets and liabilities is mandatory for all entities. Not driven by IFRS
IAS16	1998	Disposal and restoration costs to be included in initial measurement				2005	There is an option to include these costs in the initial investment or to provide for these costs during the useful life of the asset, not driven by IFRS
		Component recognition, depreciation and de-recognition				2005	Required for medium sized entities, not for small entities, IFRS driven
		Fair value for exchange transactions					This concept is being applied for all entities. Not driven by IFRS
		Depreciation method and life to reflect the pattern of consumption of economic benefits					This concept is being applied for all entities. Not driven by IFRS.
		Option for revaluation					SMEs do have this option. Not driven by IFRS
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees					This concept is to be applied by all entities. Not driven by IFRS
		Finance leases to be accounted for as borrowing by lessors					This concept is to be applied by all entities. Not driven by IFRS
		Profit deferral on sale and leasebacks treated as finance leases					This concept is to be applied by all entities

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS18		Revenue recognised at fair value not necessarily same as transaction price					
		Conditions for sale of goods – transfer of risks and rewards etc.					
		Services based on stage of completion etc.					This concept is to be applied by all entities
		Interest – effective interest method					This concept is to be applied by medium sized entities, small entities can opt for the linear method. IFRS driven
		Royalties on accrual					To be applied by all entities
		Dividends when right to receive					To be applied by all entities, not IFRS driven
IAS19	1998	Paid absences accrued when service rendered					To be applied by all entities, not IFRS driven
		Defined benefit (DB) and defined contribution (DC) schemes				Implemented in 2002, rejected in 2009	The Dutch Accounting Standard Board has rejected the IAS 19 Pension accounting model and designated a simplified model called the pension liability approach
	2004	Multi-employer plans can sometimes be treated as DC schemes					n/a, see above
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases					n/a, see above
		Corporate bond discount rate					n/a, see above
		DB schemes: Separation of service cost and interest cost from actuarial gains and losses					n/a, see above
		P&L recognition using the 'corridor' approach or actuarial gains and losses to OCI					n/a, see above
	2011	Corridor approach eliminated					n/a, see above
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged					To be applied by all entities
		Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset					This option is available for all entities

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS21	1993	Functional currency concept					To be applied by all entities, IFRS driven
		P&L items translated at transaction date or period average rates					SMEs are allowed to translate P&L items at the year-end rate
		Monetary assets and liabilities at closing rates					To be applied by all entities, not IFRS driven
		All translation differences to P&L except for retranslation of interest in a foreign operation					To be applied by all entities
IAS23	2007	Elimination of option for immediate write off of interest					This option still exits under Dutch GAAP
IAS28	1989	Associates defined based on significant influence					To be applied by all entities, not IFRS driven
		Equity method of accounting for associates					Associates are accounted for using the net asset value method
IAS29	1989	Non-monetary items are to be restated using a general price index					To be applied by all entities, not IFRS driven
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares					To be applied by all entities in their consolidated accounts. For the separate accounts the legal form is decisive for the presentation as equity or liability
		Split accounting for hybrids					To be applied by all entities
		Treasury shares as a deduction from equity					To be applied by all entities, not IFRS driven
		Offsetting assets and liabilities only when a legal right to do so and intention to settle net					To be applied by all entities, IFRS driven
IAS36	1998	Goodwill etc. tested each year otherwise only if impairment triggered					Only if the useful life of goodwill exceeds a period of 20 years, an estimate of the realisable value must be made each year
		Cash generating unit concept					To be applied by all entities, IFRS driven

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS36		Impairment based on higher of value in use and disposal value					To be applied by all entities, IFRS driven
		Value in use (VIU) – discounted future cash flows					To be applied by all entities
		VIU to reflect variability, uncertainties, time value of money and illiquidity					To be applied by all entities
		Reversal of impairment possible, except for goodwill					To be applied by all entities
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses					To be applied by all entities, IFRS driven
		Constructive obligation concept					To be applied by all entities, IFRS driven
		Transfer to be more likely than not, or disclosure as a contingency					To be applied by all entities
		Risks and uncertainties to be valued					To be applied by all entities
		Time value of money – discounting					This is an option
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated					There is no limitation of recognition to when purchased, all intangible assets must be recognised if certain conditions are met, except for internally generated goodwill.
		Except development costs of new products, services etc. Must be recognised as assets if certain conditions met					Recognition of research costs is not allowed (all entities), development costs must be recognized if certain conditions are met
		Revaluation option					This option is available for all entities, based on the 4th EU Accounting Directive (modernization)

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale					This classification except for the available for sale category and the fair value option is to be applied by all entities, except for small entities
		Derivatives and held-for-trading at fair value through P&L					Medium-sized entities are allowed to measure derivatives at cost, if they hold these derivatives for hedging purposes and use the so-called cost price hedge accounting model. Small entities are allowed to measure all financial instruments at cost
		Equities to be at fair value – except if no reliable measurement					Medium-sized entities are allowed to measure equities at cost, if these are not listed and are not held for trading purposes. Small entities are allowed to measure all equities at cost
		Certain liabilities can be at fair value					This is valid for SMEs only if these liabilities are part of a trading portfolio
		AFS at fair value on balance sheet with historical cost in P&L					This category is not being used in the Netherlands
		Embedded derivatives to be separated from hosts					This is valid for medium-sized entities, no specific rules for small entities
		De-recognition based on risk & reward etc.					This is valid for medium-sized entities, no specific rules for small entities
		Impairments only when there is objective evidence of loss incurred					To be applied by all entities, not IFRS driven

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS39		Hedge accounting classification: fair value, cash flow, net investment					These hedge accounting models can be applied by SMEs, however a simpler hedge accounting model is available in the NL, the so-called cost price hedge accounting model
		Restrictions on hedge accounting: designation, documentation, effectiveness testing					To be applied by all entities, based on IFRS
IAS40	2000	Investment property separately identified.					To be applied by all entities, based on IFRS
		Measure at either fair value through P&L or on cost model					To be applied by all entities, based on IFRS
IAS41	2001	Biological assets at fair value through P&L					
IFRS2	2004	Cost of share-based payments recognised – fair value at grant date					
IFRS3	2004	Acquisition method only – no pooling					Poolings are allowed if certain conditions are met
		Recognition of intangibles separately from goodwill in a business combination					This is not allowed under NL GAAP, if there is no active market for these intangibles
		Impairment only model for goodwill and intangibles with indefinite lives – no amortisation					This is not allowed under NL GAAP, goodwill must be amortized
		Negative goodwill to P&L immediately					Only if there are no expected future losses (caused by the acquisition) or as far as the negative goodwill exceeds the amount of the fair value of the identifiable amount of the depreciable non-monetary fixed assets as acquired
	2009	Exchange of fair values – full goodwill option					This option does not exist under NL GAAP

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS3		Acquisition costs written off					This is not allowed under NL GAAP
		Transactions with NCI are in equity					Results on transactions with NCI's are recognized in the P&L account
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows					Not implemented in NL
		Equities always at fair value					Not implemented in NL
		Own credit risk impacts to OCI					Not implemented in NL
		Hedge accounting revised					Not implemented in NL
		Expected loss model for impairment					Not implemented in NL
IFRS10	2013	Consolidation – new definition of control					Not implemented in NL
IAS31	1990	Joint ventures – either by proportional consolidation or equity method					To be applied for all entities
IFRS11	2013	Joint ventures – purely equity method					Not implemented in NL
		New classification based on a net interest or interest in separate assets					Not implemented in NL

APPENDIX 4, PORTUGAL

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS1	1997						
	2007	Two performance statements (P&L and OCI) or combined		Reduce and simplify models	Reduce and simplify models	2010	Reduce and simplify models for small and micro entities
	2007	Statement of change in equity (SoCE)		Reduce and simplify models	Reduce and simplify models	2010	Except for small and micro entities the statement showing either: (i) all changes in equity; or (ii) changes in equity other than those arising from capital transactions with owners and distributions to owners
	2007	Dividends must be in SoCE not in P&L				2010	
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost				2010	
	1993 and 1975	LIFO not allowed as a cost formula	LIFO not allowed as a cost formula	LIFO not allowed as a cost formula	LIFO not allowed as a cost formula	2010	LIFO not allowed as a cost formula
IAS7	1992	Cash flow statement required with operating, investing and financing sections				2010	
	1992	Cash and cash equivalents concept				2010	
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment	retrospective adjustment	prospective	prospective	2010	Voluntary changes in accounting policy need retrospective adjustment except for small and micro entities which are prospective
	1993	Material prior period errors require retrospective adjustment	retrospective adjustment	prospective	prospective	2010	Material prior period errors require retrospective adjustment, except for small and micro entities, which are prospective

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS8	1993	Change in accounting estimate is adjusted prospectively				2010	
	1993	Hierarchy of guidance for policies where no IFRS applies				2010	
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date				2010	Except for small and micro entities
	1999	Dividends declared after date are non-adjusting events				2010	
IAS11	1978	Percentage of completion method for construction contracts				2010	
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments				2010	Except for small and micro entities
IAS16	1998	Disposal and restoration costs to be included in initial measurement				2010	Except for small and micro entities
	1998	Component recognition, depreciation and de-recognition				2010	
	1998	Fair value for exchange transactions				2010	
	1998	Depreciation method and life to reflect the pattern of consumption of economic benefits.				2010	
	1998	Option for revaluation		Revaluation only if significant the financial statements		2010	Except for small and micro entities

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees				1998	
	1997 and 1982	Finance leases to be accounted for as borrowing by lessors				1998	
	1997 and 1982	Profit deferral on sale and leasebacks treated as finance leases				1998	
IAS18	1993 and 1982	Revenue recognised at fair value not necessarily same as transaction price				2010	
	1993 and 1982	Conditions for sale of goods – transfer of risks and rewards etc.				2010	
	1993 and 1982	Services based on stage of completion etc.				2010	
	1993 and 1982	Interest –effective interest method				2010	
	1993 and 1982	Royalties on accrual				2010	
	1993 and 1982	Dividends when right to receive				2010	
IAS19	1998	Paid absences accrued when service rendered				2010	
	1998	Defined benefit (DB) and defined contribution (DC) schemes				2010	
	2004	Multi-employer plans can sometimes be treated as DC schemes				2010	
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases				2010	
	1998	Corporate bond discount rate				2010	
	1998	DB schemes: Separation of service cost and interest cost from actuarial gains and losses				2010	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS19	1998	P&L recognition using the 'corridor' approach or actuarial gains and losses to OCI				2010	
	2011	Corridor approach eliminated				2010	
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged				2010	
	1983	Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset.				2010	Grants relating to investments are recognized equity
IAS21	1993	Functional currency concept				2005	
	1993	P&L items translated at transaction date or period average rates				2005	
	1993	Monetary assets and liabilities at closing rates				2005	
	1993	All translation differences to P&L except for retranslation of interest in a foreign operation				2005	
IAS23	2007	Elimination of option for immediate write off of interest				2010	Except for micro entities
IAS28	1989	Associates defined based on significant influence				1989	
	1989	Equity method of accounting for associates				1989	Except for micro entities
IAS29	1989	Non-monetary items are to be restated using a general price index				1989	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares					Not applied in Portugal
	1997	Split accounting for hybrids					Not applied in Portugal
	1997	Treasury shares as a deduction from equity					Not applied in Portugal
	1997	Offsetting assets and liabilities only when a legal right to do so and intention to settle net					Not applied in Portugal
IAS36	1998	Goodwill etc. tested each year otherwise only if impairment triggered				2010	
	1998	Cash generating unit concept				2010	
	1998	Impairment based on higher of value in use and disposal value				2010	
	1998	Value in use (VIU) – discounted future cash flows				2010	
	1998	VIU to reflect variability, uncertainties, time value of money and illiquidity				2010	
	1998	Reversal of impairment possible, except for goodwill				2010	
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses				2005	
	1998	Constructive obligation concept				2005	
	1998	Transfer to be more likely than not, or disclosure as a contingency				2005	
	1998	Risks and uncertainties to be valued				2005	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS37	1998	Time value of money – discounting				2005	Except for small and micro entities
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated				2010	
	1998	Except development costs of new products, services etc. Must be recognised as assets if certain conditions met				2010	
	1998	Revaluation option				2010	Except for small and micro entities
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale				2010	Except for small and micro entities
	1999	Derivatives and held-for-trading at fair value through P&L				2010	Except for small and micro entities
	1999	Equities to be at fair value – except if no reliable measurement				2010	Except for small and micro entities
	1999	Certain liabilities can be at fair value				2010	Except for small and micro entities.
	1999	AFS at fair value on balance sheet with historical cost in P&L				2010	Except for small and micro entities
	1999	Embedded derivatives to be separated from hosts				2010	Except for small and micro entities
	1999	De-recognition based on risk & reward etc.				2010	Except for small and micro entities
	1999	Impairments only when there is objective evidence of loss incurred				2010	Except for small and micro entities
	1999	Hedge accounting classification: fair value, cash flow, net investment				2010	Except for small and micro entities
	1999	Restrictions on hedge accounting: designation, documentation, effectiveness testing				2010	Except for small and micro entities

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS40	2000	Investment property separately identified				2010	Except for small and micro entities
	2000	Measure at either fair value through P&L or on cost model				2010	Except for small and micro entities
IAS41	2001	Biological assets at fair value through P&L				2010	Except for micro entities
IFRS2	2004	Cost of share-based payments recognised – fair value at grant date				Not applied in Portugal	
IFRS3	2004	Acquisition method only – no poolings				2010	Except for small and micro entities
	2004	Recognition of intangibles separately from goodwill in a business combination				2010	Except for small and micro entities
	2004	Impairment only model for goodwill and intangibles with indefinite lives – no amortisation	It is possible to armotise the goodwill up to 10 years	It is possible to armotise the goodwill up to 10 years	It is possible to armotise the goodwill up to 10 years	2010	For the ones that are applied is predictable to apply with the directive. However this situation does not apply to small and micro entities
	2004	Negative goodwill to P&L immediately				2010	Except for small and micro entities
	2009	Exchange of fair values – full goodwill option				2010	Except for small and micro entities
	2009	Acquisition costs written off				2010	Except for small and micro entities
	2009	Transactions with NCI are in equity				2010	Except for small and micro entities
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows				Not applied in Portugal	
	2014, but not yet required	Equities always at fair value				Not applied in Portugal	
	2014, but not yet required	Own credit risk impacts to OCI				Not applied in Portugal	
	2014, but not yet required	Hedge accounting revised				Not applied in Portugal	
	2014, but not yet required	Expected loss model for impairment				Not applied in Portugal	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS10	2013	Consolidation – new definition of control				Not applied in Portugal	
IAS31	1990	Joint ventures – either by proportional consolidation or equity method				2010	Except for small and micro entities
IFRS11	2013	Joint ventures – purely equity method				Not applied in Portugal	
	2013	New classification based on a net interest or interest in separate assets				Not applied in Portugal	

APPENDIX 5, SPAIN

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS1	1997						Not allowed
	2007	Two performance statements (P&L and OCI) or combined.				2008	General Accounting Plan
		Statement of change in equity (SoCE)				2016	New Auditing Law (2015)
		Dividends must be in SoCE not in P&L				1990	It was required by older laws but not driven by IFRS
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost				1990	It was required by older laws but not driven by IFRS
		LIFO not allowed as a cost formula				2008	General Accounting Plan
IAS7	1992	Cash flow statement required with operating, investing and financing sections				2008	General Accounting Plan
		Cash and cash equivalents concept				2008	General Accounting Plan
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment				2008	General Accounting Plan
		Material prior period errors require retrospective adjustment				2008	General Accounting Plan
		Change in accounting estimate is adjusted prospectively				2008	General Accounting Plan
		Hierarchy of guidance for policies where no IFRS applies				2008	General Accounting Plan
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date				1990	It was required by older laws but not driven by IFRS
	1999	Dividends declared after date are non-adjusting events					Not allowed
IAS11	1978	Percentage of completion method for construction contracts				1990	It was required by older laws but not driven by IFRS
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments				2008	General Accounting Plan

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS16	1998	Disposal and restoration costs to be included in initial measurement				2008	General Accounting Plan
		Component recognition, depreciation and de-recognition				2008	General Accounting Plan
		Fair value for exchange transactions				2008	General Accounting Plan
		Depreciation method and life to reflect the pattern of consumption of economic benefits				1973	It was required by older laws but not driven by IFRS
		Option for revaluation				1981-1983-1996-2013	Only by law. It is only allowed when a specific law is publisheded allowing it, otherwise it is not allowed
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees				1990-2008	In the 1990 General Accounting Plan finance leases were capitalised as Intangible assets. In the new General Accounting Plan due to IFRS influences the finance leases is capitalised as fixed assets
		Finance leases to be accounted for as borrowing by lessors				2008	General Accounting Plan
		Profit deferral on sale and leasebacks treated as finance leases				1990	It was required by older laws but not driven by IFRS
IAS18	1993 and 1982	Revenue recognised at fair value not necessarily same as transaction price				2008	General Accounting Plan
		Conditions for sale of goods – transfer of risks and rewards etc.				2008	General Accounting Plan
		Services based on stage of completion etc.				1990	It was required by older laws but not driven by IFRS
		Interest –effective interest method				2008	General Accounting Plan
		Royalties on accrual				1990	It was required by older laws but not driven by IFRS
		Dividends when right to receive				1990	It was required by older laws but not driven by IFRS
IAS19	1998	Paid absences accrued when service rendered				2008	General Accounting Plan
		Defined benefit (DB) and defined contribution (DC) schemes				2008	General Accounting Plan

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS19	2004	Multi-employer plans can sometimes be treated as DC schemes				2008	General Accounting Plan
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases				2008	General Accounting Plan
		Corporate bond discount rate				2008	General Accounting Plan
		DB schemes: Separation of service cost and interest cost from actuarial gains and losses				2008	General Accounting Plan
		P&L recognition using the 'corridor' approach or actuarial gains and losses to OCI				2008	General Accounting Plan
	2011	Corridor approach eliminated				2013	Included in Spanish laws adopting the new requirements of IAS 19
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged				1990	It was required by older laws but not driven by IFRS
		Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset					Not allowed
IAS21	1993	Functional currency concept				2008	General Accounting Plan
		P&L items translated at transaction date or period average rates				1990	It was required by older laws but not driven by IFRS
		Monetary assets and liabilities at closing rates				1990	It was required by older laws but not driven by IFRS
		All translation differences to P&L except for retranslation of interest in a foreign operation				2008	General Accounting Plan
IAS23	2007	Elimination of option for immediate write off of interest				2008	General Accounting Plan
IAS28	1989	Associates defined based on significant influence				2008	General Accounting Plan
		Equity method of accounting for associates				1991	It was required by older Consolidation rules but not driven by IFRS
IAS29	1989	Non-monetary items are to be restated using a general price index					Not allowed

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares				2008	General Accounting Plan. SMEs and micros can simplify voluntarily using their GAP. This disclosure is not required
		Split accounting for hybrids				2008	General Accounting Plan
		Treasury shares as a deduction from equity				2008	General Accounting Plan
		Offsetting assets and liabilities only when a legal right to do so and intention to settle net				2008	General Accounting Plan
IAS36	1998	Goodwill etc. tested each year otherwise only if impairment triggered				2008	General Accounting Plan
		Cash generating unit concept				2008	General Accounting Plan
		Impairment based on higher of value in use and disposal value				2008	General Accounting Plan
		Value in use (VIU) – discounted future cash flows				2008	General Accounting Plan
		VIU to reflect variability, uncertainties, time value of money and illiquidity				2008	General Accounting Plan
		Reversal of impairment possible, except for goodwill				2008	General Accounting Plan
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses				2008	General Accounting Plan
		Constructive obligation concept				2008	General Accounting Plan
		Transfer to be more likely than not, or disclosure as a contingency				2008	General Accounting Plan
		Risks and uncertainties to be valued				2008	General Accounting Plan
		Time value of money – discounting				2008	General Accounting Plan
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated				2008	General Accounting Plan
		Except development costs of new products, services etc. Must be recognised as assets if certain conditions met					Research expenses can be capitalised under certain conditions. Development expenses must me capitalised if conditions are met
		Revaluation option					Not allowed

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale				2008	General Accounting Plan – The classification of financial instruments is simplified for SMEs and micros and only are included the categories: held to maturity, loans and receivables and held for trading. The costs can be included directly in gains or losses
		Derivatives and held-for-trading at fair value through P&L				2008	General Accounting Plan
		Equities to be at fair value – except if no reliable measurement				2008	General Accounting Plan
		Certain liabilities can be at fair value				2008	General Accounting Plan
		AFS at fair value on balance sheet with historical cost in P&L				2008	General Accounting Plan
		Embedded derivatives to be separated from hosts				2008	General Accounting Plan
		De-recognition based on risk & reward etc.				2008	General Accounting Plan
		Impairments only when there is objective evidence of loss incurred				2008	General Accounting Plan
		Hedge accounting classification: fair value, cash flow, net investment				2008	General Accounting Plan
		Restrictions on hedge accounting: designation, documentation, effectiveness testing				2008	General Accounting Plan
IAS40	2000	Investment property separately identified				2008	General Accounting Plan
		Measure at either fair value through P&L or on cost model					Not allowed. Only cost model
IAS41	2001	Biological assets at fair value through P&L					Not applied in Spain. Only valuation at cost
IFRS2	2004	Cost of share-based payments recognised – fair value at grant date				2008	General Accounting Plan
IFRS3	2004	Acquisition method only – no poolings				2008	General Accounting Plan
		Recognition of intangibles separately from goodwill in a business combination				2008	General Accounting Plan
		Impairment only model for goodwill and intangibles with indefinite lives – no amortisation				2016	New Auditing Law 2015 Amortisation of goodwill in all cases for all companies, change to definite useful life

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS3		Negative goodwill to P&L immediately				2008	General Accounting Plan
	2009	Exchange of fair values – full goodwill option				2010	Included in Spanish laws adopting the requirements of IFRS3 (RD 1159/2010 Normas para la formulación de las cuentas anuales consolidadas). To be SMEs or micros they can´t elaborate consolidated accounts, so it is not applicable
		Acquisition costs written off					
		Transactions with NCI are in equity					
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
		Equities always at fair value					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
		Own credit risk impacts to OCI					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
		Hedge accounting revised					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
		Expected loss model for impairment					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
IFRS10	2013	Consolidation – new definition of control					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS31	1990	Joint ventures – either by proportional consolidation or equity method					It was required by older laws but not driven by IFRS
IFRS11	2013	Joint ventures – purely equity method					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws
		New classification based on a net interest or interest in separate assets					These requirements are not allowed or applied to SMEs because they have not yet been incorporated in the Spanish laws

APPENDIX 6, UNITED KINGDOM

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS1	1997						
	2007	Two performance statements (P&L and OCI) or combined	FRS3 previously required two statements continued with FRS102 which now allows combination as well	FRSSE had two statements. FRS102 now requires just a P&L, but with fair value changes and revaluations disclosed in notes	FRS105 requires just a P&L but allows no fair values or revaluation	1992	FRSSE had two statements via UK GAAP – P&L and Statement of total recognised gains and losses (STRGL)
		Statement of change in equity (SoCE)	For medium SoCE can be combined with P&L in many cases – as in IFRS for SMEs			From 2015 for medium. Does not apply to small or micro	Though not presented as a separate statement, the equivalent information was provided by notes to the accounts on share capital and reserves movements. Under the new accounting directive neither these note disclosures nor a SoCE can be specifically required for small or micro
		Dividends must be in SoCE not in P&L	Previous UK GAAP allowed dividends in the P&L. From 2015 must be in SoCE	No disclosure of dividends required	No disclosure of dividends required	From 2005, but only until 2016	See above. The disclosure of dividends will not be required from 2016
IAS2	1993 and 1975	Cost of conversion including relevant overheads to be included in inventory cost				1997	
		LIFO not allowed as a cost formula				1997	
IAS7	1992	Cash flow statement required with operating, investing and financing sections	Cash flow statement was required by FRS1 (though headings were different). Now fully aligned by FRS102	Not required previously by the FRSSE nor from 2016 by FRS102	Not required previously by the FRSSE nor from 2016 by FRS105	Not for small or micros. Is required for medium	Under the new accounting directive this cannot be required
		Cash and cash equivalents concept	FRS1 had cash and liquid resources presented separately. Aligned with IFRS from 2015	No cash flow statement	No cash flow statement	Not for small or micros. Is required for medium	Not applicable

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS8	1993	Voluntary changes in accounting policy need retrospective adjustment				1997	
		Material prior period errors require retrospective adjustment				1997	Previous UK GAAP had fundamental errors
		Change in accounting estimate is adjusted prospectively				2016 (1997)	The application of this principle to depreciation is required, but otherwise not specifically mentioned (NSM) in FRSSE. But was in full UK GAAP. Aligned in FRS102 and FRS105
		Hierarchy of guidance for policies where no IFRS applies			Not now required in FRS105	1997	Not the same hierarchy as IFRS. Reference was to UK GAAP until 2015. Now a reference to IFRS. Will not be required for micros
IAS10	1978	Adjusting and non-adjusting events after the balance sheet date				1997	
	1999	Dividends declared after date are non-adjusting events				2016 (2005)	NSM in FRSSE, but is in full UK GAAP
IAS11	1978	Percentage of completion method for construction contracts				1997	Was required by SSAP9 and the FRSSE. Continues with FRS102 and 105
IAS12	1996	Deferred tax assets and liabilities created using the liability method based on temporary differences between accounting and tax treatments			Deferred tax accounting not allowed under FRS105	1997 and amended in 2016	Pre-2016 deferred tax based on timing differences expected to reverse and excluded revaluations. From 2016 based on all temporary differences (other than permanent) including revaluations

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS16	1998	Disposal and restoration costs to be included in initial measurement				2016	NSM in FRSSE, but in full UK GAAP from 2000
		Component recognition, depreciation and de-recognition				2016	NSM in FRSSE, but in full UK GAAP from 2000
		Fair value for exchange transactions				2016	Only required in FRSSE for assets received as gifts or donations
		Depreciation method and life to reflect the pattern of consumption of economic benefits				1997	
		Option for revaluation			Revaluation not allowed under FRS105	1997	
IAS17	1997 and 1982	Finance leases to be capitalised as assets and liabilities and accounted for as borrowing by lessees				1997	
		Finance leases to be accounted for as borrowing by lessors				1997	
		Profit deferral on sale and leasebacks treated as finance leases				1997	
IAS18	1993 and 1982	Revenue recognised at fair value not necessarily same as transaction price				2005	
		Conditions for sale of goods – transfer of risks and rewards etc.				2016	From 2005 FRSSE referred to point when right to the consideration acquired. Now aligned by FRS102 and 105
		Services based on stage of completion etc.				2005	
		Interest –effective interest method				2016	NSM in FRSSE now in FRS102/105

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS18		Royalties on accrual				2016	NSM in FRSSE now in FRS102/105
		Dividends when right to receive				2016	NSM in FRSSE now in FRS102/105
IAS19	1998	Paid absences accrued when service rendered				2016	
		Defined benefit (DB) and defined contribution (DC) schemes				2005	Micro companies will be able to account for DB plans as DC
	2004	Multi-employer plans can sometimes be treated as DC schemes			Micro companies will be able to account for DB plans as DC	2016	In full UK GAAP from 2015
	1998	Actuarial assessment of liability – projected unit credit – including future salary increases			Micro companies will be able to account for DB plans as DC	2005	
		Corporate bond discount rate				2005	
		DB schemes: Separation of service cost and interest cost from actuarial gains and losses			Micro companies will be able to account for DB plans as DC	2005	
		P&L recognition using the ‘corridor’ approach or actuarial gains and losses to OCI				No	UK GAAP never allowed corridor approach
	2011	Corridor approach eliminated				2005	UK GAAP never allowed corridor approach

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS20	1983	Grants to be recognised in P&L in the periods when the related costs are charged	FRS102 allows grants to be recognised either in full when entitled (from IFRS fro SMEs) or on the accruals approach	FRS102 allows grants to be recognised either in full when entitled (from IFRS fro SMEs) or on the accruals approach	FRS105 requires the accruals approach	1997	SSAP4 and FRSSE required a matching of grants and revenue (accruals approach) including deferral for capital grants
		Grants relating to a future expense may be shown either as deferred income or as a deduction against the cost of the asset				1997	Deduction against cost of asset not permitted
IAS21	1993	Functional currency concept				2016	
		P&L items translated at transaction date or period average rates				1997	Option to use closing rate for the consolidation of foreign subsidiaries was in SSAP20
		Monetary assets and liabilities at closing rates			FRS105 requires contracted rate to be used	2015	SSAP20 required the use of contracted rates (i.e. in forward contracts). FRS102 now fully aligned (including hedge accounting)
		All translation differences to P&L except for retranslation of interest in a foreign operation			Refers to FRS102	1997	
IAS23	2007	Must capitalise interest cost on assets taking longer periods to construct. Elimination of option for immediate write off of interest	Choice of immediate write-off or capitalisation will remain in FRS102	Choice of immediate write-off or capitalisation will remain in FRS102	Micros will have to write-off as incurred	No	UK GAAP including FRSSE had option for either treatment
IAS28	1989	Associates defined based on significant influence				1997	
		Equity method of accounting for associates			FRS105 requires measurement at cost	1997	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS29	1989	Non-monetary items are to be restated using a general price index			Consolidation not allowed for micros	2016	NSM in FRSSE, but by implication could have used either this approach or use a 'strong' functional currency
IAS32	1997	Debt-equity distinction based on a contractual obligation to deliver a financial asset – e.g. redeemable interests and preference shares				2007	
		Split accounting for hybrids				2016	NSM in FRSSE, but in full UK GAAP and now in FRS102 & 105
		Treasury shares as a deduction from equity				2016	NSM in FRSSE, but in full UK GAAP and now in FRS102 & 105
		Offsetting assets and liabilities only when a legal right to do so and intention to settle net				2016	NSM in FRSSE, but in full UK GAAP and now in FRS102 & 105
IAS36	1998	Goodwill and indefinite life intangibles tested each year. Other assets only if impairment triggered				No	Impairment of goodwill only when triggered
		Cash generating unit concept				2016	NSM in FRSSE, but in full UK GAAP
		Impairment based on higher of value in use and disposal value				1998	From FRS11 in UK GAAP
		Value in use (VIU) – discounted future cash flows				1998	
		VIU to reflect variability, uncertainties, time value of money and illiquidity				2016	NSM in FRSSE, but in full UK GAAP
		Reversal of impairment possible, except for goodwill				1998	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS37	1998	Strict definition of a liability applied – unavoidable obligation to transfer assets. Specifics: restructuring provisions, onerous contracts, but not future operating losses				1998	Definition from FRS12 in UK GAAP, but specific instances not mentioned in FRSSE, but are included in FRS102 & 105
		Constructive obligation concept				1998	
		Transfer to be more likely than not, or disclosure as a contingency				1998	
		Risks and uncertainties to be valued				2016	NSM in FRSSE, but in full UK GAAP and now in FRS102 & 105
		Time value of money – discounting				1998	
IAS38	1998	Recognition of intangible assets limited to when purchased, not internally generated				1998	From FRS10 in UK GAAP
		Exception to above: development costs of new products, services etc. must be recognised as assets if certain conditions met	FRS102 includes an option to capitalise or for immediate write off	FRS102 includes an option to capitalise or for immediate write off	FRS105 requires all development costs to be written off immediately	No	FRSSE and SSAP13 both included an option to capitalise not a requirement
		Revaluation option in limited cases			Not permitted for micros	2016	
IAS39	1999	Classification of financial instruments – held to maturity, loans & receivables, held for trading, fair value option and available for sale			Financial instruments at cost less impairment	No	From 2016 there will be the classifications from IFRS for SMEs in FRS102
		Derivatives and held-for-trading at fair value through P&L			Derivatives at cost less impairment	2016	Was optional in previous UK GAAP. FRS102 now aligned. Not permitted for micros

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IAS39		Equities to be at fair value – except if no reliable measurement				2016	Was optional in previous UK GAAP. FRS102 now aligned. Not permitted for micros
		Certain liabilities can be at fair value				2016	Will be for accounting mismatches only
		AFS at fair value on balance sheet with historical cost in P&L				No	
		Embedded derivatives to be separated from hosts				No	
		De-recognition based on risk & reward etc.				2016	
		Impairments only when there is objective evidence of loss incurred				2016	No specific guidance in UK GAAP beyond the requirements of the 4th Directive
		Hedge accounting classification: fair value, cash flow, net investment			No hedge accounting. Foreign currency items at contracted rates	2016	The equivalent system as in IFRS for SMEs. Previously used contracted rates for monetary items in foreign currency
		Restrictions on hedge accounting: designation, documentation, effectiveness testing				2016	Effectiveness as a principle only – as in IFRS for SMEs
IAS40	2000	Investment property separately identified				1997	
		Measure at either fair value through P&L or on cost model			Fair value not permitted for micros	2016	SSAP19 and FRSSE required fair value through OCI. From 2016 in FRS102 fair value through P&L
IAS41	2001	Biological assets at fair value through P&L			Fair value not permitted for micros	2016	But cost model fall back as in IFRS for SMEs when fair value not readily obtainable. Micros will not be able to use fair value
IFRS2	2004	Cost of equity-settled share-based payments recognised – fair value at grant date			No requirement for micro companies	2016	Disclosure only approach in FRSSE since 2007

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS3	2004	Acquisition method only – no poolings. NB combinations under common control are outside scope of IFRS3		Applies to purchase of business only as no consolidation requirement	Applies to purchase of business only as no consolidation requirement	2016	FRS6 allowed merger accounting (poolings of interest) in some circumstances. New FRS102 aligned
		Recognition of intangibles separately from goodwill in a business combination			No requirement for micro companies	2016	
		Impairment only model for goodwill and intangibles with indefinite lives – no amortisation				No	Amortisation of goodwill in all cases
		Negative goodwill to P&L immediately				2016	Amortisation approach previously in full UK GAAP
	2009	Exchange of fair values – full goodwill option				No	
		Acquisition costs written off				No	
		Transactions with NCI are in equity			FRS105 cannot be applied if micro prepares consolidated accounts	2016	For small no consolidation requirement so this is of voluntary application only
IFRS9	2014, but not yet required	Classification and measurement of financial instruments – business model and nature of cash flows			All financial instruments at cost less impairment	2016	Principles largely incorporated into FRS102
		Equities always at fair value				No	
		Own credit risk impacts to OCI				No	
		Hedge accounting revised			No hedge accounting in FRS105	2016	New hedge accounting model is included in FRS102
		Expected loss model for impairment				No	

IFRS	Date published	Main changes	Medium-sized	Small	Micro	Date Applied to SMEs	Comment or notes
IFRS10	2013	Consolidation – new definition of control	FRS102 uses the previous definition of control	Small companies not required to prepare consolidated accounts	FRS105 cannot be applied if micro prepares consolidated accounts	No	
IAS31	1990	Joint ventures – either by proportional consolidation or equity method in consolidated accounts				No	
IFRS11	2013	Joint ventures – purely equity method in consolidated accounts		No consolidation requirement	FRS105 cannot be applied if micro prepares consolidated accounts	1997	
		New classification based on a net interest or interest in separate assets				No	

Contact Address / Imprint

European Federation of Accountants and Auditors
for Small- and Medium-Sized Enterprises (EFAA)
4, Rue Jacques de Lalaingstraat
B-1040, Brussels, Belgium
T +32 2 736 88 86, F +32 2 736 29 64
info@efaa.com, www.efaa.com, @EFAAforSMEs