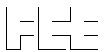


Fédération des Experts Comptables Européens

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ACCOUNTING STANDARD SETTING IN EUROPE

December 2000



This study has been prepared under the responsibility of FEE's Accounting Working Party. The paper describes the situation as per 30 September 2000. Although carefully checked, neither FEE nor its Member Bodies can accept responsibility for the correctness of the description of the national circumstances. It is intended to provide a factual overview without assessment of the merits of each of the systems and without comparing the systems with each other.



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1. INTRODUCTION

In October 1999, FEE published a Discussion paper on a Financial Reporting Strategy within Europe. During the discussions establishing this paper and also in follow-up discussions, it became clear that there was no clear overview of the accounting standard setting bodies in Europe and also no clear picture of the various existing enforcement mechanisms in Europe. Therefore, FEE decided to carryout two surveys, one on accounting standard setting, and one on enforcement mechanisms in order to obtain the necessary background information. The surveys are factual and descriptive in nature and do not conclude on the merits of one system compared to another. This study concerns accounting standard setting in Europe. It hopes to contribute to a better understanding of the structure, membership and type of standards in the financial reporting fielding the various European countries.

Since then, informal coordination of the five (E5) standard setters has been established. The June 2000 Commission Communication "EU Financial Reporting Strategy: the way forward" envisages standard setters will play an important role within the technical level of the endorsement mechanism. Clear accounting standards are an important element of the enforcement infrastructure.

In section 2 the study provides general information about the accounting standard setting bodies in Europe. Further details, e.g. a description of each national standard setter; the background of current members of the Boards of standard setters; the bodies with the right to nominate members of the Boards of standard setters; and the parties involved in funding of the standard setters, are given in the appendices hereto. The study focuses on the standard setting concerning accounting standards for consolidated financial statements, where such a differentiation can be made. The detailed country descriptions in the appendix may also give some information about standard setting concerning individual financial statements for some countries.

2. ACCOUNTING STANDARD SETTING BODIES INEUROPE¹

In this paper, we define the term "standard setting body" very broadly. The meaning here ranges from a body issuing standards applicable to all companies and recognised in law (e.g. as in the UK) to an informal grouping for the discussion of issues related to accounting rules. Within this broad meaning, all countries in Europe have some form of standard setting body. Although their structure and method of operation differ between countries. Some of the standard setters are private organisations; others are public bodies. Sweden has two standard setters, one private and one public body.

Most of the private standard setters involve directly in the standard setting process various private sector parties², including often:

¹ See for a more detailed analysis Appendix I Background Information on Standard Setting Bodies in Europe.

² See for a more detailed overview Appendix IIa – a Background of current members of Board of standard setting bodies and Appendix IIb – Bodies with the right to nominate members of the Boards of standard setting bodies and Appendix IIc on funding.



- accountancy profession³
- preparers
- stock exchange
- academics

but also in less frequent cases:

- users
- financial analysts.

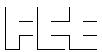
Many of the public bodies also involve the above mentioned private parties and, in addition, the stock market regulator and other regulators, the tax administration and other governmental departments. In some countries, a distinction is drawn between the actual decision making members of the standard setter, those who have the right to appoint members in the board of standard setters, and those who provide the funding. In some countries, there are no specific rules for the appointment of the members of the Board of standard setters (Germany, UK and Czech Republic).

The funding of the standard setters differs widely. Where the standard setters are private organisations, the accountancy profession³ (institutes and/or individual members of the institutes) contributes in all cases in the funding of the standard setters. In some countries, the accountancy profession is the only source of finance whereas in others business, stock exchange and occasionally government also contributes. Contribution in time is in many cases much more important than the cash contribution. In Sweden, the stock exchange is the major source of finance. Public organisations are in most cases totally financed by the government. However, there is usually a large contribution in time by representatives of various organisations. Also some private organisations have government funding. See for details appendix II c).

The scope of standard setting differs widely. For example, in some countries the standards developed by the standard setter apply only to consolidated financial statements. Furthermore, in some countries, the standards issued by the standard setters apply only to consolidated financial statements of listed companies, but not of other companies. Some standard setters are only responsible for developing accounting standards for commercial and industrial companies, where in other countries the scope of standard setting may also cover specialised industries and the public sector entities. Furthermore, standards have a different status and meaning in different countries, in particular as to whether they are considered as being mandatory. In some countries, the standards are referred to by law and form part of the legal framework. In other countries, the standards do not form part of the legal framework and are in that sense not mandatory although companies need good reasons to deviate from these standards. They can provide interpretations of the law, be complementary to the law or indicate preferred options.

One measure as to whether standards are considered effectively mandatory is whether the auditor would normally qualify his/her report if the standards are deviated from. In some countries, standard setters are given the power to set standards by law; in other countries this is not the case. Accounting standards are effectively mandatory for listed companies if they are

³ Accountancy profession may have a different meaning in different countries. In some countries, only auditors are meant whereas in other countries it comprises also accountants in the broader senses, including those working in industry.



required by the stock exchanges. In a number of countries, in addition to standards, professional guidance is issued, which is usually not mandatory in nature but form a different category of rules.

Generally, this paper has not focused on standards that are implicit into national legislation. The term "standard" is used in this paper in a broad way. In some countries, standards include only recommendations whereas in others, standards have the status of law.

In a number of countries, there is a process of convergence between national standards and IAS, in particular in case of the consolidated accounts. In an increasing number of countries, it is indicated where and how the national accounting standards differ from IAS. However, standard setters have to operate within the framework set by the company law (national and European). In a number of countries, notably UK and Portugal, there is a tendency to provide only a broad legal framework and refer for details to the accounting standards. In the law, the general principles for proper accounting are referred to. The standard setter is officially mentioned in the law. In other countries, a similar discussion takes place and might form a trend for the future.

Every standard setter operates a defined due process in establishing standards. This due process normally includes a wide consultation of all stakeholders. For most standard setters, this due process is formalised. It includes normally issuing exposure drafts and other consultation papers. The due process may differ from country to country.

Most of the standard setters have relationships, direct or indirect, with government, accountancy profession, preparers, stock exchanges (in case of public bodies with the stock exchange regulator), shareholders, and other users and some other stakeholders. The nature of the relationship varies from membership of the standard setter to formal consultation in the standard setting process.

A number of countries operate an urgent issues task force type of activity where they provide guidance and interpretations in relation to urgent issues that need clarification. Most standard setters provide interpretations of their own accounting standards. A number of standard setters, mostly public organisations, provide also interpretations of the law and legal environment. In all circumstances, standards have often a practical background in that they are meant to solve problems that occurred in practice. It is not always possible to differentiate between an urgent issues task force type of activity and a more general interpretation activity. In most cases, interpretations have a similar status as the standards. For instance in the UK, deviations from pronouncements of the Urgent Issues Task Force would also be open to query by the Review Panel in a similar way as the accounting standards.

The apparent differences in structure and in operation between standard setters in Europe may in itself have formed a barrier so far to a European coordination of standard setters and be a reason why there is currently not such formal coordination. However, recent developments, new organisation of IASC, the Commission communication on the "EU Financial Reporting Strategy – the way forward" calling for endorsement mechanism, put pressure on standard setters to organise some form of European coordination.

Below a summary schedule is presented based on Appendix I.



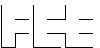
SUMMARY INFORMATION ON STANDARD SETTING BODIES

Standard S	Setting Body	Urgent Issues Task Force Activity				
Private	Public	Yes	No			
Austria Denmark Germany Italy Netherlands Norway Slovenia Sweden ⁴ Switzerland UK/Ireland	Belgium Czech Republic ⁵ Finland France Hungary Luxembourg ⁶ Portugal Romania Spain Sweden ⁴	Czech Republic Finland France Italy Portugal Slovenia Sweden Switzerland UK/Ireland	Austria Belgium Denmark Germany Hungary Luxembourg Netherlands Norway Romania Spain			

⁴ Sweden has two standard setting bodies.

⁵ Standards promulgated by government department, body is only composed of civil servants.

⁶ Only standard setting for financial sector by government department, board is only composed of civil servants.



APPENDIX I

BACKGROUND INFORMATION ON STANDARD SETTING BODIES IN EUROPE

As background information to the financial reporting strategy debate, FEE has carried out a limited survey in relation to standard setting bodies in order to obtain a better understanding of the standard setting process in Europe.

In addition to the EU countries (all except Greece), information is provided on Norway, Switzerland, the Czech Republic, Hungary, Romania and Slovenia.

AUSTRIA

Name

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Tel: + 43 (1) 811 73 Fax: + 43 (1) 811 73 1 00

Fachsenat für Handelsrecht und Revision (Board of Experts within the Austrian Chamber of Public Accountants) Kammer der Wirtschaftstreuhänder Schönbrunner Straße 222-228/1 A – 1120 WIEN

Tel: + 43 (1) 811 73 Fax: + 43 (1) 811 73 100

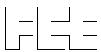
Nature

Both Austrian standard setting bodies are private bodies. The members of the technical committees of the Austrian Chamber of Public Accountants are appointed by the board of the Chamber, the members of the working groups of the Institute by the board of the Institute.

The expert opinions are not mandatory, but strongly recommended. Departures from these expert opinions and the reasons to depart must be justified by the company if challenged in court.

Funding

There is no formal budget and there are no separate financial statements. All participants are volunteers and are mostly practising auditors. Sometimes professors of universities are also members of working parties. Secretariat assistance is provided by the Chamber.



Relationships

Government: there is no relationship between the two Austrian bodies of standard setters and the government. Both standard setters are incorporated in the process of new legislations.

Stock exchange: the stock exchange itself is not represented in the Austrian standard setting bodies.

Accountancy profession: the members of the Austrian standard setting bodies mostly consist of practicing auditors. Every Austrian auditor is a member of the Austrian Chamber of Accountants (membership is obligatory for all professionals) while membership of the Institute is on a voluntary basis.

Other stakeholders: professors of universities are also members of working parties and sometimes preparers.

Interpretation

Partly the activity of both groups consists in interpretations of legal regulations. If urgent issues are emerging, there will be additional meetings but there is no separate urgent issues task force.

BELGIUM

Name

Commission des Normes Comptables (CNC) avenue Louise 99
B - 1050 BRUSSELS

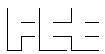
Tel: +32 (2) 535 24 39 Fax: +32 (2) 535 24 25

Chairman: Jean-Pierre MAES

Nature

<u>Public body</u>, created by the law of 17 July 1975 on the Accounting. Detailed organisation rules are included in a Royal Decree (last version n°99-423 dated 14 January 1999). The CNC has 16 members:

- One member from the Commission Bancaire et Financière (The Banking and Finance Commission is the Stock Exchange supervisor)
- One member from the Conseil de l'Office des Contrôle des Assurances (insurance supervisory authorities)
- Three members representing professional Institutes (IRE IEC IPCF)
- Four members presented by representative organisations of the industry and the trade unions
- One member appointed by SME Ministry from the SME representative organisations
- Two members appointed by the Ministry of Finance from the tax administration
- Four members because of their special expertise in financial reporting



The standards are <u>not mandatory</u> but strongly recommended. The standards apply to commercial companies but not to banks, financial institutions and insurance undertakings.

Funding

The standard setter is funded by a special contribution paid by companies on the occasion of the publication of their annual financial statements.

Relationships

Government: CNC prepares in the area of accounting and financial reporting amendments to the law or regulations for the government. Usually, the president of CNC represents the State at European financial reporting level on behalf of the government (e.g. Contact Committee).

Stock exchange: the stock exchange itself is not represented in CNC, whereas the stock market regulator is represented.

Accountancy profession: each of the three Belgian institutes have one seat in CNC (total 16 seats).

Other stakeholders: five out of the 16 seats at the CNC are reserved for social partners and enterprises. The tax administration has officially two out of 16 seats. Also the insurance supervisor has one seat.

Interpretation

CNC does neither operate an urgent issues task force type of activity nor an interpretation committee type of activity.

DENMARK

Name

Danish Accounting Standards Committee (DASC), FSR Kronprinsessegade 8 DK - 1306 COPENHAGEN K

Fax: + 45 33 11 09 13 Email: fsr @ fsr.dk Website: www.fsr.dk Chairman: Per Gunsley

Nature

<u>Private body</u> established by FSR in which the accountancy profession is involved.

All plans to issue new standards, exposure drafts and drafts to final standards are presented to the Accounting Advisory Panel in which the following organisations are represented:

- Confederation of Danish Industries Danish Bankers' Association
- Danish Ship Owners' Association
- Danish Securities Dealers' Association
- Danish Labour Market Supplementary Pension and Employees Capital Pension Fund jointly
- The Danish Insurance and Pension Schemes Association and the Association of Company Pension Funds jointly
- The Association of Public Registered Accountants.

Furthermore, the Copenhagen Business School (the academics) participate in the Accounting Advisory Panel as technical advisor for the panel.

Each representative in the Accounting Advisory panel has the power to express an opinion in the introduction to each standard on whether they agree with the standard or not.

The standards are <u>mandatory</u> for <u>listed</u> companies. The standards form part of Danish GAAP. It is encouraged that all enterprises follow the standards, especially enterprises of a certain public interest.

The standards do not cover financial institutions as banks and insurance but are in practice followed by these enterprises if not in conflict with the law.

A new Danish Annual Accounts Act will be presented for the Parliament in 2000/2001 and is expected to become effective from 1 January 2002. In this connection an independent standard setting body is expected to be established and recognised either directly in the law or by a formal agreement with the Danish Commerce and Companies Agency. One of the primary objectives of issuing accounting standards is to make guidelines on technical matters that otherwise are not easily dealt with in legislation. Hereafter, Danish accounting standards are expected to become mandatory also for other companies.

Funding

The Danish standard setter is totally funded by FSR (accountancy profession).

Relationships

Government: the Commerce and Companies Agency (a part of the Ministry of Trade and Business) is consulted during the process of preparing new standards by DASC. DASC is also represented in a consulting organisation under Commerce and Companies Agency called Accounting Council.

Stock exchange: the Copenhagen Stock Exchange is consulted during the process of preparing new standards. According to the Copenhagen Stock Exchange's Act, enterprises quoted at the stock exchange should follow the accounting standards. The Board of Directors of the Copenhagen Stock Exchange will endorse each standard. The standards become mandatory for listed companies as soon as the Board of Directors of the Copenhagen Stock Exchange decides so.

Accountancy profession: DASC is established and funded by the Institute of State Authorised Public Accountants (FSR).

Other stakeholders: representatives of preparers and users of financial statements participate in the Accountancy Advisory Panel. The leading accounting academics from the Copenhagen Business School participate as technical advisor in the Accounting Advisory Panel. Exposure drafts of all new and revised standards are submitted to and comments are invited from all relevant organisations.

Interpretation

DASC has not yet established an urgent issues task force. DASC can issue interpretations; it has issued technical releases on some urgent matters within the last three years (goodwill, the year 2000 problem and share based payments). In connection with the establishment of the independent standard setting body, it will be decided either that the body itself will issue interpretations or that a separate urgent issues task force will be established. This will be decided soon. DASC operates no interpretation committee separate from the urgent issues task force.

FINLAND

Name

The Accounting Board Mr. Jarmo Leppiniemi Mechelininkatu 10 A 12 FIN - 00100 HELSINKI

Tel: + 358 (9) 49 44 19 Fax: + 358 (9) 49 54 75

Mr. Timo Kaisanlahti Ministry of Trade and Industry Aleksanterindatu 4 FIN - 00170 HELSINKI

Tel: + 358 (9) 160 35 94 Fax: + 358 (9) 160 26 94

Email: timo.kaisanlahti @ ktm.vn.fi

Nature

<u>Public</u> body, operating under the Ministry of Trade and Industry, involving representatives of different interest groups (e.g. industry, financial supervision, insurance, accountancy profession, SMEs, non-profit organisations, etc.). It may on application of official authorities, trade or municipal organisations or reporting entities issue instructions and statements on the application of the Finnish Accounting Act. The interpretations of the law are recommendations and most of them apply to all companies. SMEs have the option of applying a less onerous version of some standards. These standards are an important part of "good accounting practice" which is required in the Accounting Act.

Funding

The standard setter is financed by the Ministry of Trade and Industry.

Relationships

The following parties are members of the Finnish standard setter:

- Accountancy profession
- Business (large companies (nominated by the Confederation of Finnish Industry and Employers), Chamber of Commerce, Confederation of Finnish Industry and Employers)
- Stock exchange
- Academics
- Trade unions
- Financial Supervision
- Insurance Supervision Authority
- Ministry of Finance (tax legislation)
- Ministry of Internal Affairs (accounting of municipalities)
- Accounting services (bookkeeping firms).

Government: the Accounting Board is financed by the Ministry of Trade and Industry and its part-time secretary is employed by the Ministry. The Accounting Board reports annually on its activities to the Ministry. The Accounting Board advises the Ministry on the need to change legislation.

Stock exchange: the Ministry of Finance gives decisions on the contents of the annual report or interim financial statements of listed companies. The Accounting Board can give special permissions concerning these (on application). The Accounting Board has given more detailed standards on the decisions of he Ministry of Finance, on the reporting of listed companies (e.g. how to calculate ratios).

Accountancy profession: the accountancy profession is represented in the Accounting Board. In addition, the Board often hears accountants as experts.

Other stakeholders: industry is directly represented in the Accounting Board. Trade unions, etc. are asked to comment on major standards prior to their release. The Accounting Board has also a section for standard setting for municipalities. The Accounting Board comments on all the standards for banks set by the Financial Supervision, and on all the standards for insurance undertakings set by the Insurance Supervision Authority.

Interpretation

The Board issues interpretations of law based on practical demand. There is no special activity to respond to urgent questions, but most of the work consists of interpretations.

FRANCE

Name.

Conseil National de la Comptabilité (CNC) 3, Boulevard Diderot – Télédoc 352 F - 75572 PARIS Cedex 12

Tel: + 33 (1) 53 44 52 01 Fax: + 33 (1) 53 18 99 43 President: Antoine Bracchi Secretary General: Alain Dorison

Tel: + 33 (1) 53 44 52 09 Fax: + 33 (1) 53 18 99 42

Nature

Since the Law of 6 April 1998, the French accounting standard setting involves several steps:

- the "Conseil National de la Comptabilité" has remained the only body having the necessary means to draft the standards in the form of "avis" or recommendations,
- these standards may be then submitted for approval to the "Comité de la Réglementation Comptable". The CRC issues "règlements" to which the avis of the CNC are attached
- when a "règlement" has been adopted by the CRC, it is automatically ratified by an interministerial order, signed by the Ministry of Justice, the Ministry of Economy and the Ministry of Budget.

As an illustration, the last version of the "Plan Comptable Général" has been approved under this procedure. The "règlements" of the CRC are compulsory accounting rules. The "avis" of the CNC may also be considered as compulsory ("best practice") even if some think that this characteristic could be legally challenged.

The CNC is a public Governmental organisation, which was substantially reformed in 1996 (decree of 26 August) in order to give it the powers necessary to act as a genuine standard setting body in France. The function of the CNC has always been to lay down accounting standards. Its basic purpose was to prepare and update the Plan Comptable Général (PCG), France's general accounting system, and to issue, in the form of opinions, rules on proper accounting practises. The decree adopted in August 1996 was aimed at clarifying the membership of the CNC, its function and operating procedures. After the reform the CNC remained an advisory body.

The "Comité de la Réglementation Comptable" has been created by the law of 6 April 1998 with the objective to harmonise the procedures prevailing in France for the adoption of new accounting rules. The CRC comprises 15 members who are:

- three representatives of the ministries of finance, budget and justice;
- a member of the "Conseil d'Etat" (the highest court for cases involving public authorities);
- the chairman of the "Conseil National de la Comptabilité";

- seven members of the "Conseil National de la Comptabilité", i.e. the chairman of the CNCC (the auditors' institute) and the chairman of the CSOEC (the chartered accountants' institute) , three representatives of the enterprises, and two representatives of the employees unions;
- a member of the "Cour de Cassation" (the supreme court of appeal);
- a member of the "Cour des Comptes" (the general audit office).

The "Comité de la Réglementation Comptable" has no permanent staff and relies on the "Conseil National de la Comptabilité" for its secretariat. It meets several times a year. Its decisions are taken at the majority of the attendants to each meeting.

The CRC is entitled to create new accounting obligations, providing that these obligations are in conformity with the laws and decrees.

The CRC is empowered to deal with all issues connected with accounting rules. The rules it issued are mandatory for all types of entities, except those governed by public accounting rules. For instance, accounting rules for financial and insurance companies are within its scope. In that case, it will meet in extended formation, joined by representatives from the banking and insurance supervisory authorities as well as members specialised in these areas.

For listed companies, the COB (Commission des Opérations de Bourse) occasionally published official accounting positions, which were considered compulsory for listed companies. Now these positions consist in additions to existing rules regarding financial information, the COB also may make compulsory what are simple recommendations for non-listed companies.

Funding

CNC is a special department of the Ministry of Economy and Finance and is financed by this Ministry. Volunteers from the accountancy profession participate in working parties.

Relationships

Government: the French standard setting body (CNC) is a special service of the Ministry of Economy and is housed in a building of this Ministry. CNC staff is primarily composed of civil servants from this Ministry. Several members of the CNC represent public authorities. For example, one of the Vice-Chairmen is the Director of Public Accounting. The Chairman is appointed by order of the Ministry of Economy. Eleven other members of the CNC, among 58, represent the public sector (ministries, government audit office, market-regulator, etc.).

Stock exchange regulator: the CNC has amongst its members a representative of the COB. The COB states that quoted companies should apply the rules published by the CNC. It can influence the preparation of those rules.

Accountancy profession: there is no legal relationship with the accountancy profession. However, among the six Vice-Chairmen of the CNC are the Chairman of the Conseil Supérieur de l'Ordre des Experts Comptables and the Chairman of the Compagnie Nationale des Commissaires aux Comptes (French legal auditors' institute). Moreover, among the 40 expert members of the CNC, the institute nominates 4 experts-comptables, and there are 4 commissaires aux comptes nominated by their institute. When comments to exposure-drafts

have to be submitted to the IASC Board, joint-working groups (CNC, CNCC, CSOEC) may address common answers and comments.

Other stakeholders: many members of the CNC are representatives of business, of small and medium enterprises, agriculture, insurance companies, social insurance companies, social security institutions, mutual insurance, the banking industry, the co-operative societies, tradeunions, qualified experts including two academics. The CNC has also amongst its members representatives from the banking commission, the insurance commission and the mutual insurance commission.

Interpretation

CNC operates an urgent issues task force "Comité d'urgence" which was created by the decree of 26 August 1996. It includes the Chairman of CNC, the six Vice-Chairmen and the representatives of the Ministry of Economy, the Ministry of Justice, the Ministry of Budget and the Market Regulator chairman. The Comité d'urgence carries out also an interpretation committee type of function.

GERMANY

Name.

Deutsches Rechnungslegungs Standards Committee (DRSC)/German Accounting Standards

Committee (GASC) Charlottenstraße 59 D - 10117 BERLIN

Tel: + 49 (30) 206412-0 Fax: + 49 (30) 206412-15

President: WP Prof. Dr. h.c. Hans Havermann

Chief Executive: WP Liesel Knorr

Email: knorr @ drsc.de

Nature

The GASC is a private organisation recognised by the Fe deral Ministry of Justice. It has three governing bodies, the *Management Board*, the *Administrative Board* and the *General Meeting*. Furthermore, the GASC has established the *German Accounting Standards Board* (GASB, Standardisierungsrat), the actual standard setting body of the GASC, and the Consultative Council (Konsultationsrat) whose functions are described below.

According to § 342 German Commercial Code the principal objectives of the GASC are:

- Development of recommendations (in the form of standards) for the application of the accounting principles laid down in §§ 290-315 of the German Commercial Code to consolidated financial statements:
- Advising the Federal Ministry of Justice on laws and regulations to be issued on accounting and

- Representation of Germany in international bodies dealing with the standardisation of accounting rules.

The *German Accounting Standards Board* has the task to develop accounting standards within the national legal framework (standard setting). It consists of seven independent accounting experts including the president and the vice president of the GASB. They are elected by the Administrative Board. The GASB members who have retired from their respective professional lives (except for the academic) have a different professional background (auditing profession, business community, universities and financial analysts).

The *Consultative Council* was set up to give other organisations involved in accounting the opportunity to have their views on important decisions directly represented to the GASB. Members of the Consultative Council may become organisations which are closely connected with the aims of the GASC through their involvement in representing the professional interests of accountants, enterprises or users.

The standards of the GASB give recommendations on how to apply the accounting principles of the German Commercial Code and fill existing gaps within these accounting rules. The standards issued by the GASB should be applied not only by listed, but by all companies which are required to prepare consolidated financial statements. The Federal Ministry of Justice can recognise and publish standards issued by the GASB dealing with accounting issues with respect to consolidated financial statements. This "approval" by the Federation Ministry of Justice does not make the standards legally binding. However, it is legally assumed that compliance with such standards implies compliance with the German principles of proper accounting for consolidated financial statements.

Funding

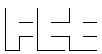
Paragraph 16 of the constitution of GASC stipulates that "the association's costs shall be covered by members subscriptions and donations, as well as income through licensing, publishing and other sources". Individuals as well as enterprises (commercial enterprises as well as accounting firms) are eligible to become members. Organisations, however, cannot become member of the GASC.

The GASC secretariat staff comprises at present four full time and two part-time employees.

Relationships

Government: According to § 342 German Commercial Code the Federal Ministry of Justice has the legal authorisation to charge a private organisation with the development of accounting standards with respect to consolidated financial statements. The German Accounting Standards Committee was acknowledged as standard setter by the Ministry of Justice on a contractual basis in summer 1998.

Stock exchange/Stock exchange regulator: There is no formal relationship with the stock exchange or stock exchange supervisor. However, the Chief Executive of the German Stock Exchange is a member of the Management Board of the GASC and its treasurer.



Accountancy profession: Experts with professional accounting background are represented in the standard setting body as well as in the Managing Board and the Administrative Board. Furthermore, the Institut der Wirtschaftprüfer (IDW) and the Wirtschaftsprüferkammer (WPK) are members of the Consultative Council.

Other stakeholders: Representatives from the business community, universities and financial analysts are members of GASC. All interested parties have the possibility to contribute to the standard setting process.

Interpretation

GASC operates no interpretation committee type of activity.

IRELAND

Ireland applies UK standards set by the ASB, which are promulgated in Ireland by the Institute of Chartered Accountants in Ireland.

The Department of Enterprise, Trade and Employment appoints an observer to the UK Financial Reporting Review Panel.

Irish Chartered Accountants are invited to participate directly in the work of the UITF but not the ASB.

The UK Financial Reporting Review Panel is not concerned with companies incorporated in the Republic of Ireland.

ITALY

Name

Commissione Paritetica per la Statuizione dei Principi Contabili Via Poli 29

I - 00187 ROME

Tel: + 39 (06) 675 861 Fax: + 39 (06) 675 863 489

Email: aloe @ cndc.it

Chairman: Dott. Matteo Caratozzolo

Nature

<u>Private body</u>: controlled by the accountancy profession (Consiglio Nazionale dei Dottori Commercialisti and Consiglio Nazionale dei Ragionieri) with the CONSOB as observer. There are 21 members (1 President, 2 Vice-Presidents and 18 delegates) and one legal advisor. The standards are recommended and are considered as interpretations and/or supplement of the law. The standards principally refer to all companies with the exception of banks and insurance undertakings. Listed companies are effectively required to follow the standards..



Funding

The Italian standard setter is funded by the accountancy profession. The members work on a voluntary basis.

Relationships

Government: the standard setter is independent from the government. The activity of the standard setting body is in accordance with the Italian law.

Stock exchange regulator: CONSOB considers the standards as a good reference for the preparation of financial statements. Audit firms refer in their audit opinion to these standards.

Accountancy profession: the standard setting body is appointed by the accountancy profession: Consiglio Nazionale dei Dottori Commercialisti and Consiglio Nazionale dei Ragionieri.

Interpretation

The Italian standard setter operates an urgent issue task force type of activity as well as an interpretation committee type of activity.

LUXEMBOURG

Name

Ministère de la Justice 16. boulevard Royal L - 2934 LUXEMBOURG Tel: + 352 478-1

Fax: + 352 22 76 61

Commission de Surveillance du Secteur Financier (CSSF)

110, route d'Arlon

L - 1150 LUXEMBOURG

Tel: + 352 26 25 1 - 1 Fax: + 352 26 25 1 - 608 Email: directioncssf @ cssf.lu

Commissariat aux Assurances (CAA)

7, boulevard Royal, B.P.669 L – 2016 LUXEMBOURG

Tel: + 352 22 69 111 Fax: + 352 22 69 10 Email: commassu @ pt.lu



Nature

In general, accounting rules are stipulated by law under the initiative of the Ministry of Justice. The Ministry of Justice has set up a "Groupe de Réflexion Comptable" whose role is to gather information on accounting development both national and international. The latter may then express opinions or recommendations to the Ministry of Justice. It should be noted that the "Groupe de Réflexion Comptable" does not issue accounting standards or recommendations. Members of this group are presented below.

Two supervisory bodies (CSSF and CAA) are responsible for the accounting setting process for the financial and insurance industries. Both supervisory bodies have working parties comprising members of their respective industries as well as of the accounting profession (IRE) making recommendations. The supervisory bodies are issuing circulars, as well as detailed accounting guidelines. The industry members are required to comply with circulars and guidelines.

Funding

The Ministry of Justice has a department dedicated to accounting standard setting. CSSF and CAA are funded by the members of their respective industries and the government.

Relationships

The Groupe de Réflexion Comptable was set up by the Ministry of Justice to provide an informal forum for discussions. Participants to this group are the CSSF (banking and stock exchange regulator), CAA (insurance regulator), the Tax Authorities, the accountancy profession (IRE and OEC), and other professional associations such as (but not exhaustive) the ABBL (bankers association) and AGERE (insurers association).

Interpretation

There is no urgent issue task force type of activity or interpretation committee type of activity.

NETHERLANDS

Name

Raad voor de Jaarverslaggeving (RJ) Council for Annual Reporting (CAR) A.J. Ernststraat 55 PO Box 7984 NL - 1008 AD AMSTERDAM Tel: + 31 (20) 301 03 91

Fax: + 31 (20) 301 02 79 Email: rj @ rjnet.nl Website: www.rjnet.nl

Chairman: Prof. Dr. Johan van Helleman RA

Secretariat: Drs. Annet de Korne/Ronald de Feijter RA

Nature

Private body CAR comprises three delegations (auditors, preparers and users) and an independent chairman. Each delegation comprises four members. In the Netherlands, within the legal framework, CAR has no formal status. CAR issues Guidelines for Annual Reporting. These guidelines are not mandatory. However, enterprises and members of the accountancy bodies in the Netherlands are expected to follow the guidelines. Also from court cases it becomes clear that the interpretation by judges is influenced by the guidelines. Within the guidelines a distinction is made between authoritative statements (bold text) and recommendations (plain text). Authoritative statements are not expected to be departed from without good reasons. Recommendations and, to some extent, draft guidelines are supposed to give support and direction to reporting practice. The guidelines primarily relate to the legal entities covered by the Netherlands Civil Code (Book 2, Part 9): public limited liability companies, private limited liability companies, co-operatives, mutual guarantee associations. Additionally, several others types of organisations (like fund-raising institutions, officially recognised housing institutions, pension funds, health care institutions and certain types of foundations) are covered in the guidelines.

Funding

Funding of the budget of CAR (costs minus publication revenue) is provided for $^2/_3$ part by the Social Economic Council (SER) – representing the preparers and users – and for $^1/_3$ part by the Royal Netherlands Institute of Registeraccountants (Royal NIVRA) – representing the auditors.

Relationships

Government: a representative of the Ministry of Justice attends the meetings of CAR as an observer. In the past, the Ministry of Justice has declared to attach great importance to the task of CAR to prepare and publish standards generally considered acceptable in the Netherlands.

Stock exchange: there is no formal relationship.

Accountancy profession: the auditors' delegation of CAR comprises four members of Royal NIVRA, working as public accountant. Furthermore, in the other delegations (preparers and users) some delegates are member of the institute as well, but not working as a public accountant. The independent chairman of CAR is a member of Royal NIVRA as well.

Other stakeholders: the preparers' delegates represent Dutch employers organisations. Three users delegates represent Dutch employee organisations and one users' delegate represents the Dutch Association of Investment Analysts.

Interpretation

CAR neither operates an urgent issues task force type of activity, nor an interpretation committee type of activity.

PORTUGAL

Name.

Comissão de Normalização Contabilística (CNC) Rua Angelina Vidal, 41 P - 1196 LISBOA CODEX Tel. + 351 (1) 814 79 61 / 814 78 93

Chairman: António D.H. Coelho Garcia Chief Executive: António Baia Engana

Nature

<u>Public body</u>: Independent technical body under administration of the Ministry of Finance.

Its structure comprises a general council bringing together 40 private and public entities such as professional associations, government departments, stock exchange regulator, universities, enterprise associations, and executive committee with 13 members of this 40.

CNC issues standards, statements (guidelines) and technical interpretations as well as formal opinions on several accounting matters, requested by government and by business representative bodies.

Standards and statements are mandatory for industry and commerce and other private sector enterprises, as well as government business enterprises except for banks, insurance companies and government entities. For public sector entities other than government business enterprises, there is a national standard setting body, "Comissão de Normalização Contabilística para o Sector Público", for banks (Banco de Portugal) and for insurance companies (Instituto de Seguros de Portugal).

Standards are issued by CNC through a Decree-Law, and Statements are also issued by CNC for approval by the Ministry of Finance.

Funding

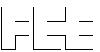
The budget of CNC is included in the national budget of the government.

Relationships

Government: while there is no direct involvement of the government in the preparation and discussion of draft standards and draft statements, the final issuance is subject to the approval of the government and Ministry of Finance respectively.

The President of CNC is appointed by the Ministry of Finance.

Stock exchange regulator: a representative of Stock Exchange Supervisory Body - Comissão de Mercado dos Valores Mobiliários is permanent member of CNC.



Accountancy profession: the accountancy profession is divided into auditing and accounting (accounting technicians or "Técnico Oficial de Contas"). The first is represented by OROC (Ordem dos Revisores Oficiais de Contas) and the latter by CTOC (Câmara dos Técnicos Oficiais de Contas). Técnico Oficial de Contas (TOC) (Statutory Accounting Technicians) are regulated by a separated legal regime linked to tax administration approved by Decree-Law.

The professional organisations are represented in CNC.

Other stakeholders: industry, trade unions, academics, etc. are represented in CNC.

Interpretation

The Executive Commission functions as an urgent issues task force and as an interpretation committee.

SPAIN

Name

Instituto de Contabilidad y Auditoria de Cuentas (ICAC) – Institute of Accounting and Auditing C/ Huertas 26

E – 28014 MADRID Tel: + 34 (91) 429 09 60 Fax: + 34 (91) 429 94 86

Email: contabilidad @ icac.meh.es Chairman: José Luis López Combarros

Nature

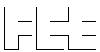
<u>Public body</u>: the ICAC is an autonomous agency of the public administration which is linked to the Ministry of Economy. Standards are mandatory for all companies. Rules for very specific sectors as banks and dealers and brokers, are prepared by the supervisory body, but always under Generally Accepted Accounting Principles issued by the ICAC, and the rules are published in the ICAC bulletin (BOICAC). The public sector has its own rules issued by the IGAE (Intervención General del Estado).

Funding

The budget is included in the annual general government budget.

Relationships

Government, stock exchange, accountancy profession: the ICAC is an institute that which is liked to the Ministry of Economy. Members of the ICAC are civil servants and although there exists an Advisory Committee and an Accounting Commission where professionals (members of the professional bodies) and members of other institutions participate, the responsibility of issuing accounting standards remains with the ICAC.



The Government adopts, after a proposal of the ICAC, the General Accounting Plan, the specific Sector Plans and other major accounting standards. The ICAC itself adopts some other developments of the General Accounting Plan and interpretations.

The members of the Advisory Committee are 11 (plus a chairman who is the secretary of the ICAC), 5 of them proposed by the ICAC and 6 by the professional representative bodies. In order to support the work of the Advisory Committee, two commissions exist inside the Committee: the Accounting Commission and the Auditing Commission.

The members of the Accounting Commission are 24 (the percentage of participation of professionals in this committee is the same as in the Advisory Committee) under the presidency of the ICAC.

The Accounting Commission reviews and comments on the accounting standards projects which are usually drafted by the ICAC which, before its publication, requests the opinion of the Advisory Committee.

Nowadays, members proposed by The Ministry of Economy are technical experts (technical committee) with Chairmen (Advisory Committee) of the:

- Bank of Spain
- CNMV⁷
- DGS⁸
- IGAE⁹
- ICAC.

Other stakeholders: when the ICAC issues an accounting standard, it asks advice from the organisations that could be affected, e.g. in the adaptation of the general accounting plan to specific sector of activities. The AECA (Asociacion Española de Contabilidad y Administracion de Empresas) issues accounting principles accepted by the profession (not compulsory), participates in all ICAC working parties and the IACJCE participates in the AECA's working parties.

Interpretation

When the ICAC decides to issue a standard or sectoral adaptation, a working group is constituted. The members of the commission are civil servants of the ICAC, professionals and representatives of other organisations either public or private. Interpretations are in Spain the result of a consultation of an auditor (or a firm) to the ICAC. Some of them asking for comments to the members of the Accounting Commission. Consultations published in the BOICAC (ICAC Bulletin) are binding. They are directly issued by the ICAC.

⁷ Comisión Nacional del Mercado de Valores

⁸ Dirección General de Seguros

⁹ Intervención General del Estado

SWEDEN

Name.

Bokföringsnämnden (BFN): Swedish Accounting Standards Board

Box 7831

S - 103 98 STOCKHOLM

Tel: + 46 (8) 787 80 28 Fax: + 46 (8) 21 97 88

Chief Executive: Sören Wallin Email: soren.wallin @ fi.se Website: www.bfn.se

Redovisningsrådet (RR): Swedish Financial Accounting Standards Council

Box 6417

S - 113 82 STOCKHOLM

Tel: + 46 (8) 506 11275 Fax: + 46 (8) 32 12 50

Chief Executive: Lennart Axelman

Email: lennart.axelman @ redovisningsradet.se

Website: www.redovisningsradet.se

Nature

RR is a private body and BFN is a public body.

RR was founded by the government (BFN), the accountancy profession (FAR) and the federation of industry. In 1997, the government (represented by BFN) left RR and the stock exchange joined. There is a board of 15 members (5 representing the stock exchange, 5 representing FAR and 5 for the other constituencies) that represent the 8 members in the association for development of generally accepted accounting principles. The other constituencies are: Svenska Bankförening (banking industry), Svenska Fondhandlareförening (investment brokers), Sveriges Försäkringsförbund (insurance industry), Sydsvenska and Västsvenska handelskammare (Chambers of Commerce in two parts of Sweden). The actual standard setting is the task of the Council, that consists of 9 members from FAR (3), the analysts (1), university (1) and industry (4).

RR: Standards that implement IAS in Sweden, are mandatory for companies listed on the stock exchange.

The Swedish Accounting Standards Board (BFN) consists of a board of 11 members, appointed by government and represent various constituencies.

Chairman: Ministry of Justice Vice-Chairman: Stock exchange

Members: employers federations (2) (including the agricultural sector (Lantbrukarnas Riksförbundet, LRF) and the industrial sector (Industriförbundet)), trade unions (1), accountancy profession (4) and department of finance/tax (2).

Guidelines and recommendations from BFN apply to all companies. BFN is presently revisiting its guidelines in order to clarify the scope for smaller entities.

RR: standards have to be applied by listed companies. There are no specialised industry recommendations, apart from the accounting guidelines for the banking and insurance industry, which are set by the industry regulator (Finasinspektion).

Funding

RR is funded by the constituencies on the Board, with the stock exchange (partly through levies to the listed companies) standing for most of it. BFN is fully funded by the government.

Relationships

Government: BFN is a governmental authority. RR is a private body with no formal relation with the government. However, RR is mentioned as one of the standard setters in the background paper from the government to the Annual Accounts Act.

Stock exchange: RR is partly financed by the stock exchange and its members. The stock exchange is represented on the Board of BFN.

Accountancy profession: RR is partly financed by the accountancy body (FAR). FAR also appoints several of the Board and Council members of RR. FAR and its sister organisation for approved accountants (SRS) are represented on the Board of BFN.

Other stakeholders: RR is partly financed by industry and banks. They are also represented on the Board and the Council. Industry and a trade union are represented on the Board of BFN. Further members on the Board of BFN are representatives of the Ministry of Finance and of the National Tax Board. The chairman is a judge at the Supreme Court.

Interpretation

The RR has an urgent issues task force that issues translations of the SIC pronouncements and addresses issues not covered in standards. BFN carries out interpretations of the bookkeeping law.

UNITED KINGDOM

Name

Accounting Standards Board Holborn Hall 100 Gray's Inn Road GB - LONDON WC1X 8AL Tel: + 44 (20) 76 11 97 00

Fax: + 44 (20) 76 11 44 97 Chairman: Sir David Tweedie

Nature

<u>Private body</u> recognised by Government; independent of accountancy profession. Funded and appointed by the Financial Reporting Council, from which the ASB is operationally independent. ASB membership is drawn from a wide variety of sources. They are members in their personal capacity.

Current members include:

- 2 full-time members: Chairman and Technical Director
- 2 accounting firm technical partners
- 1 accounting firm other partner
- 3 finance directors
- 1 academic
- 1 investment manager
- 2 (non-voting) observers from the UK government.

For large companies, the law requires disclosures of any departures from standards. The Financial Reporting Review Panel can take companies (particularly public limited companies) to court for defective financial statements, i.e. those that are thought not to give a true and fair view. It is senior legal opinion that financial statements that do not comply with accounting standards would generally not give a true and fair view. Consequently, large companies and their auditors regard standards as mandatory. In the case of small companies, there is an option to comply with the Financial Reporting Standard for Small Entities (FRSSE), a simplified standard issued by the ASB. The ASB also provides a form of negative assurance on SORPs (Statements of Recommended Practice) produced by industry groups, e.g. banks, insurance, universities, charities.

Funding

External funding is drawn in approximately equal shares from the accountancy profession, the financial community and government. Another source of funding is publication revenue.

Relationships

Government: the Law recognises Accounting Standards set by ASB. ASB liaises with Department of Trade and Industry (DTI). The government supports ASB in the standard setting process but the government does not dictate standards.

The Director of the company law department at DTI and the Head of the Government Accountancy Service (Treasury) are observer members of ASB.

Stock exchange: the Deputy Chairman of the London Stock Exchange (LSE) is a member of the Financial Reporting Council. The ASB is independent of the London Stock Exchange but the LSE expects listed companies from UK to follow ASB standards. Recent changes have involved a transfer of responsibility from the LSE to the Financial Services Authority (FSA), which is now the UK listing authority and has observer membership of the Financial Reporting Council.

Accountancy profession: independent – but close co-operation between ASB and the accountancy professional bodies.

Other stakeholders: formally independent. However its membership and that of its parent body the Financial Reporting Council includes people of a range of interested parties, in particular preparers and users of financial statements. Some funding comes from users of financial statements:

- 1) Association of British Insurers
- 2) National Association of Pension Funds
- 3) Association of Investment Trust Companies
- 4) Association of Unit Trusts and Investment Funds

Interpretation

The ASB operates an Urgent Issues Task Force that issues interpretations on issues not fully addressed within existing law and standards, and which have the same status as standards.

NON-EU COUNTRIES

NORWAY

Name

The Norwegian Accounting Standards Board (Norsk RegnskapsStiftelse (NRS))

P.O. Box 5864 Majorstuen

N - 0308 OSLO

Tel: +47 23 36 52 00 Fax: +47 22 69 05 55

E-mail: nrs @ revisornett.no

Chairman: Finn Berg Jacobsen (Managing Partner Arthur Andersen, Oslo)

Chief Executive: Harald Brandsås (Technical Director The Norwegian Institute of Public Accountants)

Nature

<u>Private body</u>: the founding members of the Norwegian Accounting Standards Board (Norsk Regnskaps Stiftelse) are:

- The Norwegian School of Economics and Business Administration
- The Norwegian Institute of Public Accountants
- The Norwegian Association of MBA Graduates
- The Norwegian Society of Financial Analysts
- The Confederation of Norwegian Business and Industry
- The Oslo Stock Exchange.

The founding members name one person each to a supervisory board which have some administrative duties. The supervisory board elects some of the new members of the standard setting board after proposal from the standard setting board.

The standard setting board consists of:

- 6 members (one from each) appointed by the founding organisations,
- 1 member who is currently on the IASC Board, and
- 4 members proposed by the 6 board members from the founding organisations based on their technical qualifications.

The Banking, Insurance and Securities Commission have one observer at the board.

The current board members are:

- 4 Managing/ex-managing/technical partners from audit firms
- 1 Professor in accountancy from University
- 1 representative of the Oslo Stock Exchange
- 2 representatives of the financial analysts
- 2 representatives of the preparers of financial statements (Norsk Hydro and Orkla)
- Board member IASC

All standards are mandatory. All standards must be in compliance with the new accounting act (1998). Preliminary standards, which are the second step from ED to a final standard, are recommended to be used. With the exception of small companies, which can choose to apply specific GAAP for SMEs, all companies have to follow the standards.

In general the Norwegian accounting standards apply to all enterprises which have a statutory obligation to keep accounts. Some of the standards, however only apply to listed companies. A few standards contain paragraphs for certain industries.

Funding

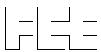
The activity is mainly financed by the annual accounting conference which has 600-700 participants. The Norwegian Institute and the Oslo Stock Exchange have said that they will provide further financing if necessary. None of the board members are paid for the work. The current method of financing NRS is under review. Proposals for change are expected shortly.

Relationships

Government: the government can nominate an observer to the standard setting body.

Stock exchange: the Oslo Stock Exchange (OSE) is one of the founders. The CEO of the OSE is member of the supervisory body of the standard setting body, and a head of division from OSE is member of the standard setting board. In addition three of the members of the standard setting board are also members of the OSE's accounting committee.

Accountancy profession: the two, at that time, institutes where among the founders of the standard setting body. Members of the present merged institute, The Norwegian Institute of



Public Accountants, have central positions in the standard setting body. The institute has the responsibility of the secretariat of the standard setting body.

Other stakeholders: all founders are participating in the standard setting process.

Interpretation

Only in exceptional cases, the Norwegian standard setter operates an urgent issue task force type of activity.

SWITZERLAND

The mandatory statutory standards are set by the Law on Accounting, more precisely the rules concerning the limited corporation (Aktiengesells chaft, societé anonyme, societa anonima) in the Swiss Code of Obligations. Since 1984 a private Standard Setter, the FER (Fachkommission Empfehlungen zur Rechnungslegung, Swiss GAAP) which is often referred to also as ARR (English Version for accounting and reporting recommendations or RPC Recommendation pour la Présentation des Comptes, French Version and Racommandazioni concernenti la Presentazione dei Conti, Italian Version) has established standards on the fair presentation of the financial situation of companies. Since 1996 FER - Swiss GAAP are mandatory for all listed companies unless they drew up their statements in accordance with IAS or US GAAP.

Name

FER - Swiss GAAP

Fachkommission für Empfehlungen zur Rechnungslegung

Postfach 892

CH - 8025 ZÜRICH Tel: + 41 (1) 267 75 75 Fax: + 41 (1) 267 75 85

Website: www.fer.ch

Secretary: Daniel Suter (Tel: + 41 61 270 53 59 – Fax: + 41 61 270 55 88)

Chairman: Prof. Dr. Giorgio Behr (Tel: + 41 52 624 60 24 - E-mail: gbehr@gmx.ch)

Nature

Private body: private organisation with a foundation that has been incorporated in 1984. A foundation council of eminent persons (three to five persons) chooses the board members and is responsible for the financial independence of FER. FER is independent from the Treuhand Kammer, i.e. the institute of Swiss certified public accountants. The foundation elects up to 30 members of the board of FER Swiss GAAP. The members are appointed based on their personal reputation and contribution to FER - Swiss GAAP but the foundation council is carefully watching over a balanced representation of all stakeholders in the accounting and reporting process. Therefore, the board comprises members from different professions, i.e. industry (large companies, insurance, banking, smaller and medium sized companies, listed companies and privately owned companies etc.), financial analysts, representatives of the financial press, auditors, lawyers, university professors etc. The FER - Swiss GAAP organisation publishes accounting and reporting recommendations which insure a fair

presentation (true and fair view of the reporting entity's financial position). The Swiss federal administration including the banking commission, the internal revenue service/Federal tax department, the federal commission responsible for pension plans etc. have nominated observers to the FER - Swiss GAAP who bring the view of the administration into the debates.

The various standards (on January 1st, 2001, twenty standards will be mandatory and seven projects are pending either as already published draft standards or as projects still under work) are usually drawn up by a subcommittee which again comprises the various stakeholder groups. The subcommittees submit their predrafts to the executive board of FER - Swiss GAAP (this working body consists of five to seven members across the stakeholder represented on FER - Swiss GAAP and the Chairman of the board as well as the secretary of the board). The board usually reviews the standards several times and gives its input back to the executive board and from there to the subcommittees. A special quorum is needed in order to release the draft standards for public comment and also for the final vote on the standards. The board is setting himself an effective date for the application of the standards.

The FER - Swiss GAAP or IAS respectively US GAAP - are mandatory for listed companies in Switzerland without any regard to the specialisation or type of the listed company. They are not mandatory for other companies, but are generally referred to as benchmark by banks in connection with credit arrangements and the presentation of the financial data. Generally, the standards are applied to consolidated financial statements, but more and more individual financial statements are also being drawn up for credit purposes based on a FER - Swiss GAAP. A draft standard FER 19 gives a guidance for the establishment of individual financial statements according to FER - Swiss GAAP.

Funding

FER - Swiss GAAP (ARR) is funded primarily through the selling of its publications (a printed version and an electronic version of the standards is published every year), the seminars in the three official languages on FER - Swiss GAAP and contributions from various bodies or institutions. FER is particularly completely independent in its funding of the accounting profession and accounting firms.

Relationships

Government: Authorities acts as observer without any voting right.

Stock exchange: financial statements prepared according to FER - Swiss GAAP (ARR) represent the minimum standard for listed companies at the Swiss Stock Exchange.

Accountancy profession: No close relationship exists with the Treuhand Kammer or accounting firms. The Treuhand Kammer (Swiss Institute of certified public accountancy) provides some minimal administrative support and usually the secretary of the FER - Swiss GAAP is a partner of an accounting firm.



CENTRAL AND EASTERN EUROPEAN COUNTRIES

CZECH REPUBLIC

Name

Ministry of Finance Department for Accountancy Letenská 15 CZ - 118 10 PRAGUE Tel: + 420 (2) 57 04 11 11

Tel: + 420 (2) 57 04 11 11 Fax: + 420 (2) 57 04 27 88 Website: www.mfcr.cz

Executive Department Director: Mr. Antonin Jerábek

Tel: + 420 (2) 57 04 40 10 Email: antonin.jerabek @ mfcr.cz

Nature

<u>Public body</u>: the standards are set by the Law on Accounting and the rules of the Ministry of Finance. Standards are mandatory.

In accordance with the Accounting Act n° 563/1991 Coll., as subsequently amended (which has been issued by the Parliament of the Czech Republic), the Ministry of Finance has been appointed the standard setter in the Czech Republic.

An amendment to the above Accounting Act is being discussed by the Parliament of the Czech Republic. According to the current text of amendment, the authority to issue the Czech Accounting Standards could be delegated to a body empowered by the Ministry of Finance of the Czech Republic. This would raise the involvement of the accountancy profession, tax advisors and academics.

Accounting standards in the Czech Republic are issued by Ministry of Finance as the mandatory regulation for all the entities who are obliged to keep the accounting records. Separate accounting standards are issued for:

- business
- banks
- insurance companies
- the public sector
- political parties and civil unions

There are no industry specific separate standards.

Funding

Funding is provided by the government.

Relationships

The following parties are likely to be involved in an advisory or consultative function:

- Union of Accountants
- academics
- Czech National Bank for banking standards
- Chamber of Auditors of the Czech Republic
- Chamber of Tax Advisors of the Czech Republic

Stock exchange: there is no formal relationship between the standard setter and the stock exchange.

Accountancy profession: The Ministry of Finance on a voluntary basis works in cooperation with the accountancy profession (the Chamber of Auditors and the Union of Accountants). Recently, the Chamber of Auditors, Union of Accountants, Chamber of Tax Advisors and University of Economics established group "Narodni ucetni rada" - i.e. National Accounting Board. This board aims to represent the accounting profession in any discussions with the standard setter (Ministry of Finance and government).

Interpretation

Interpretations are, if specifically requested, issued by the Ministry of Finance.

HUNGARY

Name

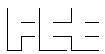
National Accounting Committee:
Országos Számviteli Bizottság
President: Dr. Rezso BARITZ
1093 Co. Economic University Budapest
Fovám Tér 8
H - BUDAPEST
Tel: + 36 (1) 217 66 12

Nature

<u>Public body</u>: the Ministry of Finance appoints the members and the president. One third of the members are appointed by suggestion of the Chamber of Auditors, one third on the suggestion of the Association of the Hungarian Accounting Professionals (both are voluntary private associations). The task is described in the Accounting Law n° 2000/C: "National Accounting Committee".

Responsibilities of the Committee

Section 172.



The responsibilities of the Committee according to the stipulation of the Accounting Law are the following:

- a) To make proposals on a regular basis to the Ministry of Finance on initiating any amendments to the Act, revising accounting recommendations and on creating new ones,
- b) To monitor the practical implementation of the accounting system, to make proposals to the Ministry of Finance on solving any eventual problems related thereto,
- c) To make proposals on a regular basis on the creation and revision of accounting recommendations facilitating also the performance of auditors' tasks,
- d) To monitor the foreign accounting regulations and practice, and to inform Hungarian entrepreneurs thereof.

Operation of the Committee

Section 173.

- 1) The work of the Committee is directed by the Chairman, whose activity is assisted by a Secretariat.
- 2) The Ministry of Finance shall provide for the performance of the responsibilities of the Secretariat

The Hungarian Chamber of Auditors issues accounting standards. From the year 2000 onwards, they are mandatory regulation for all the entities that are obliged to keep the accounting records. Standards are enforced by the Ethic Committee Hungarian Chamber of Auditors. Separate accounting standards are issued for:

- SMEs
- banks
- insurance companies
- the public sector
- parties and civil unions.

There are no other industry specific separate standards.

Funding

Funding is provided by the accountancy profession, stock exchange regulator and by the Ministry of Finance.

Relationships

Government: the Ministry of Finance appoints the members. Otherwise, it is an independent body.

Stock exchange and other stock exchange regulator: the National Accounting Committee cooperates with the stock exchange and stock exchange regulator in setting mandatory standards for listed companies. These standards are stricter and supplementary to the standards applicable to all companies.

Accountancy profession: the members of the accountancy profession who are part of the National Accounting Committee are senior members of the Hungarian Chamber of Auditors.

Other stakeholders: no formal relationship.

Interpretation

The National Accounting Committee operates an interpretation committee type of activity.

ROMANIA

Name

The Ministry of Finance
General Department for Accounting Regulation
3 Libertatti Blvd
RO - BUCHAREST
Tel: + 40 (1) 410 18 61
General Manager: Ms. Maria Manolescu

Nature

<u>Public body</u>: Government department. The General Department for Accounting Regulation is responsible for setting accounting standards for the private sector. However, as part of wider developments taking place, accounting standard setting is being restructured as follows:

<u>The Ministerial Order passed in 1999</u> requires all listed companies, public interest entities, large and medium-sized companies to comply with International Accounting Standards (banks and insurance companies will be covered by this). Application of this requirement is being phased in over five years, by company type/size.

The IASC Handbook 2000 was translated into Romanian and published in June 2000 as the official IASC translation. The Ministerial Order requires that any subsequent amendments to the English version of the Handbook are reflected in the Romanian translation.

Romania has therefore passed legislation to endure that International Accounting Standards are used in their entirety (without change or addition).

Accounting Regulations 704/1993: the application of these regulations is being phased out as the above Ministerial Order is being phased in.

The strategy for dealing with small enterprises is currently being developed.

Funding

Funding is provided by the Ministry of Finance, with aid from the British Government-funded Accountancy and Audit Reform Project.

Relationships

As noted above, the new regime requires the use of IAS. There are therefore no formal relationships with the Stock Exchange, the accountancy profession or other stakeholders on accounting standard setting. The accountancy body, CECCAR, will be able to contribute to the development of IAS through another route as it is a member of IASC.

However, it is intended that the translation of the IASC Handbook will be reviewed prior to the publication of the 2001 version. The Stock Exchange and the accountancy profession will be invited to give input to improve the translation.

Interpretation

Under the old regime, the Ministry of Finance issues guidance and interpretations of laws.

Under the new regime, the Ministry of Finance will no longer issue interpretations. IASC SICs will be adopted. Guidance on accounting standards is being provided via a translation of a chosen textbook.

SLOVENIA

Name

The Professional Council of the Slovenian Institute of Auditors The Slovenian Institute of Auditors Dunajska 106 SI - 1000 LJUBLJANA

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Nature

<u>Private body</u>: the Slovenian Institute of Auditors is the standard setter and is structured as a private non-profit organisation. The accounting standards are mandatory for:

- commercial companies (partnerships (general partnership, limited partnership and silent partnership) and companies with share capital (limited liability company, joint stock company, limited partnership with share capital)),
- financial institutions,
- insurance companies,
- mutual funds,
- cooperative unions,
- non-profit private organisations.



Funding

The legal founder of the Institute is the Association of Accountants, Treasurers and Auditors of Slovenia which represents the accountancy profession. The Institute is funded through the fees that are paid for its services (seminars, educational programmes and membership fees).

Relationships

Government: no formal relationship.

Stock exchange: there is no relationship (except professional cooperation) between the standard setting body and the stock exchange supervisory body. The stock exchange supervisory board requires listed companies to prepare financial statements according to the accounting standards.

Stock exchange regulator: professional cooperation; no formal relationship.

Accountancy profession: the Slovenian Institute of Auditors is the standard setter. Its standard setting board is the Professional Council of the Institute. The professional work of the institute is organised in sections as follows:

- accounting section,
- auditing section,
- internal auditing section,
- section for computer accounting solutions,
- tax advisory section,
- section for appraising of companies,
- business finance section.

Each section works in its own field. The members of the Professional Council are the presidents of the above mentioned sections organised at the Institute and three additional members elected by the legal founder. The advising institution in the field of accounting is the Association of Accountants, Treasurers and Auditors of Slovenia.

Other stakeholders: no formal relationship.

Interpretation

The Professional Council of the Slovenian Institute of Auditors operates both an urgent issue task force type of activity and an interpretation committee type of activity.

BACKGROUND OF CURRENT MEMBERS OF BOARDS OF STANDARD SETTING BODIES

	Accountancy Profession	Preparers	Stock Exchanges	Academics	Financial Analysts	Other Users	Stock Exchange Regulators	Other Regulators	Tax Administrations or Regulators	Other Government
<u>Private</u>										
Austria	X			X						
Denmark ¹⁰	X	X		X	X	X				
Germany	X	X		X	X					
Italy	X									
Netherlands	X	X		X	X	X				
Norway	X	X	X	X	X					
Slovenia	X	X		X	X	X				
Sweden (RR)	X	X	X	X	X					
Switzerland	X	X	X	X	X					
UK/Ireland	X	X		X	X					
<u>Public</u>										
Belgium	X	X		X	X	X	X	X	X	X
Czech Republic	X			X				X		X
Finland	X	X	X	X		X	X	X	X	
France	X	X		X		X	X	X		X
Hungary	X		X	X			X		X	
Luxembourg								X		
Portugal	X	X		X		X	X	X	X	X
Romania	***		***	***		***	***		***	X
Spain	X	X 7	X	X		X	X		X	X
Sweden (BFN)	X	X	X						X	X

 $^{^{10}}$ Background given for the Accounting Advisory Panel. The Academics are technical advisors for the panel.

APPENDIX IIb

BODIES WITH THE RIGHT TO APPOINT MEMBERS OF THE BOARDS OF STANDARD SEITING BODIES

	Accountancy Profession	Preparers	Stock Exchanges	Academics	Financial Analysts	Other Users	Stock Exchange Regulators	Other Regulators	Tax Administrations or Regulators	Other Government	No Specific Rules for Appointment
<u>Private</u>											
Austria	X										
Denmark	X	X		X	X	X					
Germany											X
Italy	X										
Netherlands	X	X	••		**	X					
Norway	X	X	X	X	X	**					
Slovenia	X	X		X	X	X					
Sweden (RR)	X	X	X								
Switzerland	X	X	X	X	X						
UK/Ireland											X
Public											
Belgium	X						X	X	X	X	
Czech Republic		••	••			**					X
Finland	X	X	X	X		X	X	X	X	••	
France	X	X	***	X		X	X	X		X	
Hungary	X		X	X			X	**	X		
Luxembourg		••						X	,,	••	
Portugal	X	X		X		X	X	X	X	X	
Romania										X	
Spain	X						X	X	X	X	
Sweden (BFN)										X	

FUNDING OF THE STANDARD SETTERS*

	Accountancy Profession	Preparers	Stock Exchanges	Academics	Financial Analysts	Other Users	Stock Exchange Regulators	Other Regulators	Tax Administrations or Regulators	Other Government
<u>Private</u>										
Austria	X									
Denmark	X									
Germany**	X	X	X	X						
Italy	X									
Netherlands	X	X				X				
Norway***	(X)		(X)							
Slovenia	X	37	37			X				
Sweden (RR)	X X	X	X							
Switzerland UK/Ireland	X	X	X			X				X
Public Public	Λ	Λ	Λ			Λ				Λ
Belgium							X^{11}			X^{12}
Czech Republic							71			X
Finland										X^{13}
France										X
Hungary	X						X			X^{14}
Luxembourg		X								X
Portugal										X
Romania										X
Spain										X^{11}
Sweden (BFN)										X

¹¹ Commission for Banking and Finance

¹² Minister of Economic Affairs

¹³ The Ministry of Trade and Industry

¹⁴ Ministry of Finance

APPENDIX IIc

FOOTNOTE

- * In addition, most standard setters normally benefit from volunteer time, donations and sales from publications. See for details Appendix I.
- ** The funding results from contributions as well as from donations. The individual origin of the funding is not publicly known. See for details Appendix I.
- *** The Norwegian standard setter is financed out of the annual accounting conference. The Norwegian Institute and the Oslo Stock Exchange will provide further financing if necessary.