APPENDIX 1 - IAS and IFRS

IAS 1 – Presentation of Financial Statements (as revised in 2007)

Purpose
IAS 1 forms the skeleton of IFRS, since it defines basis for presentation of financial statements. It sets the requirements for presentation of financial statements, gives guidance on the structure and form of financial statements and sets the minimum requirements for their content. IAS 1 does NOT deal with recognition, measurement and specific disclosures for various types of transactions – these aspects are covered by other IASs / IFRSs.

Definitions that use
IAS 1 defines a complete set of general-purpose financial statements that contains 5 basic components:
1. Statement of financial position;
2. Statement of profit or loss and other comprehensive income;
3. Statement of changes in equity;
4. Statement of cash flows; and
5. Notes with summary of significant accounting policies and other explanatory information.
(Each statement presented analytically in the above subsection of this paper)
IAS 1 describes general features of financial statements: fair presentation and compliance with IFRSs, going concern, accrual basis of accounting, materiality and aggregation, offsetting, frequency of reporting, comparative information and consistency of presentation.

Accounting treatment
IAS 1 sets requirements for the structure and content of financial statements. It starts with general identification of financial statements and prescribes minimum content and structure for each component separately. IAS 1 contains also implementation guidance with illustrative presentation of each component of financial statements.

IAS 2 – Inventories

Purpose
IAS 2 prescribes accounting treatment of inventories, guidance on the determination of cost and subsequent recognition as an expense, guidance on write-down of inventories and cost formulas used to assign costs to inventories.

Definitions that use
IAS 2 defines inventories and specifies what the cost of inventories shall comprise:
• Cost of purchase;
• Costs of conversion; and
• Other costs to bring the inventories to their present location and condition.
IAS 2 also deals with cost formulas that an entity might use to assign costs to inventories and allows 2 of them: FIFO and weighted average.

Accounting treatment
Standard IAS 2 outlines the rules of writing down the inventories to their net realizable value and defines when inventories shall be recognized as an expense. Number of disclosures is prescribed.

Compared to Greek General Accepted Accounting Principles

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory costing methods</td>
<td>Last in First Out (LIFO), First In First Out (FIFO) &amp; weighted average (WA)</td>
<td>Benchmark treatment: WA, FIFO, alternatively LIFO</td>
</tr>
</tbody>
</table>
IAS 7 – Statement of Cash Flows

Purpose
IAS 7 sets out the requirements for presenting information about historical changes in cash and cash equivalents of an entity by means of statement of cash flows during the period.

Definitions that use
IAS 7 defines cash and cash equivalents in the first instance and explains what is and what is NOT included in cash flow movements. IAS 7 requires reporting cash flows during the period classified by operating, investing and financing activities. Each category is then described in more details. IAS 7 requires reporting cash flows from operating activities either by direct or indirect method. In relation to reporting cash flows from investing and financing activities, IAS 7 asks to report gross receipts and payments with several exceptions where net basis is allowed.

Accounting treatment
Standard deals with several specific transactions, such as foreign currency cash flows, interest and dividends, taxes on income, investments in subsidiaries, associates and joint ventures, changes in ownership interests in subsidiaries and other businesses, non-cash transactions etc. Finally, number of disclosures is prescribed. Standard also contains illustrative examples in the appendices.

Compared to Greek General Accepted Accounting Principles

<table>
<thead>
<tr>
<th>Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of cash flow</td>
<td>Only compiled from listed companies on ASE</td>
<td>Made mandatory in simple and consolidated basis</td>
</tr>
</tbody>
</table>

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Purpose
IAS 8 prescribes the criteria for selecting and changing accounting policies. It also deals with the accounting and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

Definitions that use
IAS 8 provides a number of definitions of key terms, such as change in accounting policy, change in accounting estimate, retrospective application, retrospective restatement, prospective application, prior period errors, etc.

Accounting treatment
IAS 8 prescribes how to select an accounting policy and apply it consistently, when an entity may change applied accounting policy, what is and what is NOT a change in accounting policy and how to apply changes in accounting policy, together with disclosures related to the change. IAS 8 also explains what a change in accounting estimate is, how to recognize the effect of such a change in the financial statements and what to disclose. When an entity made an error in the prior period financial statements, IAS 8 provides rules on how to correct it and what to disclose. Finally, IAS 8 touches the issue of impracticability in respect of retrospective application and retrospective restatement.

Compared to Greek General Accepted Accounting Principles

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary Items</td>
<td>Wide meaning (sales of assets, provisions etc.)</td>
<td>Only losses of profits from extraordinary events</td>
</tr>
</tbody>
</table>

IAS 10 – Events after the Reporting Period

Purpose
IAS 10 sets the rules when an entity should adjust its financial statements for events after the reporting period together with the necessary disclosures.

Definitions that use
IAS 10 defines the events after the reporting period and classifies them into adjusting and nonadjusting.

Accounting treatment
For adjusting events after the reporting period, the standard requires an entity to adjust the amounts recognized in the financial statements to reflect such an event and gives the examples of adjusting events. For non-adjusting events after the reporting period, the standard requires an entity NOT to adjust its financial statements. IAS 10 prescribes a number of disclosures, such as updating disclosure about conditions at the end of the reporting period, disclosures related to non-adjusting events, etc.

**IAS 11 – Construction Contracts**

**Purpose**

IAS 11 prescribes the accounting treatment of revenue and costs associated with construction contracts. As beginning and completion of construction contracts usually fall into different accounting periods, the primary issue is allocation of contract revenue and contract costs into the individual periods when construction work is performed.

**Definitions that use**

First of all, IAS 11 defines a construction contract and its 2 main types: a fixed price contract and a cost plus contract. Then standard clarifies rules for combining and segmenting construction contracts (contracts related to number of assets, group of contracts, construction of additional assets, etc.). IAS 11 prescribes rules for contract revenue and contract costs. It defines what contract revenue comprises, how it is measured and what to do with variations, claims and incentive payments in the contract. IAS 11 also defines what contract cost comprises and what can and can NOT be attributed to contract activity.

**Accounting treatment**

IAS 11 sets requirements for recognition of contract revenue and expenses, recognition of expected losses and changes in estimates. Number of disclosures is also outlined, and illustrative examples are shown in the appendix.

**Compared to Greek General Accepted Accounting Principles**

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment expenses</td>
<td>Recorded in the Balance Sheet (depreciated for 5 years)</td>
<td>Recorded in the Income Statement</td>
</tr>
<tr>
<td>Interest loan of construction period</td>
<td>Appear in the category &quot;establishment Expenses&quot; of the balance sheet and depreciated within five years</td>
<td>A) Basic method: Effect of results. B) Alternative method: embedding the acquisition cost of fixed assets which relate to depreciation basis of the asset's useful lifetime</td>
</tr>
</tbody>
</table>

**IAS 12 – Income Taxes**

**Purpose**

IAS 12 prescribes the accounting treatment of income taxes including deferred taxes.

**Definitions that use**

IAS 12 sets a number of definitions, such as accounting profit, taxable profit / loss, current tax, deferred tax, temporary differences etc. It clearly explains what a tax base and brings examples of tax base computation.

**Accounting treatment**

IAS 12 sets recognition criteria of current and deferred tax liabilities and tax assets:

1. In relation to deferred tax liabilities arising from taxable temporary differences, IAS 12 requires recognition of deferred tax for all of them with certain exceptions and provides examples and guidance on them.

2. In relation to deferred tax assets arising from deductible temporary differences, unused tax losses and unused tax credits, IAS 12 requires recognition of deferred tax only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized, with certain exceptions.

IAS 12 prescribes rules on measurement of deferred tax assets and liabilities, recognition of current and deferred tax income and expense and presentation of current and deferred tax in the financial statements.
The deferred tax is not required by Greek law. Finally, IAS 12 requires specific disclosures and brings illustrative examples in its appendices.

**Compared to Greek General Accepted Accounting Principles**

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<tr>
<th>Elements in Financial Statements</th>
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</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td>Income tax, non-embedded taxes in operating costs and differences in tax audit, appear in the Results Appropriation Account.</td>
<td>The tax expense is considered and appears in the Income statement.</td>
</tr>
<tr>
<td><strong>Deferred Taxes</strong></td>
<td>Deferred tax is not calculated Only Current Income tax</td>
<td>Calculated tax-deferred obligation or requirement Recorded in the Income Statement, take into account future liabilities or prepaid taxes</td>
</tr>
</tbody>
</table>

**IAS 16 – Property, Plant and Equipment**

**Purpose**

IAS 12 deals with accounting treatment of property, plant and equipment with focus on recognition of assets, determination of their carrying amounts or revalued amounts, depreciation charge and impairment losses to be recognized.

**Definitions that use**

IAS 16 prescribes when the cost of an item of property, plant and equipment shall be recognized as an asset and what to do with costs incurred initially and subsequently after asset has already been recognized.

**Accounting treatment**

IAS 16 deals with measurement of property, plant and equipment at recognition and outlines what items can and can NOT be included in the cost of an asset. In relation to measurement after recognition, 2 basic models are allowed:

1. Cost model: The asset is carried at its cost less accumulated depreciation and impairment loss.
2. Revaluation model: The asset is carried at a revalued amount calculated as fair value at the date of revaluation less subsequent accumulated depreciation and impairment loss.

IAS 16 describes both models in a greater detail, sets their specific rules and outlines depreciation of property, plant and equipment including depreciation methods. IAS 16 touches also impairment of property, plant and equipment (although this is subject of IAS 36 – Impairment of Assets) and sets clear rules for derecognition. Number of disclosures is included. Note: During 2014, there were some minor changes related to long-term assets (IAS 16, IAS 38, IAS 41)

**Compared to Greek General Accepted Accounting Principles**

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<thead>
<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multi-annual Depreciation expense</strong></td>
<td>Specific costs are shown in the balance sheet and not on the Results Appropriation Account and are depreciated either directly or in a five-year period High and low rates (legislation)</td>
<td>The classification of expense as multi-annual depreciation allowed under strict conditions, compliance with which shall be reviewed each time you compiled financial statements Useful life</td>
</tr>
<tr>
<td><strong>Tangible Assets</strong></td>
<td>The revaluation of assets and depreciation rates of fixed assets, imposed by tax legislation Re-evaluated according to certain rates (legislation)</td>
<td>The company uses appraisers in order to adjust the value of the property (alternative method) and quenching of assets based on their estimated useful life. Current prices - Evaluation from specialists</td>
</tr>
<tr>
<td><strong>Assets evaluation</strong></td>
<td>Historic or production cost</td>
<td>Fair value</td>
</tr>
</tbody>
</table>
IAS 17 – Leases

Purpose
IAS 17 prescribes accounting policies to be applied in relation to finance and operating Leases for both lessees and lessors.

Definitions that use
First of all, IAS 17 brings a number of definitions related to Leases, such as lease, finance lease, operating lease, minimum Lease payments, interest rate implicit in the lease, guaranteed and unguaranteed residual value, etc.

Accounting treatment
IAS 17 prescribes when the Lease shall be classified as finance or operating and sets out classification criteria. Situations that normally lead to the Lease being classified as a finance Lease include the following:
• The Lease transfers ownership of the asset to the lessee by the end of the Lease term;
• The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
• The Lease term is for the major part of the economic life of the asset, even if title is not transferred;
• At the inception of the lease, the present value of the minimum Lease payments amounts to at least substantially all of the fair value of the leased asset;
• The Lease assets are of a specialized nature such that only the lessee can use them without major modifications being made.

IAS 17 outlines the rules for presenting the Leases in the financial statement of lessees, including both finance and operating Leases. It deals with initial recognition of finance Leases, their subsequent measurement, accounting treatment of Lease payments under operating Leases and disclosures for both types of Leases. Then, rules for presenting the Leases in the financial statements of lessors follow with about the same volume and depth of details. Finally, standard IAS 17 deals with the rules for presenting the sale and leaseback transactions and provides illustrative example in its implementation guidance.

Note: Currently, IAS 17 undergoes a major revision and it will be replaced by a completely new standard in the near future.

Compared to Greek General Accepted Accounting Principles

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Leasing</td>
<td>For no reason they appear in the Financial Statements of the lessee</td>
<td>Financial Leases appear in the Financial Statements of the lessee, Operational Leases in the Financial Statements of the lessor, treated like a long-term borrowing. These arrangements result in improvement of results, at the initial stage of the Lease and in a very different picture in the balance sheet, which is more correct.</td>
</tr>
<tr>
<td>Sale and Leaseback</td>
<td>When Sale and Leaseback were in value far greater than the residual value of fixed assets, the resulting difference was profit (as a whole or in a substantial part) and improve the results.</td>
<td>With IAS 17, this difference is not profit, but transferred to a transitional liability account and &quot;amortized&quot; into the space of the Leasing Contract. With this setting, and the results are much worse and net worth much less, compared to the corresponding with Greek GAAP and, of course, is correct the configuration of IAS 17</td>
</tr>
</tbody>
</table>
IAS 18 – Revenue

Purpose

IAS 18 prescribes the accounting treatment for revenues that arise from various types of transactions, such as sale of goods, rendering of services or receiving interest, dividends and royalties.

Definitions that use

First of all, IAS 18 prescribes general rules for measurement of revenue, including exchanges of goods or services. Revenue can be recognized when:

• It is probable that any future economic benefit associated with the item of revenue will flow to the entity, and
• The amount of revenue can be reliably measured.

Accounting treatment

Standard sets the criteria of revenue recognition separately for:

1. Sale of goods - revenue can be recognized when all of the following criteria are satisfied:
   • The seller has transferred to the buyer the significant risks and rewards of ownership.
   • The seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
   • The amount of revenue can be measured reliably.
   • It is probable that the economic benefits associated with the transaction will flow to the seller, and
   • The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Rendering of services – revenue can be recognized by reference to the stage of completion when all of the following criteria are met:
   • The amount of revenue can be measured reliably.
   • It is probable that the economic benefits will flow to the seller.
   • The stage of completion at the balance sheet date can be measured reliably; and
   • The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

3. Interest, royalties and dividends – provided that general criteria of revenue recognition are met, the revenue can be recognized as follows:
   • Interest: by using the effective interest method in line with IAS 39 / IFRS 9;
   • Royalties: on an accrual basis in line with the substance of the relevant agreement;
   • Dividends: when the shareholder’s right to receive dividend is established.

Certain disclosures are also required.

Compared to Greek General Accepted Accounting Principles

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<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary profit or loss</td>
<td>There are several categories of expenditure and revenue included in the category of extraordinary profit or loss</td>
<td>In this recorded line only results really exceptional events (earthquakes, fires, etc.)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>Appear only in the Consolidated Balance Sheet</td>
<td>Appear in a separate item of liabilities (other from equity)</td>
</tr>
</tbody>
</table>

IAS 19 – Employee Benefits

Purpose

IAS 19 prescribes the accounting treatment and disclosures for all types of employee benefits. An entity shall recognize appropriate liability when employee has provided service in exchange for benefits to be paid in the future; and expense when entity consumes the benefit from service provided by employee.
Definitions that use
IAS 19 classifies employee benefits into 4 main categories:
1. Short-term employee benefits;
2. Post-employment benefits;
3. Other long-term employee benefits; and
4. Termination benefits.

Accounting treatment
For each category, IAS 19 establishes separate requirements as each category has different characteristics. For short-term employee benefits, such as wages and salaries, compensated absences, free or subsidized goods or services for current employees, etc., straightforward rules for recognition and measurement are set. More clarification is given to short-term compensated absences and profit sharing and bonus plans. For post-employment benefits, such as pensions, post-employment life insurance or medical care, or other retirement benefits, the rules are a bit more complicated. Standard makes clear distinction between defined contribution plans and defined benefit plans and sets separate rules for recognition and measurement for both of them:

• Defined contribution plans: the accounting treatment is straightforward as the risk stays with the employee. Contributions made by the employer are recognized to profit or loss directly.

• Defined benefit plans: The risk stays with the employer and therefore, certain actuarial valuations are required. Standard IAS 19 establishes rules for application of various actuarial assumptions; it explains how to recognize and measure present value of defined benefit obligation, current service cost, past service cost and items in profit or loss. Then, IAS 19 deals with plan assets, curtailments and settlements, presentation and disclosures.

For the last 2 categories, that are other long-term benefits (long-term compensated absences, jubilee benefits, etc.) and termination benefits, standard sets measurement, recognition and disclosure requirements. In its appendices, standard provides illustrative example and illustrative disclosures. Note: The amendment in 2014 clarifies how to determine a discount rate for post-employment benefits. The corporate bonds used in estimating the discount rate should be in the same currency as the benefits paid.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

Purpose
IAS 20 prescribes the accounting treatment of various government grants and other form of government assistance together with related disclosure requirements.

Definitions that use
IAS 20 defines government grants, government assistance, government, grant related to assets, grants related to income and forgivable loans. Basically, the grant is recognized as income over the period necessary to match the grant with the related costs, for which the grant is intended to compensate, on a systematic basis.

Accounting treatment
Then IAS 20 states conditions for recognition of grants and measurement of non-monetary government grants. Presentation rules are outlined for:

1. Grants related to assets – these grants may be presented in two ways:
   • As a deferred income; or
   • As a deduction of the grant from the asset’s carrying amount.

2. Grants related to income – these grants may be presented:
   • As other income; or
   • As a deduction from the related expense.

Standard also prescribes how to deal with repayments of government grants. It also explains that government grants do not include government assistance whose value cannot be reasonably measured, such as technical or marketing advice. Finally, necessary disclosures are set.
Compared to Greek General Accepted Accounting Principles

<table>
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<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government grants</strong></td>
<td>Appear in equity and depreciated in proportion to the depreciation of the asset to which they relate</td>
<td>Appear either to transitional liability account as deferred revenue (basic method), or abstract of the asset’s acquisition cost (alternative method)</td>
</tr>
</tbody>
</table>

**IAS 21 – The Effects of Changes in Foreign Exchange Rates**

**Purpose**

IAS 21 prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. It defines which exchange rates to use and how to report the effect of changes in exchange rates in the financial statements.

**Definitions that use**

IAS 21 brings necessary definitions, such as foreign operation, foreign currency, functional currency, presentation currency, exchange difference etc. and provides deeper guidance on several items with focus on functional currency, net investment in a foreign operation and monetary items.

**Accounting treatment**

Standard sets rules for reporting foreign currency transactions in the functional currency:

- It initially requires recording foreign currency transaction by applying spot exchange rate between functional currency and foreign currency at the date of transaction.
- In relation to subsequent reporting period, it requires to translate:
  - Monetary items by the closing rate;
  - Non-monetary items measured in historical cost by the historical rate; and
  - Non-monetary items measured in fair value by the exchange rate at the date of fair value determination.

Standard also deals with recognition of exchange differences arising on monetary items and change in functional currency.

Standard IAS 21 prescribes rules for use of a presentation currency other than a functional currency. It explains how to translate financial statements into a different presentation currency:

- Assets and liabilities at the closing rate;
- Income and expenses at the rates at the dates of transaction; and
- To recognize the resulting exchange differences in other comprehensive income.

IAS 21 also prescribes how to translate foreign operation and how to treat disposal or partial disposal of a foreign operation. Finally, number of disclosures is required.

**IAS 23 – Borrowing Costs**

**Purpose**

IAS 23 prescribes the accounting treatment of borrowing costs that may include interest expense, finance charges in respect of finance Leases, exchange differences from foreign currency borrowings regarded as an adjustment of interest costs, etc.

**Definitions that use**

Core principle of IAS 23 is that borrowing costs directly attributable to acquisition, construction or production of qualifying asset form part of that asset and other borrowing costs are expensed. IAS 23 defines both borrowing costs (interests, finance Lease charges, etc.) and qualifying asset (inventories except for manufactured ones, manufacturing plants, intangible assets, investment properties).

**Accounting treatment**
IAS 23 sets criteria when borrowing costs are eligible for capitalization and requires including these costs into cost of an asset (immediate expensing is not allowed). Then, rules for commencement of capitalization, suspension of capitalization and cessation of capitalization of borrowing costs are prescribed. Finally, number of disclosures is required.

**IAS 24 – Related Party Disclosures**

**Purpose**

IAS 24 outlines number of disclosures for related party transactions so that financial statements contain the information that entity’s financial position and profit or loss may have been affected by the existence of related parties, transactions and outstanding balances with them.

**Definitions that use**

IAS 24 brings detailed definition of a related party and lists who is seen as a related party to an entity:

1. A person or a close member of that person’s family is related to a reporting entity if that person:
   - Has control or joint control over the reporting entity;
   - Has significant influence over the reporting entity; or
   - Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. An entity is related to a reporting entity if any of the following applies:
   - The entity and the reporting entity are member of the same group.
   - One entity is an associate or joint venture of the other entity (or a group).
   - Both entities are joint ventures of the same third party.

One entity is a joint venture of a third entity and the other entity is an associate of the third entity. The entity is a post-employment defined benefit plan for the benefit or employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. The entity is controlled or jointly controlled by a person identified in (1). A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity. Standard also defines related party transaction, close members of the family of an individual, compensation, control, joint control, key management personnel and significant influence. IAS 24 prescribes necessary disclosures of all related party transactions, such as relationships between parents and subsidiaries, management compensation, and related party transactions (amount, outstanding balances, etc.).

**IAS 26 – Accounting and Reporting by Retirement Benefit Plans**

**Purpose**

IAS 26 prescribes measurement rules and necessary disclosures for reporting of retirement benefits plans (pension schemes, retirement benefit schemes, etc.).

**Definitions that use**

IAS 26 defines key terms such as retirement benefit plans, funding, vested benefits, etc. Standard then prescribes measurement for 2 basic types of retirement benefit plans: defined contribution plans and defined benefit plans.

1. For defined contribution plans, standard requires financial statements to contain a statement of net assets available for benefits and description of funding policy.

2. Defined benefit plans are a more complex issue. Standard requires financial statements to contain statement of net assets available for benefits with actuarial present value of promised retirement benefits distinguishing between vested and non-vested benefits.
IAS 26 gives guidance on calculation of actuarial present value of promised retirement benefits, frequency of actuarial valuation and content of financial statement in relation to those issues. For all plans, IAS 26 sets valuation at fair value and prescribes number of disclosures.

**IAS 27 – Separate Financial Statements**

**Purpose**

IAS 27 prescribes the rules for accounting for investments in subsidiaries, joint ventures and associates when preparing separate financial statements. IAS 27 used to deal also with consolidated financial statements, but this part was superseded by IFRS 10 and IFRS 12. Here, the summary of revised IAS 27 is brought as effective for periods starting 1 January 2013.

**Definitions that use**

IAS 27 defines both:

- Consolidated financial statements: Financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

- Separate financial statements: Financial statements presented by a parent (i.e. an investor with control of a subsidiary), an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with the standard IFRS 9. The investment entity consolidation exemption was introduced to the standard IFRS 10 for the annual periods beginning 1 January 2014 or later. As a result, IAS 27 states that if a parent investment entity is required in line with IFRS 10 to measure its investment in a subsidiary at fair value through profit or loss (IAS 39 / IFRS 9), then it is required also to account for its investment in a subsidiary in the same way in its separate financial statements.

**Accounting treatment**

IAS 27 outlines how the dividends shall be recognized and specifies accounting treatment in the case of group reorganizations. Number of disclosures is required, especially in the case when a parent elects not to prepare consolidated financial statements and instead prepares separate financial statements (exemption according to IFRS 10). Before the change, IAS 27 permitted 2 methods of measuring the investments in subsidiaries, associates or joint ventures in the investor’s separate financial statements (not consolidated – here, other standards apply):

- At cost, or
- In accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IFRS 9: Financial Instruments (whatever standard was applied by the investor).

However, the practices in some countries required the application of equity method for measuring these investments in the separate financial statements. As a result, many companies needed to prepare 2 sets of financial statements: under local laws with the equity method applied, and under IFRS which did not permit the use of equity method. Note: The 2014 amendment of IAS 27 permitted the application of equity method for measuring the investments in subsidiaries, associates or joint ventures in investor’s separate financial statements, so currently, there are 3 options: at cost, in line with IFRS 9 and new by equity method.

According to Greek GAAP, Consolidation Differences appeared in balance sheet and depreciated in accordance with the provisions of the tax Law abstract equity.

**IAS 28 – Investments in Associates and Joint Ventures**

**Purpose**

IAS 28, amended in 2011, prescribes accounting for investments in associates (in which an entity exercises significant influence) and specifies application of equity method for accounting of investments in associates as well as investments in joint ventures.

**Accounting treatment**

IAS 28 provides guidance on identification of significant influence (holding 20% or more than voting power in investee, representation on the board of directors, material transactions between investor and investee, etc.). The equity method is then described: basic principle is to recognize investment in associate or joint venture at cost and subsequently, to increase or decrease a carrying amount to recognize
the investor's share of the profit or loss of the investee after the date of acquisition. Standard then deals with distributions and other adjustments to carrying amount, potential voting rights, interaction with IFRS 9, classification of investment as a non-current asset, etc.

Application of the equity method is outlined – what procedures shall be performed (how to deal with mutual transactions, accounting policies to apply, what to do with losses in excess of investment, etc.). Standard then lists when an entity is exempt from applying the equity method, when the equity method shall be discontinued, how to treat changes in ownership interests and many more. With regard to separate financial statements, standard IAS 27 shall be applied (investor accounts for investment in associate either at cost or in line with IFRS 9). Finally, number of disclosures is prescribed. IASB issued also Guidance on implementing IAS 27, IAS 28 and IAS 31 in which illustrative examples are provided (guidance is not a part of standards).

IAS 29 – Financial Reporting in Hyperinflationary Economies

Purpose

IAS 29 prescribes rules for financial reporting of any entity whose functional currency is the currency of hyperinflationary economy.

Definitions that use

Basic principle of IAS 29 is that financial statement of an entity in hyperinflationary economy shall be stated in terms of the measuring unit current at the end of the reporting period. The comparative figures for the previous period required by IAS 1 and any information in respect of earlier periods shall be restated to the same current measurement unit. Restatement of historical cost financial statements shall be made by applying general price index.

Accounting treatment

IAS 29 prescribes how to deal with monetary and non-monetary items, and gives guidance on gain or loss on net monetary position. Standard also prescribes certain rules for current cost financial statements, tax effect of restatement, statement of cash flows, consolidated financial statements and selection and use of general price index. IAS 29 prescribes the reporting for situation when economy stops being hyperinflationary. Number of disclosures is required.

IAS 31: Interests In Joint Ventures

IAS 32 – Financial Instruments: Presentation

Purpose

IAS 32 establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. Together with standards IAS 39, IFRS 7 and IFRS 9 create complex group of mutually complementing rules on financial instruments. IAS 32 applies to all financial instruments with several exceptions.

Definitions that use

IAS 32 brings definitions of key terms, such as financial instrument, financial asset, financial liability, equity instrument, fair value, puttable instrument, etc. Then, standard deals with presentation of various financial instruments. In relation to liabilities and equity, IAS 32 prescribes to classify the instrument either as:

• A financial liability;
• A financial asset;
• Or an equity instrument;

according to substance of the contractual agreement (not its legal form) with 2 exceptions: certain puttable instruments meeting specific criteria and certain obligations arising on liquidation.

Accounting treatment

IAS 32 gives specific guidance on instruments with various conditions and circumstances, contingent settlement provisions, settlement options, etc. IAS 32 also sets rules for compound financial instruments that contain both a liability and an equity component (e.g. debt convertible to equity, etc.), for treasury shares, interest dividends, losses and gains relating to a financial instruments. Rules for offsetting a
financial asset and a financial liability are described in a detail. Standard does NOT prescribe any disclosures – these are subject of IFRS 7.

**IAS 33 – Earnings per Share**

**Purpose**

IAS 33 prescribes principles for the determination and presentation of earnings per share in order to improve performance comparison between different entities at the same date, or between different reporting periods of the same entity. Standard IAS 33 applies to all entities whose share are publicly traded or are in process of issuing securities to public.

**Accounting treatment**

IAS 33 establishes rules for calculation of both: Basic earnings per share and Diluted earnings per share. Both of them have to be presented on the face of the statement of profit or loss and other comprehensive income. Basic EPS is calculated by dividing profit or attributable to equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. IAS 33 then sets rules for calculation of earnings and weighted average number of shares, both in a greater detail. Diluted EPS are calculated similarly as basic EPS, but an entity is required to adjust profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of shares outstanding for the effect of all dilutive potential ordinary shares. Rules for calculation of earnings and weighted average number of shares are set in a detail, with specific guidance on options, warrants and their equivalents, convertible instruments, contingently issuable shares, contracts that may be settled in ordinary shares or cash, purchased options and written put options. IAS 33 sets rules on retrospective adjustments when the number of shares changes as a result of a capitalization, bonus issue, share split, etc. Number of disclosures is required. In the appendix, standard provides application guidance. IASB issued also illustrative examples that are not part of IAS 33.

**IAS 34: Interim Financial Reporting**

**IAS 36: Impairment of Assets**

**IAS 37 – Provisions, Contingent Liabilities and Contingent Assets**

**Compared to Greek General Accepted Accounting Principles**

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
<th>Greek GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>Recognized only by the legislation</td>
<td>Recognized according documented elements and evaluation of the company (doubtful accounts, devaluation of stocks etc. IAS 37)</td>
</tr>
</tbody>
</table>

**IAS 38 – Intangible Assets**

**Compared to Greek General Accepted Accounting Principles**

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
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<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Development</td>
<td>Recorded in an expense account (Income statement)</td>
<td>Research is recorded as an expense, while development, only under certain conditions (IAS 38)</td>
</tr>
</tbody>
</table>

**IAS 39: Financial Instruments: Recognition and Measurement**

**IAS 40: Investment Property**

**IAS 41 – Agriculture**

**Purpose**

IAS 41 prescribes the accounting treatment and disclosures related to agricultural activity. IAS 41 applies to biological assets, agricultural activity and government grants related to biological assets measured at fair value less costs to sell.
Definitions that use
Standard provides definitions of agricultural activity (and its examples: raising livestock, cropping, cultivating orchards and plantations, etc.), biological transformation, biological asset (living animal or plant), agricultural produce (harvested product of entity’s biological assets), etc. IAS 41 sets 3 recognition criteria for biological asset or agricultural produce:

1. Control of an asset by the entity as a result of past events;
2. Probable future economic benefits will flow to the entity; and
3. Fair value or cost of the asset can be measured reliably.

Accounting treatment
In relation to measurement, a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Agricultural produce harvested from an entity’s biological assets shall be measured at its fair value less costs to sell at the point of harvest. Further guidance on determination of fair value is provided. IAS 41 then deals with gains and losses, inability to measure fair value reliably, provides rules for government grants related to biological assets and finally, it requires number of disclosures. Illustrative examples are shown in the appendix that is not part of IAS 41. Note: During 2014, there were some minor changes related to long-term assets (IAS 16, IAS 38, IAS 41)

IFRS 1 - First-time Adoption of International Financial Reporting

Purpose
IFRS 1 sets out the rules and procedures that an entity must follow when it reports in accordance with IFRSs for the first time. The main aim is to ensure that entity’s first financial statements and related interim financial reports are in line with IFRS and can be generated at a cost not exceeding the benefits.

Accounting treatment
IFRS 1 prescribes how the opening statement of financial position shall be prepared for the first-time adopters and what accounting policies shall be used. Then it discusses the exceptions to the retrospective applications of other IFRSs (for example, estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests and classification and measurement of financial assets) and exemptions from other IFRSs (certain provisions for business combinations, share-based payment transactions, insurance contracts, deemed costs, Lease accounting, and many more). Necessary comparative information is prescribed:

1. At least 3 statements of financial position;
2. 2 statements of comprehensive income;
3. 2 separate income statements if presented;
4. 2 statements of cash flow;
5. 2 statements of changes in equity; and
6. Related notes including comparative information.

IFRS 1 orders that an entity must explain how transition to IFRSs affected its reported financial statements and prepare reconciliations of equity and total comprehensive income.

IFRS 2 – Share-based Payment

Purpose
IFRS 2 sets out the rules for reporting the share-based payment transactions in entity’s profit or loss and financial position, including transactions in which shareoptions are granted to employees.

Definitions that use
IFRS 2 deals with 3 types of share-based payment transactions. The first type is equity-settled share-based payment transactions where an entity receives goods or services in exchange for equity instruments. For example, providing share options to employees as a part of their remuneration package. The second type is cash-settled share-based payment transactions in which the entity receives or acquires goods or services in exchange for liabilities to these suppliers. Liabilities are in amounts based on the...
price or value of entity’s shares or other equity instruments. For example, a company grants share appreciation rights to their employees, whereby employees will be entitled to future cash payment based on increase of company’s share price over some specified period of time. The third type is share-based payment transactions with cash alternatives, where entity receives or acquires goods or services in exchange for either cash settlement or equity instrument. Separate attention is dedicated to share-based payment transactions among group entities.

**Accounting treatment**

IFRS 2 prescribes how various transactions shall be measured and recognized, lists all necessary disclosures and provides application guidance on various situations.

**IFRS 3 – Business Combinations**

**Purpose**

IFRS 3 provides rules for recognition and measurement of business combinations when an acquirer acquires assets and liabilities of another company (acquiree) and those constitute a business (parent – subsidiary company situation). Note: IFRS 3 does NOT set out the rules for preparation of consolidated financial statements for business combination, such as group of companies under the control of parent, etc. This is the scope of IFRS 10.

**Definitions that use**

IFRS 3 clarifies how to identify business combination and prescribes to apply the acquisition method in accounting for it. Applying the acquisition method comprises 4 steps:

1. Identifying the acquirer.
2. Determining the acquisition date.
3. Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree.
4. Recognizing and measuring goodwill or a gain from a bargain purchase.

**Accounting treatment**

IFRS 3 sets out the details for all of these steps. IFRS 3 gives also additional guidance for applying the acquisition method to particular types of business combinations, such as achieved in stages or achieved without the transfer of consideration. Finally, this standard prescribes the rules for subsequent measurement and accounting and defines all the necessary disclosures.

**Compared to Greek General Accepted Accounting Principles**

<table>
<thead>
<tr>
<th>Elements in Financial Statements</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>Not treated as an asset. Subtracted directly from net worth, it does not affect earnings.</td>
<td>Treated as an asset. Depreciated over the long term, thus affecting earnings.</td>
</tr>
<tr>
<td>Equity portfolio</td>
<td>Valued based on the lowest value between acquisition cost and market value. If market value is greater than acquisition cost, the difference may be depreciated (thus affecting earnings), or subtracted from net worth.</td>
<td>The equity portfolio is categorized as being between the investment portfolio and the trading portfolio. Investment losses are subtracted from net worth, while trading losses affect earnings.</td>
</tr>
<tr>
<td>Real estate assets</td>
<td>Valued based on acquisition cost and incorporating any asset revaluation required by Greek law.</td>
<td>Valued based on either acquisition cost or market value. An independent adviser determines the market value of the asset.</td>
</tr>
</tbody>
</table>

**IFRS 4 – Insurance Contracts**

**Purpose**

IFRS 4 is the first standard dealing with insurance contracts. It defines the rules of financial reporting for insurance contracts (including reinsurance contracts) by entity who issues such contracts (insurer, for example, any insurance company) and also for reinsurance contracts by entity who holds them. Note:
IFRS 4 does NOT apply to other assets and liabilities of an insurer. Also, IFRS 4 does NOT apply to policy holders (insured entities, etc.).

Definitions that use

IFRS 4 defines insurance contracts and establishes accounting policies applied to them, including recognition and measurement rules. It addresses some specific issues, such as embedded derivatives in insurance contracts, situations when insurance contract contains both insurance and deposit component (e.g. some type of life insurance with capital part), “shadow accounting” practice, etc. It also discusses discretionary participation features in insurance contracts or financial instruments (contracts in which except for a guaranteed element, policy holder is entitled to a profit share whose timing and/or amount is at the insurer’s discretion). Finally, IFRS 4 requires a number of disclosures, such as explanation of recognized amounts, nature and extent of risks arising from insurance contracts, etc.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Purpose

IFRS 5 specifies the accounting for assets or disposal groups held for sale (those whose carrying amount will be recovered principally through a sale transaction rather than continuing use) and the presentation and disclosure of discontinued operation (component of an entity – subsidiary, line of business, geographical area of operations, etc. – that either has been disposed of or is classified as held for sale).

Accounting treatment

In relation to assets or disposal groups held for sale, IFRS 5 establishes conditions when the entity shall classify a non-current asset or a disposal group as held for sale. It sets out the rules for measurement of assets or disposal groups held for sale, recognition of impairment losses and their reversals, and rules for the situation when an entity makes changes to a plan of sale and asset or disposal group can no longer be classified as held for sale.

In relation to presenting discontinued operations, IFRS 5 explains the term “discontinued operation” and prescribes what shall be reported in the statement of comprehensive income and statement of cash flows with regard to it. Additional disclosures in the notes to the financial statements are also required. The amendment in 2014 specifies the reporting of changes in methods of disposals (reclassification of an asset from held for sale to held for distribution or the opposite way, discontinuing of held-for-distribution accounting).

IFRS 6 – Exploration for and Evaluation of Mineral Resources

Purpose

IFRS 6 specifies financial reporting of the expenditures for the exploration for and evaluation of mineral resources, that are minerals, oil, natural gas and similar no regenerative resources.

Accounting treatment

IFRS 6 prescribes that exploration and evaluation assets shall be measured at cost. It permits the entity to determine accounting policy specifying which expenditures are recognized as exploration and evaluation assets and gives examples of acceptable types of expenditures (acquisition of rights to explore, exploratory drilling, trenching, sampling, etc.). IFRS 6 then prescribes the rules for subsequent measurement, changes in accounting policies and impairment of these assets. The impairment rules related to the mineral resources differ from those in IAS 36, as they set the different impairment indicators and allow testing on an aggregate level. In relation to presentation, IFRS 6 describes classification and reclassification of exploration and evaluation assets and finally number of disclosures is prescribed.

IFRS 7 – Financial Instruments: Disclosures

Purpose

IFRS 7 prescribes what disclosures an entity shall provide about financial instruments in its financial statements. IFRS 7 complements standards IAS 32 on presentation and IAS 39 / IFRS 9 on recognition and measurement of financial instruments. Before, standard IAS 32 dealt also with disclosures, but IAS 32’s part on disclosures was superseded by IFRS 7.

Accounting treatment

IFRS 7 requires disclosures in 2 main categories:
1. The first category represents disclosures about significance of financial instruments for financial position and performance. Within this category, an entity is required to disclose the following information related to the statement of financial position:

- Information by categories of financial assets and liabilities;
- Specific disclosures about financial assets or financial liabilities at fair value through profit or loss and financial assets valued at fair value through other comprehensive income;
- Reclassification of financial instruments among categories;
- Derecognition;
- Collaterals;
- Allowances for credit losses;
- Compound financial instruments with multiple embedded derivatives;
- Defaults and breaches of loan agreement terms, etc.

Information to be disclosed in relation to statement of comprehensive income is items of income, expense, gains or losses by categories, etc. Other required disclosures refer to accounting policies applied, hedge accounting, fair value information etc.

2. The second category represents disclosures about nature and extent of risks arising from financial instruments. An entity is required to present qualitative and quantitative disclosures for each type of the risk. IFRS 7 then prescribes specific disclosures about credit risk, liquidity risk and market risk.

Next, standard IFRS 7 sets guidelines related to disclosures about transfer of financial assets. It states which information shall be disclosed when transferred financial asset is derecognized in its entirety and which information shall be disclosed when transferred financial asset is not derecognized in its entirety. Finally, the standard IFRS 7 provides application guidance. Note: The amendments in 2014 add clarifications to servicing contracts and deals with disclosures in the condensed financial statements.

**IFRS 8 – Operating Segments**

**Purpose**

IFRS 8 replaced the standard IAS 14 – Segment reporting with effective date for periods beginning 1 January 2009 or later. It prescribes the information that an entity must disclose about its business activities – operating segments, products and services, the geographical areas in which it operates and its major customers. Standard IFRS 8 applies only to entities whose debt or equity instruments are traded in a public market (or filed or in the process of filing its financial statements with a security commission or other regulatory organization for that purpose).

**Accounting treatment and Definitions that use**

IFRS 8 defines operating segments and explains what can be deemed operating segment. Then it prescribes criteria for reportable segments, including aggregation criteria and quantitative thresholds for segment to be reported separately. IFRS 8 also prescribes number of disclosures in relation to operating segments, such as general information, information about profit or loss and assets and liabilities, information about basis for measurement, information about products and services, geographical areas and major customers.

**IFRS 9 – Financial Instruments**

**Purpose**

The first version of IFRS 9 was issued in November 2009 and then it was amended in October 2010, November 2013 and recently in July 2014. IFRS 9 Financial Instruments was completed and it will replace standard IAS 39 in the future. The effective date of IFRS 9 was set to 1 January 2018. As financial instruments represent a very complex area, IASB decided to replace the “old” standard IAS 39 Financial Instruments; Recognition and Measurement in stages, not at once. Indeed, the whole replacement process took several years, with the first batch of new rules issued in 2009. Back then, the new standard got the reference “IFRS 9”. Since 2009, IFRS 9 has been amended several times and the latest amendment came in July 2014.
Before the change, IAS 39 prescribed the “incurred loss model” which meant that you needed to recognize the impairment loss for a financial asset when the financial asset had already been impaired. As opposed to that, IFRS 9 prescribes the “expected credit loss model”. The expected credit loss model differentiates 3 stages of financial asset’s performance, requires recognizing loss allowance according to asset’s stage and also, it prescribes simplified model for some types of financial assets. The application of expected credit loss model requires entities, especially banks and financial institutions, to gather detailed information in order to estimate expected credit losses. So, IFRS 9 does not affect Beverage Industry.

**IFRS 10 – Consolidated Financial Statements**

**Purpose**

The objective of IFRS 10 is to establish principles for consolidation related to all investees based on control that parent exercises over the investee rather than the nature of investee. Therefore, also special purpose entities are subject of a consolidation according to this standard.

**Accounting treatment**

IFRS 10 defines when investor controls the investee:

- When the investor is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to affect those returns through its power over the investee.

Investor controls the investee when he has all three elements:

1. Power over the investee.
2. Exposure, or rights, to variable returns from its involvement with the investee, and
3. The ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 sets the accounting requirements for preparation of consolidated financial statements, consolidation procedures, reporting non-controlling interests and treatment of changes in ownership interests. Standard does not set any requirements for disclosures, as those are covered by IFRS 12. IFRS 10 also contains special accounting requirements for investment entities. Where an entity meets the definition of an “investment entity”, it does NOT consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment in a subsidiary is measured at fair value through profit or loss in accordance with IFRS 9 or IAS 39. These requirements related to investment entities are new and apply for the periods starting 1 January 2014 or later. An investment entity is an entity that:

1. Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
2. Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
3. Measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10 does not affect Beverage Industry.

**IFRS 11 – Joint Arrangements**

**Purpose**

IFRS 11 sets principles for reporting of joint arrangements – arrangements of which two or more parties have joint control. This standard effectively amends IAS 27 and IAS 28.

**Definitions that use**

IFRS 11 explains characteristics of joint control: 1. the parties are bound by a contractual arrangement and 2. the contractual arrangement gives two or more of those parties joint control of the arrangement. Then, it gives guidance for assessment whether the joint control exists.

**Accounting treatment**

IFRS 11 classifies joint arrangements into 2 categories: joint operation and joint venture and prescribes how each of these forms shall be recognized and reported in the financial statements of parties to a joint
arrangement. This standard applies for the periods starting 1 January 2013 or later and transitional guidance was issued, too.

The amendment in 2014 adds the rules for accounting for acquisition of interests in joint operations when joint operation constitutes a business.

**IFRS 12 – Disclosure of Interests in Other Entities**

**Purpose**

IFRS 12 prescribes what disclosures shall be provided in the financial statements with regard to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

**Accounting treatment**

IFRS 12 sets extensive disclosure requirements related to interests in other entities. Reporting entity must present disclosures about significant judgments and assumptions made in determining the existence of control over another entity, the type of such control and existence and type of joint arrangement. IFRS 12 then sets broad range of disclosures for interests in subsidiaries, interests in joint arrangements and associates and interests in unconsolidated structured entities (entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity). IFRS 12 also requires disclosures for interests in unconsolidated subsidiaries in line with the newest amendment of IFRS 10. Unconsolidated subsidiaries represent the investment entity consolidation exemption and as a result, they are carried at fair value through profit or loss and not consolidated in line with IFRS 3. Relevant disclosure requirements apply for the periods starting 1 January 2014 or later.

**IFRS 13 – Fair Value Measurement**

**Purpose**

IFRS 13 represents the framework for fair value measurement required throughout other IFRS standards (for example, IFRS 9). IFRS 13 defines fair value, provides guidance for its measurement as well as sets disclosure requirements with respect to fair value.

**Definitions that use**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (“exit price”). In order to increase consistency of fair value measurement, IFRS 13 sets “fair value hierarchy” which classifies inputs used in valuation techniques into 3 levels:

1. Quoted prices in active markets for identical assets or liabilities that an entity can access at the measurement date.
2. Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. quoted prices of similar assets).
3. Unobservable inputs for the asset or liability.

**Accounting treatment**

IFRS 13 outlines a fair value measurement approach by stating what an entity shall determine when assessing fair value. Further guidance on measurement is given, including characteristics of asset or liability being measured, the highest and best use of non-financial assets, market transactions and many more. With reference to valuation, IFRS 13 discusses 3 valuation techniques:

1. Market approach: it utilizes the information from market transactions.
2. Cost approach: it involves current replacement cost.
3. Income approach based on future cash flows, income or expenses discounted to present value.

IFRS 13 sets broad range of disclosures related to fair value measurement, including identification of classes, specific disclosures for each class of assets and liabilities measured at fair value, and many more, both in a descriptive and quantitative format.

**New IFRS 14 Regulatory Deferral Accounts**
When a new IFRS standard is issued, it’s always “a change”, therefore the new IFRS 14 Regulatory Deferral Accounts is mentioned here, in the list of the biggest IFRS changes in 2014.

However, the new standard will probably not affect many entities. The reason is that:

- You can apply IFRS 14 only on the initial adoption of IFRS – that is, when you prepare your IFRS financial statements for the first time. So if you have already prepared IFRS financial statements before, you can forget about IFRS 14.
- IFRS 14 relates only to regulatory deferral account balances.

What are regulatory deferral account balances?

Simply said, when a company provides services or sells goods at prices regulated by some regulator, then the rate regulation may defer the recovery of specified costs (or other amounts) through the prices charged to customers. Typical examples are companies producing or selling electricity, gas and water.

IFRS 14 permits the first-time IFRS adopters to apply accounting policies under previous accounting rules for regulatory deferral accounts, i.e. entities do not need to select their IFRS accounting policies. It is an exemption from applying IAS 8. However, it is a temporary solution, until IASB completes comprehensive project on rate regulated activities.

**New IFRS 15 Revenue from Contracts with Customers**

As the business develops and companies offer new products and types of services, it could be more and more difficult to recognize revenue correctly. As a result of increasing amount of transactions, several standards and interpretations were issued and each of them dealt with the revenue recognition under different circumstances:

- **IAS 18 Revenue** dealt with revenue recognition for sale of goods, rendering services and interest, royalties and dividends. There are separate rules for each of these situations.
- **IAS 11 Construction contracts** dealt with revenue recognition for contracts negotiated for construction of assets.
- A couple of interpretations, such as SIC 31, IFRIC 13, IFRIC 15 and IFRIC 18.

This situation was not very good, because different rules applied for different transactions and often, in some cases, the companies applied the same rules differently. Therefore, there was a strong need to unify all these rules and bring one single framework for revenue recognition. Now we have it. The new revenue recognition standard IFRS 15 Revenue from Contracts with Customers was issued in 2014. IFRS 15 introduces 5-step framework for revenue recognition but it does not affect Beverage Industry. For some companies and businesses, the application of IFRS 15 from 1 January 2017 or later may represent a huge system change that requires a lot of cash and time.