



# **2nd Meeting of the Eurasian Corporate Governance Roundtable**

Sheraton Metechi Palace Hotel  
Tbilisi, Georgia  
7-8 June 2001



## ***Transparency and Disclosure***

### ***Ukraine***

***Gap-analysis of Main Differences between  
the National Accounting and Financial Reporting Rules  
and International Accounting Standards (IAS)  
(as of 01.01.2000)***

hosted by

**The National Securities Commission of Georgia  
The Georgian Stock Exchange**

**International Regional Federation of Accountants and Auditors Eurasia**

with the support of



**The Government of Japan  
The Global Corporate Governance Forum**

## Preamble

The IRFAA Eurasia Accounting Standards Committee has prepared the gap-analysis of 30 main accounting and reporting differences between IAS and standards of new independent member states of Eurasia, former republics of the USSR, in order to assist them in carrying out further reforms of accounting system in accordance with IAS requirements.

IAS are constantly improved by the experienced specialists from different world market economies, who are serving on the International Accounting Standards Committee. Thus, the users of IAS have an access to the invaluable long-term practical experience of IAS application.

Successful experience of IAS application in more than 70 market economies world-wide has showed that the reform of the accounting system in accordance with IAS helped them:

- Make the process of integration into the world economy easier and faster;
- Facilitate the process of attracting foreign investments;
- Receive credits and loans;
- Give a true and fair view of the real financial position of an enterprise.

Financial statements prepared in strict accordance with IAS allows the users to make a true assessment of the enterprise's state of affairs, its position and importance not only in the national economy but in the world economy as well.

That is why the Eurasia member countries have unanimously decided to work towards implementing IAS in their accounting and reporting practice.

The first step in this direction is the preparation of a gap-analysis.

The gap-analysis materials may be used only as a reference manual prepared on the basis of the IAS text.

The objective of The Accounting Standards Committee of IRFAA Eurasia is not to show absolutely all the IAS requirements and rules. The analysis highlights only those accounting principles and rules that are practically different from national rules (standards, instructions) of the Eurasia member countries.

## Ukraine Gap-Analysis Outline

### **1. Main differences between the contents of the national financial statements and financial statements prepared in accordance with IAS.**

### **2. Main differences between IAS rules and national accounting rules.**

#### **1. Main Differences between the Contents of the National Financial Statements and Financial Statements Prepared in Accordance with IAS:**

- **Main Users of Financial Statements**
- **Main Types of External Financial Statements**
- **Assets**
- **Liabilities**
- **Contributions of Owners**
- **Equity**
- **Distribution of Equity to Owners**
- **Revenue from Operating Activities of the Enterprise**
- **Revenue from Other Activities of the Enterprise and Events that Occurred**
- **Costs related to Operating Activities of the Enterprise**
- **Costs related to Other Activities of the Enterprise**
- **Economic Profit**
- **Types of Financial Statements**
- **Balance Sheet**
- **Cash Flow Statement**
- **Model Structure Notes to Financial Statements**
- **Financial Statements Consolidation Rules**
- **Impact of Hyperinflation on Financial Statements**

**Main Users of Financial Statements**

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Shareholders/Owners</li> <li>• Investors</li> <li>• Goods (services) suppliers and customers</li> <li>• Statistical agencies and rating companies</li> <li>• Organisations that regulate operating procedures on the stock market</li> <li>• Fiscal organs of executive power</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders/Owners</li> <li>• Investors</li> <li>• Goods (services) suppliers and customers</li> <li>• Statistical agencies and rating companies</li> <li>• Organisations that regulate operating procedures on the stock market</li> <li>• Fiscal organs of executive power</li> </ul>

**Main Types of External Financial Statements**

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Tax returns that are filed on the basis of tax legislation, rules and instructions of accounting for taxes.</li> <li>• Financial statements that are prepared in accordance with IAS and requirements of organisations that regulate the operating procedures on the stock market</li> </ul>	<ul style="list-style-type: none"> <li>• Tax returns that are filed on the basis of tax legislation, rules and instructions of accounting for taxes.</li> <li>• Financial statements that are prepared in accordance with IAS and requirements of organisations that regulate the operating procedures on the stock market</li> </ul>

**Assets**

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Resources controlled by an enterprise as a result of past transactions or events, and from which future economic benefits are expected to flow to the enterprise.</li> <li>• Assets show the ability of the enterprise to generate directly or indirectly net cash proceeds and</li> <li>• the ability of a specific enterprise to receive benefits and exercise control over the impact on the state of its assets,</li> <li>• availability of transactions or events that give the right to enjoy benefits and control the generation of benefits,</li> <li>• other (optional) characteristics of assets.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources controlled by an enterprise as a result of past transactions or events, and from which economic benefits are expected to flow to the enterprise in the future. (<i>Article 1 «Definitions» of the Law of Ukraine «On Accounting and Financial Statements», General Provisions of Accounting Standard 1 «General Requirements to Financial Statements»</i>).</li> <li>• Assets show the ability of the enterprise to generate directly or indirectly net cash proceeds and</li> <li>• the ability of a specific enterprise to receive benefits and exercise control over the impact on the state of its assets,</li> <li>• availability of transactions or events that give the right to enjoy benefits and control the generation of benefits,</li> <li>• other (optional) characteristics of assets.</li> </ul>

**Liabilities**

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Possible future economic costs that will be incurred by an enterprise if there are real circumstances arising as a result of past transactions or events relating to the transfer of assets or provision of services.</li> <li>• Debt to one or several enterprises (persons).</li> <li>• Liabilities that will lead to expenses in the future.</li> <li>• Transactions or events that lead to a liability.</li> <li>• Other (optional) characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>• A liability is included in the balance sheet if it can be reasonably assessed and it is probable that economic benefits will diminish in the future as a result of its settlement (<i>Paragraph 12 of Accounting Standard 2 «Balance Sheet»</i>).</li> <li>• Debt to one or several enterprises (persons).</li> <li>• Liabilities that will lead to expenses in the future.</li> <li>• It is required that not only transactions or events that lead to a liability should exist, but also shipment documents of the supplier, work completion statements duly processed, signed and with the stamps affixed should be available.</li> </ul>

**Contributions of Owners**

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Increase in the amount of net assets of an enterprise as a result of its coming into possession of assets, in other words, an increase in equity.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the amount of net assets of an enterprise as a result of its coming into possession of assets, in other words, an increase in equity.</li> </ul>

**Equity**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Difference between total assets and total liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>The residual part in the assets of the enterprise after deducting all its liabilities.</li> </ul>

**Distribution of Equity to Owners**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Decrease in net assets as a result of the transfer of assets, provision of services or for the reason of increasing liabilities to owners of the enterprise.</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in net assets as a result of the transfer of assets, provision of services or for the reason of increasing liabilities to owners of the enterprise.</li> </ul>

**Revenue from Operating Activities of the Enterprise**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Proceeds and other types of an increase in assets, decrease in liabilities during the reporting period at the moment of shipping products, providing services or carrying out transactions that are operating activities of the enterprise, i.e. the activities for the purpose of which the enterprise was established.</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds and other types of an increase in assets, decrease in liabilities during the reporting period at the moment of shipping products, providing services or carrying out transactions that are operating activities of the enterprise, i.e. the activities for the purpose of which the enterprise was established.</li> </ul>

**Revenue from Other Activities of the Enterprise and Events that Occurred**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Increases in net assets of an enterprise at the moment of carrying out secondary activities, in other words, transactions that were not anticipated, other transactions and events during the reporting period, other transactions relating to operating activities of the enterprise and contributions of owners.</li> </ul>	<ul style="list-style-type: none"> <li>Increases in net assets of an enterprise at the moment of carrying out secondary activities, in other words, transactions that were not anticipated, other transactions and events during the reporting period, other transactions relating to operating activities of the enterprise and contributions of owners.</li> </ul>

**Costs Related to Operating Activities of the Enterprise**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Costs or other use of assets or an increase in liabilities during the reporting period at the moment of shipment of goods, provision of services or as a result of other transactions relating to operating activities.</li> </ul>	<ul style="list-style-type: none"> <li>Costs are recognised as expenses of a certain period simultaneously with the recognition of the revenues, for generation of which they were incurred. Revenues, in their turn, are recognised at the moment of shipment of goods and provision of services. In accordance with Paragraph 21 of Standard 16 «Expenses», the operating expenses consist of material costs, labour costs, social events expenses, depreciation and other operating expenses.</li> </ul>

**Costs Related to Other Activities of the Enterprise**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Decrease in net assets as a result of secondary transactions or transactions which were not anticipated, other transactions and events during the reporting period, including other transactions relating to operating activities and expenses relating to the distributions to owners.</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with Paragraph 29 of Standard 16 «Expenses» other expenses include the costs incurred in the course of normal activities and not directly linked with the production and/or sale of products (goods, work, services) (for example, the cost of realised financial investments, realised non-current assets, realised property complexes, non-operating foreign exchange loss, the amount of impairment in value of non-current assets and financial investments, costs associated with the liquidation of non-current assets, net cost of non-current assets written off, other costs related to normal activities).</li> </ul>

**Economic Profit**

<b>IAS reporting rules</b>	<b>National reporting rules</b>
<ul style="list-style-type: none"> <li>Changes in the composition of equity (net assets) during the reporting period as a result of carrying out transactions or arising events which do not concern the owners. In other words, any changes in the composition of equity other than those relating to contributions of owners or distributions to owners.</li> </ul>	<ul style="list-style-type: none"> <li>Profit is the amount, by which the income exceeds the related expenses. (General Principles of Accounting Standard 3 «Statement on Financial Results»).</li> </ul>

### Types of Financial Statements

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Balance Sheet (for at least two previous years).</li> <li>• Income Statement</li> <li>• Cash Flow Statement</li> <li>• Statement of Changes in Equity.</li> <li>• Notes to Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet (for at least two previous years).</li> <li>• Statement of Financial Results</li> <li>• Cash Flow Statement</li> <li>• Statement of Equity.</li> <li>• Notes to Financial Statements</li> </ul>

### Balance Sheet

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• It is allowed to prepare the balance sheet in any of the forms listed below: <ul style="list-style-type: none"> <li>– Vertical form</li> <li>– Horizontal form</li> <li>– Financial position form .</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• It is allowed to prepare the balance sheet only in a vertical form.</li> </ul>

### Cash Flow Statement

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• It is allowed to prepare the statement using any of the two methods: <ul style="list-style-type: none"> <li>– Direct method.</li> <li>– Indirect method.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• It is allowed to prepare the statement using only indirect method.</li> </ul>

### Model Structure of Notes to Financial Statements

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• Accounting policies.</li> <li>• Structural and organisational changes.</li> <li>• Contingent and future liabilities.</li> <li>• Borrowed funds.</li> <li>• Terminated transactions.</li> <li>• Unexpected and non-standard transactions and events.</li> <li>• Financial instruments.</li> <li>• Enterprises in financial difficulty.</li> <li>• Foreign exchange transactions.</li> <li>• Income tax.</li> <li>• Inventories.</li> <li>• Investments.</li> <li>• Leasing and leases.</li> <li>• Retirement benefits plan.</li> <li>• Property, plant and equipment.</li> <li>• Financial reporting in hyperinflation economies.</li> <li>• Research and development.</li> <li>• Accounts payable and loans granted.</li> <li>• Transactions with related parties.</li> </ul>	<ul style="list-style-type: none"> <li>• In compliance with the requirements of Standard 1 «General Requirements to Financial Statements» the following information should be disclosed in the financial statements: <ul style="list-style-type: none"> <li>• Reporting currency and its measuring unit.</li> </ul> </li> <li>• Accounting policies and its changes.</li> <li>• Consolidation of financial statements.</li> <li>• Suspension (liquidation) of some activities.</li> <li>• Assets ownership limitations.</li> <li>• Participation in joint ventures.</li> <li>• Detected mistakes of preceding periods and related corrections. <i>(More detailed requirements concerning the disclosure of information are given in paragraphs 20-23 of Standard 6 «Correction of Mistakes and Changes in Financial Statements»).</i></li> <li>• Revaluation of items of financial statements.</li> <li>• In accordance with Paragraphs 18-20 of Standard 5 «Statement on Equity» all the enterprises disclose the purpose and conditions of use of each element of equity (except for the authorised capital) in the notes to financial statements.</li> <li>• Rules of disclosing information about property, plant and equipment are set forth in Standard 7 «Property, Plant and Equipment».</li> <li>• Rules of disclosing information about intangible assets are set out in Paragraphs 36-37 of Standard 8 «Intangible assets».</li> <li>• Rules of disclosing information about Inventories are given in Paragraph 29 of Standard 9 «Inventories».</li> <li>• Rules of disclosing information about accounts receivable are given in Paragraph 13 of Standard 10 «Accounts Receivable».</li> <li>• Rules of disclosing information about financial investments in the notes to financial statements are set forth in Standard 12 «Financial Investments».</li> <li>• Rules of disclosing information about enterprise's revenues are given in Paragraph 25 of the Standard 15 «Revenue».</li> <li>• Rules of disclosing information about expenses are given in Paragraph 32 of Standard 16 «Expenses»</li> <li>• Rules of disclosing information about business combinations are given in Paragraphs 18-21 of Standard 19 «Business</li> </ul>

	<p>Combinations».</p> <p>Rules of disclosing information in the event of consolidation are given in Paragraph 18 of the Standard 20 «Consolidated Financial Statements», i.e. the national rules provide for more detailed and extensive disclosure of information relating to financial statements.</p>
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#### Financial Statements Consolidation Rules

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• A parent company that prepares consolidated financial statements should consolidate all its subsidiaries (branches, joint ventures, affiliated companies, business entities in which the parent company has a controlling interest or the majority of votes in the board of directors, or has such influence on the decision-making process that can make the further work of the controlled business entity impossible) located both within and outside the country.</li> <li>• Subsidiaries (business entities) are not subject to consolidation if the control of the parent company is considered temporary, or such subsidiary is operating under conditions that significantly reduce its ability to reallocate resources in favour of a parent company.</li> </ul>	<ul style="list-style-type: none"> <li>• A parent company that prepares consolidated financial statements should consolidate all its subsidiaries (In accordance with provisions of Standard 19 «Business Combinations», a subsidiary is «an enterprise that is controlled by a parent (holding) enterprise. The term «Control» in this Standard is defined as «the decisive influence on financial, economic and commercial policies of an enterprise so as to benefit from its activities.» Paragraph 7 of Accounting Standard 20 «Consolidated Financial Statements» - «Figures contained in financial statements of a subsidiary are not included into consolidated financial statements, if: <ul style="list-style-type: none"> <li>a) control of a subsidiary is temporary since it was acquired and held only for the purpose of its further resale during a short period of time;</li> <li>b) a subsidiary operates under restrictions which limit its capability to transfer funds to the parent. Assets of such subsidiaries are recorded as financial investments in compliance with Accounting Standard 12 «Financial Investments».</li> </ul> </li> </ul>

#### Impact of Hyperinflation on Financial Statements

IAS reporting rules	National reporting rules
<ul style="list-style-type: none"> <li>• The financial statements reported in a hyperinflationary economy, regardless of the approach used (a historical cost approach or a current cost approach), should be expressed in terms of the measuring unit current at the balance sheet date.</li> <li>• The relevant information of the preceding period and any information relating to preceding periods should also be expressed in terms of the measuring unit current at the balance sheet date.</li> <li>• <i>Balance Sheet.</i> Balance Sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated applying a general price index.</li> <li>• <i>Income Statement.</i> It is required that all items in the income statement are expressed in terms of the measuring unit current at the balance sheet date. Therefore all amounts need to be restated by applying the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• Standard 22, corresponding to IAS 15 and 29, is scheduled to be adopted in March 2001.</li> <li>• As at the date of the analysis, Ukraine has no rules taking into consideration the impact of hyperinflation on financial statements.</li> </ul>

**2. Main Differences between IAS Rules and National Accounting Rules:**

- **Property, Plant and Equipment**
- **Investments**
- **Intangible Assets**
- **Inventories**
- **Low Value Items**
- **Accounts Receivable**
- **Advances Paid**
- **Equity**
- **Liabilities**
- **Contingent Liabilities**
- **Expenses**
- **Deferred Taxes**

**Property, Plant and Equipment**

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>• The amount of acquired items of property, plant and equipment do not change the total assets.</li> <li>• Revaluation of property, plant and equipment is allowed only in extraordinary cases.</li>   <li>• There are no limitations as for the minimal value of such an asset as an item of property, plant and equipment.</li> <li>• Freedom to choose a depreciation method.</li>   <li>• Different depreciation methods for financial and tax reporting.</li> <li>• The depreciation period is determined by an enterprise based on the useful life and obsolescence of an item of property, plant and equipment.</li> <li>• The depreciation starting date is determined by an enterprise.</li>   <li>• The depreciation of the idle equipment (the equipment that do not attribute its cost to the production costs) is not allowed.</li> </ul>	<ul style="list-style-type: none"> <li>• The amount of acquired items of property, plant and equipment do not change the total assets.</li> <li>• In accordance with Paragraph 16 of Standard 7 «Property, Plant and Equipment», an enterprise revalues an item of property, plant and equipment if its carrying value is significantly (more than 10%) different from the fair value at the balance sheet date.</li> <li>• No limitations are envisaged as for the minimal value of such an asset as an item of property, plant and equipment.</li> <li>• A depreciation method is selected by the enterprise independently, taking into consideration the expected method of generating economic benefits from its use. In accordance with Paragraph 26 of Standard 7 «Property, Plant and Equipment» the depreciation is charged using the following methods: the straight-line method, the diminishing balance method, the accelerated diminishing balance method, cumulative, and production methods.</li> <li>• The enterprise may apply the rates and methods of depreciation of property, plant and equipment that are provided by tax legislation.</li> <li>• In accordance with Paragraph 26 of Standard 7, the depreciation is charged over the useful life determined by an enterprise when the item of property, plant and equipment is recognised as an asset (is included in the Balance Sheet).</li> <li>• According to Paragraph 29 of Standard 7, the depreciation is charged beginning from the month following the one during which this item became suitable for use.</li> <li>• The depreciation is not charged during the reconstruction, upgrading, construction, installation of additional equipment and temporary closing-down of fixed assets. Idle time of the equipment is not taken into consideration.</li> </ul>

**Investments**

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>• Investments are accounted for at the lower of : <ul style="list-style-type: none"> <li>- cost and</li> <li>- market value</li> </ul> </li> <li>• The following consolidation methods are used: <ul style="list-style-type: none"> <li>- method of acquisition</li> <li>- method of uniting of interests.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• According to Standard 12 «Financial Investments», as at the balance sheet date, investments (except for those held by the enterprise until maturity or reported according to the equity method) are reported at their fair value.</li> <li>• Standard 19 «Business Combinations» provides for: <ul style="list-style-type: none"> <li>- accounting for acquisition</li> <li>- accounting for merger (uniting of interests)</li> </ul> </li> </ul>

**Intangible Assets**

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>• The depreciation period is determined on the basis of useful</li> </ul>	<ul style="list-style-type: none"> <li>• The depreciation period is determined on the basis of useful</li> </ul>

**UKRAINE**  
**Gap-analysis**

<p>life and obsolescence.</p> <ul style="list-style-type: none"> <li>• Goodwill is amortised.</li> </ul>	<p>life and obsolescence, but not more than 20 years.</p> <ul style="list-style-type: none"> <li>• Goodwill is amortised.</li> </ul>
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**Inventories**

<b>IAS accounting rules</b>	<b>National accounting rules</b>
<ul style="list-style-type: none"> <li>• Inventories are reported at the lower of: <ul style="list-style-type: none"> <li>- cost and</li> <li>- fair market value.</li> </ul> </li> <li>• Cost includes only direct variable costs and production overhead costs (equivalent of general production costs in Soviet accounting)</li> <li>• Revaluation is possible only to decrease the value</li> <li>• Revaluation decrease is recognised as an expense of the accounting period</li> <li>• General production costs are included in the product (service) cost only on the conditions of the normal work of production facilities.</li> <li>• Inventories cost measurement methods (it is important to use the selected method consistently): <ol style="list-style-type: none"> <li>1. LIFO</li> <li>2. FIFO</li> <li>3. Weighted average cost</li> <li>4. Special.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• In accordance with Paragraph 24 of Standard 9 «Inventories», inventories are reported at the lower of cost and net realisable value.</li> <li>• In accordance with Paragraph 10 of Standard 9 «Inventories», the cost of inventories manufactured by the enterprise is the cost of their production determined in accordance Accounting Standard «Expenses», i.e. the standard complies with IAS in this regard.</li> <li>• In accordance with Paragraph 15, the cost of inventories in accounting is not changed, except as provided by Paragraph 24 of Standard 9 «Inventories» (see First paragraph of this analysis).</li> </ul> <p>In accordance with Paragraph 16 of Standard «Expenses», variable general production costs are broken down by cost items, and fixed general production costs are broken down according to conditions of the normal production capacity utilisation level.</p> <ul style="list-style-type: none"> <li>• In accordance with Paragraph 16 of Standard «Expenses», for all accounting units of inventories that have similar purpose and conditions of use, the enterprise can use only one of the methods listed below: <ol style="list-style-type: none"> <li>1. LIFO;</li> <li>2. FIFO;</li> <li>3. Weighted average cost;</li> <li>4. Identifiable inventories unit cost;</li> <li>5. Standard costs;</li> <li>6. Selling price</li> </ol> </li> </ul>

**Low Value Items**

<b>IAS accounting rules</b>	<b>National accounting rules</b>
<ul style="list-style-type: none"> <li>• They are written off and included in the expenses of the reporting period at the moment of purchase.</li> <li>• They completely disappear from accounting.</li> </ul>	<ul style="list-style-type: none"> <li>• In accordance to Paragraph 23 of Standard 9 «Inventories», «The cost of low value and short-term items in use is excluded from assets (written off from the balance sheet), and timely records of such items are maintained at the place of their use by relevant personnel during their actual useful life.»</li> </ul>

**Accounts Receivable**

<b>IAS accounting rules</b>	<b>National accounting rules</b>
<ul style="list-style-type: none"> <li>• Provision for doubtful accounts receivable is based on the accounting estimates.</li> <li>• It is allowed to form both special and general provisions.</li> <li>• To show the part of the assets' value, assets are decreased by the amount of provisions accrued.</li> </ul>	<ul style="list-style-type: none"> <li>• In accordance with Paragraph 8 of Standard 10 «Accounts Receivable», «The provision for doubtful accounts is determined on the basis of solvency of some debtors or on the basis of classification of accounts receivable.» (i.e. using the accounts receivable doubtfulness coefficient).</li> <li>• The concept of the general provision for accounts receivable does not exist. The Standards do not stipulate that the general provision should be made.</li> <li>• Assets include the net realisable value of accounts receivable, which is calculated as a difference between the amount of current debt for goods, work and services and the provision for doubtful accounts.</li> </ul>

**Advances Paid**

<b>IAS accounting rules</b>	<b>National accounting rules</b>
<ul style="list-style-type: none"> <li>• They are recorded as an asset, for which a prepayment has been made.</li> </ul>	<ul style="list-style-type: none"> <li>• In accordance with Paragraph 29 of Standard 2 «Balance Sheet», the separate line «Accounts receivable: advances paid» is shown as an asset that reflects the sum of advances</li> </ul>

	paid to other enterprises as part of future payments.
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#### Equity

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>Equity is a difference between assets and liabilities. In other words, equity is everything that belongs to the owners of the enterprise.</li> <li>Equity comprises: <ul style="list-style-type: none"> <li>Share capital</li> <li>Share premium</li> <li>Non-current assets revaluation surplus</li> <li>Reserves</li> <li>Retained earnings</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Equity is a difference between assets and liabilities. In other words, equity is everything that belongs to the owners of the enterprise.</li> <li>Equity comprises: <ul style="list-style-type: none"> <li>Share capital (authorised fund indicated in the statutory documents of the enterprise);</li> <li>co-operative capital (may be in co-operative organisations, credit unions);</li> <li>additional contributed capital (consists of the share premium, other contributed capital, increase in value of assets, non-current assets received free of charge);</li> <li>other additional capital (total difference between the realisable value of issued shares and their par value);</li> <li>reserve capital (reserves made at the expense of retained earnings);</li> <li>retained earnings (outstanding losses and the amount of profit used in the accounting period)</li> <li>unpaid capital (the amount of outstanding contributions of the owners);</li> <li>withdrawn capital (actual par value of shares of the enterprise's own issue, withdrawn shares, contributions and other withdrawn capital)</li> </ul> </li> </ul>

#### Liabilities

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>Liabilities are recorded according to the accrual method on the basis of accounting estimates, even if there are no supporting documents.</li> </ul>	<ul style="list-style-type: none"> <li>Liabilities are recorded according to the accrual method on the basis of accounting estimates, but on condition that there are documents duly processed in accordance with legislation (contracts, shipment documents, work completion statement).</li> </ul>

#### Contingent Liabilities

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>They are recorded according to the accrual method and debited to expenses or credited to accrued liabilities if the probability of their occurrence is more than 50%.</li> </ul>	<p>The concept of contingent liabilities recognised as expenses is set forth in Paragraph 14 of Standard 11 «Liabilities» - «The provision is made if a settlement of a liability arising from past events is expected to result in an outflow from the enterprise of resources embodying economic benefits and such a provision can be estimated. It is not allowed to make a provision for future losses from the enterprise's activities».</p> <p>Provisions are made only for the following future expenses:</p> <ul style="list-style-type: none"> <li>Vacation pay;</li> <li>Additional retirement benefits;</li> <li>Fulfilment of guarantee obligations;</li> <li>Restructuring;</li> </ul> <p>Fulfilment of obligations under problem contracts and the like.</p>

#### Expenses

IAS accounting rules	National accounting rules
<ul style="list-style-type: none"> <li>All changes in net assets, other than those relating to owners, are attributed to income or expenses of the accounting period.</li> </ul>	<ul style="list-style-type: none"> <li>All changes in net assets, other than those relating to owners, are attributed to income or expenses of the accounting period.</li> </ul>

#### Deferred taxes

IAS accounting rules	National accounting rules
<p>Deferred taxes are calculated to show the difference between financial and tax accounting.</p>	<ul style="list-style-type: none"> <li>Standard 17 applies for annual financial statements. Only the amount of current income tax may be recorded in the Income Tax account in the interim (quarter, six months) financial statements.</li> </ul>