

Annex 1

Minutes of project kick-off meeting

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Acstat Project

BECH Building, Luxembourg, 12 April 2000

Project: Acstat
Title: Inconsistencies between European Accounting Standards and those used in European Business Statistics
Doc.ref: Acstat/jfk/1
Doc. Date: 14 May 2000
Author: John Knight, Eurogramme

Present:	<u>Eurostat</u>	<u>Eurogramme</u>
	LEWIS, David	KNIGHT, John
	VALE Steven	OJO, Edward

Documentation

Mr Ojo tabled Eurogramme's document for the kick-off meeting. This contained an outline agenda and three annexes, respectively an extract from Eurostat's contract specification; Eurogramme's description of the tasks; and points identified by Mr Knight the consultant for discussion.

Mr Lewis tabled his own aide memoire "Accounting Issues and Statistics", summarising the purposes driving the project and identifying the activities that might be undertaken.

The ensuing discussion drew on both of these documents.

Project concept and objective

Mr Lewis said that the project subject matter presented some difficulties and Eurostat had not so far been able to accumulate much experience in dealing with it. There seemed to be very few people at either European or national levels with knowledge of both business accounting and statistics and of the ways in which these interacted. However, interest was undoubtedly growing. A "focal point" facility within Eurostat on accounting issues was now getting under way (Brian Newson was an interested party). Mr Lewis himself was responsible for external co-ordination on development of Community accounting directives with the Internal Market DG (MARKT). He was also following the work of the EU Contact Group meetings on implementation of recommendations concerning form and content of accounts by the International Accounting Standards Committee (IASC). It was also noteworthy that the agenda for the next FEBI meeting to be held in Brussels on 19 May provided for a paper on accounting issues to be tabled by a representative of FEE, the European Federation of Accountants.

In the light of these developments, the original project specification drawn up more than a year previously was now looking rather old. Mr Lewis concluded that it would therefore be important to put the project into the right "big picture" so that something worthwhile could be achieved.

Mr Ojo recalled that the topic of accounts as sources of statistics had been treated in one way or another by the two ADSO (Admistrative Sources) projects that Eurogramme had carried out for the Commission between 1997 and 1999 and by an earlier DOSIS project in 1991/92. He and Mr Knight wondered whether the new project could make a useful contribution to a policy agenda at European level within the wider ADSO framework.

Mr Vale reported that a "focal point" facility on ADSO was also being set up within Eurostat but that it would necessarily take some time before initiatives could start to flow.

Mr Lewis added that the scope offered by accounts for reduction of the statistical form-filling burden (an ADSO keynote) could certainly represent one strand in the new project. However, it would be no less important to find out how far the data that member states (MS) could be affected by any changes that might occur in European accounting regimes. Putting this second strand into the project would be helpful as way of gathering evidence that Eurostat and the NSIs could use in any case they might choose to present to those responsible for accounting standards at national and higher levels.

It was accordingly decided that the new project should consist of both of the strands above-mentioned. Additionally, "Accounting and Official Statistics", acronym "acstat", was considered be a better working project title.

Next Steps

Eurogramme had proposed that a questionnaire should be sent to MS as soon as possible asking about the extent to which compilation of business statistics already depended on accounting information. Eurostat representatives agreed to this in principle but said that the questionnaire should go wider than just business statistics to include such things as balance of payments and other areas of national accounts. They also said that the questionnaire exercise would have to follow the usual protocol of being covered by a letter signed by Mr Franchet and addressed to Directors General of the NSIs. These two considerations ruled out Mr Knight's idea of conducting the exercise electronically, using the electronic address book compiled for the ADSO 2 project. There was also the problem of how to ensure that the questionnaire found its way to the people best placed in each NSI to complete it.

After further discussion, the meeting decided that a questionnaire should be drafted within the next 24 hours and then sent electronically by Mr Knight as soon as possible thereafter on an informal basis to three selected NSIs to test contents and procedures. Mrs Van de Voorde of INS, Belgium and Mr Benedetti of INSEE, France were known to be interested in the project subject matter so they would certainly be included on the list. Mr Hay of ONS, UK was added at Mr Knight's suggestion. The aim would be to try to get back positive comments from all three MS in time for an official letter covering a verified questionnaire to be prepared by 5 May. If that could be done, the questionnaire could be specified for return by, say, Wednesday 31 May.

Other points

Mr Vale said he would take Mr Knight through the CODED database on the Business Methods website and download extracts that Mr Knight could take away for further research.

Eurostat was content for Mr Knight to look additionally at the relationship between accounting and official statistics in EFTA countries and in Australia, providing that this did not entail extra cost or divert time needed for the EU core of the project.

Next Meeting

The date for this was considered dependent on the progress that could be made in setting up the questionnaire exercise. It was noted that the Eurogramme document had suggested the week of 22 May. *(Note: the meeting has subsequently been proposed for Tuesday 23 May, starting at 10.00)*

Annex 2

Minutes of second project review meeting

Minutes of the
Second project review meeting
Acstat Project

BECH Building, Luxembourg, Tuesday 23 May 2000

Project: Acstat
Title: Inconsistencies between European Accounting Standards and those used in European Business Statistics
Doc.ref: acstat/jfk/5
Doc. Date: 26 May 2000
Author: John Knight, Eurogramme

Present:	<u>Eurostat</u>	<u>Eurogramme</u>
	David Lewis	John Knight
	Steven Vale	

Documentation

The meeting had before it three documents. The first of these, the minutes of the kick-off meeting of 12 April, was approved. The second was a document entitled "Project-deliverables" that Mr. Lewis had e-mailed to Mr. Knight in England on 16 May. The third document, ref.jfk3 and dated 22 May had been prepared by Mr. Knight to deal with various points, including some raised in the "project-deliverables" document. In place of a formal agenda, the third document was accepted by the meeting as an initial basis for discussion.

Project timetable

Mr. Knight explained that under the usual rules for Commission contracts, the project would have to finish by the end of September at the very latest. Mr. Lewis's "project-deliverables" document would therefore need amendment for this reason alone.

The deliverable immediately due was the Interim Report, formally required within two months of official contract commencement. Mr. Knight had already started drafting the Interim Report and he would complete it following clarification of certain points he had raised in document jfk3. The meeting discussed these points substantively and as recorded under the relevant headings below.

Document jfk3 also summarised progress with various project activities to date. Taking account of this progress and of other comments raised in discussion, the meeting decided to amend the "project-deliverables" document as shown in "Acstat Timetable" at Annex A to these minutes. This Timetable grouped activities into four sub-projects and the meeting discussed in turn the action points and target completion dates for each of these.

Summary of current accounting developments at EU level (Sub-project 1)

The action here was to produce a report on what is happening (and its significance for statistics) by the end of June.

Mr. Lewis outlined his own understanding of developments, based on his own work of external co-ordination between Eurostat and DG MARKT on the possible re-interpretation of the 4th and 7th Council Directives on accounts in the light of recommendations made by the International Accounting Standards Committee (IASC). He stressed that these developments were not only technical but also political in nature, involving variously the Commission, the member states, the US agencies SEC and FASB and the IASC as a private professional body somewhere between all of these.

Issues currently in debate included whether any changes could feasibly be limited to listed companies or to consolidated accounts and how far adoption of IAS could amount to compliance with the Accounts Directives. Mr. Lewis gave Mr. Knight a copy of a paper presented by H. Olivier of FEE under the heading of "EU Accounting Directives – Possible Changes" at the FEBI meeting in Brussels on 19 May. This paper was a useful summary of the state of play last autumn. Mr. Lewis added that the Communication of the EU Summit in Lisbon in the spring of this year had gone on to endorse up-dating of the EU accounting strategy in the Financial Services Action Plan as a "priority 1" action for completion by 2005

Mr. Knight thanked Mr. Lewis for the FEE paper and asked whether any other relevant papers were currently circulating inside the Commission that he could reasonably see. Mr. Lewis replied that DG MARKT was apparently planning to publish a position paper in the early summer as input to the next forum of the Contact Committee on the Accounting Directives. However, it seemed that there was reluctance to disclose anything of a policy nature before it could be seen by its intended audience. In Eurostat, the first meeting of the focal point group on accounting was scheduled to take place on Tuesday 6 June. Mr. Lewis said that this group would no doubt be informed of the acstat project but it was not certain whether any reciprocal information would be forthcoming.

Mr. Knight said that he would anyway carry on gathering his own stock of materials on the subject. He had already obtained a copy of IAS 1 "Presentation of Financial Statements" (revised July 1997) and would at Mr. Lewis's suggestion investigate the possibility of obtaining all the standards on a searchable CD-ROM that IASC was marketing for GBP 125.

Summary of MS positions on using accounting data for statistics (Sub-Project 2)

The main action here was the questionnaire exercise, which would need to be carried out, analyzed and as far as possible followed up before the onset of the main summer holidays.

Mr. Knight reported that results of the questionnaire pre-test carried out with a few MS since mid-April had been mixed. F (INSEE, M. Benedetti) had responded promptly and usefully, B (INS, Md. Van de Voorde) had not yet replied and UK (ONS, Mr. Hay) had indicated that they would deal with the actual questionnaire when it came, at which time Mr. G. Walker would take responsibility. Given this situation, Mr. Knight said that he had decided to

take the opportunity of a private visit to Ireland to talk additionally to the CSO about the draft questionnaire. That meeting, described in document jfk/2 dated 18 May and involving both industry statisticians in Cork and national accountants in Dublin, had not found any serious difficulties with the questionnaire and had, moreover, provided some useful pointers for the project generally.

Mr. Knight accordingly gave his opinion that the actual questionnaire exercise could now be launched. He had slightly re-drafted the questionnaire and explanatory memorandum, taking account of comments received, and had drafted a covering letter from Mr. Franchet. On advice from both F and IRL, he had dropped any idea that the letters to NSI/DGs should nominate respondents lower down in the organizations.

Mr. Lewis and Mr. Vale were in general agreement about this assessment and said they would look at a few possible drafting changes (such as numbering the items in the questionnaire) and would also scout the procedure for getting Mr. Franchet's approval. (*Note: Mr. Franchet gave his oral approval in principle later that same day.*) The aim would be to have final drafts ready by 26 May with a view to issuing the questionnaire to MS in the week ending Friday 9 June.

Mr. Knight had suggested Friday 30 June as the return date but Mr. Lewis wondered whether that would be realistic - Eurostat itself would be observing four holidays in June. The meeting considered that Friday 14 July would be the latest possible return date and even that entailed risk of slippage in completion of later project stages. Mr. Knight suggested that priority should be given to retrieving and following up responses from selected MS, say B, DK, F, I, NL and S, for draft report stage as these might well be the most interesting ones. The meeting noted this. The dates in the Timetable at Annex A were amended appropriately.

Listing of variables and initial assessment of impact of IAS/ESA95 (Sub-Projects 3 and 4)

The initial action here would be to draft a list of relevant statistical variables by the end of June.

Mr. Knight gave his view that listing of business statistics variables (which included some financial ones) was likely to be easier than for other financial and BoP statistics. Mr. Vale said that the focal point group on BoP would also be meeting shortly and that he would investigate with it the possibility of getting the information needed. It was possible that SBS variables would predominate in the draft list, leaving the others for inclusion in the final list due at the end of July.

Mr. Lewis wondered how the impact assessments were going to be made without input from an accountant who was also experienced in statistical matters. What, for instance, would be the impacts of introducing fair value as the measure of revenue and of amortizing goodwill over five years instead of thirty? Mr. Knight said that he could probably call on advice on a personal basis from Professor D. Pendrill of Buckingham University, for indications at least of a qualitative "high", "medium" or "low" nature. The meeting agreed, however, that it would be important to try to weight these judgements by using information on the numbers of different types of enterprises in the EU, especially regarding those with equities and securities listings. Those present agreed to investigate the sources locally available to them. Mr. Lewis said he would also think further about the options for access to professional accountancy advice.

Other Points

Project personnel – Mr. Vale said he would be leaving Eurostat w.e.f. 22 June. It was possible, though not yet confirmed, that Maria Luisa Janschek would become involved with the project.

Date of Next Meeting – this was set for Wednesday 21 June.

Annex 3

Minutes of third project review meeting

Minutes of the
Third project review meeting
Acstat Project

BECH Building, Luxembourg, 21 June 2000

Project: Acstat
Title: Inconsistencies between European Accounting Standards and those used in European Business Statistics
Doc. ref.: Acstat/jfk/7
Doc.date: 22 June 2000
Author: John Knight, Eurogramme

Present: <u>Eurostat</u>	<u>Eurogramme</u>
Mr. Lewis	Mr. Knight
Mr. Vale	

Documentation

The meeting had before it four documents. The first of these, the minutes of the second meeting was approved. The second, the Interim Report on the project submitted by Eurogramme, was also approved (see below). The third was Mr. Knight's note of points arising from the Commission's Communication of 13 June (see below). The fourth was an Agenda prepared by Mr. Lewis for the third meeting, which was followed for the items herein recorded.

Recent Developments

Commission Communication on EU Financial Reporting Strategy

This was dated 13 June and had been made available on DG MARKT's web pages. The meeting acknowledged Mr. Knight's note of points arising from the Communication. The project deliverable "summary of current developments in EU accounting" (sub-project 2, stage A) due at the end of June would take account of the Communication. It was further agreed that the summary should be written in a way suitable for presentation to member states.

Finalization of questionnaire to member states

Mr. Lewis reported that the German translation of the English original was now available and that the French version was expected by 22 June. The current target was to have the questionnaire in all three languages ready for issue with Mr. Franchet's covering letter by 28 June. Member states would probably be asked to reply within one further month, i.e. by the end of July. Mr. Knight asked to receive copies of the French and German versions as an aid to dealing with any queries he might get from recipients.

Launch of focal point group

Mr. Lewis said that he had chaired the first meeting of this internal Eurostat group on 6 June. The group had been told about the acstat project. He would send Mr. Knight the relevant papers.

Involvement of DG MARKT

The final version of the questionnaire incorporated DG MARKT's comments. The contact had been Jorge Herreros.

Interim Report

Mr. Knight explained the contractual significance of this document for Eurogramme. He also clarified some points in the text, particularly concerning the frequency of meetings. Mr. Lewis said that he somewhat doubted the possibility of quantifying the impact of changes in accounting standards as the report had mentioned. The meeting decided that the report could be signed off.

IAS Documentation

Mr. Knight informed the meeting that he would be in London on 26 and 27 June. During that time, he would obtain copies of the CD ROM containing all the International Accounting Standards and of the bound volume of them, which apparently also contained a useful glossary of terms. These would be included with the project deliverables that Eurogramme would give Eurostat.

Contacts with accountants for advice

The meeting noted that Mr. Knight would be meeting with Professor David Pendrill in London on 27 June and that Mr. Lewis had arranged a preliminary discussion with a senior partner of KPMG in Luxembourg on 17 July.

Project timetable

On Eurogramme's side, the next deliverables would be the summary of current accounting developments and the draft list of relevant statistical variables. Mr. Knight commented that the second might be some days later than the first, due to the advisability of taking account of any points from his forthcoming meeting with Prof. Pendrill. On Eurostat's side, delay in issuing the questionnaire could have consequential effects on later stages in the project timetable. Mr. Knight said that he would consult with Mr. Ojo about the possibility (probably good) of extending the time horizon of the project if the need should arise.

Related international work

Mr. Knight recalled that in the past OECD had compiled the so-called "Gold Book" containing accounting data on non-financial companies for countries in the organisation – he would investigate what was the current situation there. Similarly, he would also make contact with the Comité Européen des Centrales de Bilans, the consortium of central banks and NSIs that analyzed company financial statements and with which DG ECFIN was

associated. In this connection, Mr. Lewis drew attention to the need to pay adequate attention to information on relevant variables likely to be available from Eurostat Directorate B, especially from the Units responsible for Balance of Payments and Financial Statistics.

Future project meetings

Arrangements for these would be dependent partly on availability of project personnel and partly on the rate of progress with the timetable. For the time being, no definite arrangements would be made. However, the provision made for meetings in the project budget would undoubtedly be taken up in due course.

AOB

Those present noted with regret the imminent departure from Eurostat of Mr. Vale and wished him every success in the future.

Annex 4

Some International Accounting Standards (IAS) current in August 2000

Some International Accounting Standards (IAS) current in August 2000

Note: The following list identifies the IAS thought likely to be of most relevance to official statistics. The dates given for each IAS refer to publication dates or to latest major revisions. The descriptions given of the contents of each IAS are necessarily brief summaries of much longer original texts. Any comments made are for explanatory purposes and are not to be taken as the views of the IASC. Each IAS authorises a "benchmark" treatment but some standards also allow an "alternative" treatment and countries are free to choose between these. The UK, for instance, often prefers the alternative treatment.

IAS 1 Presentation of financial statements (1997)

This supersedes IAS 5, "Information to be disclosed in financial statements" and IAS 13, "Presentation of current assets and current liabilities". The statements must include a balance sheet, income statement (profit and loss account), statement of changes in equity, cash flow statement and notes to explain or amplify items in all of these. The minimum contents required for each statement are specified. No formats are mandatory for any of the statements but an appendix gives illustrative examples for each statement, including two alternative formats for the income statement, classifying expenses respectively by function and by nature.

An enterprise should prepare its financial statements, except for cash flow information, on the accruals basis of accounting. Transactions and events are recognised when they occur (not when cash or its equivalent is received or paid) and they are recorded and reported for the periods to which they actually relate.

In the balance sheet, there are optional treatments for the classification of assets and liabilities into current and non-current portions. If the enterprise does not make the distinction, it must list its assets and liabilities broadly in order of their liquidity. Here and in the other financial statements, offsetting is generally not allowed unless specifically permitted by other IAS.

In the income statement, expenses are recognised on the basis of a direct association between the costs incurred and the earnings of specific items of income (the "matching concept"). It is optional for enterprises to present costs in their income statements either "by function" or "by nature".

The presentation by function (or "destination") combines specific costs at various stages in the enterprise's operations, namely costs of sales, distribution costs, administrative costs etc. In the case of, say, a manufacturing enterprise, this presentation enables calculation of gross profit because it identifies the wages and salaries, depreciation and other costs that comprise the cost of sales specific to manufacturing activities. Providers of capital to the enterprise are likely to find this presentation of most interest to them.

The presentation by nature combines costs by total purchases of raw materials and consumables, total staff costs and total depreciation, i.e. inclusively of all costs entailed in production regardless of whether these costs are of an operating or overhead character. It is also possible to identify inventory changes and work in progress as well as work done and capitalised by the enterprise itself. Economic statisticians are therefore likely to find this presentation of the most interest to them.

It is worth noting that in the UK where national law allows enterprises an effective choice between the two types of presentation, the great majority of published income statements use the presentation by function.

IAS 2 Inventories (1993)

Inventories should be valued at the lower of cost and net realisable value. The benchmark treatment is to use "First In, First Out" (FIFO) or a weighted average cost formula. An alternative is to use "Last In, First Out" (LIFO), in which case "lower of cost" should also be disclosed as well as the results obtained by using LIFO, weighted average or current cost valuation bases.

IAS 7 Cash flow statements (1992)

Financial accounts produced by enterprises must include separate cash flow statements. Users of accounts must be able to see how enterprises can generate cash and cash equivalents (i.e. highly liquid short-term assets stable in value) and what are the needs of the enterprises for these cash flows. The figures may be presented either "directly" under headings for each source or use of cash (e.g. receipts from customers, payments to suppliers and employees) or "indirectly" by adjusting net profit before tax for non-cash items (e.g. depreciation). In either case, cash flows should be broken down into those arising from respectively operating, investing and financial activities.

IAS 8 Net profit or loss for the period, fundamental errors and changes in accounting policies (1993)

Income (profit or loss) statements should clearly distinguish between operating activities and "extraordinary" items (e.g. effects of natural disasters). Other items of unusual size or frequency (in UK parlance, "exceptional") should be disclosed by note. Changes in accounting estimates should be allowed for in determining profit or loss (i.e. absorbed in the quantities shown in the income statement). Fundamental errors or changes in accounting policies can be dealt with either in the same way or as "prior year adjustments" to opening balances of retained earnings.

IAS 12 Income taxes (1996)

This Standard deals primarily with methods for recognising and providing for so-called "deferred tax". Before 1992, it was permissible to treat deferred tax as arising from specific "timing differences" between e.g. depreciation and capital allowances in the income statement. There was also discretion in whether to recognise deferred tax as a liability for future years and, if so, whether to provide for the whole amount potentially payable ("full allocation") or just what would probably have to be paid in the foreseeable future ("partial allocation"). Since introduction of the present Standard in 1992, deferred tax is seen to arise as a liability from a broader class of "temporary differences" between the value of assets for tax purposes and their value as shown in the balance sheet. Full allocation is required. The effect of these changes, which are in the direction of US practice, has been very substantial: in the UK, companies restated their profits downward by up to 70 per cent.

IAS 14 Segment reporting (1997)

This Standard applies only to entities with publicly traded equity or debt. A reportable segment is a component of an enterprise distinguishable from other segments by its particular risks and returns. For external reporting purposes, these segments should be based on organisational units within the enterprise for which information is reported to the Board of Directors for appraisal and decision-making purposes. Segments can be business segments comprised of an individual product or service or groups of products or services. They can also be geographical segments comprised of parts of enterprises operating within particular economic environments, which in turn can be a single country, a group of two or more countries or a region within a country. Either type of segment is reportable when sales, profits or assets are 10 per cent or more of the total for the enterprise. The main disclosures required for each segment are revenue, operating result, operating assets and liabilities, capital expenditure and depreciation.

IAS 15 Information reflecting the effects of changing prices (1981)

This replaces IAS 6. Additionally, situations in which there is cumulative inflation of 100 per cent or more are covered by IAS 29, "Financial reporting in hyper-inflationary economies".

The Standard recognises three broad ways in which financial information can respond to changing prices. The first way is to restate some or all of the information for changes in the general price level using movements in an appropriate general price index. The second way shows current cost (often the same as replacement costs) in place of historical cost, recognising changes in specific prices of assets. The third way combines elements of both the first "general purchasing power method" and the second "current cost method."

The Standard acknowledges that most countries continue to prepare statements on the historical cost basis. These countries do not systematically allow for changes either in the general price level or in the specific prices of assets held (although re-valuations of property, plant and equipment often do occur and inventories and other current assets are similarly reduced to net replacement value). The Standard also concedes the lack of an international consensus on how restatements of changing prices should be made. It therefore limits itself to recommending that where information is prepared using general purchasing power or current cost approaches, there should be disclosure of the adjustments made to depreciation, costs of sales and monetary items as well as the effects of these and any other adjustments. When both parent company and group consolidated financial statements are presented, the foregoing disclosures can be limited to the consolidated information.

IAS 16 Property, plant and equipment (1993)

This incorporates rules on depreciation originally given in IAS 4 (withdrawn).

Property, plant and equipment should be recognised as an asset (instead of as an expense) when future benefits are likely to flow from it and its cost can be measured reliably.

Initial measurement should be at cost, i.e. purchase price plus expenditure needed to bring the asset into use. In later accounting periods, the benchmark treatment is to continue measurement at cost but the allowed alternative

is to measure each class of asset (e.g. land, ships, furniture) at its appropriate fair value (i.e. market value determined by appraisal when assets are tradable, replacement costs otherwise).

Re-valuations should usually be credited to reserves. Decreases in valuation should be charged to income. Gains or losses on retirement or disposal of an asset should be based on amounts shown in the balance sheet less accumulated depreciation.

IAS 17 Leases (1997)

A lease is defined as an arrangement whereby the lessor conveys the right to use an asset in return for payment or series of payments ("rent") from a lessee. The Standard recognises two broad types of lease. A finance lease is a lease that transfers substantially all the risks and rewards involved in the ownership of an asset. An operating lease is a lease other than a finance lease. Either type of lease may result from a sale and leaseback transaction.

Lessees should recognise finance leases as assets and liabilities in their balance sheets at amounts equal at the inception of the lease to the fair value (usually market value) of the leased property or, if lower, at the present (discounted) value of the minimum lease payments.

Rental payments should be split into a reduction of liability and a finance charge designed to reduce in line with the liability. Depreciation on leased assets for which there is a reasonable prospect of ownership should be calculated by using useful life, otherwise by using the shorter of useful life and lease term.

Lease payments under an operating lease should be recognised as an expense in the income statement on a straight-line basis over the lease term or on another equally systematic basis. Lessors should recognise assets held under a finance lease in their balance sheets and present them as a receivable at an amount equal to the net investment in the lease. Lease income should be recognised on the basis of a constant periodic rate of return.

For sale and leaseback transactions leading to finance leases, any excess of proceeds over amount shown in the balance sheet should be deferred and amortised over the lease term.

IAS 18 Revenue (1993)

Revenue is income that arises from the ordinary activities of an enterprise and can encompass sales of goods, rendering of services, fees, interest, dividends and royalties. Revenue and gains together constitute income. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

Additional criteria for recognising revenue include

- Transfer of significant risks and rewards to buyers
- Ceding of management involvement and control
- Reliable measure of transaction costs

For services, similar conditions apply when the outcome at each stage of completion can be measured reliably.

Disclosure should be made of the accounting policies for revenue recognition, the amounts of each significant category of revenue (as mentioned above) and the revenue arising within each category from exchange of goods and services.

IAS 19 Employee benefits (1998)

The Standard identifies five categories of employee benefits:

- Short-term employee benefits such as wages, salaries and social security contributions; paid annual leave and paid sick-leave; profit sharing and bonuses (if paid within 12 months of the end of the accounting period) and non-monetary benefits (e.g. medical care, housing, cars, other free or subsidised goods or services) for current employees
- Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care
- Other long-term benefits, including long-service leave, disability benefit and profit-sharing and bonuses (if paid more than 12 months after the end of the accounting period) and deferred compensation
- Termination benefits
- Equity compensation benefits

Specific disclosures about short-term employee benefits are not required under this Standard but are required by other Standards, notably IAS 1 "Presentation of financial statements" which stipulates disclosure of staff costs.

The bulk of the text of this Standard is concerned with the valuation and disclosure of amounts relating to post-employment benefit plans based on either defined contributions or defined benefits.

IAS 21 The effects of changes in foreign exchange rates (1993)

The foreign activities of an enterprise are separated into transactions in foreign currencies and foreign operations. Both types of activity must be expressed in the enterprise's reporting currency. The Standard gives decision rules about which exchange rate to use and how to state the financial effects of exchange rate changes.

Transactions should be translated at the exchange rates ruling on the transaction dates. Subsequently, monetary balances should be translated at closing rates (i.e. those at balance sheet dates) and non-monetary balances at the rates relating to the valuation basis (e.g. historical cost).

Exchange differences on monetary items should be accounted to income. However, differences on items that represent net investments in foreign entities should be capitalised.

The foregoing treatment also applies to the financial statements of foreign operations that are "integral to the operations of the parent enterprise". Financial statements for other entities should be translated at closing rates for balance sheets and transaction rates for income and expense items.

IAS 22 Business combinations (1998)

The Standard covers both the rare situation of a uniting of interests in which an acquirer cannot be identified (i.e. a merger, for which accounting should be by the "pooling of interests" method) and the much commoner situation of the acquisition of one enterprise by another. Rules of accounting for an acquisition are given for

- determining the cost of the acquisition
- allocation of the cost over the identifiable assets and liabilities of the acquired enterprise
- accounting at the date of the acquisition and subsequently for goodwill (i.e. the difference between the cost of the acquisition and the "fair value" at acquisition date of the acquirer's interest in the identifiable net assets acquired).

Assets and liabilities of the acquired company are brought into the consolidated financial statements at fair value. Where minority interests continue to exist, the benchmark treatment is not to apply fair valuation to the minority's proportion of net assets (in the UK, a minority interest can be up to almost 50 per cent of share capital). The alternative treatment is to show all net assets of the post-acquisition company at fair value.

The goodwill resulting must be capitalised and amortised over its useful economic life. The "rebuttable presumption" is for this useful life to be limited to 20 years. If the useful life is held to exceed 20 years, this must be estimated annually in accordance with IAS 36, "Impairment of Assets".

It may be noted here that in US GAAP goodwill is customarily amortised over 40 years. In UK GAAP there has been a compromise position with companies being permitted either to capitalise goodwill and write it off over an extended period, or to write it off against shareholders' funds via the income statement in the year in which it is incurred. However, confusion has arisen in, for example, calculating rates of return on capital employed for different companies (or even for the same companies at different points in time). The official UK Accounting Standards Board (ASB) has consequently recommended capitalising goodwill and either writing it off over an extended period or making it subject to periodic valuations to confirm that it is maintaining its value. Recognition is given to the special circumstance of "brand accounting" under which goodwill arising from acquisition of "cherished marks" such as newspaper titles and trade names can be carried indefinitely in the balance sheet (cf. the comment under IAS 38, "Intangible assets", below). The IASC position accordingly attempts to balance a number of differing viewpoints in what remains a highly controversial subject.

IAS 25 Accounting for investments (1986)

Most of this has been superseded by IAS 39, "Financial instruments: recognition and measurement". The remainder is subsumed partly into IAS 32, "Investments in intangible assets" and (for land and buildings) into IAS 40, "Investment property".

IAS 27 Consolidated financial statements (1989)

This replaces IAS 3 with the same title.

Consolidated financial statements should consolidate all subsidiaries, foreign and domestic, except where control is temporary pending sale or there are severe long-term restrictions on transfer of funds to the parent. A parent should present consolidated financial statements unless the parent is itself a more than 90 per cent owned subsidiary. In the latter case, the name and registered office address of (in UK parlance) the "ultimate holding company" must be disclosed.

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise. In cases where such ownership is held not to constitute control, this must be clearly demonstrated. Control also exists even when the parent owns one half or less of the voting power of an enterprise when there is also power

- over more than one half of the voting rights by virtue of an agreement with other investors
- to govern the financial and operating policies of the enterprise under a statute or an agreement
- to appoint or remove the majority of the members of the board of directors or equivalent governing body, or
- to cast the majority of votes at meetings of the board of directors or equivalent governing body.

The disclosures required by the Standard include

- in all consolidated financial statements, a listing of significant subsidiaries, including the name, country of incorporation or residence, proportion of ownership, interest and, if different, proportion of voting power held
- in all consolidated financial statements where applicable, reasons for not consolidating a subsidiary: details of the relationship between a parent and a subsidiary where no more than half of voting power is owned; the name of any enterprise not a subsidiary even when more than half the voting power is owned.

The parent must present its own separate financial statements and the reporting dates for these must be no more than three months different from those for the consolidated financial statements for which it is responsible.

IAS 30 Disclosures in the financial statements of banks and similar financial institutions (1990)

For the purposes of this Standard, the term "bank" includes all financial institutions, one of whose principal activities is to take deposits and borrow with the objective of lending and investing and which are within the scope of banking or similar legislation. In recognition of the special nature and importance of these institutions, a large number of individual items have to be separately disclosed in their financial statements or notes thereto.

The main headings under which disclosures are required include:

- an income statement which groups income and expenses by nature and shows the amounts attributable to each main item, e.g. interest, dividends, fees and commissions, other operating income and expenses, general administrative expenses
- a balance sheet that groups assets and liabilities by nature, lists them in order of liquidity and groups them according to maturity date
- disclosure of transactions presently not recognised in the balance sheet but which give rise to contingencies and commitments (i.e. off-balance sheet items)

- disclosure of any significant concentrations of assets, liabilities and off-balance sheet items in terms of geographical areas, customer or industry groups or other concentrations of risk.

IAS 31 Financial reporting of interests in joint ventures ((1990)

This Standard identifies three broad types of joint venture, namely jointly controlled operations, jointly controlled assets and jointly controlled entities. The features common to all are that two or more "venturers" are bound by a contractual arrangement and that the contractual arrangement establishes joint control. Venturers are distinguished from "investors" who may be parties to joint ventures but do not exercise control.

In respect of its interests in jointly controlled operations or in jointly controlled assets, a venturer must identify these in its own separate financial statements and consequently in its consolidated financial statements. Jointly controlled operations should be recognised by including the assets controlled and the liabilities and expenses incurred by the venturer and also its share of the income. Jointly controlled assets should be recognised on a proportional basis.

Jointly controlled entities should be recognised in consolidated financial statements as follows: -

- the benchmark treatment is proportional consolidation. This means that the balance sheet of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. Similarly, the income statements of the venturer include its share of the income and expenses of the jointly controlled entity. This is an example of the "substance over form" convention in accounting, here assuming that control exists over the venturer's share of future economic benefits
- the allowed alternative treatment is the "equity method" (as described in IAS 28 "Accounting for investments in associates", whereby the interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. Similarly, the income statement reflects the venturer's share of the results of operations of the jointly controlled entity. The IASC makes this concession in the light of the arguments that wholly controlled items should not be combined with jointly controlled items and that venturers have significant influence rather than joint control of a so-called jointly controlled entity.

IAS 32 Financial Instruments: disclosure and presentation (1995)

and

IAS 39 Financial instruments: recognition and measurement (1999)

Both of these Standards are long and very detailed. IAS 32 presents certain requirements for presentation of on-balance sheet financial instruments and identifies the information that should be disclosed about both these and off-balance sheet items. The presentation requirements deal with the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The disclosure requirements deal with information on factors that affect the amount, timing and certainty of an enterprise's future cash flows relating to financial instruments and with the accounting policies applied to the instruments.

IAS 39 supplements the disclosure provisions of IAS 32 and also establishes at considerable length principles for recognising and measuring information about financial assets. All financial assets, including derivatives, should be recognised in the balance sheet unless otherwise covered by other IAS. Financial assets should be shown at fair value, except that the following should be amortised at cost

- loans and receivables held by the enterprise and not held for trading
- other fixed maturity investments such as debt securities and preference shares to be held to maturity
- assets whose fair value cannot be measured reliably.

Financial liabilities should be held at cost, except that fair value should be used for those held for trading and also for derivatives.

Gains and losses should be recognised in the income statement but items not the subject of trade may be recognised in the statement of changes in equity, as annexed to IAS 1, "Presentation of financial statements".

Hedge accounting is permitted under certain circumstances for derivatives and, in the special case of foreign currency risks, for other types of financial instruments.

IAS 38 Intangible assets (1998)

This Standard incorporates the contents of the discontinued IAS 9, "Research and Development Costs". It defines an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rental to others, or for administrative purposes.

The Standard applies primarily to expenditure on advertising, training, start-ups, research and development activities. It does not apply to financial assets, mineral rights and other expenditure in connection with non-regenerative resources or to the intangible assets arising from contracts between insurance enterprises and policyholders.

Internally generated goodwill should not be recognised as an asset. Consequently, no intangible asset arising from research or from internally generated brands, mastheads, publishing titles, customer lists or similar items should be included in the balance sheet.

Development expenditure may sometimes meet the recognition criteria and the Standard gives detailed guidance about this. Costs initially treated as expenses in the income statement, including research expenditure, cannot subsequently be capitalised. Intangible assets for which there is an active market can be shown in the balance sheet at fair value.

There is a "rebuttable presumption" that the life of an intangible asset should not exceed 20 years. Where a longer life is used, this must be justified on an annual basis.

IAS 40 Investment property (2000)

With the implementation of this Standard, IAS 25, "Accounting for investments" (1986) will be wholly withdrawn.

Investment property is defined as property (land or buildings) held to earn rentals and/or for capital appreciation. It is therefore distinguished from land or buildings used in the provision of goods or services or for administrative purposes and from property for sale in the ordinary course of business.

IAS 25 effectively allowed enterprises to choose from among several accounting treatments for investment property, e.g. depreciated cost, straight re-valuation, re-valuation with depreciation, cost less "impairment". IAS 40 now permits only two possible treatments:

- a fair value model: investment property should be measured at fair value and changes in fair value should be recognised in the income statement
- a cost model: as in IAS 16, "Property, plant and equipment", investment property should be measured at depreciated cost, less accumulated losses due to impairment, but fair value must still be disclosed.

The IASC points out that this is the first time that a fair value accounting model has been applied to non-financial assets. It is conceded that this is a matter of controversy among accountants because markets for investment property are not universally well developed and there is no unanimity even about the definition of such property. The recognition of two different treatments therefore represents a compromise until such time as certain property markets reach greater maturity.

Annex 5

Sample letter written to the Member States

Sample letter written to the Member States

telephone: (+44) (0) 117 979 2058
Email/mel: john.knight@btinternet.com
Bristol, 18 April 2000

Dear Colleague,

Subject: **Eurostat Project on Accounting Definitions and Statistical Variables -
Invitation to comment on draft questionnaire proposed for issue to Member States**

Eurostat has commissioned the Eurogramme Company to carry out the above-mentioned project, which is identified by the acronym "acstat". The project is being managed by Mr David Lewis under the direction of Mr Francois de Geuser, Head of Eurostat Unit D1. I am the consultant responsible for various activities on the project.

It was decided at a meeting of the project team in Luxembourg last week that involvement in the project by expert representatives of national statistical services would be essential. Furthermore, the first step in securing the involvement of these representatives should be to ask them to arrange for the completion of a questionnaire seeking some basic facts about the use of accounting information to compile official statistics in their countries. Part of the questionnaire also deals with the issue of changes in EU accounting standards and their possible effects on the statistics.

The usual procedure for seeking the co-operation of EU member states in statistical matters is for the Director General of Eurostat, Mr Franchet, to write formally to the Directors General of the national statistical institutes (NSIs). This will, of course, be done. However, the acstat project covers more than one specialism and the project team believes that it will be important to identify the most appropriate person in the NSI at the earliest possible stage. Mr Franchet's letter could then include a discreet reference to that person as the one to whom the questionnaire should be passed.

Concerning the questionnaire, the project team has made a first draft of this but would appreciate comments on it from a small number of national experts before anything is issued formally to all the NSIs.

I would therefore be very grateful if you could find the time to look at the attached draft questionnaire and its explanatory memorandum. The project team hopes that it will be possible for Mr Franchet to write to NSI Directors General in the week of 8 May so I look forward to receiving your comments as soon as possible.

Yours sincerely,

John Knight

Distribution:

Mrs Van de Voorde, INS, Belgie/Belgique

Mr Benedetti, INSEE, France

Mr Hay, ONS, UK

Mr Madden, CSO, Ireland (*added on 3 May*)

Copies

Mr Lewis, OS/D1

Mr Vale, OS/D1

Mr Ojo, Eurogramme

Annex 6

LETTER TO THE ATTENTION OF THE DIRECTORS OF THE NATIONAL STATISTICAL INSTITUTES

LETTER TO THE ATTENTION OF THE DIRECTORS OF THE NATIONAL STATISTICAL INSTITUTES

For :

- Mr Jan Plovsing, Danmarks Statistik
- Mr Timo Relander, Statistics Finland
- Mr Nikos Karavitis, NSO, Greece
- Mr Donal Murphy, CSO, Ireland
- IR. DRS.R.B.J.C. van Noort, CBS, Netherlands
- Mr Svante Öberg, Statistics Sweden
- Mr. Len Cook, ONS, United Kingdom
- Mr. Hallgrimur Snorrason, Statistics Iceland
- Mr. Svein Longva, Statistics Norway

ACCOUNTING AND STATISTICS

Dear Mrs, dear Mr.....,

As you may be aware, the Commission as part of its Financial Services Action Plan is finalising proposals for the EU future strategy on accounting. A recent Communication (*EU Financial reporting : the way forward COM(2000) 359*) shows how modernisation of the 4th and 7th Directives on company accounts is being approached. The aim will be further comparability of EU financial statements and easier access for European companies to world capital markets. It now seems likely that a gradual move towards more reliance on International Accounting Standards, for listed EU companies at least, will take place over the coming years. Given the strong link between accounting arrangements and EU statistics, I feel that we should now start examining the likely impact of the proposed changes on our figures. These relationships are not at present fully understood, in part because the links between accounting and statistics (and indeed auditing, financial regulators and tax authorities) vary considerably between Member States, but also because the current Directives include options which may well be taken up in different ways in each country.

To make a start with this exercise, we have devised a structured questionnaire which we hope will be completed for all Member States and by EEA colleagues. A copy of the questionnaire is enclosed, together with a short explanatory note giving more background information. As the subject matter does not readily lend itself to simple ticking boxes, the questionnaire is more a series of open-ended questions showing the type of information we need to collect. A summary of the completed returns will be made available in autumn this year. If necessary, we will set up a small task force with interested Member States to carry the work forwards.

I look forward to receiving your completed return, which should reach us if possible no later than end July 2000. Any queries on what is required should be addressed to John Knight, the consultant now working on the project. His contact details are shown in the explanatory notes to the form.

French and German versions of this letter and attachments are also available. Mr Knight can supply these if you need them.

Yours sincerely,

Yves Franchet

Annex 7

EUROSTAT QUESTIONNAIRE ON ACCOUNTING AND STATISTICS

EUROSTAT QUESTIONNAIRE ON ACCOUNTING AND STATISTICS

COUNTRY..... CONTACT PERSON.(name and phone no).....

NB This form should be read with the accompanying notes which give further background and comments. The table sets down the type of information we wish to collect. It would be helpful if replies were clearly structured to follow the section numbers shown in the table. Any supplementary information or comments would of course be very welcome. Not all examples will be applicable to each country, and some overlap of material between sections seems inevitable.

<i>Section number</i>	<i>Subject matter</i>	<i>examples of what might be included</i>
Current statistical work		
1	In general terms, how do you see the links between accounting and official statistics in your country?	<i>any general remarks; whether you extract accounting data directly from accounts filed under company legislation; whether you extract data directly from tax sources which in practice are drawn from accounts; whether there are formal links between the statistical and accounting professions eg joint committees</i>
2	If there is no statistical use made of accounting information, please say so and explain why	<i>possible reasons for not using accounting sources: late filing of returns, problems with accounting periods, missing data arising from partial coverage of companies legislation eg small companies or non-corporate, problems with units, difficulties in access to data, accounting concepts do not align with national accounts concepts</i>

- 3 If accounting sources are used for statistical purposes also, please outline the ways in which this is done *what accounting sources are used, which organisation extracts the data, which data are extracted, period of data and frequency of extraction, what the data are used for (compiling indicators, checking other data, benchmarking, etc); whether you have been involved in the development of electronic data exchange schemes for accounting data (such as XBRL)*
- 4 If your country has a general Accounting plan or Chart of accounts (such as the French Plan Comptable Général) please explain its relationship if any with official statistics *whether an Accounting plan or Chart of accounts exists; if so whether statistical forms show accounting codes; whether businesses are instructed to base their statistical returns on accounting data eg referring to 4th or 7th accounting Directives (which?), eg on Article 9 and 10 of the 4th Directive on balance sheet formats or Article 23 to 26 in the 4th Directive on profit and loss account formats; whether access is achieved through tax data; whether EDI formats are agreed for electronic transfer of accounting data*

Possible future changes

- 5 Have you initiated or carried out work aimed at clarifying the likely impact of future accounting changes on official statistics - if so please indicate what *is there an ongoing partnership between accountants and statisticians eg through membership of Plan Comptable committees; if earlier work is available can Eurostat receive copies*
- 6 Do you have plans for future changes which would increase or decrease the reliance you place on accounting sources - if so please describe what *any relevant documentation on such changes would be welcome*

Eurostat's role and further work

- | | | |
|----|---|---|
| 7 | Do you feel that Eurostat should carry out preparatory work in this field - if so what? | <i>proposed areas are: the present survey; formation of a focal point group within Eurostat; close liaison with DG MARKT to be fully aware of progress and plans; forming a task force if MS feel it worthwhile; listing variables defined in EU legislation; a preliminary comparison of these definitions with IAS standards; arranging for input of specialist accounting advice</i> |
| 8 | Do you wish to be kept informed on the outcome of further work on these issues? | <i>this might be by task force papers, plus papers of the Eurostat focal point group, possibly through Eurostat web site pages</i> |
| 9 | Is it likely that your organisation would wish to be involved if a task force were set up to oversee further work? | <i>virtual meetings may be sufficient with occasional face to face contact</i> |
| 10 | Should the accountancy topic be added to the agendas of existing Working Group meetings - instead of a separate task force or as well as? | <i>to make real progress some detailed understanding of the accounting issues will be needed - this may prove difficult in gatherings devoted to other matters; an occasional note to interested existing Groups when concrete action is necessary may suffice?</i> |
| 11 | Who should be approached to follow up queries on this return or to discuss further work? | <i>if the person named above as contact is to be the sole contact point on accounting issues, please confirm this</i> |
| 12 | What in general terms is the coverage of this return? | <i>see notes B and C overleaf regarding possible coverage issues</i> |

EUROSTAT QUESTIONNAIRE ON ACCOUNTING AND STATISTICS

BACKGROUND NOTES

Contact points

Any queries on this return should be addressed initially to the consultant dealing with this survey, John Knight (tel +44 (0)117 979 2058 or e-mail john.knight@btinternet.com). In Eurostat the accountancy project is led by David Lewis in unit D1 (tel +352 4301 32003 or e-mail David.Lewis@cec.eu.int)

	<i>topic</i>	<i>notes and comments</i>
A	Aims	<i>Preliminary discussions within Eurostat and with ESS colleagues suggest that work on accounting and statistics can be beneficial in three main ways. First, accounting returns made under company legislation create an administrative source which should be fully exploited by statisticians in order to keep the form-filling burden to its minimum. Secondly, where accounting changes can impact on business data entered on statistical returns, statisticians should follow up these developments proactively. Thirdly, some feel that statisticians should be making their voices heard before accounting standards are finalised so that the implications on statistics are clear from the start. This requires clarity on what statisticians would like, clarity on the supporting arguments, and recognised channels of communication with internationally relevant accounting standard setters.</i>
B	Terminology	<i>The questionnaire is being sent to Directors General of the 15 Member States national statistical offices and EEA equivalents. In view of the many differences in structure and methods between Member States, use of "you" and "your" throughout the form is intentionally vague. Ideally, responses should cover all components of the European Statistical System - central statistical offices, departments, agencies, regional offices (including länder in Germany), central banks and so on. In practice this may not be feasible. Section 12 of the return invites comments on this aspect.</i>

- C Scope *The most obvious link between accounting and statistical legislation lies in business statistical surveys - particularly the Structural Business Statistics. Here the EU statistical legislation refers directly to the 4th and 7th Accounting Directives. The link may also affect Balance of Payments data, particularly in countries relying primarily on business statistical returns for this information. Beyond this - for example in financial statistics - the picture is less clear. Section 12 of the return invites comments also on this aspect.*
- D Accounting background *The accounting background is complex. Accountancy activities may be influenced by European law, additional national law, international accounting standards, stock exchange requirements, the work of auditors and regulators, taxation issues, etc. The result of these arrangements is that accountancy practice can vary considerably between Member States.*
- E Statistical background *National practices vary considerably in the way accounting issues are linked to collection of official business statistics. In some countries (eg France) the link is very strong as both activities relate directly to the Plan Comptable Général. In others the opposite is true. All share the common basis of links mentioned in EU legislation - in particular the references in SBS Regulations to the 4th and 7th Accounting Directives. More details of these differences should be evident once the returns of the present survey are collated.*
- F Possible changes *To enhance comparability of financial statements, changes in EU accounting law will soon be proposed. This change is likely to take the form of a gradual move towards greater reliance on International Accounting Standards, at least for listed EU companies. Many detailed matters will be addressed in the forthcoming Commission proposals concerning accounting: scope of the changes, mechanisms to put in place, enforcement issues, etc.*
- G Web sources *The following web pages provide further background material:*
- DG MARKT http://europa.eu.int/comm/internal_market/en/company/account/index.htm
IASC <http://www.iasc.org.uk/>
SEC <http://www.sec.gov/>

Annex 8

**Note of conversations held at the Central Statistics Office,
Cork, Ireland, on Monday 8 May 2000**

Note of conversations held at the Central Statistics Office, Cork, Ireland, on Monday 8 May 2000

Title: Accounting Definitions and Official Statistics
Doc.ref: Acstat/jfk/2
Doc.date: 18 May 2000
Author: John Knight, Eurogramme

Present: CSO Eurogramme
 Joe Madden John Knight
 Olive Loughnane
 John Hayes
 Mick Lucey*
 John Hagen*

**by video conferencing link from Dublin*

Summary

1. The opportunity to talk to the Irish official statisticians arose during a private visit I made to Ireland at the invitation of Margaret Macloughlin, in charge of IT at the CSO and sometime FND in Luxembourg. I explained the purpose of the Acstat project and went through the draft questionnaire and supporting material that I had sent Joe Madden by e-mail earlier. Joe, Olive and John Hayes covered the Industry, Construction and Services aspects in Cork while Mick Lucey and John Hagen spoke for the National Accounts branches in Dublin. Particular attention was paid to the Quarterly Accounts Inquiries managed by John Hayes and to the work to estimate profits done by John Hagen.
2. The general situation remains as described in the chapter for Ireland in Part II of the ADSO Handbook of Practices. Statistical surveys such as the Census of Industrial Production, the Annual Services Inquiry, the Monthly Production Inquiry and the Quarterly Accounts Inquiry are much the main sources of the microeconomic performance data. Profits data for the Income measure of GDP are compiled by a statistical unit within the office of the Revenue Commissioners, using tax returns filed by incorporated businesses and the self-employed.
3. The Statistics Act of 1993 gives the CSO power of access to the internal accounts of enterprises but hitherto this has only been invoked when businesses persistently fail to complete statistical returns. A small number of field workers deals with such cases, using their own resourcefulness to get the figures from whatever information the business has to hand. Olive Loughnane hazarded that less than 10 per cent of the coverage of the ASI would be found in this way. Mr Garvey, the CSO's Director General, had actually offered at the 1998 conference of the Irish SMEs' organisation to accept monthly management accounts in place of returns for the MPI and the Quarterly Accounts Inquiry from businesses classified to Industry. Out of 2,000 possibles, only ten businesses had expressed interest and five had turned out to be serious.
4. As for the profits estimates, the CSO is content with the statistical analyses carried out under the auspices of the Revenue Commissioners because their definition of taxable profit is closer to the national accounts

concept of gross operating surplus than what is in published accounts. Businesses are obliged to produce reconciliation statements for the two types of source, from which it is usually seen that the tax accounts are much closer to the economic reality sought by the national accountants. A "consistency unit" within the national accounts division nonetheless checks on results from surveys of large enterprises by looking at a range of other sources, including published accounts and management accounts when possible.

5. It would seem that the CSO has rather mixed feelings about the possibilities for using accounting data. On the one hand, it was said that statistical inquiry forms are not too difficult for most businesses to complete and that the work of interpreting accounting data involves a heavy staff training commitment and is even then time-consuming. On the other hand, non-response is a problem requiring some fairly intricate estimation procedures and it is felt desirable to crosscheck results against other sources. Moreover, new statistical inquiries needed in areas such as balance sheet data are unlikely to come about for some time. The ideal, as Mick Lucey said, would be a set of accounts as a single source suitable for all official purposes but this seems far off. Meanwhile, the CSO makes what use it can of a miscellany of sources either directly or indirectly deriving from the accounts that businesses actually keep.
6. Businesses are required to file annual audited accounts with the Companies Registration Office, which in recent years has removed much deadwood and has improved access by investing in OCR. However, the CRO's information base will still be far from covering the whole economy as the national accountants see it. For instance, the "residence" criterion requires good information on foreign-owned local branches and Irish subsidiary companies of foreign-owned parents, neither of which is assisted by the present state of company law. (Such entities are, of course, particularly important in a small open economy like Ireland's.) By a similar token, the CSO's survey of Balance of Payments elements for non-resident enterprises is skewed heavily towards MNEs.
7. The external accounting regime in Ireland is very similar to that in the UK, depending on Financial Reporting Standards issued by the Accounting Standards Board in London. The CSO has not taken an active role in the ASB's consultation processes and is not particularly aware of any developments at the international level either. However, changes in the form and content of accounts required by European standards would be a matter for some concern insofar as Ireland, like France, compiles its GDP estimates on the Income measure. Mick Lucey wanted to know how far the existing standards in the 4th Directive conformed to the financial accruals basis of ESA95. John Hagen asked whether any changes to the 4th and 7th Directives would be paralleled by changes to the corresponding legislation on accounts of credit institutions.
8. Concerning the draft questionnaire itself, those involved in the discussion indicated that the CSO would probably be able to provide answers as required. Mick Lucey advised that Eurostat's official approach should be made to Mr Garvey without referring to anyone else, as he alone would decide how to organise response.
9. Although the discussion came about semi-spontaneously, it was highly illuminating with many good points raised that will be useful for the project generally. I am very grateful to all who were involved, particularly Margaret Macloughlin for making the initial approach and Joe Madden for his work in co-ordinating with his usual patience and good humour.

Annex 9

Summary Mission Report of visit to Belgian INS, Brussels, 31 July 2000

Summary Mission Report of visit to Belgian INS, Brussels, 31 July 2000

Doc. Ref: Acstat/jfk/8
Doc. Date: 31 August 2000
Author: J ohn Knight, Eurogramme
Subject

Those present: INS Eurogramme
Mrs Van de Voorde and others Mr J F Knight

Mrs Van de Voorde is head of the Industrial Statistics Division and met me with the support of about a dozen other staff members including statisticians and accountants. The meeting was extremely wide-ranging and discussion lasted the whole of the morning of Monday 31 July. The practical outcome was the provision of information sufficient to complete the questionnaire on accounts and statistics issued by Eurostat on 6 July. I was also given specimens of the main structural business inquiry forms and a summary of the Belgian Chart of Accounts (PCG).

INS considers that it already makes maximum use of accounting information for compiling business statistics for its own and the EU's purposes. Belgium operates a system whereby all incorporated businesses must render their annual accounts to the central bank (BNB). In theory, this gives complete coverage of the relevant statistical population. In practice, the accounts in question usually give only summary information considerably short of what INS wants. Two other drawbacks are that INS has no influence over the PCG, which is reserved to the BNB, and that the accounts are usually only available after the deadlines for submission of information to Eurostat and other users of statistics have passed. The annual and short-term statistics are therefore compiled to a considerable degree from returns to INS's own inquiries. However, an attempt is made to align the definitions in these inquiries with PCG headings and VAT returns are also becoming more important as a supplementary information resource.

Mrs Van de Voorde said that she supported the idea of the subject matter of the Acstat project being carried forward by a task force and that Belgium would be ready to take part. She also asked to be kept informed of further developments by Eurostat.

Annex 10

Report of meeting, INSEE, Paris, 15 September 2000

Report of meeting, INSEE, Paris, 15 September 2000

Doc. Ref.: Acstat/jfk/10

Author: John Knight, Eurogramme

Present

INSEE

Mr Benedetti

Mr Thollon-Pommerol

Eurogramme

Mr Knight

Background

Mr Benedetti is the acstat project contact person for France and principal author of INSEE's response to the Eurostat questionnaire covered by the letter from Mr Champsaur to Mr Franchet dated 27 July 2000. He and his colleague Mr Thollon-Pommerol also of the Enterprise Statistics Directorate kindly agreed to meet me to discuss points arising from INSEE's response.

Documentation

In addition to the very comprehensive questionnaire response, INSEE has originated a good deal of work on the relationship between accounting and statistics in recent years. Eurostat has been fully informed about this. Eurostat had been represented at the Seminar on "Accounting Standards, Businesses and Statistics" held at INSEE in Paris on 8 October 1997 and had afterwards received French and English versions of the proceedings (INSEE Methods series, No 74-75). That Seminar had been organised as part of a methodological cooperation between INSEE and Statistics Canada over the period 1996-1998. Another product of the France-Canadian studies had been the document "A Call to the NSIs" forwarded to Mr Diaz Munoz on 10 September 1998. A further "Franco-French" seminar involving INSEE, other interested public organisations and professional accounting associations had subsequently taken place; a report of which had gone to Mr de Geuser on 27 April 1999.

Discussion

We recapitulated the main features of the French business statistics system, highlighted the sources of INSEE's concern about current international accounting standards and talked about INSEE's proposals for a concerted approach by Eurostat and NSIs to the IASC. Key points were as follows: -

- Individual enterprise accounts play a key role (via statutory annual tax declarations) in the business statistics and national accounts systems. They conform to the General Accounting Plan (PCG) and INSEE has always been involved in revisions (most recently in 1999) to the PCG. The 1982 revision of the PCG followed transposition of the 4th Directive into French law. The PCG provides a unified methodological framework permitting the basic microeconomic accounting data to be put together at successively higher levels of

aggregation. The result is a "multi-dimensional" information system capable of serving many different kinds of user, from enterprise managers to macro-economic modellers.

- Consolidated accounts for company groups play no real part in the statistical system. Nor are they covered by the PCG. INSEE did not intervene in the transposition of the 7th Directive into French law in 1986 and it was the accounting profession (as in the UK) that took the lead. The governing legislation was again revised in 1999 with the aim of bringing national practice closer to international norms. The result is a "one-dimensional" information system primarily serving the needs of investors on the capital markets.
- INSEE's fundamental concern about the "one-dimensional" system is the preference for the breakdown of items in the income statement to be "by function" rather than "by nature" as in the "multi-dimensional" system. There are also problems with the balance sheet (e.g. with capitalised production) and with netting out inter-group transfers in all parts of consolidated accounts. However, the problems with income and charges are considered the most serious ones. Neither production nor costs of factors of production can be measured properly from the breakdown "by function", which is concerned rather with matching revenues from sales of goods and services to costs actually incurred in generating them. Moreover, the focus is always on the financial performance of the individual company and some latitude in presenting this is permissible. Possibilities for meaningful cross-sectional or longitudinal analyses are accordingly limited, as is aggregation to higher levels in the economy.
- The uneasy co-existence of the two information systems in France looks like being upset by the steady encroachment of the "one-dimensional" accounting conventions common in English-speaking countries. This unwelcome but probably inevitable development will be greatly accelerated if the European Commission really does endorse the present set of IAS. INSEE had in fact been alerted to the full consequences of what might happen by the Canadians and the two groups of statisticians have discussed various ways of dealing with the emerging situation. None of these ways is cheap, however, either for NSIs or for businesses. Hence comes INSEE's wish that Eurostat with the support of NSIs and directly or indirectly through DG MARKT should persuade the IASC to cooperate with statisticians in producing new IAS requiring information believed essential for statistical purposes.

Next steps

I explained that the intention was to render a final project report, including recommendations for action, to Eurostat by the end of October. The INSEE representatives were keen for a special Task Force to be set up as soon as possible thereafter and asked how many other NSIs approached in the questionnaire exercise were of the same opinion. I said that on the basis of the questionnaires so far received, there were enough NSIs in favour of a Task Force to make it feasible under the usual rules. I added that these represented all the responding countries with General Accounting Plans (Belgium, France, Greece, Norway and Spain) together with Austria and the UK.

On the question of national representation, the INSEE Enterprise Statistics Directorate would speak in the Task Force for France. It was noted in this context that within the organisation, the national accountants would also have an interest and that outside it the Banque de France was responsible for the Balance of Payments and also had its own Balance Sheet Data Office.

The INSEE representatives said they were pleased that Eurostat appeared to be taking an active interest in international accounting issues. The support of the public international organisations was very desirable in their view. Aside from the contacts with Eurostat, INSEE had also approached Mr Kincannon at OECD a year or two previously although nothing had as yet resulted from that initiative.

INSEE's policy line at the Task Force would be to work for statistically beneficial changes in the international accounting regime which were believed to be desirable and possible. Anything that could be done to make consolidated accounts statistically usable would certainly be welcomed but the over-riding priority was to preserve the statistical integrity of the individual accounts. This was nothing to do with cultural nationalism but everything to do with ensuring that the information needed at national and European levels would continue to be available without unacceptable costs.

Copies

Those present

Mr Lewis, Eurostat, Ms Janschek, Eurostat

Mr Ojo, Eurogramme

Annex 11

ACCOUNTING AND OFFICIAL STATISTICS IN EEA COUNTRIES SUMMARY OF KEY FACTS

ACCOUNTING AND OFFICIAL STATISTICS IN EEA COUNTRIES SUMMARY OF KEY FACTS

(For fuller details, please see "Notes on Accounting and Official Statistics in EEA Countries")

Note: Countries shown in order specified by Eur-Op Vade Mecum

EEA country	Statistical Surveys	Statutory Accounts	Taxation Records	Definitions Aligned?	Work by Eurostat?	Task Force?
Belgium	X	X		Y/P	Y	Y
Denmark	X	X	X	Y	Y	N
Germany	X			Y	Y	N
Greece	X	X	X	Y/P	-	Y
Spain	X		X	Y/P	Y	Y
France	X	X	X	Y/P	Y	Y
Ireland	X	X	X	N	Y	-
Italy	X	X	X	Y	Y	Y
Luxembourg	X	X	X	Y/P*	Y	-
Netherlands	X	X	X	X	Y	Y
Austria	X	X		Y	Y	TBA
Portugal	X	X	X	Y/P	-	-
Finland	X	X	X	Y/P*	Y	TBA
Sweden	X	X	X	Y	-	-
United Kingdom	X	X	X	N	Y	Y
Iceland	X	X	X	Y	-	-
Liechtenstein			X	N	Y	-
Norway	X	X	X	Y/P	Y	Y

Sources: Summer 2000 actstat questionnaire

Eurostat Handbook of Good Practices on Use of Administrative

Sources for Statistical Purposes (Eur-Op, 1999)

Key to Symbols Used

X Resource used for statistical purposes

Y Yes

Y/P General Accounting Plan exists

* Proposal under consideration

N No

TBA To be advised in due course

- No opinion indicated

Annex 12

NOTES ON ACCOUNTING AND OFFICIAL STATISTICS IN EEA COUNTRIES

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Belgium

Data sources are primarily statistical surveys. Annual accounts filed with Belgian National Bank (BNB) by 100,000 businesses but accounts often too late for NSI deadlines, do not contain enough statistically usable information and do not cover whole business population. BNB source mainly useful in checking survey returns, grossing for non-response and coding in statistical register. No tax data currently used for statistical purposes but under consideration.

BNB controls General Accounting Plan to which accounts data conform. NSI uses Plan headings and codes in survey forms but does not influence Plan itself. Businesses can use EDI for BNB filings and NSI also extracts BNB data electronically.

NSI thinks comparison of IAS and business statistics definitions would be useful and wants more general review of Eurostat business statistics requirements. Supports creation of Task Force but thinks BNB could provide best representation.

Information: Summer 2000 Acstat questionnaire, mission 31 July 2000

Denmark

Data sources combine accounting information and statistical methods. Information for main accounting items available from Customs and Tax Authority for most enterprises. Statistical surveys seek more detailed accounting information from sample of these. Survey results augmented from tax accounts of non-sample enterprises, checked from accounts filed at company registration office and grossed up to business population level using basic data in statistical business register.

No General Accounting Plan but tax accounts standardised and survey questionnaires based on 4th Directive, using "by nature" breakdown for income items. NSI working with tax and company registration authorities on EDI project involving standardised coding of items in different accounting systems.

NSI wants Eurostat to compare definitions in IAS and in SBS Regulation and report results.

Prefers issues to be discussed not in Task Force but at SBS Steering Group.

Information: Summer 2000 acstat questionnaire

Germany

Data sources are statistical surveys of enterprises with 20 or more employees. Access to corporation tax data not possible. Accounting data only available for enterprises and enterprise groups and not used for statistical purposes directly. But survey questionnaires as far as possible based on business accounts.

Model accounting frameworks developed by professional institutes exist but not legally binding and accounting practices of companies vary. Form, contents and notes to survey questionnaires accord with accounting presentations in Commercial Code. NSI not actively involved in standard setting but informed of developments.

NSI interested to compare IAS with European accounting systems. Does not believe special Task Force appropriate unless issues of an interdisciplinary nature genuinely require co-ordination.

Information: Summer 2000 acstat questionnaire

Greece

Data sources are annual surveys of Industry, Distributive Trades and Services, supplemented whenever possible with data NSI legally empowered to extract directly from enterprise accounts. Registers for surveys compiled from Value Added Tax declarations.

Statisticians and accountants work together on the National Committee for Accounts, which is responsible for General Accounting Plan. Plan applies to large enterprises but not small ones. Accounting codes and statistical variables linked in Industry survey and conform to SBS Regulation. Survey questionnaire for Insurance Companies survey soon also to be harmonised with Plan. Questionnaires for surveys of Distributive Trades and Services remain un-harmonised and no link between accounting and statistical variables, making extraction of accounting data difficult. No EDI projects currently in view.

NSI supports creation of specific Task Force and willing to take part.

Information: Summer 2000 acstat questionnaire

Spain

Data sources primarily statistical surveys to larger enterprises in industry, distributive trades and services. Also current project to investigate statistical use of tax and social security data for stratified sample of companies.

Variables in surveys cross-referenced to codes in General Accounting Plan although exceptions are variables for investment and disaggregated data for establishments. Main problems for enterprises are providing accounting information by NSI's deadlines and at required level of detail.

NSI would like Eurostat to initiate work to standardise company accounting information systems so that their data can be used optimally for statistical purposes. NSI willing to participate in either Task Force or Working Group and wishes to be informed of developments.

Information: Summer 2000 acstat questionnaire

France

Data sources mixture of statistical surveys covering 190,000 enterprises (including all large ones) and accounting data appended to annual corporation tax declarations for 2.4 million smaller businesses. Results for 80 core variables collated from both sources in Unified System of Enterprise Statistics (SUSE) and augmented by third source of company registration data for full population coverage. SUSE allows comparison of sector activity data with branch production data and provides link via "Intermediate Accounts" system between micro-enterprise data and aggregated data in national accounts

General Accounting Plan provides methodological framework for individual accounts of enterprises and incorporates one balance sheet and one profit and loss account format from EU 4th Accounting Directive with

income items broken down "by nature". NSI active in Plan formulation. Plan does not apply to consolidated accounts of enterprise groups.

NSI very concerned about possible effect of IAS on business statistics system and has done considerable research on it. Wants Eurostat to play forward role in representing statisticians concerns to IASC. Strongly favours and wants to take active part in specific Task Force to work out best approach and consider revision of EU Accounting Directives.

Information: Summer 2000 acstat questionnaire, mission 15 September 2000

Ireland

(No questionnaire response available)

Data sources for statistics of Industry, Services, Production and other micro-statistics are statistical surveys. Tax returns filed by incorporated businesses and self-employed used to calculate profits data important for Income measure of GDP. Published accounts and management accounts sometimes used to cross-check survey results. Little interest however in NSI's recent offer to accept management accounts instead of returns for short-term statistics. Annual audited accounts filed with company registration office now more accessible but still fall short of coverage wanted by national accountants, particularly for foreign-owned branches and subsidiaries.

Irish company accounts generally follow regime of UK Accounting Standards Board.

NSI would like to see introduction of system of unified multi-purpose accounts. Also concerned about any prospective changes in EU Accounting Directives and wants to be kept informed of developments.

Information: Mission 8 May 2000

Italy

Data sources for structural (and short term) statistics primarily statistical surveys at present but accounts filed by companies and also tax sources used for preliminary SBS Regulation estimates. Survey questionnaires to large enterprises follow 4th Directive scheme but simplified accounting scheme used for SMEs.

For reference years 1998 and 1999, survey data to be benchmarked and checked using data for 600,000 enterprises from administrative sources, including accounts filed with Chambers of Commerce. From 2001, significant part of survey data to be replaced by information from accounts, subject to cross checking with statistical and other sources.

No General Accounting Plan. Professional accounting body issues accounting standards but these non-mandatory and not well applicable to SMEs.

NSI concerned about impact of new IAS on data collection and about different definitions in business accounts and national accounts. Wishes to participate in formulation of new IAS not only through current Working Group but also new Task Force. Eurostat should act as clearing house for needs and views of NSIs on accounting issues.

Information: Summer 2000 acstat questionnaire

Luxembourg

Data sources for industry, construction and services mixtures of statistical surveys and administrative sources. VAT data particularly important for short term business statistics, quarterly national accounts and foreign trade statistics.

Structural business statistics questionnaires for over half of enterprises completed by NSI using statistical conversion routines on data supplied from business accounts. Data for largest 20 enterprises compiled directly from annual published accounts.

Proposal in 1999 for staged introduction of General Accounting Plan associated with scheme for standard balance sheets and profit and loss accounts. Proposed Plan seen as prelude to longer term introduction of company accounts analysis centre (centrale de bilans).

NSI expresses no opinion on Task Force but wishes Eurostat to be involved more in definitions of SBS variables and their relationships with accounting norms.

Information: Summer 2000 acstat questionnaire

Netherlands

Data sources are statistical surveys of large non-financial enterprises and corporation tax returns for smaller enterprises. Published annual accounts of enterprises used to check information from first two sources and as specific source for data on financial institutions. All results grossed to business population levels using information from various statistical and administrative sources in statistical register system.

No General Accounting Plan but accounting legislation incorporates EU Accounting Directives and also IAS. US GAAP can be important for published accounts of some enterprises, especially those operating abroad.

NSI wants to see progress at EU level towards harmonised annual accounts enabling international comparisons between different accounting systems. Task Force is suitable vehicle for this and NSI willing to take part but should be under Working Group for National Accounts.

Information: Summer 2000 acstat questionnaire

Austria

Data sources for statistical purposes include annual accounts filed by non-financial public limited companies with commercial registries and accounts made available in respect of banks, insurance companies etc by financial supervisory authorities. No tax data used.

Statistical surveys needed to collect information not available or only partially in accounts and to extend coverage to rest of business population.

Government-backed but voluntary "Single Accounting Framework" widely used by businesses. Projects in view to render accounting information by EDI and to align definitions in accounts and statistical surveys.

NSI wants further work at European level on connection between accounting and requirements for statistical variables. Supports creation of Task Force but own participation subject to resources.

Information: Summer 2000 Acstat questionnaire

Portugal

(no questionnaire response available)

Data sources are statistical surveys to enterprises and establishments but NSI also asks for copies of annual accounts and tax declarations with completed statistical questionnaires. NSI applies conversion procedures to align accounting and tax information with statistical requirements. Results not altogether satisfactory because of conceptual differences and quality problems with some administrative data. Business register for surveys partly up-dated by information from Central Bank's company accounts analysis centre.

General Accounting Plan incorporates EU Accounting Directives and applies to domestic and foreign companies covered by Commercial Code, larger sole proprietorships, public undertakings and co-operatives. Plan does not cover banks, finance and insurance companies or smaller sole proprietorships.

NSI keen to improve access to administrative sources, especially for sole proprietorships.

Information: Eurostat ADSO Handbook, 1999

Finland

Data sources are primarily statistical surveys of large and medium-sized enterprises and corporation tax returns held by tax authority for small enterprises. Statistical and tax registers share common code numbers. Subsidiary source is company registration office holding information on all limited liability companies but without common code numbers. Statistical surveys collect detailed accounting information for structural business statistics, national accounts etc.

No General Accounting Plan now but may be developed. Current 1997 version of Accounting Act incorporates EU Accounting Directives and choice of reporting formats permitted. Current EDI project of NSI and tax authority to create common electronic questionnaire with single reporting format and uniform concepts and definitions.

NSI wants comparison made of IAS and EU variables, results to be reported. Undecided about Task Force until tasks and resources known but issues should be referred meanwhile to SBS Steering Group.

Information: Summer 2000 acstat questionnaire

Sweden

(no questionnaire response available)

Data sources are statistical surveys of all businesses with more than 50 employees (about 4000) and standard accounting returns (SRUs) appended to tax declarations for about half a million smaller entities, including 200,000 sole proprietorships, giving complete coverage of population. Some quality and timeliness problems with SRUs but overall results considered satisfactory and reduction in NSI's costs and in reporting burden on businesses are compensating gains.

No General Accounting Plan but form and content of SRUs follow recommendations of accounting standards board comprised of government, business and accounting profession representatives.

NSI in 1998 expressed concern about possible impact of IAS on SRU-based system, which is of increasing importance as source for national and EU structural business statistics.

Information: Eurostat ADSO Handbook of Good Practices, 1999

United Kingdom

Data sources are statistical surveys supported by statistical business register but various uses in system for accounting information. Turnover reported for Value Added Tax based on business accounts and helps up-date business register. Register records and survey returns checked from published accounts available from companies registration office and commercial credit rating agency. Income measure of GDP compiled using estimates of gross trading profits from corporation tax returns.

No General Accounting Plan and company law allows maximum choice of reporting formats in EU Accounting Directives. But accounting standards board has introduced greater regulation based on good practice, including IAS. NSI has no formal links with accounting profession but has consulted on alignment of statistical and accounting definitions in survey questionnaires and has explored possibility of direct extraction of management accounting data using accountancy software package.

NSI would like various actions at EU level, including listing and defining all variables in EU statistical legislation and better coordination of Eurostat's business statistics and national accounts requirements in order to develop system of standardised accounting data. Favours and willing to take part in small group like Task Force to take forward work on co-ordinating definitions for company accounts.

Information: Summer 2000 acstat questionnaire

Iceland

(No questionnaire response available)

Data sources are annual accounts and tax returns for structural business statistics and statistical surveys for production but latter exceptional because of statistical system's general reliance on administrative sources. Corporation tax data source for incorporated businesses, personal income tax data source for sole proprietorships and other unincorporated businesses. Data from both sources combined to compile aggregated income statements and production accounts for national accounts purposes.

New system of standardised annual accounts for corporation tax returns launched 1997 and general by 2000. Standardised form contains all customary accounting variables but also new ones as for gross fixed capital formation. Standardisation has permitted better aggregation procedures and also use of EDI.

Information: Eurostat ADSO Handbook of Good Practices, 1999

Liechtenstein

Data source is solely tax authority's databank of annual accounts of taxable businesses supplemented by forms completed for most important items in profit and loss accounts. National accounts compiled by extracting accounting data of individual branches of economy defined by 2-digit level of NACE Rev.1.

No General Accounting Plan, nor does profit and loss account form refer to EU Accounting Directives.

NSI interested to see comparison of IAS both with EU statistical variables and with requirements of ESA 95. No opinion about Task Force and unable to participate but wishes to be informed of developments.

Information: Summer 2000 acstat questionnaire

Norway

Data sources are partly statistical surveys to larger enterprises and more substantially three types of accounting information. Balance sheets and profit and loss accounts available from company accounts register, more detailed income statements from corporation tax returns to tax authority and annual accounts published by enterprises also valuable, especially Notes to accounts.

General Accounting Plan non-mandatory but used for tax returns, which also cater for statistical requirements. Recommendations of accounting standards board reflect international accounting norms but use of these and Plan by companies optional. NSI active with tax authority, company accounts office and standard setters. Also involved in project for integrated accounts and taxation database system incorporating EDI procedures.

NSI considers reduction of differences in accounting systems necessary to improve international comparability of structural business statistics. Task Force could discuss possible voluntary collection of accounting data from countries among other activities preparatory to longer-term work of establishing EU system of standardised accounting statements.

Information: Summer 2000 acstat questionnaire