

DRAFT LETTER FROM MR FRANCHET
TO NSI DIRECTORS IN ALL MEMBER STATES

mailing late June 2000

Dear xxxxxxxxxxxx

ACCOUNTING AND STATISTICS

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.

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

Yours sincerely

YF

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>

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|--------------------------------|--|--|
| 3 | If accounting sources are used for statistical purposes also, please outline the ways in which this is done | <i>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)</i> |
| 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 | <i>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</i> |
| 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 | <i>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</i> |
| 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 | <i>any relevant documentation on such changes would be welcome</i> |

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/>