

Medium, large and group parent companies to file accounts soon (1/28/19)

The Company and Consolidated Accounts Act requires that medium, large and group parent companies preparing consolidated accounts should post an electronic copy of their company and consolidated accounts on the Electronic Declaration System (EDS) of the State Revenue Service (SRS) within seven months after the end of the financial year, along with a statement of when those accounts were approved.

Changes affecting the preparation of accounts for 2018

Changes mainly affect entities preparing their financial statements to international accounting standards adopted under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. These are large companies exceeding at least two of the following three thresholds at their balance sheet date:

1. a balance sheet total of €20m;
2. a net revenue of €40m;
3. an average headcount of 250 in the financial year.

International accounting standards are taken to mean not only the International Accounting Standards (IAS) but also the International Financial Reporting Standards (IFRS) and their interpretations provided by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee, any subsequent amendments to those standards and their interpretations, as well as any future standards and their interpretations provided or adopted by the International Accounting Standards Board.

Breaking down and adding certain items

Section 11(3) of the Company and Consolidated Accounts Act provides that companies preparing a particular component of their financial statements to IAS may break down any items designated by Arabic numerals within a particular scheme or add a new item designated by an Arabic numeral or by a letter if a particular IAS requires its disclosure in that component or if this is necessary for giving a true and fair view.

For example, under IFRS 16 *Leases* effective from 1 January 2019, financial statements should present right-of-use assets separately from other assets and lease liabilities separately from other liabilities. In the profit and loss account, interest expenses on a lease liability should be presented separately from depreciation charges for a right-of-use asset.

Companies preparing their accounts (consolidated accounts) under the Company and Consolidated Accounts Act are also permitted to break down any items designated by Arabic numerals or to add a new item designated by an Arabic numeral or by a letter if this is necessary for giving a true and fair view and if the content of that item is not included in any of the items of the relevant scheme.

The form of an electronic copy of the notes to the accounts

The structured form of the notes is prescribed by an appendix to the Cabinet of Ministers' Regulation No. 399, *The form of an electronic copy of company or consolidated accounts*. When preparing their accounts for 2018, companies can no longer avoid completing the EDS form of an electronic copy of the notes to the accounts, as was permitted for the 2016 and 2017 accounts. An exception is companies preparing their company or consolidated accounts to international accounting standards. Those companies may file an electronic copy of the notes to the accounts prepared in paper form.

We must add that for accountants the notes to the accounts are a long-standing template developed over the years that best suits the company's needs and allows it to give the fairest view of its business. The notes are updated each year by making any minor adjustments required by the latest legislative amendments, but overall the accountant is used to completing it each year. The EDS notes developed by the SRS may raise the question of whether they should include the entire information given in the company's hardcopy notes because that information is sometimes more detailed than required by the EDS notes. As a result, the accountant in fact needs to complete two sets of notes: one for the company's purposes and the other for SRS purposes. This is a matter for discussion with the Finance Ministry as a body that drafts legislation to find a solution that eases the administrative burden on those who prepare and audit financial statements, as well as CEOs.