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ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS) WORKING GROUP

IFRS AND OTHER IMPACTS

European Committee of Central Balance Sheet Data Offices (ECCBSO)

Contents

I.	INTRODUCTION AND SUMMARY	3
II.	RECENT AND FORESEEABLE CHANGES IN IFRS ACCOUNTING STANDARDS.....	4
II.1.	IASB LEGISLATION (TO BE ENDORSED BY THE EU)	4
II.2.	EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS ACCOUNTING STANDARDS	7
II.3.	MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS ACCOUNTING STANDARDS	9
III.	SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS ACCOUNTING STANDARDS	11
	ANNEX - IASB PROJECTS (WORK PLAN UPDATED 12/08/2024)	15

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I. INTRODUCTION AND SUMMARY

This document integrates all material available about the process of approval of the Standards by the IFRS Foundation and its adoption in the European Union, with information updated till September of 2024. Chapter II focuses on the recent and foreseeable changes in IFRS Accounting Standards considering the IASB legislation, Exposure Drafts and other documents to become IFRS Accounting Standards and more recent development in the EU. Chapter III offers the situation of each European country related to the implementation of IFRS Accounting Standards for non-listed groups and individual companies, showing that only Greece, Portugal and Italy accept the use of IFRS Accounting Standards for certain individual corporations (e.g. belonging to consolidated listed groups or consolidated non-listed groups if they consolidate according with IFRS Accounting Standards). The document ends up with an annex disclosing a timetable of the projects the IASB is involved in.

II. RECENT AND FORESEEABLE CHANGES IN IFRS ACCOUNTING STANDARDS¹

II.1. IASB LEGISLATION (TO BE ENDORSED BY THE EU)

May 2024 –IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)

“*IFRS 19 Subsidiaries without Public Accountability: Disclosures*” permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries’ financial statements while maintaining the usefulness of the information for users of their financial statements.

When a parent company prepares consolidated financial statements that comply with *IFRS Accounting Standards*, its subsidiaries are required to report to the parent using IFRS Accounting Standards. However, for their own financial statements, subsidiaries are permitted to use *IFRS Accounting Standards*, the *IFRS for SMEs Accounting Standard* or *national accounting standards*.

Subsidiaries using the *IFRS for SMEs Accounting Standard* or *national accounting standards* for their own financial statements often keep two sets of accounting records because the requirements in these Standards differ from those in *IFRS Accounting Standards*.

Subsidiaries using *IFRS Accounting Standards* for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users.

IFRS 19 will resolve these challenges by:

- **enabling subsidiaries to keep only one set of accounting records**—to meet the needs of both their parent company and the users of their financial statements; and
- **reducing disclosure requirements**—IFRS 19 permits reduced disclosures better suited to the needs of the users of their financial statements.

The EFRAG has yet to receive the request for endorsement advice from the European Commission.

The IASB effective date for this standard is the annual reporting periods beginning on or after 1 January 2027.

April 2024 – IFRS 18 Presentation and Disclosure in Financial Statements (issued on 09 April 2024)

The International Accounting Standards Board (IASB) issued *IFRS 18 Presentation and Disclosure in Financial Statements* in April 2024.

¹ Situation at 12th August 2024.

IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. This new Standard is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. Although IFRS 18 will not affect how companies measure financial performance, it will affect how companies present and disclose financial performance impacting in all companies in all sectors.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. Requirements in IAS 1 that are unchanged have been transferred to IFRS 18 and other Standards.

IFRS 18 Presentation and Disclosure in Financial Statements aims to improve financial reporting by:

- requiring additional defined subtotals in the statement of profit or loss (operating profit and profit before financing and income taxes): These subtotals provide a consistent structure for the statement of profit or loss, thereby improving comparability. IFRS 18 will not affect how companies measure their financial performance and the overall profit figure.
- requiring disclosures about management-defined performance measures; many companies report alternative performance measures or non-GAAP measures. When those measures meet the definition of management-defined performance measures (MPMs), IFRS 18 requires companies to disclose reconciliations between those measures and subtotals listed in IFRS 18 or totals or subtotals required by IFRS Accounting Standards. MPMs are subtotals of income and expenses used in public communications to communicate management's view of an aspect of the financial performance for the company as a whole, and
- adding new principles for grouping (aggregation and disaggregation) of information: IFRS 18 sets out requirements to help companies determine whether information about items should be in the primary financial statements or in the notes and provides principles for determining the level of detail needed for the information. IFRS 18 also includes requirements for the presentation of operating expenses in the statement of profit or loss, disclosure of specified expenses by nature, and further information on items grouped together and labelled 'other'.

IFRS 18 is effective from 1 January 2027. Early application is permitted.

May 2023 - Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (issued on 30 May 2024)

The IASB issued *Amendments to the Classification and Measurement of Financial Instruments* in response to feedback received as part of the post-implementation review of the classification and measurement requirements in *IFRS 9 Financial Instruments* and related requirements in *IFRS 7 Financial Instruments: Disclosures*.

The IASB amended to the requirements related to settling financial liabilities using an electronic payment system; and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features.

The IASB also amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

This amendment will be effective for financial years starting from 1 January 2026 onwards.

August 2023 - Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on 15 August 2023)

The IASB issued "*Lack of Exchangeability*" to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. This amendment will be effective for financial years starting from 1 January 2025 onwards.

II.2. EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS ACCOUNTING STANDARDS (OPEN FOR COMMENT)

The IASB has worked during the last year on different projects, preparing new documents (exposure drafts or discussion papers) that could become new IFRS Accounting Standards in the short/medium-term:

Exposure Draft and comment letters: Translation to a Hyperinflationary Presentation Currency

On 25 July 2024 the International Accounting Standards Board (IASB) published for public comment the Exposure Draft *Translation to a Hyperinflationary Presentation Currency*. The Exposure Draft proposes to improve information for investors in a cost-effective manner by requiring an entity to translate amounts from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy using the closing rate at the date of the most recent statement of financial position. The IASB is inviting feedback on the proposed amendments until 22 November 2024.

Proposed IFRS Taxonomy Update 2024 and comment letters: IFRS 18 Presentation and Disclosure in Financial Statements

On 23 May 2024, the IASB published for public comment IFRS Accounting Taxonomy 2024—Proposed Update 1 IFRS 18 Presentation and Disclosure in Financial Statements.

The proposed changes reflect the presentation and disclosure requirements introduced by IFRS 18, published in April 2024. The deadline for submitting comments is 3 September 2024.

Proposed IFRS Taxonomy Update 2024 and comment letters: Contracts for Renewable Electricity

On 15 August 2024, the IASB published for public comment IFRS Accounting Taxonomy 2024—Proposed Update 2 Contracts for Renewable Electricity.

The proposed changes reflect the disclosure requirements proposed by Exposure Draft Contracts for Renewable Electricity, published in May 2024.

This Proposed IFRS Taxonomy Update is based on proposed amendments to the IFRS Accounting Standards. The proposed amendments to IFRS Accounting Standards might change, and the proposals in this Proposed IFRS Taxonomy Update would change to reflect the amendments issued. The deadline for submitting comments is 14 October 2024.

Exposure Draft and comment letters: Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures

In July 2024 the International Accounting Standards Board (IASB) published its Exposure Draft Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures. The IASB is proposing to update IFRS 19. The Standard, issued in May 2024, permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements.

In developing the reduced disclosure requirements in IFRS 19, the IASB considered the disclosure requirements in other IFRS Accounting Standards as at 28 February 2021. When the Standard was issued, it did not contain reduced versions of any disclosure requirements that were added or amended after that date. Therefore, the IASB is now consulting, through the Exposure Draft, on whether and how to reduce these disclosure requirements in IFRS 19. The IASB is also asking for views on whether to reduce the disclosure requirements from the prospective IFRS Accounting Standard Regulatory Assets and Regulatory Liabilities. The comment letter period is open until 27 November 2024.

Exposure Draft and comment letters: Climate-related and Other Uncertainties in the Financial Statements

In July 2024, the International Accounting Standards Board (IASB) published the Exposure Draft “*Climate-related and Other Uncertainties in the Financial Statements*”.

The Exposure Draft proposes eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements.

The IASB developed these illustrative examples in response to strong demand from stakeholders, particularly from investors. They expressed concerns that information about climate-related uncertainties in financial statements was sometimes insufficient or appeared to be inconsistent with information provided outside the financial statements. To respond to these concerns, the IASB’s proposed examples aim to:

- improve transparency of information in financial statements; and
- strengthen the connection between financial statements and other parts of a company’s reporting, such as sustainability disclosures.

The eight illustrative examples focus on areas such as materiality judgements, disclosures about assumptions and estimation uncertainties, and disaggregation of information. The principles and requirements illustrated in these examples apply equally to other types of uncertainties beyond climate-related uncertainties. The deadline for submitting comment letters is 28 November 2024.

II.3. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS ACCOUNTING STANDARDS²

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS ³
In March 2022 the EC endorsed the “ <i>Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> ” (issued on 12 February 2021).
In March 2022 the EC endorsed the “ <i>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies</i> ” (issued on 12 February 2021).
In July 2022 , ESMA updated the RTS (Delegated Regulation (EU) 2019/815) on ESEF in order to amend the relevant Annexes of the RTS on ESEF to be aligned with the IFRS Taxonomy, including block tagging guides.
In August 2022 the EC endorsed the “ <i>Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i> ” (issued on 7 May 2021)
In September 2022 the EC endorsed the “ <i>Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> ” (issued on 9 December 2021)”
In November 2023 the EC endorsed the “ <i>Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules</i> ” (issued on 23 May 2023)
In November 2023 the EC endorsed the “ <i>Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback</i> ” (issued on 22 September 2022)
In December 2023 , the EC endorsed the “ <i>Amendments to IAS 1 Presentation of Financial Statements a) “Classification of Liabilities as Current or Noncurrent”</i> (issued on 23 January 2020); b) “ <i>Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date</i> ” (issued on 15 July 2020); and c) “ <i>Non-current Liabilities with Covenants</i> ” (issued on 31 October 2022)
In May 2024 , ESMA published the “ <i>Amendment to ESEF Taxonomy (ESMA’s RTS on 2024)</i> ”. The draft RTS outlined in this Final Report amends and replaces Annex I (glossary of terms), Annex II (mandatory mark-ups), Annex III (applicable Inline XBRL specifications), Annex V (XBRL taxonomy files) and Annex VI (schema of the core taxonomy) of the RTS on ESEF. This update aligns these annexes with the most recent updates of the IFRS Accounting Taxonomy, specifically the 2023 update published by the IFRS Foundation on 23 March 2023 and the 2024 update published on 27 March 2024 and the latest Inline XBRL specifications. The update has been performed on a consolidated basis and not per each annual release. ESMA will submit this Final Report, which includes in Annex I the draft RTS, to the European Commission (EC). The EC has three months to decide whether to endorse the technical standards.

² Situation at 12th August 2024.

³ Personal compilation from: <https://www.iasplus.com/en>, https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en and <http://www.efrag.org/>.

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS³

In **May 2024**, the EC endorsed the “*Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*” (issued on 25 May 2023)

II. SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS ACCOUNTING STANDARDS

Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain
1. Accounting legal framework, based on:	Ministry of Justice: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation updated in line with IFRS Accounting Standards
2. Accounting bodies (public / private)	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: Accounting Standard Commission (ASC)	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)
a) Consolidated Accounts of unlisted corporations	Option to follow either IFRS Accounting Standards or Austrian GAAP (2005).	Option to follow either IFRS Accounting Standards or Belgian GAAP (2005). IFRS Accounting Standards are mandatory for all banks, insurance companies and real estate investment funds	Option to follow on a voluntary basis either IFRS Accounting Standards or French GAAP	Voluntary	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS Accounting Standards (since 2005) or Spanish GAAPs (since 2010 aligned with IAS/IFRS Accounting Standards updated in 2021)

Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain
b) Individual Accounts	NO	NO (Exception: real estate investment funds ⇒ IFRS Accounting Standards obliged as from 2007)	NO	Voluntary, but only for information purpose (publication in the federal gazette)	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS Accounting Standards)	NO (although indirectly by applying the revised national accounting standards they are aligned to IFRS)

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴								
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain
3. Possibility of using IFRS Accounting Standards								
a) Consolidated accounts of unlisted corporations	YES Option to use IAS/IFRS Accounting Standards or Austrian GAAP	From 2005 on a voluntary basis	From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS Accounting Standards or Spanish Consolidated GAAPs

⁴ Situation at 12/08/2024.

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴								
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain
b) Individual accounts	YES (without authorisation on a voluntary basis)	Indirectly through the revision of Belgian accounting law (Exception: real estate investment funds (IFRS Accounting Standards obliged as from 2007))	Selective convergence of French GAAP: new rules applicable from 2005	See above	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	Yes in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	<p>Selective convergence of Portuguese GAAP: new rules compliant with IFRS Accounting Standards are being published. There is an exception regarding goodwill. Portuguese GAAP followed IFRS on this matter until 2015. According to Portuguese GAAP, from 2016 on, companies are required to define the goodwill's operating life and apply consistent amortizations, instead of applying impairment tests.</p>	<p>Indirectly, through the revised 2021 Accounting Plan (since 2008). Several National GAAPs do not fully align with latest IFRS Accounting Standards: Goodwill Amortization, non-refundable grants and finally, leases (IFRS 16))</p>

ANNEX - IASB PROJECTS (WORK PLAN UPDATED 12/08/24)⁵

RESEARCH PROJECT		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Intangible Assets Post-implementation Review of IFRS 15 Revenue from Contracts with Customers Post-implementation Review of IFRS 16 Leases	Review Research Feedback Statement Request for Information	October 2024 September 2024 H1 2025
STANDARD-SETTING PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Management Commentary (Practice Statement 1)	Final Revised Practice Statement	H1 2025
Dynamic Risk Management (IFRS 9)	Exposure Draft	H1 2025
Equity Method (IAS 28)	Exposure Draft	September 2024
Business Combinations (Disclosures, Goodwill and Impairment) (IFRS 3, IAS 36)	Exposure Draft Feedback	October 2024
Financial Instruments with Characteristics of Equity (Conceptual Framework, IAS 32, IFRS 9)	Final Amendments	2026
Enhancing the SASB Standards (IFRS S1, IFRS S2)	Exposure Draft	H1 2025
Second Comprehensive Review of the IFRS for SMEs Standard (IFRS for SMEs)	IFRS for IFRS Accounting Standard	H1 2025
Rate-regulated Activities (IFRS 14)	IFRS Accounting Standard	H2 2025
MAINTENANCE PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard	Exposure Draft Feedback	September 2024
Climate-related and Other Uncertainties in the Financial Statements	Exposure Draft Feedback	H1 2025 (submit letter by 28/11/2024)
Power Purchase Agreements	Exposure Draft Feedback	August 2024
Provisions—Targeted Improvements	Exposure Draft	Q4 2024
Translation to a Hyperinflationary Presentation Currency (IAS 21)	Exposure Draft Feedback	H1 2025 Exposure Draft Submit letter by: 22/11/24
Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures	Exposure Draft Feedback	H1 2025 Exposure Draft Submit letter by: 27/11/24
OTHER PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
IFRS Accounting Taxonomy Update—Contracts for Renewable Electricity	Proposed IFRS Taxonomy Update	August 2024
IFRS Accounting Taxonomy Update—Primary Financial Statements (IAS 1, IFRS 18)	Proposed IFRS Taxonomy Update Feedback	Q4 2024 Proposed IFRS Taxonomy Update Submit letter by: 03/09/24

⁵ The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx> at 12th August 2024.

IFRS Accounting Taxonomy Update—Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 7 and IFRS 9 (IFRS 7, IFRS 9)	Proposed IFRS Taxonomy Update	September 2024
APPLICATION QUESTIONS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Classification of Cash Flows related to Variation Margin Calls on ‘Collateralised-to-Market’ Contracts (IAS 7)	Tentative Agenda Decision Feedback	Q4 2024 (Submit letter by 19/08/2024)