



“SCHOOL OF SOCIAL SCIENCES”

“MBA”

Postgraduate Dissertation

**“The implementation of International Financial Reporting
Standards by Greek companies and their differences and
similarities from Greek Accounting Standards”**

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Patras, Greece, “May” “2026”

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Abstract

Under the Law 3301/2004, the International Financial Reporting Standards (IFRS) became mandatory in 2005 for all listed companies in Greece. This development constituted a significant change for businesses compared with the previous framework of the Greek General Chart of Accounts, leading to the adoption of an international financial reporting framework, the main consequence of which was the enhancement of the comparability of financial information. In addition, Law 4308/2014, which came into force in 2015, introduced the new Greek Accounting Standards (GAS), which established principles based on the International Financial Reporting Standards (IFRS). The purpose of this dissertation is to set out the key elements of the International Financial Reporting Standards (IFRS) and the new Greek Accounting Standards, and subsequently to present the impact of the adoption of the International Financial Reporting Standards by Greek companies on their financial statements, as well as the main differences between the Greek Accounting Standards and the International Financial Reporting Standards.

Keywords

Accounting, Greek Accounting Standards, Accounting rules, International Financial Reporting Standards, Comparison

“Η εφαρμογή των Διεθνών Προτύπων Χρηματοοικονομικής Αναφοράς από τις ελληνικές εταιρείες και οι διαφορές και οι ομοιότητές τους με τα Ελληνικά Λογιστικά Πρότυπα”

“Δημήτριος Σακαρέλος”

Περίληψη

Με τον Νόμο 3301/2004, τα Διεθνή Πρότυπα Χρηματοοικονομικής Αναφοράς (ΔΠΧΑ) κατέστησαν υποχρεωτικά το 2005 για όλες τις εισηγμένες εταιρείες στην Ελλάδα. Η εξέλιξη αυτή αποτέλεσε σημαντική αλλαγή για τις επιχειρήσεις, σε σχέση με το προηγούμενο πλαίσιο του Ελληνικού Γενικού Λογιστικού Σχεδίου, η οποία οδηγώντας στην υιοθέτηση ενός διεθνούς πλαισίου χρηματοοικονομικής πληροφόρησης, ως κύριο επακόλουθο είχε την ενίσχυση της συγκρισιμότητας των χρηματοοικονομικών πληροφοριών. Επιπλέον, ο Νόμος 4308/2014, ο οποίος τέθηκε σε ισχύ το 2015, εισήγαγε τα νέα Ελληνικά Λογιστικά Πρότυπα (ΕΛΠ), τα οποία καθιέρωσαν αρχές βασισμένες στα Διεθνή Πρότυπα Χρηματοοικονομικής Αναφοράς (ΔΠΧΑ). Σκοπός της παρούσας διπλωματικής εργασίας είναι να παραθέσει τα βασικά στοιχεία των Διεθνών Προτύπων Χρηματοοικονομικής Αναφοράς (ΔΠΧΑ) και των νέων Ελληνικών Λογιστικών Προτύπων και στην συνέχεια να παρουσιάσει την επίδραση της υιοθέτησης των Διεθνών Προτύπων Χρηματοοικονομικής Αναφοράς από τις ελληνικές επιχειρήσεις στις χρηματοοικονομικές τους καταστάσεις, καθώς και τις βασικές διαφορές μεταξύ των Ελληνικών Λογιστικών Προτύπων και των Διεθνών Προτύπων Χρηματοοικονομικής Αναφοράς.

Λέξεις – Κλειδιά

Λογιστική, Ελληνικά Λογιστικά Πρότυπα, Λογιστικοί κανόνες, Διεθνή Πρότυπα Χρηματοοικονομικής Αναφοράς, Σύγκριση

Table of Contents

Abstract	v
Περίληψη.....	vi
Table of Contents	vii
List of Figures	ix
List of Tables.....	x
List of Abbreviations & Acronyms	xi
1. Chapter 1 Introduction	1
1.1 Dissertation Purpose.....	1
1.2 Definition of Accounting and Accounting Standardization	1
2. Chapter 2: Introduction to International Financial Reporting Standards (IFRS)	3
2.1 The Need for Adoption of International Financial Reporting Standards	3
2.2 Section Purpose of International Financial Reporting Standards.....	3
2.3 Historical Overview	4
2.4 The Conceptual Framework	6
2.5 Financial Statements	10
2.6 Main Institutional Bodies Responsible for Preparing International Financial Reporting Standards and the Procedure for Issuing an International Financial Reporting Standards	16
2.7 Advantages and Disadvantages of Applying International Financial Reporting Standards	19
3. Chapter 3: The adoption of the International Financial Reporting Standards (IFRS) by Greek companies	21
3.1 Application and Assimilation by Greek Companies	21
3.2 Review of research and articles.....	22
4. Chapter 4: Greek Accounting Standards (GAS)	26
4.1 The new Law 4308/2014 for the Greek Accounting Standards	26
4.2 The basic changes introduced by the new Greek GAAP law	26
4.2.1 Determination of entities.....	26
4.2.2 Accounting system and accounting records	28
4.2.3 Accounting books/documents/records, supporting documentation, updating and safekeeping.....	29
4.2.4 Timeframe for records/books	29
4.2.5 Safekeeping of accounting records	30
4.2.6 Financial statements	30
4.2.7 General principles for preparing financial statements.....	31
4.2.8 Items of the income statement.....	32
4.2.9 Items of equity.....	33
4.2.10 The Notes/Appendix to the financial statements	33
4.3 The basic changes in measurement rules – Valuation of assets under the new Greek GAAP	33
4.3.1 Fixed assets	33
4.3.2 Depreciation and impairment of fixed assets	34
4.3.3 Finance lease	36

4.3.4 Operating lease.....	36
4.3.5 Financial assets.....	37
4.3.6 Measurement/valuation of inventories and services	38
4.3.7 Prepayments of expenses and other non-financial assets.....	39
4.3.8 Valuation of liabilities.....	39
4.3.9 Government grants	40
4.3.10 Deferred taxes	40
4.3.11 Simplifications and exemptions	40
4.3.12 Ensuring the reliability of the accounting system	41
5. Chapter 5: Comparison of International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) and Greek Accounting Standards (GAS) - Differences and Similarities	42
5.1 Relationship between GAS and IFRS/IAS	42
5.2 Presentation of Financial Statements	45
5.3 Statement of Cash Flows.....	46
5.4 Accounting Policies, Changes in Accounting Estimates and Errors.....	47
5.5 Events after the Reporting Period	47
5.6 Tangible (Fixed) Assets - Property, Plant and Equipment.....	48
5.7 Impairment of Assets	50
5.8 Intangible Assets	51
5.9 Inventories.....	52
5.10 Agriculture	53
5.11 Leasing	53
5.12 Employee Benefits	54
5.13 Government Grants	55
5.14 Measurement at Fair Value	55
5.15 Financial Instruments (Assets and Liabilities).....	56
5.16 Investment Property	56
5.17 Revenue from Contracts with Customers	57
5.18 Provisions	59
5.19 Deferred tax.....	59
5.20 Consolidated Financial Statements and Accounting for Investments in Subsidiaries	60
5.21 Practical Examples	65
6. Chapter 6: Conclusion.....	150
References	153
Appendix A: “Title of appendix”	159
Appendix B: “Title of appendix”	160

List of Figures

List of Tables

List of Abbreviations & Acronyms

EU European Union

FASB Financial Accounting Standards Board

GAAP Generally Accepted Accounting Principles

GAS Greek Accounting Standards

GGCA Greek General Chart of Accounts

IAS International Accounting Standards

IASB International Accounting Standards Board

IASC International Accounting Standards Committee

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

SIC Standing Interpretations Committee

1. Chapter 1 Introduction

1.1 Dissertation Purpose

The aim of this dissertation is the examination of accounting standards in practice as well as to discuss IFRS adoption by Greek companies and to analyze key differences and similarities between IFRS and GAS. The topic is significant because accounting standards represent a means by which companies convey information about their financial position, financial performance and cash flows to stakeholders, investors, creditors, regulators and other users of financial statements. Researching the effects of IFRS adoption is important because their application influenced how Greek companies prepare, present and analyze their financial statements. The dissertation also analyses the key characteristics of Greek Accounting Standards as introduced by Law 4308/2014 and how it enhances the Greek accounting framework by introducing elements that follow European and international accounting practices more closely.

The first chapter introduces accounting and accounting standardization. The second chapter provides information on the development of IFRS, describing their need, origins, governing bodies, main purpose and their advantages. Chapter three discusses the adoption of IFRS by Greek companies, including data from academic literature. Chapter four outlines the Greek Accounting Standards while chapter five compares them with IFRS. Finally, the final conclusions of this dissertation are presented in chapter six.

1.2 Definition of Accounting and Accounting Standardization

Accounting can be defined as a systematic process of recording, classifying and summarizing in financial terms and interpreting all the economic events of a business. Accounting is the language of business. It involves, identifying, measuring, and communicating financial information about economic entities to interested parties. It is a system whose purpose is to inform the users of financial statements. The ultimate objective of accounting is to provide useful and reliable financial information to users of financial statements. Accounting presents financial position, financial performance and changes in economic resources of the business so that interested users can take economic decisions.

Accounting standardization is a set of rules for the rational presentation of accounting entries, with the purpose of gathering similar numerical data relating to the determination of costs and business results, for the benefit of both businesses and the national economy. International trends toward accounting standardization appeared in the form of charts of accounts and in the form of accounting statements.

The standardization of accounting contributes to the uniform practice of accounting at the level of the business, the sector, and the country, as well as on an international scale. It also helps control arbitrary treatment of accounting issues and minimize the degree of subjectivity that characterizes certain accounting tasks. Accounting standardization is necessary for providing uniform and comparable financial information from businesses to third parties. The importance of information for economic decision-makers increases when the information is comparable over time.

We can say that accounting standardization improves the informational capacity of accounting statements and allows effective audits to be carried out. It also benefits the state, as it facilitates the collection of uniform and reliable information about the activities of entities. In addition, the main benefits of accounting standardization include increasing the comparability and quality of the information provided by accounting statements, removing obstacles to international capital flows by reducing differences in financial statements, and finally reducing the cost of preparing financial statements for multinational companies.

Accounting standardization can be achieved through the creation of a chart of accounts, which is defined as a means of universal organization that systematizes the entire operation of an accounting department.

2. Chapter 2: Introduction to International Financial Reporting Standards (IFRS)

2.1 The Need for Adoption of International Financial Reporting Standards

Globalization has increased the integration of world markets for goods, services, and capital. As a result, companies that once relied mainly on domestic capital markets for financing now have greater access to debt and equity capital both within and beyond their national borders. One of the main benefits of a single set of global accounting standards is that it would allow international capital markets to assess and compare company performance more meaningfully, effectively, and efficiently. This would improve companies' access to global capital and ultimately lower its cost. For this reason, both regulatory bodies and financial statement preparers called for global standards.¹

Access to financial statements which are written in the same “language” would help to eliminate a major impediment to investor confidence, sometimes referred to as “accounting risk,” which adds to the more tangible risks of making such cross-border investments.²

In order to contribute to a better functioning of the internal market, publicly traded companies must be required to apply a single set of high quality international accounting standards for the preparation of their consolidated financial statements.³

2.2 Section Purpose of International Financial Reporting Standards

The use of a consistent set of accounting standards by companies throughout the world has the potential to improve the comparability and transparency of financial information. The provision of higher quality information has been shown to reduce financial statement preparation costs and, it is believed, to enable capital markets participants to make better decisions. The global adoption of IFRS accounting standards is a necessary condition for

¹ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

² PKF International Ltd. (2023). Wiley interpretation and application of IFRS standards 2023. John Wiley.

³ European Parliament & Council of the European Union. (2002). Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. Official Journal of the European Communities, L 243, 1–4.

global comparability, but, on its own, it is insufficient. Global comparability cannot be achieved without a rigorous and consistent application of the standards. However, consistent application of the standards cannot be achieved unless countries adopt IFRS accounting standards without modifying the standards issued by the IASB.⁴

The mission of the IFRS Foundation and the International Accounting Standards Board (IASB) is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to financial markets around the world. They seek to serve the public interest by fostering trust, growth and long-term stability in the global economy.⁵

2.3 Historical Overview

In 1972, at the 10th World Congress of Accountants in Sydney, Australia, a proposal was put forward for the establishment of an International Accounting Standards Committee (IASC). In 1973, the IASC was formed by 16 national professional accountancy bodies from nine countries — Canada, the United Kingdom, the United States, Australia, France, Germany, Japan, the Netherlands and Mexico. By December 1998, the membership of the IASC had expanded and the committee had completed its core set of accounting standards.

In 1998, the committee responsible for overseeing the operations of the IASC began a review of the IASC's operations. The results of the review were recommendations that the IASC be replaced with a smaller, full-time International Accounting Standards Board. In 1999, the IASC board approved the constitutional changes necessary for the restructuring of the IASC. A new International Accounting Standards Committee Foundation was established and its trustees appointed. By early 2001, the members of the IASB and the Standards Advisory Council (SAC) were appointed, as were technical staff to assist the IASB. The IASB initially adopted the International Accounting Standards (IAS® Standards), with some modifications, as issued by the IASC (e.g. IAS 2 Inventories). As standards were revised or newly issued by the IASB, they were called International Financial Reporting Standards (e.g. IFRS 8 Operating Segments). So the term

⁴ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

⁵ PKF International Ltd. (2023). Wiley interpretation and application of IFRS standards 2023. John Wiley.

International Financial Reporting Standards includes both IFRS Standards and IAS Standards.⁶

Approved by the members of the IASC at a meeting in Edinburgh, Scotland on 24 May 2000 and revised by the Trustees of the IFRS Foundation (formerly the IASC Foundation) on 5 March and 8 July 2002, 21 June 2005, 31 October 2007, 15 January 2009, 26 January 2010, 23 January 2013, 13 October 2016, 1 December 2018, 1 August 2020 and 21 October 2021.⁷

The International Accounting Standards Board (IASB) was established in 2001. The IASB was preceded by the Board of the International Accounting Standards Committee (IASC). When the term IFRS Accounting Standards is used in this Preface, it means Accounting Standards issued by the IASB, comprising:

- a. International Financial Reporting Standards;
- b. International Accounting Standards;
- c. IFRIC Interpretations; and
- d. SIC Interpretations.

IFRS Accounting Standards were previously known as International Financial Reporting Standards, IFRS, IFRSs and IFRS Standards.

The year 2005 saw the beginning of a new era in the global conduct of business, and the fulfilment of a 30-year effort to create the financial reporting rules for a worldwide capital market. During that year's financial reporting cycle, the 27 European Union (EU) member states plus many other countries, including Australia, New Zealand and South Africa, adopted IFRS.

The historic 2002 Norwalk Agreement embodied in a Memorandum of Understanding (MoU) between the US standard setter, FASB, and the IASB called for “convergence” of the respective sets of standards, and indeed since that time, a number of revisions of either US GAAP or IFRS have already taken place to implement this commitment.⁸

⁶ Picker, R., Clark, K., Dunn, J., Kolitz, D., Livne, G., Loftus, J., & van der Tas, L. (2019). Applying IFRS standards (4th ed.) Wiley.

⁷ <https://www.ifrs.org> (IFRS FOUNDATION)

⁸ PKF International Ltd. (2023). Wiley interpretation and application of IFRS standards 2023. John Wiley.

The European Parliament and the European Council adopted Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards. This Regulation has as its objective the adoption and use of international accounting standards in the Community with a view to harmonizing the financial information presented by the companies in order to ensure a high degree of transparency and comparability of financial statements and hence an efficient functioning of the Community capital market and of the Internal Market.⁹

In 2004, the IASB and FASB began a joint project to develop a single conceptual framework, the first phase of which was completed in September 2010. This version of the IASB’s conceptual framework (the 2010 Framework) comprised two sections finalised in this first phase of the joint project with the FASB, together with other material carried forward from the conceptual framework issued by the former IASC in 1989 (‘the 1989 Framework’), which was originally intended to be replaced in a second phase of the joint framework project. The 1989 Framework, although not jointly developed with the FASB, nevertheless drew heavily on the FASB’s then current conceptual framework. No further joint work was undertaken by the two boards and in September 2012 the IASB decided to restart the project as an IASB-only project. In July 2013 the IASB published a discussion paper³ which was followed by an exposure draft of an updated framework in May 2015. In March 2018 the IASB published Conceptual Framework for Financial Reporting (the Framework).¹⁰

2.4 The Conceptual Framework

In general terms, a conceptual framework is a statement of generally accepted theoretical principles which form the frame of reference for a particular field of enquiry. In terms of financial reporting, these theoretical principles provide the basis for both the development of new reporting practices and the evaluation of existing ones. Since the financial reporting process is concerned with the provision of information that is useful in making business and

⁹ European Parliament & Council of the European Union. (2002). Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. Official Journal of the European Communities, L 243, 1–4.

¹⁰ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

economic decisions, a conceptual framework will form the theoretical basis for determining which events should be accounted for, how they should be measured and how they should be communicated. Therefore, although it is theoretical in nature, a conceptual framework for financial reporting has a highly practical end in view. A conceptual framework for financial reporting should be a theory of accounting against which practical problems can be tested objectively, and the utility of which is decided by the adequacy of the practical solutions it provides. However, the various standard-setting bodies around the world initially often attempted to resolve practical accounting and reporting problems through the development of accounting standards, without such an accepted theoretical frame of reference.¹¹

In 1989, the IASC, the predecessor to the IASB, adopted the Framework for the Preparation and Presentation of Financial Statements (the Framework). The Framework borrowed heavily from the Statements of Financial Accounting Concepts developed by the FASB in the 1970s. This document was superseded by the Conceptual Framework for Financial Reporting (the Conceptual Framework) in 2010, developed jointly by the IASB and the FASB. The Conceptual Framework issued by the IASB provides guidance to preparers in the application of IFRSs. The role of the Conceptual Framework in providing guidance for dealing with accounting issues that are not addressed by an IFRS is explicitly reinforced in IFRSs.¹²

The IASB published Conceptual Framework for Financial Reporting 2010 in September 2010. This was effectively work-in-progress, comprising two chapters developed in the first phase of the then joint project of the IASB and FASB to develop an agreed framework , together with material carried forward from the former IASC’s 1989 Framework (which was adopted in 2001 by the then newly constituted IASB). In March 2018 the IASB published Conceptual Framework for Financial Reporting (the Framework). This fully revised document replaced the sections of the 2010 version previously carried-forward from the 1989 Framework and also made amendments to the sections produced in 2010.

¹¹ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

¹² Picker, R., Clark, K., Dunn, J., Kolitz, D., Livne, G., Loftus, J., & van der Tas, L. (2019). Applying IFRS standards (4th ed.) Wiley.

The Framework itself has no explicit effective date, however the Board and the IFRS Interpretations Committee (IFRS IC) commenced using the 2018 Framework immediately after it was issued.¹³

The Framework comprises an introductory section dealing with its status and purpose followed by eight chapters and an appendix of defined terms.

The chapters are as follows:

Chapter 1 - The objective of general purpose financial reporting (discussed in section 4 below)

Chapter 2 - Qualitative characteristics of useful financial information (discussed in section 5 below)

Chapter 3 - Financial statements and the reporting entity (discussed in section 6 below)

Chapter 4 - The elements of financial statements (discussed in section 7 below)

Chapter 5 - Recognition and derecognition (discussed in section 8 below)

Chapter 6 - Measurement (discussed in section 9 below)

Chapter 7 - Presentation and disclosure (discussed in section 10 below)

And

Chapter 8 - Concepts of capital and capital maintenance (discussed in section 11 below)¹⁴

The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:

(a) assist the International Accounting Standards Board (Board) to develop IFRS Standards (Standards) that are based on consistent concepts;

¹³ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

¹⁴ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

- (b) assist preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and
- (c) assist all parties to understand and interpret the Standards.

The Conceptual Framework is not a Standard. It contributes to the stated mission of the IFRS Foundation and of the Board, which is part of the IFRS Foundation. That mission is to develop Standards that bring transparency, accountability and efficiency to financial markets around the world.

The objective of general-purpose financial reporting forms the foundation of the Conceptual Framework. Other aspects of the Conceptual Framework, the qualitative characteristics of, and the cost constraint on, useful financial information, a reporting entity concept, elements of financial statements, recognition and derecognition, measurement, presentation and disclosure flow logically from the objective.¹⁵

There are characteristics (qualitative) that financial information (useful) should have to be included in general purpose financial reporting. The qualitative characteristics are divided into fundamental qualitative characteristics and enhances qualitative characteristics.

For financial information to be useful, it must possess two fundamental qualitative characteristics:

- relevance, and
- faithful representation.

Information is relevant if:

- it is capable of making a difference in the decisions made by the capital providers as users of financial information
- it has predictive value, confirmatory value or both.
- it is capable of making a difference whether the users use it or not. It is not necessary that the information has actually made a difference in the past or will make a difference in the future.

¹⁵ <https://www.ifrs.org> (IFRS FOUNDATION)

Faithful representation is attained when the depiction of an economic phenomenon is complete, neutral, and free from material error. This results in the depiction of the economic substance of the underlying transaction.¹⁶

The usefulness of relevant and faithfully represented financial information is enhanced by the characteristics of comparability, verifiability, timeliness and understandability. These enhancing characteristics may also help determine which of two ways should be used to depict a phenomenon if both are considered equally relevant and faithfully represented.¹⁷

These characteristics are complementary to the fundamental characteristics. The enhancing characteristics distinguish more useful information from less useful information. In relation to these enhancing qualities, note:

- Comparability is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena.
- Verifiability is a quality of information that helps assure users that information faithfully represents the economic phenomena that it purports to represent.
- Timeliness means having information available to decision makers before it loses its capacity to influence decisions.
- Understandability is the quality of information that enables users to comprehend its meaning.¹⁸

2.5 Financial Statements

IAS 1 describes financial statements as a structured representation of the financial position and financial performance of an entity. It states that the objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

Financial statements provide information about transactions and other events viewed from the perspective of the reporting entity as a whole, not from the perspective of any particular

¹⁶ Picker, R., Clark, K., Dunn, J., Kolitz, D., Livne, G., Loftus, J., & van der Tas, L. (2019). Applying IFRS standards (4th ed.) Wiley.

¹⁷ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

¹⁸ Picker, R., Clark, K., Dunn, J., Kolitz, D., Livne, G., Loftus, J., & van der Tas, L. (2019). Applying IFRS standards (4th ed.) Wiley.

group of the entity’s existing or potential investors, lenders or other creditors. Financial statements are the principal means through which a company communicates its financial information to those outside the business. These statements provide a company’s history quantified in money terms.

To meet this objective for financial statements, it is required that they provide information about an entity’s:

- (a) Assets
- (b) Liabilities
- (c) Equity
- (d) Income and expenses, including gains and losses
- (e) Contributions by owners and distributions to owners in their capacity as owners (owners being defined as holders of instruments classified as equity)

And

- (f) Cash flows¹⁹

The Conceptual Framework identifies the above as the elements of financial statements.

Asset is an economic resource subject to three criteria:

- it is a right of the entity
- it has the potential to produce economic benefits, and
- it is controlled by the entity.

A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

Equity is the residual interest in the assets of the entity after deducting all its liabilities; accordingly, equity claims are claims on this residual interest.

¹⁹ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

Income and expenses are the elements of financial statements that relate to an entity's financial performance. Users of financial statements need information about both an entity's financial position and its financial performance.²⁰

A set of financial statements under comprises the following, each of which should be presented with equal prominence:

- (a) A statement of financial position as at the end of the period
- (b) A statement of profit or loss and other comprehensive income for the period to be presented either as:
- (c) A statement of changes in equity for the period
- (d) A statement of cash flows for the period
- (e) Notes, comprising material accounting policy information and other explanatory information
- (f) Comparative information in respect of the preceding period

And

- (g) A statement of financial position as at the beginning of the preceding period in certain circumstances²¹

The face of the statement of financial position should include line items that present the following amounts:

- (a) Property, plant and equipment
- (b) Investment property
- (c) Intangible assets
- (d) Financial assets (excluding amounts shown under (f), (i) and (j))

²⁰ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

²¹ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

- (e) Groups of contracts that are assets arising from each of Insurance contracts and Reinsurance contracts
 - (f) Investments accounted for using the equity method
 - (g) Biological assets
 - (h) Inventories
 - (i) Trade and other receivables
 - (j) Cash and cash equivalents
 - (k) The total of assets classified as held for sale and assets included in disposal groups classified as held for sale
 - (l) Trade and other payables
 - (m) Provisions
 - (n) Groups of contracts that are liabilities arising from each of Insurance contracts and Reinsurance contracts
 - (o) Financial liabilities (excluding amounts shown under (l) and (m))
 - (p) Liabilities and assets for current tax
 - (q) Deferred tax liabilities and deferred tax assets
 - (r) Liabilities included in disposal groups classified as held for sale in
 - (s) Non-controlling interests, presented within equity
- And
- (t) Issued capital and reserves attributable to owners of the parent²²

The face of the statement of profit or loss should include, in addition to items required by other IFRS accounting standards, line items that present the following amounts:

²² Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

- (a) Revenue, (presenting separately: Interest revenue calculated using the effective interest method and Insurance revenue)
 - (b) Gains and losses from the derecognition of financial assets measured at amortised cost
 - (c) Insurance service expenses from contracts
 - (d) Income or expenses from reinsurance contracts
 - (e) Finance costs
 - (f) Impairment losses (including reversals of impairment losses or impairment gains)
 - (g) Insurance finance income or expenses from contracts issued
 - (h) Finance income or expenses from reinsurance contracts
 - (i) Share of the profit or loss of associates and joint ventures accounted for using the equity method
 - (j) Any difference between fair value and the previous carrying amount at the date of reclassification when a financial asset is reclassified out of the amortised cost category to be measured at fair value through profit or loss
 - (k) Any accumulated gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss when a financial asset is reclassified out of the fair value through other comprehensive income category so that it is measured at fair value through profit or loss
 - (l) Tax expense
 - (m) A single amount comprising the total of:
 - (i) The post-tax profit or loss of discontinued operations
- And
- (ii) The post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation
- (n) Profit or loss
- And
- (o) The following as allocations of profit or loss for the period:

(i) Profit or loss attributable to non-controlling interests

And

(ii) Profit or loss attributable to owners of the parent

The presentation of a statement of changes in equity requires:

(a) Total comprehensive income for the period (comprising profit and loss and other comprehensive income) showing separately the total amounts attributable to owner of the parent and to non-controlling interests

(b) For each component of equity, the effects of retrospective application or retrospective restatement recognised

And

(c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) Profit or loss

(ii) Other comprehensive income

And

(iii) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control²³

As IFRS accounting standards only apply to financial statements, it is important that the financial statements are clearly identified so that users of the report can distinguish information that is prepared using IFRS accounting standards from other information that may be useful but is not the subject of those requirements.²⁴

²³ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

²⁴ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

In April 2024, the International Accounting Standards Board (the IASB or the Board) published a new IFRS accounting standard on presentation and disclosure in financial statements. IFRS 18 marks the culmination of the IASB’s Primary Financial Statements project, running since 2014, whose objective was to improve communication in financial statements.

IFRS 18 replaces IAS 1 and it is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 sets out overall requirements for the presentation and disclosure in financial statements. It requires an entity to present a complete set of financial statements at least annually, with comparative amounts for the preceding year (including comparative amounts in the notes).²⁵

2.6 Main Institutional Bodies Responsible for Preparing International Financial Reporting Standards and the Procedure for Issuing an International Financial Reporting Standards

The IFRS Foundation sets standards used globally for financial reporting that improve communication between companies and investors. It is an independent, not-for-profit organization founded on the belief that better information from companies leads to better investment decisions. IFRS Foundation, replaced the International Accounting Standards Committee Foundation (IASC). The International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) are the two standard-setting bodies.²⁶

The objectives of the IFRS Foundation are:

(a) through the IASB and the ISSB, to develop, in the public interest, high-quality, understandable, enforceable and globally accepted standards (referred to as ‘IFRS Standards’) for general purpose financial reporting based on clearly articulated principles. The IASB is responsible for developing a set of accounting standards (referred to as ‘IFRS Accounting Standards’) and the ISSB is responsible for developing a set of sustainability disclosure standards (referred to as ‘IFRS Sustainability Disclosure Standards’). These

²⁵ <https://www.ifrs.org> (IFRS FOUNDATION)

²⁶ <https://www.ifrs.org> (IFRS FOUNDATION)

complementary sets of IFRS Standards are intended to result in the provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world’s capital markets in making economic decisions.²⁷

(b) to promote the use and rigorous application of IFRS Standards.

(c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.

(d) to promote and facilitate the adoption of IFRS Standards through the convergence of national and regional standards and IFRS Standards.

The IFRS Foundation has a three-tier governance structure:

- two independent standard-setting boards of experts—the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB)—which are responsible for setting high-quality IFRS Standards through our robust and inclusive due process;
- Trustees from around the world who set our organisational strategy, govern our work and oversee our boards; and
- a monitoring board of public authorities which enhances our public accountability and oversees the work of our Trustees.

The governance of the IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees. The Trustees are responsible for the Constitution. They are required to review it every five years to ensure that it remains fit for purpose. Any proposed changes are subject to public consultation. They are also responsible for ensuring that the International Accounting Standards Board, the IFRS Interpretations Committee and the International Sustainability Standards Board follow the due process.

The IFRS Foundation has a highly regarded, inclusive and transparent due process for developing IFRS Standards.

²⁷ <https://www.ifrs.org> (IFRS FOUNDATION)

The due process is essential both for developing high-quality IFRS Standards and for ensuring that stakeholders can be confident that all relevant views have been considered when the Standards are developed.

Three underlying principles make the due process robust: transparency, full and fair consultation, and accountability.

Steps in the IASB standard-setting process:

- Agenda consultation

Every five years, the IASB conducts a comprehensive review and consultation to define international standard-setting priorities and develop its project work plan. The IASB can also add topics to its work plan if necessary between agenda consultations. This can include topics following post-implementation reviews of Standards; the IFRS Interpretations Committee may also request the IASB review an issue.

- Research program

Most projects begins with research where IASB explores the issues, identifies possible solutions and decides whether standard-setting is required. Often, they set out a discussion paper and seek public comment.

If sufficient evidence is found that an accounting problem exists, the problem is sufficiently important to warrant changing an Accounting Standard or issuing a new one and a practical solution can be found, IASB begins standard-setting.

After a new Accounting Standard has been in use for a few years, the IASB carries out research through a post-implementation review to assess whether the Standard is achieving its objective and, if not, whether any amendments should be considered. As a result of the post-implementation review, the IASB may start a new research project.

- Standard-setting program

If the IASB decides to amend an Accounting Standard or issue a new one, we generally review the research, including comments on the discussion paper, and propose amendments or Accounting Standards to resolve issues identified through research and consultation. Proposals for a new Accounting Standard or an amendment to an Accounting Standard are published in an exposure draft for public consultation. To gather additional evidence,

members of the IASB and IFRS Foundation technical staff consult with a range of stakeholders from all over the world.

The IASB analyses feedback and refines proposals before the new Accounting Standard, or an amendment to an Accounting Standard, is issued.

- Maintenance program

This process includes consulting on the implementation of a new or amended Accounting Standard to identify any implementation or application problems that may need to be addressed. If issues arise, the IFRS Interpretations Committee may decide to create an IFRIC Interpretation of the Accounting Standard or recommend a narrow-scope amendment. Such amendments follow the IASB's normal due process.²⁸

2.7 Advantages and Disadvantages of Applying International Financial Reporting Standards

Undoubtedly, one of the main advantages of a single set of global accounting standards is that it would enable the international capital markets to assess and compare inter-company performance in a much more meaningful, effective and efficient way. This should increase companies' access to global capital and ultimately reduce the cost thereof. Thus, the request for global standards came both from regulatory bodies and from preparers of financial statements.²⁹

IFRS Accounting Standards addressed these challenges by providing one common reporting language, a high quality, internationally recognised set of accounting standards that enable companies to provide efficient, cost-effective reporting that meets investors' needs.

IFRS Accounting Standards' main advantages:

- bring transparency by enhancing the quality of financial information, enabling investors and other market participants to make informed economic decisions

²⁸ <https://www.ifrs.org> (IFRS FOUNDATION)

²⁹ Ernst & Young (2026). International GAAP 2026: Generally accepted accounting practice under International Financial Reporting Standards. Ernst & Young LLP.

-strengthen accountability by reducing the information gap between investors and companies and

-boost economic efficiency by helping investors to assess potential investments across the world, thus allocating capital to the most promising opportunities, and lowering the cost of capital for companies³⁰

The adoption of IFRS offers benefits to companies, investors, and capital markets. A well-known advantage is comparability. Because financial statements are prepared under a single, globally recognised framework, these users can easily compare the performance and position of entities across different countries. At the same time the costs of processing that arise because accounts are prepared under divergent national standards are reduced.

Despite these benefits, the application of IFRS also may be challenging. Transition and implementation are costly to organizations because they are obligated to invest in staff training, new accounting systems, and often external advisory support. These costs are often higher for smaller entities.

³⁰ <https://www.ifrs.org> (IFRS FOUNDATION)

3. Chapter 3: The adoption of the International Financial Reporting Standards (IFRS) by Greek companies

3.1 Application and Assimilation by Greek Companies

European Union Regulation 1606/2002 requires all publicly traded companies to prepare consolidated financial statements based on International Financial Reporting Standards (IFRS). It applies from 1 January 2005. Financial statements prepared in 2004 under national GAAP had to be restated in accordance with IFRS to provide comparatives. Reconciliation statements explaining how the transition from previous GAAP to IFRS affected companies' financial statements were also required.³¹

The adoption of IFRS by EU countries seeks to attain comparability and transparency of financial reporting. In addition to comparability and transparency, IFRS also have a higher reference quality in financial statements. As a result, IFRS adoption decreases the information asymmetry and agency costs, which share and stakeholders were facing before the adoption of IFRS. Although the use of IFRS is mandatory for the listed companies only, there is a considerable number of non-listed firms that have chosen on a voluntary basis.³²

As a member state of the European Union, Greece is subject to the IAS regulation adopted by the European Union in 2002. The EU IAS Regulation requires application of IFRS as adopted by the EU for the consolidated financial statements of European companies whose shares and securities trade in a regulated securities market starting in 2005. Regulated markets in Greece are Athens Exchange Securities Market, Athens Exchange Derivatives Market, Electronic Secondary Securities Market.

After the adoption of international accounting standards (IAS/IFRS), in Greece from 1.1.2005 both accounting systems operate simultaneously, with all the problems and contradictions that must deal with those who follow and those who are forced to watch both (for example, banks must have double evaluation models). From 1 January 2005, IFRS have been compulsory for all Greek listed companies. However, the transition to IFRS in Greece

³¹ Tsalavoutas, I., & Evans, L. (2010). Transition to IFRS in Greece: Financial statement effects and auditor size. *Managerial Auditing Journal*, 25(8), 814–842.

³² Eriotis, N., Kounadeas, T., Liapis, K., & Poutos, E. (2019). The impact of IFRS adoption by Greek listed companies on the earnings quality: An empirical investigation. *International Journal of Finance, Insurance and Risk Management*, 9(3–4), 90–100.

has been problematic, partly because of the substantial differences between the two accounting regimes, but also because of a lack of preparedness of companies and accountants. The Greek accounting system differs significantly from the IFRS model in the preparation of financial statements and accounting treatment in some accounting events and occasions. The first annual financial statements of Greek listed companies prepared in accordance with IFRS became available at the end of March 2006.

Greek companies are financed by banks and through a debt-oriented capital market. The Athens Stock Exchange (ASE) has been considered a developed market since 2000, indicating an increase in the importance of raising finance from the equity markets.³³

Greece has a distinctive culture and financial reporting regime where creative accounting is common, and enforcement of accounting regulation is weak. Greek GAAP differs significantly from IFRS, and several creative accounting practices tolerated under Greek GAAP are not permitted under IFRS. It was therefore expected that Greek companies' financial statements should be affected considerably by the transition to the new accounting regime.

Implementation of IFRS and the curtailment of certain creative accounting practices Greek GAAP permits certain accounting treatments, which could be exploited as creative accounting. It was also expected that IFRS implementation would improve the quality of accounting information.

3.2 Review of research and articles

Ballas, Skoutela and Tzovas (2010) examined the relevance of IFRS in Greece as an emerging-market context. They argue that Greece was not naturally aligned with an Anglo-Saxon financial reporting model because Greek accounting had traditionally been tax-oriented, while many firms mostly depended on banks rather than public equity markets. Their survey evidence nevertheless shows that finance managers perceived improvements in reliability, transparency and comparability after IFRS adoption

³³ Tsalavoutas, I., André, P., & Evans, L. (2012). The transition to IFRS and the value relevance of financial statements in Greece. *The British Accounting Review*, 44(4), 262–277.

Tsalavoutas and Evans (2010) examined 238 Greek listed companies and find that IFRS implementation had a significant effect on shareholders' equity, net profit, gearing and liquidity. The transition had a positive effect on shareholders' equity and net profit, while gearing and liquidity were negatively affected. They report that the effects on net profit and liquidity were especially associated with companies audited by non-Big 4 auditors, while those companies also experienced a greater effect on gearing.

Papadatos and Bellas (2011) surveying Greek listed companies after several years of practical IFRS experience. They report that Greek preparers recognized benefits such as transparency, comparability and improved information quality, but also identified implementation problems, including complexity, cost, changes to information systems and the need for staff training. These findings show that the adoption of IFRS was not only an accounting issue but also an organizational change process.

Andre and Evans (2012) examined the value relevance of book value of equity and net income before and after mandatory IFRS adoption in Greece. They found no significant overall change in the explanatory power of the value-relevance regressions between the pre-IFRS and post-IFRS periods. They also found that reconciliation information prepared during the transition from Greek GAAP to IFRS was incrementally value relevant.

Karampinis and Hevas (2013,) investigated whether IFRS's adoption affected tax induced incentives for financial earnings management. Before IFRS, financial income and taxable income were closely connected in Greece. This connection resulted that the firms, under tax pressure had to restrict upward earnings management or to manage earnings downward in order to reduce tax consequences. After IFRS adoption, tax conformity weakened because IFRS are independent of tax considerations. The results show that tax pressure was a significant negative determinant of discretionary accruals before IFRS and that this effect dissipated under the IFRS. The adoption of IFRS reduced one source of earnings management but did not remove all reporting risks. In a country with such concentrated ownership, limited analyst coverage and weaker investor protection, enforcement and corporate governance remain essential.

Black and Maggina (2016) searched if the adoption of IFRS automatically improved the financial statement usefulness in Greece. Their found that several financial ratios were affected by IFRS adoption, but the statistical behavior of these ratios did not improve in the

same way. They also reported that IFRS adoption did not necessarily improve the usefulness of financial statements for stock prices. The findings supports the argument that the usefulness of IFRS depends heavily on economic context. In the case of Greece, the debt crisis led to market instability and complicated the assessment of IFRS effects.

Mantzari, Sigalas and Hines (2017) examined the adoption of IFRS by Greek non listed companies and argue that adoption was not primarily driven by the technical superiority of the standards. Instead, they identified coercive and hegemonic pressures from parent companies, the state, banks and other powerful institutional actors. This is very relevant to Greece because many non listed companies do not face the same public equity market pressures as listed companies. For such firms, IFRS adoption may have been motivated by group reporting requirements, borrowing conditions, legitimacy concerns or pressure from dominant stakeholders

Tsalavoutas (2017) explained that the law 4308/2014 transposed the EU Accounting Directive 2013/34/EU into Greek law and largely aligned Greek Accounting Standards with IFRS. The law introduced principles that are similar to IFRS concepts such as accrual accounting, going concern and materiality, and several recognition and measurement requirements draw heavily on IFRS

Eriotis, Kounadeas, Liapis and Poutos (2019) examine whether Greek listed companies manipulated profits through long term borrowing before and after IFRS adoption. Their study recognized that IFRS enhanced comparability and transparency, but it also notes that the flexibility of IFRS can provide scope for reporting discretion. Their findings do not support the hypothesis that the examined companies manipulated earnings through long term debt.

Drogalas, Lazos, Koutoupis and Pazarskis (2019) examined the Greek construction industry and find that the amount of tax paid decreased by about 28% in the post-IFRS period. Their study reports deterioration in several basic financial ratios, especially profitability ratios, while finding evidence that firm value increased after IFRS adoption.

Chimonaki and Vergos (2019) noted that Greek GAAP allowed startup costs to be recognized as intangible assets and did not make a clear distinction between research and development expenditure. The adoption of IAS 38 was expected to affect shareholders'

equity negatively because certain research and startup costs did not satisfy IFRS recognition criteria.

They used a long period sample of 231 non-financial firms listed on the Athens Stock Exchange between 2002 and 2015. Their evidence supports the view that adoption of IFRS was associated with lower earnings manipulation, especially when combined with larger company size and the use of large audit firms. This finding is important because it covers a longer period than many earlier studies and includes the Greek financial crisis and it suggests that IFRS's adoption may have contributed to greater transparency over time.

Athianos and Stylianou (2019), addressed Greece as a code-law country with a relationship between taxation and accounting. In this system, the role of the state is strong, financial reporting tends to be shaped by legal requirements, and company accounts have historically been influenced by tax rules. This opposes with IFRS, which are designed primarily to satisfy the information needs of shareholders and capital-market participants. The adoption of IFRS for Greek companies, represented a shift from a rule driven and tax linked environment towards a framework that requires more judgement, more disclosures and greater attention to economic substance.

Most of the literature reports that IFRS's adoption in Greece produced significant but uneven outcomes. The most important evidence is that the use of IFRS changed accounting numbers in equity, net profit, gearing, liquidity and financial ratios. Several studies also suggested that IFRS improved transparency and reduced earnings manipulation, especially where companies had stronger audit quality or greater size.

4. Chapter 4: Greek Accounting Standards (GAS)

4.1 The new Law 4308/2014 for the Greek Accounting Standards

The Law 4308 of 24/11/2014 establishes a new accounting framework regarding the way transactions are recorded in accounting books (records), as well as the way financial statements are prepared. The new provisions aim both to simplify the management of accounting data and to adapt all these procedures to European standards. A characteristic feature of the new framework is, among other things, the introduction of new terminology and, to some extent, the replacement of terms that had been used in the past, both in traditional Accounting and in the previous Greek General Chart of Accounts (GGCA).

The matters addressed by the Greek Accounting Standards (GAS) are as follows:

- Categories of entities based on size (scope of application of the GAS)
- Accounting records (books) and accounting system
- Sales documents
- Principles for preparing financial statements
- Measurement rules (valuation of assets)
- Appendix (Notes) and cases of differentiations and exemptions
- Consolidated financial statements

4.2 The basic changes introduced by the new Greek GAAP law

4.2.1 Determination of entities

Any organized business activity, with a structured investment plan and an expectation of a positive return on its equity, is called an entity.

The size of entities is then determined on the basis of the following criteria:

- a. total assets
- b. amount of turnover
- c. average number of employees during the accounting period

The categories of entities are then defined, provided that, on the date on which their balance sheet is prepared, they do not exceed or exceed (as applicable) the limits of at least two of the above three criteria:

- a. Very small entities
- b. Small entities
- c. Medium-sized entities
- d. Large entities

It should be noted that when an entity exceeds or ceases to exceed the limits of two of the three criteria, or the turnover criterion of EUR 1,500,000 for two consecutive periods, the change in size category is activated from the period following those two consecutive periods. Therefore, the threshold must be exceeded for two consecutive fiscal years.

Therefore, we have the following categories of entities:

(a) Very small entities

Businesses are classified in this category when they do not exceed the limits of at least two of the three criteria:

- Total assets: EUR 350,000
- Net turnover: EUR 700,000
- Average number of employees during the period: 10 persons

(b) Small entities

Businesses are classified as small entities when they are not very small entities and do not exceed the limits of at least two of the three criteria:

- Total assets: EUR 4,000,000
- Net turnover: EUR 8,000,000
- Average number of employees during the period: 50 persons

(c) Medium-sized entities

Businesses are classified as medium-sized entities when they are not very small or small entities and do not exceed the limits of at least two of the three criteria:

- Total assets: EUR 20,000,000
- Net turnover: EUR 40,000,000
- Average number of employees during the period: 250 persons

(d) Large entities

In the case of large entities, the requirements for meeting the criteria are reversed and classification is determined by exceeding the limits. Thus, businesses are classified in this category when they exceed the limits of at least two of the following three criteria:

- Total assets: EUR 20,000,000
- Net turnover: EUR 40,000,000
- Average number of employees during the period: 250 persons

(e) Partnerships and sole proprietorships

A limited partnership (LP), a general partnership (GP), a sole proprietorship and any other private-sector entity that is required to apply the Greek Accounting Standards under tax or other legislative provisions are classified as very small entities, on the sole condition that their turnover does not exceed EUR 1,500,000. Consequently, in this case the sole criterion is the level of turnover, regardless of the amounts of the other figures.

(f) Entities belonging to the State

Profit-making or non-profit entities that belong to the public sector, are controlled by the State or are under State supervision are classified as “large” entities. The above entities will be required to keep books using double-entry bookkeeping and to prepare financial statements in the same way as large private-sector entities.

4.2.2 Accounting system and accounting records

According to the provisions of the law on the Greek Accounting Standards, the way in which transactions are recorded in the accounting books (records) determines the accounting system maintained. The entity must keep, as part of its accounting system, a record of every accounting event that occurs during the accounting period. Similarly, records must also be kept for all types of income, gains, expenses, losses, purchases or sales of assets (as well as

any discounts or returns), taxes, duties and contributions to social security organizations. Accounting records are kept either electronically or manually.

4.2.3 Accounting books/documents/records, supporting documentation, updating and safekeeping

If the business/entity prepares a balance sheet, it uses an appropriate double-entry system (that is, with debits and credits to accounts) to monitor accounting events and, at the same time, keeps:

- a) A record in which every transaction and event is entered in detail in chronological order (journal).
- b) A record of changes in each account kept (analytical ledgers, last-level account cards).
- c) A system for aggregating the total increases and decreases (debits and credits), as well as the balance of each account kept (the well-known trial balance).
- d) Other books are also provided for the detailed recording of assets (inventory books, etc.).

A significant simplification is observed both in the issue and in the presentation and appearance of the documents and supporting documentation that must accompany transactions. Thus, accounting documents, including the sales invoice, may be prepared in a language other than Greek. It is noted, however, that the accounting books (records) are kept in the Greek language.

4.2.4 Timeframe for records/books

The updating of accounting records (books) depends on whether or not a balance sheet is prepared. Thus, if the entity prepares a balance sheet, the records relating to documents issued or received each month must be updated no later than the end of the following month, whereas if the entity does not prepare a balance sheet, the records relating to documents issued or received in each calendar quarter must be updated no later than the end of the month following the end of the quarter. It is recalled that a business that prepares a balance sheet uses the double-entry system and therefore keeps a journal, analytical ledgers, trial balance, etc. By contrast, a business that does not prepare a balance sheet uses a single-entry

system (income and expenses book). The books must always be updated within the time required for the timely preparation of the financial statements.

4.2.5 Safekeeping of accounting records

All accounting records kept by the entity must be safeguarded for the longer of five (5) years from the end of the period. This means that the safekeeping period is five years unless another legal provision provides for a longer period. It is further provided that accounting records may be kept in any storage format, provided there is a system for searching, displaying and printing or reproducing them, in order to facilitate any audit. In addition, for each invoice (sales document), the data that ensure the authenticity and integrity of its content must be safeguarded, primarily the data relating to any tax mechanism.

4.2.6 Financial statements

According to the provisions of the law, all transactions and all events recorded in the accounting books are incorporated into the financial statements of the reporting period (accounting period). Furthermore, the financial statements constitute a single set and must clearly present, in a fair manner, the assets, liabilities, equity, income, expenses, gains and losses, as well as the cash inflows and outflows of each period. The financial statements of large entities, as defined by the law, include:

1. The Balance Sheet or Statement of Financial Position
2. The Income Statement
3. The Statement of Changes in Equity
4. The Statement of Cash Flows
5. The Notes

The financial statements of the next category, medium-sized entities, include:

1. The Balance Sheet or Statement of Financial Position
2. The Income Statement
3. The Statement of Changes in Equity

4. The Notes

The financial statements of very small and small entities include:

1. The Balance Sheet or Statement of Financial Position
2. The Income Statement
3. The Notes

Very small entities may prepare an abridged balance sheet and an abridged income statement.

4.2.7 General principles for preparing financial statements

The law sets out the rules that must be followed for the proper preparation of financial statements. Amounts must be presented separately in the financial statements without offsetting. The structure and content of the financial statements do not change from period to period, except where the amounts of the previous period are not comparable with the corresponding amounts of the current period, in which case the amounts of the previous period are adjusted accordingly so as to become comparable. The form, content and nomenclature of the items and accounts of the financial statements are adjusted if required by the specific nature of the entity's sector of activity. The financial statements are prepared clearly, in accordance with the fundamental assumptions of accrual accounting and the going-concern basis. Accounting treatments must be applied consistently from period to period in order to ensure the comparability of financial information. The recognition and measurement of the items of the balance sheet and the income statement are carried out in accordance with accounting principles and separately for each item. The opening balances of the balance sheet in each period agree with the corresponding closing balances of the previous period. Furthermore, gains that have not been realized at the balance sheet date are not considered to strengthen the reporting period being closed. Each item of the financial statements is presented together with the corresponding amount for the previous period. The lawmaker's provision is also very important in cases where events that became apparent after the end of the period, but before the date on which the competent body approves the financial statements for publication, must be recognized in the period being closed, provided

that they relate to conditions that existed at the end of that period and affect items in the balance sheet and income statement.

4.2.8 Items of the income statement

The basic accounting principle, the accrual principle, is also adopted by the Greek Accounting Standards and is reflected in the income statement. Thus, income is recognized in the period in which it becomes accrued. Specific reference is then made to revenue from the sale of goods and from the provision of services. In the same sense, the law also describes other income, such as interest, dividends or income of a similar nature arising from participation in the equity of other entities when approved by the competent body that decides on their distribution.

Expenses are also presented in the income statement and include:

- a) Formation expenses.
- b) The acquisition cost or production cost, as applicable, of the goods or services sold.
- c) All types of employee payroll expenses, including provisions for future benefits.
- d) Research expenses.
- e) Development expenses.
- f) Repairs and maintenance.
- g) Depreciation of tangible and intangible fixed assets.
- h) Provisions for other risks and expenses.
- i) Interest and related expenses.
- j) Expenses and losses arising from the measurement of assets and liabilities.
- k) Losses arising from the write-off of assets.
- l) Other resulting losses presented at their net amount.
- m) Income tax for the period, current and deferred, as applicable.
- n) Any other expense incurred that is not included in the previous categories.

4.2.9 Items of equity

Equity items include:

- a) The entity’s capital (share capital, corporate capital, etc.), when paid up, including the share premium arising from the issue of securities for this amount.
- b) Reserves formed under provisions of tax or other legislation or the articles of association.
- c) Retained earnings.

Where the measurement of assets and liabilities at their fair value has been applied, the differences arising from measurement are recognized directly as equity items in accordance with the relevant provisions.

4.2.10 The Notes/Appendix to the financial statements

The well-known “Appendix” is referred to again in the law on the Greek Accounting Standards as “notes to the financial statements”. The appendix includes information and explanations regarding the statements, so that the information is supplemented and a picture is formed of the entity’s assets and liabilities. The appendix includes, at a minimum, explanatory information and analyses. Factors that may put the entity’s prospects at risk are disclosed, as well as the nature of significant events arising after the end of the period that are not reflected in the income statement or in the balance sheet of the period being closed. Finally, changes in accounting policies, changes in accounting estimates or corrections of errors, as well as the related effects on the items of the financial statements, are disclosed.

4.3 The basic changes in measurement rules – Valuation of assets under the new Greek GAAP

4.3.1 Fixed assets

Under the new data, as regards tangible fixed assets and intangible fixed assets, their valuation is initially carried out at acquisition cost and subsequently at depreciable acquisition cost. Depreciable acquisition cost is the familiar net book value of the fixed asset, which is added to the other values of the assets in the balance sheet. It is noted that fixed assets include goodwill, as an intangible asset, and expenses for improvements to fixed assets. However, the law points out that development expenses may also be included in fixed

assets, recognized as an asset, provided that the entity has the intention and technical ability to complete the relevant items so that they will be available for use or disposal, it is considered highly probable that these items will generate future economic benefits, and there is a reliable system for measuring the cost amounts attributable to them. This means that the monetary amounts paid as development expenses must, with relative certainty, be directed toward the achievement of a target and that reliable evidence must exist regarding the successful completion of the project. It is obvious that here too, the responsibility for proving the classification of the expense and the fulfilment of the above conditions rests with the company's management.

Something similar also applies to expenses incurred for a fixed asset that relate to maintenance or repair (not improvement). A repair expense may also be of such a nature that it falls within the definition of a fixed asset. In any event, the company's management must again be able to prove the purpose of the expense so that it can be included in fixed assets. In all other cases, the relevant expense is recognized as an expense.

Furthermore, the law makes explicit reference to the cost of dismantling, removal or restoration of tangible fixed assets, which may be included in the category of fixed assets. However, when this cost relates to the production of inventories during a specific period, that cost burdens the inventories produced. In other words, if a cost concerns the production of products, it must burden that production.

Specific reference is also made to self-constructed fixed assets, that is, fixed assets constructed by the business using its own means. In this case, the acquisition cost of the self-constructed fixed asset includes all expenses required to make it capable of operating. This cost includes the cost of raw materials, consumable materials, labor cost, as well as any other cost directly related to the fixed asset in question. If, during the inventory, there is an unfinished self-constructed fixed asset, it will be valued (measured) at the cost incorporated into it at the balance sheet date.

4.3.2 Depreciation and impairment of fixed assets

The law introduces the term “value adjustments” in order to examine the concept of depreciation and to define the content of the “new” concept of “impairment”. Thus, depreciation arises as a percentage of the value of fixed assets that have a limited useful life.

Depreciation begins to be calculated when the fixed asset is ready for the operation for which it is intended and is determined on the basis of its estimated useful economic life (useful years of life of the fixed asset). It is worth noting that the law makes the management of the entity responsible for selecting the appropriate depreciation method for the systematic allocation of the value of the fixed asset over its useful economic life.

The depreciation methods are the straight-line method, the declining-balance method and the units-of-production method. It is appropriate to note that there is alignment with tax law regarding the basic principle that “land is not subject to depreciation”; likewise, works of art, antiques, jewelry and other fixed assets that are not subject to wear or technological obsolescence are not subject to depreciation. Finally, it is particularly emphasized that goodwill, development expenses and intangible assets with a useful life that cannot be reliably determined are subject to depreciation over a depreciation period of 10 years, that is, by straight-line depreciation (fixed rate) of 10%. The declining-balance method is also called the fixed-rate and declining-balance method. The calculation of tax depreciation is mandatory, is performed annually and the transfer of depreciable amounts between fiscal years is not permitted. Tax depreciation of a fixed asset begins from the month following the month in which it is used or put into service by the business, in proportion to the above rates. The amount of tax depreciation may not exceed the acquisition or construction cost, including the cost of improvement, renewal and reconstruction, as well as environmental restoration. If the depreciable value of a business asset is less than EUR 1,500, that asset may be fully depreciated within the tax year in which it was acquired (applicable for tax year 2014 and subsequent years). New businesses may defer tax depreciation of the business’s assets during the first three (3) tax years. No tax depreciation is carried out for land, works of art, antiques, jewelry and other fixed assets of businesses that are not subject to wear and obsolescence due to age. The concept of impairment is then evaluated. The use of this concept was common mainly in costing and reflected the “wastage” suffered for various reasons by a quantity of inventory (raw materials, consumable materials, etc.). In its new application, this concept is defined as the amount by which the carrying amount of an asset exceeds its recoverable amount.

An indication of impairment consists of a decrease in the value of an item beyond the amount that would be expected as a result of time or its normal use, adverse changes in the

technological, economic and legal environment of the entity, an increase in market interest rates or other rates of return on an investment that is likely to lead to a significant decrease in the recoverable amount of the item, and the obsolescence or physical damage of an item. In any case, impairment losses, provided that all the above conditions are met, are recognized in profit or loss as an expense.

4.3.3 Finance lease

(a) The business as lessee:

An asset that comes into the business under a finance lease, and therefore the entity acquires the status of lessee, is recognized as its asset according to the acquisition cost that would have arisen if that asset had been purchased, with simultaneous recognition of a corresponding liability to the lessor business, that is, a finance lease liability. The finance lease liability is treated as a loan received. The agreed lease payment is considered to be an instalment consisting of principal and interest and is divided into principal repayment, which upon payment reduces the loan, and interest, which is recognized as a finance expense.

(b) The business as lessor:

From the lessor's perspective, assets leased to third parties under a finance lease are initially presented as receivables in an amount equal to the net investment in the lease. This finance lease receivable is treated as a loan granted, and the lease payment is regarded as an instalment consisting of principal and interest; it is divided into principal repayment, which reduces the loan, and interest, which is recognized as finance income. It is noted that the sale of assets (leaseback) that are subsequently leased back under a finance lease is treated by the seller as secured borrowing. The amount received from the sale is recognized as a liability, which is reduced by the principal repayments paid, while the related interest is recognized as a finance expense.

4.3.4 Operating lease

(a) The business as lessee:

An operating lease is a lease under which the lessee has no authority over the leased item (in this case, a fixed asset) other than its operational use. Consequently, the lessee of the fixed asset under an operating lease recognizes the lease payments as expenses in its results using the straight-line method over the entire term of the lease.

(b) The business as lessor:

In the case of an operating lease, the owner and lessor of the fixed asset presents in its balance sheet the fixed assets leased to third parties, according to the nature of each of them. Lease payments are recognized as income in profit or loss using the straight-line method over the entire term of the lease.

4.3.5 Financial assets

Financial assets are defined as including, apart from all types of cash and cash equivalents (cash on hand, demand deposits and time deposits), any monetary investment in equity instruments of another entity (shares, participating securities, etc.), as well as various forms of stock-exchange contracts or interest-bearing securities. All the above financial assets are initially recognized at their acquisition cost. Subsequently, they are measured (valued) at acquisition cost, less impairment losses.

In particular, interest-bearing financial assets (bonds, government securities, etc.) are measured at amortized cost using the effective interest method or the straight-line method, where the amortized cost method has a significant effect on the amounts in the financial statements. The amortized acquisition cost method is used only when measuring (valuing) interest-bearing financial assets, that is, when it can be demonstrated that they contain significant amounts of interest.

Financial assets are tested for impairment when there are relevant indications. An impairment loss arises when the carrying amount of the asset is greater than the amount that the entity estimates it will recover from that asset. The amount that the entity estimates it will recover from a financial asset is the higher of the present value of the amount expected to be received from the asset, calculated using the original effective interest rate, or the fair value of the asset less the required cost to sell. The business ceases to consider that it holds

a financial asset when the contractual rights to the asset's cash flows no longer exist or when it transfers substantially all the risks and rewards arising from ownership of that asset.

When the business determines that a financial asset is worthless, the difference between the carrying amount and the consideration obtained is recognized as a gain or loss in profit or loss. Financial assets are presented in the balance sheet as non-current (fixed) or current (current assets), depending on the intentions of the entity's management and their contractual or estimated settlement period, that is, the holding period (long-term or short-term).

4.3.6 Measurement/valuation of inventories and services

Inventories are initially recorded at their acquisition cost. The acquisition cost of inventories also includes all expenses required to bring them to their present location, operating readiness and condition. This principle is one of the basic principles of Accounting and has enduring validity. The production cost of a product or service is determined using one of the generally accepted costing methods and includes the cost of raw materials, consumable materials, direct labor and other costs directly related to the product or service in question, and a reasonable proportion of fixed and variable expenses indirectly related to that item, to the extent that these expenses relate to the production period. Both distribution cost and administrative cost do not burden production cost. The same applies to finance expenses (interest on loans, financing). The acquisition cost of ending inventory is determined according to the “First In - First Out” (FIFO) method, the weighted average method or another documented generally accepted method. The same method is used for all inventories that have a similar nature and use by the entity. For inventories of a different nature or use, different methods may be justified. The cost of inventories that are not usually interchangeable, as well as goods or services produced and intended for specific projects, is determined using the specific identification cost method. Where purchases of consumable materials are not significant in relation to the size of the business and its production, they may be treated directly as expenses of the period.

4.3.7 Prepayments of expenses and other non-financial assets

Prepayments are initially recognized at the amount of the sums paid. Subsequently, they are valued at this initial amount, less the amounts used (that is, those that amortize the prepayment), on the basis of the accrual principle, and also less any impairment losses. The general rule is that other non-financial assets are also initially recorded at acquisition cost. Subsequently, they are valued (measured) at the lower of acquisition cost and recoverable amount.

4.3.8 Valuation of liabilities

(a) Financial liabilities:

Financial liabilities are recorded, when they are created, at the amount owed. One such financial liability is the share capital of an entity in the form of a société anonyme, owed to the holders of the shares.

(b) Non-financial liabilities:

Non-financial liabilities are generally recorded and valued at the nominal amount expected to be required for their settlement.

A provision is a liability which, at the date on which the Balance Sheet is prepared, is considered likely to occur, or certain to arise as an event, although the amount or the time at which it must be settled is not clearly determined. It appears in the balance sheet under Liabilities, while it is always formed at the expense of results. As is known, the difference between a provision and a reserve is that the latter requires the existence of accounting profits in order to be formed. Provisions are recorded in the financial statements and valued (measured) at their nominal amount, which has been estimated as the amount that will be required for their settlement.

With regard to provisions for employee compensation after leaving service, these are recorded either according to the nominal amounts at the balance sheet date or according to an accepted actuarial method.

4.3.9 Government grants

Government grants relating to assets are initially recognized as liabilities in the period in which they are received or in the period in which their approval becomes final and there is certainty that they will be received. These are financial aids provided for the purpose of creating investments by businesses through the purchase of assets. In the first phase, therefore, these grants are treated as liabilities, at the amounts received or finally approved. After initial recognition, government grants are amortized by being transferred to profit or loss as income, in the same period and in a manner corresponding to the transfer to profit or loss of the carrying amount of the asset that was subsidized. Government grants relating to expenses are initially recognized as liabilities in the period in which they are received or in the period in which their approval becomes final and there is certainty that they will be received. Government grants relating to expenses are transferred to profit or loss as income in the period in which the subsidized expenses burden profit or loss.

4.3.10 Deferred taxes

Deferred taxation is a new concept that is analyzed into a deferred tax asset and a deferred tax liability. A deferred tax asset is the amount of income tax recoverable in future periods from deductible temporary differences, carried-forward tax losses and carried-forward unused tax credits. By contrast, a deferred tax liability is the amount of income tax payable in future periods in relation to taxable temporary differences. Deferred tax, whether an asset or a liability, is initially recorded and subsequently valued at the amount resulting from the application of the applicable tax rate to each temporary difference. Debit and credit balances of deferred taxes are offset, and the corresponding net amounts are presented in the balance sheet and the income statement.

4.3.11 Simplifications and exemptions

Very small entities (that is, limited partnerships, general partnerships, sole proprietorships, etc.) that choose, in accordance with the law, to prepare only an Income Statement and maintain a single-entry accounting system (that is, an “income - expenses” book) are not required to keep a chart of accounts, beyond the grouping of the various items of income and expenses. Very small entities whose annual net turnover from the sale of goods does

not exceed EUR 150,000 have the option not to carry out an inventory of their inventories at the end of the period. In this case, they treat the purchases of the period in which no inventory is carried out as an expense in the income statement. (optionally)

4.3.12 Ensuring the reliability of the accounting system

The management of the entity is responsible for maintaining a reliable accounting system and appropriate accounting records for the preparation of financial statements and other information, in accordance with the provisions of this law or, as applicable, in accordance with IFRS. The accounting system and the accounting records are examined as a single whole and not as separate components, with regard to their reliability and suitability. Accounting records must be kept in an orderly, complete and accurate manner as regards the identification, recording and processing of accounting data arising from the entity's transactions and events. They must comply with the requirements of this law. Finally, they must support the preparation of the financial statements in accordance with the requirements of this law. Accounting records must be available to the competent audit bodies and competent authorities within a reasonable time following relevant notice, unless other legislation requires immediate access or regulates the matter differently. The entity may assign to a third person (who will be called an external accountant) the maintenance of part or all of its accounting system or the preparation of its financial statements.

5. Chapter 5: Comparison of International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) and Greek Accounting Standards (GAS) - Differences and Similarities

5.1 Relationship between GAS and IFRS/IAS

The purpose of this chapter is to examine the relationship between Greek Accounting Standards, following the adoption of the new law that supports them, specifically Law 4308/14, and the corresponding International Accounting Standards, by comparing areas that concern all businesses. Some of the key differences identified between the two frameworks are set out below, relating to the accounting treatment of fundamental accounting matters.

As mentioned, 1 January 2015 marked the transition to the new Greek Accounting Standards (Law 4308/2014), which were initially influenced by the concept of IFRS. It can be said that the differences between International Accounting Standards and Greek Accounting Standards concern the principles of the standards, the differences identified in the financial statements and in the information, they provide, and, finally, the different accounting treatment of specific matters.

Greek Accounting Standards adopt two basic principles: the historical cost principle and the prudence principle. IFRS provide for the application of the historical cost principle but make no reference to the prudence principle. Instead, in several cases, the fair value method is provided as an alternative method of subsequent measurement. Measurement at fair value and the related disclosures are required or permitted under IFRS. International standards propose valuation rules, depreciation methods, and methods for determining the cost of assets that differ considerably from Greek Accounting Standards.

The two frameworks show fundamental differences in their philosophy regarding the presentation of assets leased under finance leases, as well as the recognition of revenue upon

the issuance of invoices. IAS also make greater use of financial knowledge. Another key difference is the cooperation with an appraiser for estimating the value of fixed assets. Finally, deferred taxes and the differentiation in the content of financial statements constitute key differences.

In the table below, an attempt is made to correlate the articles of Law 4308/2014 (Greek Accounting Standards) with the IAS-IFRS that have been published.

Article 1. Scope	IFRS 1, IAS 1 / IFRS 18(01/01/2027)
Article 3. Accounting system and basic accounting records	IAS 1 / IFRS 18(01/01/2027), IAS 8
Article 4. Other accounting records	IAS 16, IAS 38, IAS 2, IFRS 9, IAS 21
Article 5. Ensuring the reliability of the accounting system	IAS 1 / IFRS 18(01/01/2027), Conceptual Framework, IAS 8
Article 16. Definition of the financial statements	IAS 1 / IFRS 18(01/01/2027), IAS 7
Article 17. General principles for preparing financial statements	IAS 1 / IFRS 18(01/01/2027), IAS 8, IAS 10, IAS 36, Conceptual Framework
Article 18. Tangible and intangible fixed assets	IAS 16, IAS 38, IAS 36, IFRS 16, IAS 23, IAS 40, IFRS 3
Article 19. Financial assets	IFRS 9, IFRS 7, IFRS 13, IAS 32
Article 20. Measurement of inventories and services	IAS 2, IAS 23, IFRS 15
Article 21. Prepaid expenses and other non-financial assets	IAS 1 / IFRS 18(01/01/2027), IAS 16, IAS 38, IAS 36, IFRS 15
Article 22. Liabilities	IFRS 9, IAS 32, IAS 37, IAS 19
Article 23. Government grants and deferred taxes	IAS 20, IAS 12
Article 24. Measurement of assets and liabilities at fair value	IFRS 13, IAS 16, IAS 40, IAS 41, IFRS 9, IFRS 7
Article 25. Items of the income statement	IAS 1 / IFRS 18, IFRS 15, IAS 19, IAS 23, IAS 37, IFRS 9, IAS 12, IAS 2
Article 26. Equity items	IAS 32, IAS 1 / IFRS 18(01/01/2027) , IFRS 2
Article 27. Transactions and items denominated in foreign currency	IAS 21
Article 28. Changes in accounting policies and estimates and correction of errors	IAS 8
Article 29. Appendix (notes) to the financial statements	IAS 1 / IFRS 18(01/01/2027), IFRS 7, IFRS 12, IAS 24, IAS 10, IAS 12, IAS 16, IAS 38, IAS 37
Article 30. Simplifications and exemptions	IFRS for SMEs and IFRS 19
Article 31. Classification of entities and groups for consolidation purposes	IFRS 10, IAS 28
Article 32. Conditions for mandatory consolidation	IFRS 10, IFRS 11, IAS 28
Article 33. Categories of entities exempt from consolidation	IFRS 10, IAS 27, IFRS 12
Article 34. Rules for preparing consolidated financial statements	IFRS 10, IFRS 3, IFRS 11, IAS 21, IAS 28, IFRS 12
Article 35. Equity method for associates and joint ventures	IAS 28, IFRS 11
Article 36. Notes to the consolidated financial statements	IFRS 12, IAS 24, IAS 1 / IFRS 18, IFRS 7, IAS 28.
Article 37. First-time application	IFRS 12, IAS 24, IAS 1 / IFRS 18, IFRS 7, IAS 28.

5.2 Presentation of Financial Statements

With the introduction of Law 4308/2014, the new GAS moved to a large extent closer to the logic of IFRS, and the requirements for financial statements converge with those of the International Standards. A critical factor that significantly reduces the differences between GAS and IFRS is the possibility of interpretative assistance provided by the appropriate International Financial Reporting Standards, provided that the requirements of those standards are aligned with the legislation in force.

According to Greek Accounting Standards, each company prepares its financial statements based on its size (very small, small, medium-sized, large), as mentioned in the previous chapter (Chapter 4). The financial statements consist of the Balance Sheet or Statement of Financial Position, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes. The preparation of a cash flow statement and a statement of changes in equity is required only for companies that prepare consolidated financial statements or are included in consolidation.

Under IFRS/IAS, the financial statements consist of the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, and the Notes.

IFRS/IAS supports the concept of fair presentation. This clearly demonstrates the strong emphasis placed on establishing appropriate guidelines for measuring fair value. It is worth noting that similar accounting treatment is also provided under domestic standards. According to IFRS, the items of the financial statements include income taxes and the remuneration of the Board of Directors. However, there is no distinction between extraordinary and non-recurring income and expenses in the presentation of profit or loss for the period.

Under GAS, the Balance Sheet does not provide an analysis of the value of fixed assets into separate categories. Only aggregate amounts are presented, while the analysis by category and the related information concerning the amount of depreciation are provided in the Notes.

According to IFRS/IAS, grants must be presented as a separate line item and outside equity. Under GAS, however, grants are presented as an equity item.

With regard to the method of presentation, under Greek practice the balance sheet is prepared with a horizontal classification of assets and liabilities, in reverse order of liquidity and maturity, respectively. IFRS/IAS require the balance sheet to be prepared in a vertical format, where assets are divided into non-current and current assets, while liabilities are divided into equity, long-term liabilities, and short-term liabilities.

Regarding the elements of the financial statements, under IFRS/IAS, the income statement presents both income taxes and Board of Directors' remuneration, without distinguishing income and expenses as extraordinary or non-operating. Income tax arising under IFRS/IAS is presented as the final deductive line item in the Income Statement, whereas under GAS it is presented in the appropriation of results table.

The Statement, or Statement of Changes in Equity, contains information included in the Appropriation of Results Table prepared under GAS, as well as additional information explaining changes in equity.

The Notes prepared in accordance with IFRS/IAS provide fuller and clearly higher-quality financial information to users of the financial statements compared with the information provided by the disclosures in the Notes to financial statements prepared in accordance with GAS.

Nevertheless, there is one factor that plays an important role in reducing the differences between GAS and IFRS/IAS. This relates to the possibility of interpretative guidance from the relevant International Financial Reporting Standards to the extent that the provisions of those standards are consistent with the legislation in force.

(IAS 1 has been replaced by IFRS 18, "Presentation and Disclosure in Financial Statements," which was issued in April 2024 and will become effective from 1/1/2027.)

5.3 Statement of Cash Flows

IAS 7 provides that the statement of cash flows must include cash inflows and outflows from operating, financing, and investing activities. Cash flows may be presented using either the direct or the indirect method. In other words, IFRS allows a choice between the two methods. Law 4308/2014 for GAS adopts only the "indirect method" and includes templates

for preparing the cash flow statement on both a separate and consolidated basis using only this method.

(Following the issuance of IFRS 18, under the indirect method operating profit or loss is used as the starting point when it becomes effective from 1/1/2027.)

5.4 Accounting Policies, Changes in Accounting Estimates and Errors

Under IFRS/IAS, errors that are dealt with subsequently and relate to prior periods do not affect profit or loss for the period, but restate the statements of prior periods, beginning with the period to which the error relates and thereafter. Such a possibility did not exist under GAS if the financial statements had been approved by the General Meeting of shareholders. Any errors identified subsequently affected profit or loss for the period through "prior-period income and expenses."

More specifically, under IFRS/IAS, if a possible error is identified, it should not be included in the financial statements of the current year. Instead, it should be corrected in the financial results of the year in which the error actually occurred. Under GAS, changes in accounting procedures and the correction of errors are recognized.

With respect to a company's policies, IFRS/IAS allows them to be selected, provided that they are disclosed and documented. If a company's accounting policies change, prior financial statements must be restated. Under GAS, if there was a change in those policies, the effects were simply reported as "effects from a change in the inventory method." Only the policies determined by the standards and their interpretations are binding. By contrast, these policies were determined by the State and its bodies under Greek practice.

The disclosures relating to changes in policies, accounting estimates, and the correction of prior period errors are undoubtedly more extensive than the corresponding information included in the Notes under GAS.

5.5 Events after the Reporting Period

IAS 10 classifies events occurring after the balance sheet date as adjusting and non-adjusting events and specifies that only the former should lead to restatement of the financial

statements. By contrast, Greek practice indicates that risks should be incorporated, through a related provision, in the financial statements of the period being closed, regardless of whether the events relate to the following period. Under GAS, any event that occurred during this period and had a negative effect on the financial statements had to be accounted for.

According to IFRS/IAS, dividends payable that are proposed by management when the financial statements are approved are merely disclosed, without entries being made in the financial statements. The entries are made when the General Meeting decides on their distribution. If dividends are declared after the reporting period, they are not recognized as a liability at the end of the reporting period, but are disclosed in the notes. On the other hand, Greek practice provided for dividend entries in the Appropriation of Results Table, crediting liabilities when the financial statements were approved by management.

With regard to the discontinuation of operations or a decision to dispose of fixed assets that occurred after the balance sheet date and before the approval of the financial statements, under IFRS/IAS this is a non-adjusting event, even if impairment provisions are created for the items included in the discontinued operation. Under GAS, related provisions had to be recognized in the financial statements.

If a major disaster occurs between the balance sheet date and the approval of the financial statements, under International Accounting Standards this is also a non-adjusting event, whereas under Greek Accounting Standards related provisions had to be created.

Finally, if a going-concern issue arises under IAS, the financial statements must be prepared on other principles and, in any case, extensive disclosures must be made. The same applies under the corresponding Greek Standards, with the significant difference that the information in the notes was considerably less extensive.

5.6 Tangible (Fixed) Assets - Property, Plant and Equipment

According to IAS 16, the cost of property, plant and equipment includes not only the acquisition cost but also all acquisition expenses. Under GAS, these expenses are depreciated immediately or over a period of five years, whereas under IFRS, if they have increased the acquisition cost of the fixed asset, they are depreciated in line with that asset.

Similarly, under IFRS/IAS, the acquisition cost of fixed assets may also be increased by interest incurred during the construction period.

Furthermore, according to IAS 16, the acquisition cost of fixed assets also includes dismantling or restoration costs, for which GAS do not provide any specific guidance.

Under IFRS/IAS, depreciation is charged based on the useful life and residual value of the fixed asset. In other words, depreciation rates for fixed assets are determined based on their useful life. In addition, all generally accepted depreciation methods are applied, including, indicatively, the straight-line method, the declining-balance method, and the units-of-production method. Under GAS, depreciation is charged based on rates defined by the applicable tax legislation. Furthermore, under GAS, the applicable tax legislation permits only the straight-line method and, in special cases, the declining-balance method.

It is also worth noting that under IFRS/IAS, the useful life and residual value of a fixed asset must be reviewed every year and may therefore change. Such changes are appropriately disclosed in the notes to the financial statements. Under GAS, a change in the applicable depreciation rate is not permitted.

Where fixed assets are classified as held for sale, IFRS/IAS do not provide for depreciation to be charged. By contrast, under GAS, fixed assets continue to be depreciated until they are sold.

According to IFRS/IAS, grants received for the acquisition of fixed assets may also be recognized using the net presentation approach, as a deduction from the value of the fixed assets acquired with them. In this case, their depreciation reduces the depreciation expense of the acquired fixed assets. Under GAS, however, grants are recorded in a special equity account, and their annual amortization is presented as extraordinary and non-operating income.

According to IFRS/IAS, properties held solely for rental income or for sale at a profit, where this is not the business activity of the enterprise (investment property), are monitored and treated separately. GAS do not provide for a corresponding distinction.

Revaluations of fixed assets under IFRS/IAS are carried out in accordance with reports by specialist appraisers. By contrast, GAS provide that revaluations of fixed assets are carried out in accordance with special provisions.

IFRS/IAS provide the option, by class of tangible fixed assets, for subsequent measurement to be carried out either at cost or at revalued amounts (fair values). GAS provide only the historical cost method for the subsequent measurement of fixed assets, and revaluation of fixed assets is generally not permitted, apart from the revaluation carried out every four years under the provisions of the applicable tax legislation.

5.7 Impairment of Assets

With Law 4308/14, GAS have been harmonized with IAS in relation to impairment of assets. Both Greek legislation and IAS provide for the assessment of the value of a company's assets at each balance sheet closing date in order to identify any impairment loss.

However, Greek legislation does not provide specific and detailed guidance on the method of assessment, such as the estimation of future cash flows provided under IAS. IAS allow losses to be recognized in equity and also permit their reversal. Greek Standards, on the other hand, do not provide for reversal of goodwill impairment, although they recognize an impairment loss as an expense in profit or loss and permit its reversal when the conditions that caused it no longer exist.

With regard to accounting treatment, under IAS specific assets and many items included in cash-generating units are tested for possible impairment. GAS provide guidance on provisions for asset items and on reversals of those provisions.

Under IAS 36, for fixed assets that are revalued, impairment differences may be recognized (impairment recognition) directly in equity, provided that related reserves have already been created. GAS generally do not permit revaluations of fixed assets, except those provided for by tax legislation. In cases where revaluation is required by tax legislation, it is capitalized after a certain period of time. Under GAS, all provisions are recognized only in profit or loss.

IFRS/IAS define specific indicators of impairment, both external and internal, which, if present, require the underlying assets to be tested for impairment. This approach is not adopted by GAS.

Under IAS, goodwill is tested annually for possible impairment. Under GAS, goodwill is amortized immediately or on a straight-line basis over a period of ten years.

From the above, it follows that, despite the fact that the spirit of both Greek legislation and IAS is similar (identification of impairment of asset values).

5.8 Intangible Assets

International Financial Reporting Standards (IAS 38) establish a strict framework for the definition, recognition, and documentation of intangible assets. This principle applies both to assets generated by the organization itself and to expenses that affect the additional cost of an intangible asset and increase its value in the case of separate acquisition.

Greek Accounting Standards tend to align with International Standards with respect to the amortization of intangible assets. In particular, intangible assets with a finite useful life are amortized based on their useful life. Under GAS, the majority of cases are amortized immediately or within five years.

A significant difference between the two accounting frameworks lies in the fact that, under IFRS, formation expenses are not treated conceptually. However, the individual items that make up formation expenses are classified into other groups of accounts in the financial statements to which they belong by nature. Examples include software acquisition costs, which are presented as an intangible fixed asset in accordance with IAS; acquisition expenses for fixed assets, which increase the acquisition cost of the corresponding fixed assets and are depreciated accordingly; share capital increase expenses, which are recognized as a deduction from equity; and, finally, finance costs (interest) and foreign exchange differences, for which capitalization in inventories and fixed assets is permitted, with the latter being depreciated in line with the fixed assets on which they were capitalized. Of course, there are also formation expense accounts with broader and less specific content, such as restructuring expenses, which under IFRS are recognized directly in profit or loss in the period in which they are incurred.

Another significant difference between IFRS/IAS and GAS concerns expenses that are recognized as intangible assets and capitalized under GAS, whereas the same accounting treatment is not adopted under IFRS. In particular, IAS refer to cases of expenses that, although recognized as intangible assets under GAS, do not meet the capitalization criteria and are transferred to profit or loss.

The difference in treating an item as an intangible fixed asset arises mainly from the fact that IFRS/IAS provides specific and strictly defined criteria for its recognition and capitalization. An item is recognized as an intangible fixed asset if probable future cash flows are expected from it and its value can be measured reliably. IFRS/IAS do not provide anything corresponding to this. Furthermore, according to IFRS/IAS, intangible fixed assets are divided into two broad categories: those acquired through purchase from third parties or through business combinations, and those generated internally by the company, mainly relating to research investments. Specifically for internally generated intangible fixed assets, their costs are divided into research-related costs and development-related costs.

Another difference concerns research and development expenditure, which, under IFRS/IAS, is accounted for as an expense of the period and charged to profit or loss during the research phase, and as intangible assets once it enters the development phase. By contrast, Greek practice does not distinguish the research phase from the development phase, but indicates capitalization of the related expenditure when it is considered that an intangible asset has now arisen and is expected to generate long-term benefits.

Finally, a significant difference between the two accounting frameworks relates to the method of amortization. Under IAS, intangible fixed assets are amortized based on their useful life, whereas under GAS the majority of cases are amortized immediately or within five years.

5.9 Inventories

Inventories are particularly important for every entity/business; therefore, their accounting approach (accounting treatment) is equally critical.

In Greek practice, inventories are initially recognized at acquisition cost, while subsequent measurement is at the lower of acquisition cost and net realizable value, item by item. The same applies under International Accounting Standards, and therefore no difference is observed, since in both cases a conservative principle is applied by measuring inventories at their lower values.

Furthermore, where there are indications of impairment, under IAS 2 raw materials are not written down if the cost of the products into which they are expected to be incorporated is

expected to be recovered through sale at a value equal to their cost. Also, under GAS there was no provision for reversal of inventory write-downs, which is permitted under IFRS/IAS. Under IFRS/IAS, when inventories are written down, the write-down is monitored in a separate account with the right to reverse it if circumstances change in future periods. Under GAS, inventories are initially recognized at acquisition cost, and their subsequent measurement is based on the lower of acquisition cost and net realizable value.

GAS accept the weighted average cost method and the first-in, first-out (FIFO) method. IFRS/IAS accept the weighted average cost method and the FIFO method, while for inventories that are not consumed in a regular flow within the entity's continuing operations, they permit the use of the specific identification cost method.

Finally, IFRS/IAS allow the creation of a provision (which may later be reversed) for inventory write-downs, whereas Greek practice does not; instead, it indicates a direct reduction in the value of inventories by the amount of the write-down.

Finally, International Financial Reporting Standards provide for separate accounting treatment for "Biological Inventories" and the corresponding inventories relating to minerals. These specific categories were not treated in this way under domestic standards.

5.10 Agriculture

With the implementation of Law 4308/14, Greek Accounting Standards now fully align with the international standards (IAS 41). This means that biological assets are measured at their fair value less costs to sell. Domestic standards require disclosures for tangible fixed assets as well as for inventories; similarly, IAS 41 also requires extensive disclosures.

5.11 Leasing

Under GAS, leases are classified into two types: finance leases and operating leases. A finance lease is a type of lease agreement under which the lessor transfers to the lessee substantially all the risks and rewards associated with ownership of the asset. Leases that do not fall within the above category are classified as operating leases.

GAS now cover comparable matters in a manner closely aligned with the relevant international standards. Sale and leaseback of assets, an important issue, is also clearly addressed.

According to IFRS 16, the lessee recognizes assets and liabilities for all leases with a term of more than 12 months, unless the asset is of low value, by recognizing a "right-of-use asset" and a corresponding lease liability. The right-of-use asset is depreciated, while interest expense is also recognized. The lessor classifies leases as operating or finance leases. In finance leases, the lessor recognizes the fixed asset and recognizes a receivable equal to the net investment in the lease, namely the present value of the lease payments plus any unguaranteed residual value. The receivable is reduced as lease payments are collected, while interest income is recognized throughout the lease term. In operating leases, the lessor retains the fixed asset in its statements and recognizes the lease payment as income, generally on a straight-line basis over the lease term. IAS/IFRS require depreciation of assets held under finance leases.

Finally, this law (4308/14) allows businesses to seek interpretative guidance from the relevant International Financial Reporting Standards.

5.12 Employee Benefits

Employee benefits are important for an organization's human resources, and therefore the regulations governing them are highly critical.

Benefits in the Greek framework are determined by Law 4308/14, which provides that provisions for post-employment benefits are recognized and measured either at the nominal amounts arising from legislation at the balance sheet date or on the basis of an accepted actuarial method, if the actuarial method has a significant effect on the financial statements.

There is a major difference here compared with international practice, as IAS 19 provides for the recognition of these provisions when the company makes a decision to dismiss personnel or when an employee voluntarily leaves the company.

Under IFRS/IAS, there are also defined benefit plans, for which the standards set out a clear framework to facilitate the calculations relating to the obligations arising from them.

Finally, it is noted that most of these provisions do not have a substantive scope of application in Greece (with the exception of subsidiaries of foreign enterprises), since employee benefits are not a choice of the enterprise but a statutory obligation.

5.13 Government Grants

Under GAS, government grants are recognized at the amounts received or finally approved. Subsequent to initial recognition, government grants are amortized by transferring them to profit or loss as income in the same period and in a manner corresponding to the transfer to profit or loss of the carrying amount of the item that was subsidized. Government grants relating to expenses are initially recognized as liabilities in the period in which they are received or in the period in which their approval becomes final and there is certainty that they will be collected. Government grants relating to expenses are transferred to profit or loss as income in the period in which the subsidized expenses affect profit or loss.

IAS 20 requires, on the one hand, a reasonable estimate that the income will be collected in the future and, on the other, certainty that the enterprise will comply with the legal requirements arising from receipt of the grant. According to IAS, grants in kind may be recorded at fair value or even at a nominal value. Grants relating to assets may be presented either as deferred income or as a deduction from the carrying amount of the asset.

5.14 Measurement at Fair Value

Under GAS, the assets and liabilities covered by this article may be measured after initial recognition at their fair value. Measurement is carried out only when the fair value of an asset or liability can be measured reliably. When the fair value of an asset or liability cannot be measured reliably, that item is measured using the cost method.

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. When measuring fair value, the entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

5.15 Financial Instruments (Assets and Liabilities)

Financial assets are defined as, in addition to all forms of cash and cash equivalents, any monetary investment in equity instruments of another entity, as well as various forms of stock exchange contracts or interest-bearing securities. All the above financial instruments are initially recognized at their acquisition cost. They are subsequently measured at acquisition cost less impairment losses.

Financial liabilities are recorded, upon their formation, at the amount owed. Non-financial liabilities are generally recorded and measured at the nominal amount expected to be required for their settlement.

With the implementation of Law 4308/14, Greek Accounting Standards now include provisions addressing Financial Instruments in a manner similar to International Financial Reporting Standards.

Accordingly, IFRS 9 identifies three categories of financial instruments for measurement purposes:

- amortized cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL).

Initial measurement is at fair value, with transaction costs included only when the instrument is not measured at fair value through profit or loss (FVTPL). The entity had the authority to choose the asset measurement method.

5.16 Investment Property

Here too, there is partial convergence between GAS and IAS. Law 4308/2014 now provides for a separate category, "Investment Property." Under IAS, investment property is monitored and treated separately. According to IAS 40, acquisition expenses for investment property increase its initial acquisition cost. In addition, IAS provide for investment property to be monitored either at fair value or under the cost model. IAS encourage property

valuations by professional appraisers. The main difference between International and Greek Accounting Standards concerns disclosures, which are far more extensive under the former.

5.17 Revenue from Contracts with Customers

Law 4308/14 (GAS) was enacted to modify the information in this category. Thus, revenue is recognized within the period in which it becomes accrued (accrual principle). Specific reference is then made to revenue from the sale of goods and from the provision of services. In the same sense, the law also describes other income, such as interest, dividends, or similar income from participation in the equity of other entities when approved by the competent body that decides on their distribution. It is recalled that gains from various causes also comply with the accrual principle (measurement of assets and liabilities, including gains from reversals of provisions and impairments, etc.). Greek data are aligned with international data, as revenue is now recognized after the transfer of all risks and rewards associated with the underlying product or service.

IFRS 15 defines sources of revenue as sales of goods, sales of services, interest, dividends, and royalties of third parties. At the same time, the use of discounted values is required for determining revenue. Any difference between the nominal and actual amount of revenue is recorded as finance income.

To recognize revenue under IFRS 15, an entity applies the following five steps:

1. identify the contract(s) with a customer.
2. identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
3. determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
4. allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

5, recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied. (www.ifrs.org)

In addition, IFRS 15 provides accounting requirements for all revenue arising from contracts with customers. These requirements affect all entities that enter into contracts to provide goods or services to their customers, unless the contracts fall within the scope of other accounting standards, such as the standard on leases. International standards also determine the accounting treatment of costs incurred by an entity to obtain and fulfil a contract for the provision of goods or services to customers and provide a model for measuring and recognizing gains and losses from the sale of certain non-financial assets, such as property, plant and equipment. Under these standards, an entity recognizes revenue only when it satisfies an identified performance obligation by transferring a promised good or service to the customer. A good or service is considered to have been transferred when the customer obtains control.

International standards establish the Percentage of Completion Method for the accounting of construction projects, with significant effects on results. The objective is to regulate the accounting treatment for the construction of both smaller and larger projects. Another focus of this standard is the allocation of contract revenue and costs incurred to accounting periods, as well as the determination of the accounting result during the construction of the project.

Similarly, under GAS, revenue from the provision of services and construction contracts is recognized based on the stage of completion (percentage-of-completion method), provided that the inflow of the economic benefit from the transaction is considered highly probable. Alternatively, the completed contract method may be applied when the amounts in the financial statements are not significantly affected. (Law 4308/2014 - Article 25, para. 4)

The use of these IAS with respect to revenue from construction contracts is aligned with GAS. Both now promote the use of the percentage-of-completion method, which accurately reflects revenue and expenses for each financial year.

5.18 Provisions

A provision is a liability which, at the balance sheet preparation date, is considered probable or certain to arise as an event, although the amount or timing of settlement is not clearly determined. It appears under Liabilities on the balance sheet and is always recognized as a charge against results. As is known, the difference between a provision and a reserve is that the latter requires the existence of accounting profits in order to be formed. Provisions are recognized in the financial statements and measured at their nominal amount, which has been estimated as the amount required for their settlement.

Regarding the formation of provisions, domestic regulations state that provisions must first be identified and then measured at the expected nominal amount required for their settlement. When there is a significant delay between recognition and settlement, the measurement of provisions in the financial statements will be based on their present value, which will have significant effects.

International practice includes requirements from several standards, such as IAS 2, 19, 36 and IFRS 17. However, IAS 37 provides a more comprehensive analysis of provisions. These standards ensure that provisions are recorded within a strict framework. IAS 37 promotes the practice of discounting provisions, similar to the requirement of Law 4308/14.

5.19 Deferred tax

Under GAS, deferred taxation is a new concept that is analyzed into deferred tax assets and deferred tax liabilities. A deferred tax asset is the amount of income tax recoverable in future periods from deductible temporary differences, tax losses carried forward, and unused tax credits carried forward. Furthermore, a deferred tax liability is the amount of income tax payable in future periods in relation to taxable temporary differences. Deferred tax, whether an asset or a liability, is initially recognized and subsequently measured at the amount

resulting from applying the applicable tax rate to each temporary difference. The same law clarifies that debit and credit balances of deferred taxes are subject to offsetting, and the corresponding net amounts are presented in the balance sheet and the income statement.

Similarly, the international standards (IAS 12) provide that deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, and deferred tax assets are the amounts of income taxes recoverable in future periods.

The only difference observed is the mandatory nature of recognition, since under GAS it is optional, whereas under IAS it is mandatory when specific criteria are met. (Deferred tax liabilities are recognized for the future tax consequences of all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits, but only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.)

5.20 Consolidated Financial Statements and Accounting for Investments in Subsidiaries

Consolidated financial statements are the financial statements of a group presented as the statements of a single economic entity.

Law 4308/2014 (GAS), which is fully aligned with IAS/IFRS regarding consolidated financial statements, provides as follows:

The classification of groups defines three categories based on size: small, medium-sized, and large. The basic condition for a parent-subsidary relationship to arise is direct or indirect participation in the capital of another (subsidiary) entity, which either by itself (through the ownership interest) or in combination with other conditions gives the parent the ability to control the other entity (subsidiary). A parent-subsidary relationship also arises from the exercise of dominant influence or control over the other entity, even if there is no ownership interest.

The same law also refers to certain categories that are exempt from the obligation to prepare consolidated financial statements (small and medium-sized groups, and an entity governed by the law of a Member State of the European Union).

Consolidated financial statements are prepared in accordance with the templates of this law. The assets and liabilities of the entities included in consolidation are fully incorporated into the consolidated balance sheet. The carrying amounts of the shares in the capital of the entities included in consolidation are offset against the proportion they represent in the equity of those entities. During consolidation, items that do not exist in the separate financial statements of the consolidated companies may also be recognized.

When a subsidiary is acquired, its net assets are measured, and the difference in relation to the consideration paid constitutes goodwill or a difference (gain) from a bargain purchase.

The positive difference is presented in the consolidated balance sheet as an asset under the title Goodwill and is either not amortized, although subject to annual impairment testing, or is subject to amortization over ten years.

The negative difference indicates a bargain purchase and is transferred immediately to profit or loss in the consolidated financial statements as a gain.

When shares, interests, etc. of subsidiary entities included in consolidation are held by persons outside the group, the amount attributable to them is presented separately in equity in the consolidated balance sheet under the title "non-controlling interests" (or minority interests). For the methodology and determination of the value of these interests, guidance may be sought from IFRS 3, "Business Combinations."

The revenue, gains, expenses, and losses of the entities included in consolidation are fully incorporated into the consolidated income statement.

The amount of profit or loss attributable to the shares, interests, etc. referred to in the relevant paragraph is presented separately in the consolidated income statement as profit or loss attributable to "non-controlling interests" (or minority interests).

Consolidated financial statements present the assets, liabilities, financial positions, profits or losses of the entities included in consolidation as if they were a single entity. To achieve this, the following items in the financial statements of the entities included in consolidation are eliminated:

- a) Liabilities and receivables between the entities.
- b) Revenue, gains, expenses, and losses relating to transactions between the entities.

c) Gains and losses arising from transactions between the entities, when included in the carrying amounts of assets.

Consolidated financial statements are prepared as at the same date as the annual financial statements of the parent entity.

The assets and liabilities included in consolidation are measured using the same methods. When the assets and liabilities included in the consolidated financial statements have been measured by entities included in consolidation using accounting policies different from those used for consolidation purposes, those assets and liabilities are remeasured in accordance with the methods used in consolidation. Deviation from this requirement is permitted in exceptional cases. Any such deviation is disclosed and justified in the notes to the financial statements.

Deferred taxes are recognized in the consolidated financial statements. By exception, offsetting deferred tax assets against deferred tax liabilities in the balance sheet is not permitted when the relevant amounts arise from entities operating in different tax jurisdictions.

An associate is an entity over which the participating entity exercises significant influence over its operating and financial policies. It is presumed that an associate is an entity in which there is a 20%-50% participation and that is not a subsidiary or a joint venture.

A joint venture is an entity over which two or more parties exercise joint control and have rights to its net assets, regardless of each party's percentage of participation.

Investments in associates or joint ventures, held by any entity of the group, are presented in the consolidated Balance Sheet in a separate line item titled "investments in associates and/or joint ventures" and are measured using the equity method. Under the equity method, an associate or joint venture is recognized at acquisition at cost. Acquisition cost includes the fair value of the net assets of the associate or joint venture (acquired proportion) and goodwill if the consideration is greater than the acquired net assets.

Goodwill is accounted for either as a non-amortizable item or as an item subject to ten-year amortization. Where goodwill is not amortized, impairment testing is carried out at the level of the value of the investment. In other words, if the carrying amount of the investment that includes goodwill is not impaired, there is no impairment of goodwill.

Consolidated financial statements under IAS/IFRS are prepared based on the accounting framework established by IFRS 10, "Consolidated Financial Statements," IFRS 3, "Business Combinations," IAS 27, "Separate Financial Statements," IAS 28, "Investments in Associates and Joint Ventures," IFRS 11, "Joint Arrangements," and IFRS 12, "Disclosure of Interests in Other Entities."

Under IFRS 10, certain cases are also provided in which a parent company is not required to present consolidated financial statements.

Under IFRS 3, goodwill is recognized at the acquisition date as the excess of the sum of the consideration transferred at fair value, the non-controlling interest in the acquiree, and, in a step acquisition, the fair value of the previously held interest, over the net amounts of the identifiable assets acquired and liabilities assumed.

The resulting goodwill is not amortized but is recognized as an asset and presented in assets in the consolidated balance sheet, while it must be tested annually for possible impairment in accordance with IAS 36. When the sum of the consideration transferred, the non-controlling interest, and the fair value of any previously held interest is less than the fair value of the net identifiable assets, a gain from a bargain purchase arises. Under IFRS 3, the acquirer is required to reassess whether it has correctly recognized all assets acquired and liabilities assumed, and any remaining excess is recognized as a gain in profit or loss at the acquisition date.

According to IFRS 10, consolidation of an entity begins on the date on which the parent obtains control over it and ceases when the parent loses control.

Under IFRS 11, joint operations are recognized based on each party's rights and obligations in relation to the assets and liabilities, while joint ventures are accounted for using the equity method in accordance with IAS 28. The proportionate consolidation permitted under the former IAS 31 has been abolished.

Regarding the investments of companies that are consolidated, according to IAS 27, in separate financial statements investments in subsidiaries, joint ventures, and associates are accounted for either at cost, in accordance with IFRS 9, or using the equity method as defined in IAS 28.

Based on IAS 28, principles are established for determining the existence of significant influence and therefore for classifying a company as an "associate."

According to IAS 28, in consolidation using the equity method, the share of the associate's results is first recognized, with a corresponding change in the investment and results. Then, the share of the change in the associate's equity from items transferred directly to equity is recognized, with a corresponding change in the investment and equity.

Profit or loss from transactions between the group and an associate is eliminated to the extent of the group's interest in the associate, affecting consolidated results.

If the share of an associate's equity decreases, the reduction in the consolidated statements may extend up to the amount of the investment.

Finally, IFRS/IAS require that results from associates be presented separately in profit or loss for the period.

The general conclusion from the above is that Law 4308/2014 is fully harmonized with the logic of the International Standards, enhancing the comparability and reliability of the financial statements.

Both frameworks treat the group as a single economic entity and share the basic stages of consolidation. Exemptions from the obligation to prepare consolidated statements are also provided. Moreover, Law 4308/2014 explicitly refers to IFRS 3 for guidance on individual matters, which strengthens harmonization.

The most characteristic difference concerns the accounting treatment of goodwill. GAS provide a choice between two methods, whereas IFRS are stricter and do not permit amortization of goodwill (it is recognized as an asset and is subject to mandatory annual impairment testing). The same applies to goodwill embedded in investments in associates and joint ventures. In addition, IFRS/IAS establish a fuller and more detailed regulatory framework with stricter standardization, governed by specialized standards, whereas GAS rely mainly on the unified provisions of the law in force.

5.21 Practical Examples

Example of calculating the acquisition cost of tangible fixed assets through a credit purchase (IAS 16)

On 1.1.20X0, Economic Entity "X" purchased on credit a machine necessary for its production process. Due to cash liquidity problems, the entity accepted, for this transaction, a bill of exchange with a nominal value of €20,000 maturing on 31.12.20X2. This amount of the bill of exchange includes interest calculated at a fixed annual compound rate of 10%. It is required to calculate the acquisition cost of the machine to be recorded in the company's books and the corresponding journal entries for the entire credit period, using the account codes of the Greek General Chart of Accounts.

Solution

The value of the machine to be recognized on 01.01.20X0 corresponds to the present value of the instalment payments, which is calculated by discounting them based on a fixed annual interest rate. The difference between the amount of the payment and the present value must be charged, as interest expense, to the results of the periods in which the payments are to be made.

The present value calculation is derived from the corresponding Financial Mathematics tables, where the present value of a monetary unit (e.g. one euro) with compound interest and an interest rate of $i\%$ over a period of t years is given by the formula:

$$PV = 1/(1 + i)^n$$

where:

PV (Present value) = Present value, i (interest) = Interest rate and t (time) = Time period,

therefore the present value of one euro is: $PV = 1/(1 + 0.10)^3 = 0.7513$; therefore, the present value of €20,000, which corresponds to the acquisition cost of the machine, is $€20,000 \times 0.7513 = €15,026$

For the calculation of the interest and the amounts due each year, the following table is prepared, which fully satisfies the accrual principle.

DATE	INTEREST	OUTSTANDING BALANCE
01.01.20X0		15.026
31.12.20X0	$15.026 \times 0,10 = 1.503$	16.529
31.12.20X1	$16.529 \times 0,10 = 1.653$	18.182
31.12.20X2	$18.182 \times 0,10 = 1.818$	20.000

Journal entries that arise from the following above accounting events

01.01.20X0

12.00	Machinery	15.026	
45.24	Unearned interest on notes payable	1.818	
51.03	Unearned interest on notes payable	3.156	
45.19	Notes payable		20.000

Purchase of a machine on credit through our accepted bill of exchange No....

31.12.20X0

65.01	Interest and expenses on long-term notes	1.503	
51.03	Unearned interest on notes payable		1.503

Recognition of interest for period 20X0

31.12.20X0

51.03	Unearned interest on notes payable	1.818	
45.24	Unearned interest on notes payable		1.818

Transfer from a long-term maturity account to a short-term maturity account.

31.12.20X1

65.01	Interest and expenses on long-term notes	1.653	
51.03	Unearned interest on notes payable		1.653

Recognition of interest for period 20X1

31.12.20X2

65.01	Interest and expenses on long-term notes	1.818	
51.03	Unearned interest on notes payable		1.818

Recognition of interest for period 20X2

31.12.20X2

45.19	Notes payable	20.000	
38.00	Cash		20.000

Settlement of our accepted bill of exchange No....

Example of acquisition of fixed assets using the entity's own resources. Self-construction is completed within the same period.

In the year 20X0, industrial unit "X" began constructing a machine in its machine shop using its own resources, and placed it into production operation for the manufacture of its products within the same period.

The cost of the machine during the 20X0 period was calculated through the allocation sheet and is analyzed as follows:

Account description	Amounts in (00) €
Salaried personnel remuneration	7.200
Employer contributions for salaried personnel	3.800

Fees of the engineers designing the machine	2.000
Third-party services (electricity)	500
Direct-consumption materials	400
Depreciation machinery	200
Consumable materials (from purchases)	1.000
Spare parts for fixed assets (from purchases)	1.900
Total cost machine	17.000

Required:

All resulting journal entries in general accounting during the 20X0 period relating only to self-construction must be presented, as well as the aggregation entries at the end of the 20X0 period,

Solution based on the Greek Accounting Standards chart of accounts:

XX.XX.20X0

60.01	Gross salaries	7.200	
60.02	Employer contributions	3.800	
64.01	Fees of the engineers designing the machine	2.000	
64.02	Energy (electricity)	500	
64.08	Consumables	400	
66.03	Depreciation machinery equipment	200	
26.00	Spare parts for fixed assets	1.900	
27.02	Purchases of other inventories	1.000	
	sundry accounts balance sheet (38,50,51,53,56...)		17.000

Recognition of expenses (expenses and inventories) when incurred

XX.XX.20X0

13.01	Acquisition cost of machinery equipment	17.000
80.01	Employee benefits in self-construction	11.000
80.02	Depreciation in self-construction	200
80.03	Other operating expenses in self-construction	2.900
26.00	Spare parts for fixed assets	1.900
27.02	Purchases of other inventories	1.000

Completion of self-construction of the machine within period 20X0

31.12.20X0

80.01	Employee benefits in self-construction	11.000
80.02	Depreciation in self-construction	200
80.03	Other operating expenses in self-construction	2.900
82.01	Aggregation of income-statement accounts	14.100

Transfer of self-construction expenses to the income-statement aggregation account

Example of acquisition of fixed assets using the entity's own resources. Self-construction is completed over more than one period.

Industrial unit "X", which does not keep an analytical cost accounting system, is constructing a building using its own resources. The construction cost up to completion was calculated off the books through the allocation sheet, in (00) euros, as follows:

Account description	20X0	20X1
Materials consumed	7.000	8.700
Allocation of general purchasing expenses	500	1.050
Labor consumed	4.000	6.000

Account description	20X0	20X1
Engineer’s permit	400	–
Allocation of general manufacturing overheads	1.100	2.000
Study expenses for licensing	300	–
Excavation cost	1.500	–
Borrowing costs (to the extent attributable to self-construction)	200	250
Total cost of the building	15.000	18.000

All resulting journal entries in general accounting during the periods 20X0 and 20X1 relating to the self-construction completed on 31.12.20X1 must be presented.

Solution

XX.XX.20X0

15.01	Buildings	15.000	
78.00	Self-construction of buildings		15.000

Cost of self-construction of the building for period 20X0

XX.XX.20X1

15.01	Buildings	18.000	
78.00	Self-construction of buildings		18.000

Cost of self-construction of the building for period 20X1

31.12.20X1

11.00	Buildings - building installations	33.000	
15.01	Buildings		33.000

Completion of self-construction by transferring the total cost to a building account

Example of determination of the acquisition cost of fixed assets constructed by third parties

Enterprise "A" begins the construction of a building on its own plot of land at the beginning of 20X0 and assigns this construction to contractor S. S. for €200,000.

During construction, the following accounting events occurred:

- 20.01.20X0: The relevant agreement was signed between the contracting parties.
- 10.02.20X0: The enterprise pays €80,000 for the building permit.
- 15.02.20X0: It pays €100,000 in advance to contractor S. S.
- 20.02.20X0: It provides the contractor with materials from its warehouse valued at €60,000 and costs the services of its workforce provided to the contractor at €90,000 (9,000 labor hours × €10 per labor hour).
- 10.03.20X0: It provides the contractor with materials purchased from supplier I, valued at €120,000 plus VAT at 24%. These materials are delivered directly to the contractor, without prior entry into its warehouse.
- 08.03.20X0: Upon completion of the building works, the supervising engineer measures the work, and the contractor issues an invoice for €150,000 and is paid on the same day for the balance after offsetting the advance payment.

The journal accounting entries to be recorded in the enterprise's books are as follows:

20.1.20X0

03.00	Receivables from bilateral contracts - Contractor S. S.	200.000	
07.00	Liabilities from bilateral contracts - Contractor S. S.		200.000

Signing of the construction agreement

10.2.20X0

15.01	Buildings - building installations - technical works in progress	80.000	
38.00	Cash		80.000

Payment for obtaining the building permit

15.2.20X0

15.09	Advances for acquisition of fixed assets - Contractor S. S.	100.000	
38.00	Cash		100.000

Advance payment to contractor S. S.

20.2.20X0

15.01	Buildings - building installations under construction (Materials 60,000 + labor 90,000)	150.000	
78.00	Self-construction and improvements of fixed assets		150.000

Transfer of self-construction cost to account 78

10.2.20X0

15.01	Buildings - building installations - technical works	120.000	
54.00	VAT (24%)	28.800	
50.00	Domestic suppliers I.		148.800

Invoice No.

8.3.20X0

15.01	Buildings - building installations - technical works	150.000	
54.00	VAT (24%)	36.000	
15.09	Advances for acquisition of fixed assets - Contractor S. S.		100.000
54.09	Tax on contractor fees (150,000 × 3%)		4.500
38.00	Cash		81.500

Settlement of invoice S. S. No...

8.3.20X0

07.00	Liabilities from bilateral contracts - Contractor S. S.	200.000	
03.00	Receivables from bilateral contracts - Contractor S. S.		200.000

Reversal of the entry dated 20.1.20X0 due to completion of the project

8.3.20X0

11.00	Buildings - building installations	500.000
15.01	Buildings - building installations - technical works	500.000
Capitalization of the building		

Practical issues in accounting for depreciation:

1. An enterprise has the following undepreciated balances of fixed assets in €:

Year	Buildings	Machinery
31.12.20X0	180.000	300.000
31.12.20X1	170.000	270.000
31.12.20X2	179.000	267.000

The straight-line depreciation rates used for periods 20X1 and 20X2 were 5% for buildings and 10% for machinery.

Required:

- What is the acquisition cost of the buildings, taking into account that during 20X1 there were neither additions nor sales of buildings?
- How much did the new building addition cost on 01.01.20X2?
- What was the acquisition cost of the machinery purchased on 01.01.20X2, if no other change was made to the machinery account?

Solution

- $180,000 - 170,000 = 10,000$ annual depreciation.

$$10,000 = 5\% \times AC \text{ (acquisition cost of buildings)} \leftrightarrow AC = 10,000 / 5\% = 200,000$$

- $170,000 - 10,000 = 160,000$, the undepreciated balance of buildings arising from the new addition.

$$179,000 - 160,000 = 19,000, \text{ the undepreciated balance as at 31.12.20X2.}$$

The amount of 19,000 corresponds only to 95% of the new addition.

Rate of 95% = 19,000.

Rate of 5% = 1,000.

Therefore, 100% = 20,000, the acquisition price of the new building addition.

c) $300,000 - 270,000 = 30,000$ depreciation for year 20X1 and

$30,000 = 10\% \times AC$.

$AC = 30,000 / 10\% = 300,000$.

$(270,000 + X) - 10\% (300,000 + X) = 267,000$

Therefore: $X = 270,000 / 9 = 30,000$, the acquisition cost of the machinery purchased on 01.01.20X2.

2. The acquisition cost included in the account "Telecommunication installations and telecommunication works" of S.A. "X" on 31.12.20X0 had a debit balance of €34,000, analyzed as follows:

Telecommunication installations and telecommunication works

Debit		Credit	
		31.03.20X0:	
Balance 01.01.20X0	24.000	Sale metritois tiletypoy (TELEX)	6.000
30.06.20X0: Cash acquisition of a new telephone exchange	16.000	Balance 31.12.20X0	34.000
01.07.20X0			
TOTAL	40.000	TOTAL	40.000

The company depreciates "Telecommunication installations and telecommunication works" using the straight-line method and applying a depreciation rate of 20%.

Required:

- a) What amount should the account “Depreciation of technical installations” show for the year ending 31.12.20X0?
- b) What is the corresponding journal entry required to be recorded in the books of S.A. “X”?

Solution

- a) Determination of the correct amount of depreciation for the year:

$$(24.000 \times 20\%) + (6/12 \times 16.000 \times 20\%) - (6.000 \times 20\% \times 9/12) = 5.500$$

- b) Journal entry

31.12.20X0

66.02 Depreciation of technical installations	5.500	
12.99 Accumulated depreciation machinery equipment		5.500
Recognition of depreciation of telecommunication installations and telecommunication works		

Example of impairment loss

A company that extracts natural gas and oil has a drilling platform in the Caspian Sea. It is required by legislation of the country concerned to remove and dismantle the platform at the end of its useful life.

Accordingly, the company has included an amount in its accounts for removal and dismantling costs, and is depreciating this amount over the platform's expected life.

The company is carrying out an exercise to establish whether there has been an impairment of the platform.

Ref	Information
(a)	Its carrying amount in the statement of financial position is €3m.

Ref	Information
(b)	The company has received an offer of €2.8m for the platform from another oil company. The bidder would take over the responsibility (and costs) for dismantling and removing the platform at the end of its life.
(c)	The present value of the estimated cash flows from the platform's continued use is €3.3m (before adjusting for dismantling costs).
(d)	The carrying amount in the statement of financial position for the provision for dismantling and removal is currently €0.6m.

What should be the value of the drilling platform in the statement of financial position, and what, if anything, is the impairment loss?

Solution

Item	Amount / calculation
Fair value less costs of disposal	€2.8m
Value in use	PV of cash flows from use less the carrying amount of the provision/liability = €3.3m - €0.6m = €2.7m
Recoverable amount	Higher of these two amounts, ie €2.8m
Carrying value	€3m
Impairment loss	€0.2m

The carrying value should be reduced to €2.8m.

Example of impairment testing of assets in accordance with IAS 36

Assume an industrial enterprise whose one segment manufactures refrigeration machines and sells them to food trading businesses. The main group of machines of this segment on 31.12.20X0 has a carrying amount of €3,000,000.00 and, in accordance with IAS 36, is considered a Cash-Generating Unit. Its remaining useful life is estimated at 5 years, and its fair value less costs of disposal amounts to €2,800,000.00.

In determining the value in use of this CGU, the entity’s management has the following information:

Average weighted cost capital: 12%

Expected level inflation for the next five-year period: 3%

Estimate of expected cash inflows and outflows from the period of the CGU according with the following table:

Year	Cash Inflows	Cash Outflows	net Cash Flow
20X1	2.100.000,00	870.000,00	1.230.000,00
20X2	1.700.000,00	750.000,00	950.000,00
20X3	1.450.000,00	680.000,00	770.000,00
20X4	1.200.000,00	600.000,00	600.000,00
20X5	780.000,00	520.000,00	260.000,00

A. Calculation of the nominal interest rate

$$i = (r - j) / (1 + j) = (0,12 - 0,03) / (1 + 0,03) = 0,09 / 1,03 = 0,087 = 8,7\%$$

B. Discounting of net cash flows

net Cash Flow	Level of relative prices $(1+j)^n$	Real cash flows	Real discount factor $(1+i)^{-n}$	present Value
1.230.000,00	1,0300	1.194.174,76	0,9199	1.098.521,36
950.000,00	1,0609	895.466,11	0,8463	757.832,97
770.000,00	1,0927	704.659,08	0,7786	548.647,56
600.000,00	1,1255	533.092,23	0,7163	381.853,96
260.000,00	1,1593	224.278,28	0,6589	147.776,96
3.810.000,00		3.551.670,46		2.934.632,81

The recoverable amount of the CGU is the higher of €2,800,000.00 and €2,934,632.81; therefore, an impairment loss of €65,367.19 must be recognized in the results for the period, reducing the carrying amount of the machine (CGU).

Resulting journal entry

31.12.20X0

61.00 Losses from
measurement of assets 65.367,19

13.03 Accumulated
impairment losses machinery 65.367,19
equipment

Impairment of the machine because its recoverable amount is lower than its carrying amount

Example of goodwill calculation

The acquisition cost of Goodwill is recorded as an asset in the books and in the financial statements of the enterprise and, based on the data of the hypothetical example that follows, is calculated as follows:

		euros
Acquisition cost of enterprise “Y” purchased		10.000.000
Assets acquired from company “Y” (purchase value)		
Tangible assets	8.000.000	
Intangible assets		
Patent rights	1.000.000	
Industrial property rights	2.000.000	11.000.000
Less: Liabilities assumed from company “Y”		2.000.000
Net purchase value of the assets acquired	9.000.000	<u>9.000.000</u>
Acquisition cost of goodwill		<u>1.000.000</u>

The goodwill of the acquired enterprise "Y" (€1,000,000) in the above hypothetical example was calculated using the method of multiplying excess earnings by the years of their expected duration, based on the following data:

Data for enterprise “Y” in euros

a)) Historical assets (Average term 5years)

Average annual operating profits	1.600.000
----------------------------------	-----------

(Profits excluding from other non ordinary results)

Average annual accounting net position	8.000.000
--	-----------

(assets assets less goodwill less liabilities)

b)) Projected assets

within annual future operating profits	1.700.000
--	-----------

Average annual actual net position	10.000.000
------------------------------------	------------

Normal return on invested capital	15%
-----------------------------------	-----

Period over which excess earnings are realized	5 years
--	---------

Calculation of goodwill

Projected future annual profits	1.700.000
---------------------------------	-----------

Less: Projected return on invested capital	1.500.000
--	-----------

(€10.000.000 × 15%) = €1.500.000

Projected excess profits (excess earnings)	200.000
--	---------

Projected excess-profit period (5 years)

Goodwill of the enterprise (5 years × €200,000) = €1,000,000	1.000.000
--	-----------

Total value of enterprise “Y”

Net purchase value of assets acquired from “Y”	9.000.000
--	-----------

Plus: Enterprise goodwill	1.000.000
---------------------------	-----------

Total value of the business	10.000.000
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Example of goodwill calculation methods

The following are given the following assets of the acquired enterprise "Y" (amounts in euros):

A. Historical assets (Average term five-year period)

Average annual operating profits	1.600.000
Average annual accounting net position	8.000.000

B. Projected assets

within annual future operating profits	1.700.000
Average annual actual net position	10.000.000
Normal return on invested capital	8%
Period over which excess earnings are realized	5 years

Calculate goodwill using the following methods:

1. By the method of multiplying excess earnings by the years of their expected duration.
2. By the present value method.
3. By the method of capitalizing projected profits.
4. By the method of capitalizing additional profits (excess earnings).
5. By the method of the Capital Market Commission.
6. By the Schmalenbach method.

1. The method of the product of the excess earnings on the years of the projected duration of the

Under this method, the goodwill that the investor seeks to determine is equal to the excess earnings multiplied by the number of years over which those excess earnings are expected to be realized.

Projected annual future profits	1.700.000
Less projected return capital (10.000.000 × 8%)	800.000
Projected annual excess earnings	900.000
Projected period (years)	× 5
Goodwill	4.500.000
Total value of the business (10.000.000 + 4.500.000)	14.500.000

to the case this the recognized goodwill of €4.500.000 will be depreciated in period 5 years.

2. The method of the present value

This method is more realistic and is based on determining the present value of the excess earnings to be realized over a period of time using a normal rate of return (e.g. an appropriate discount rate accepted for the sector in which the enterprise operates).

Under this method, the present value of goodwill is the present value of a 5-year annual annuity, with an annual amount equal to the excess earnings of €900,000, capitalized (discounted) at an annual interest rate of 8%.

$$\text{Goodwill} = P_n = a \times a_n|i = 900.000 \times a_{\overline{5}|0,08} =$$

$900.000 \times 3,9927 =$	3.593.430
Total value of the business (10.000.000 + 3.593.430)	<u>13.593.430</u>

3. The method of the capitalization of projected profits

Capitalizing the expected earnings using the normal rate for the sector gives the total value of the enterprise. The difference between this total value and the average annual actual net position approximates the goodwill.

Projected annual future profits	1.700.000
Normal profit rate	8%
Addtotal net value (1.700.000: 8%)	<u>21.250.000</u>

The calculations are as follows:

What is the capital (C) which, at an annual interest rate (i) of X%, generates annual profits (I) of €1,700,000?

$I = C \times i \times t \Rightarrow C = I/i \times t = 1.700.000 / 8\% \times 1 =$	21.250.000
Less: projected actual average net position	10.000.000
Goodwill	<u>11.250.000</u>

4. The method of the capitalization of additional profits (of the excess earnings)

Assuming that the contracting parties agree that 8% is a reasonable rate for capitalizing the earnings related to the assets of the enterprise and that the remaining amount of earnings should be capitalized at 15%, the goodwill calculation is as follows:

Projected annual profits	1.700.000
--------------------------	-----------

Projected return of capital that invested in assets of the assets (excluding goodwills) with the normal rate 8%

$$= (10.000.000 \times 8\%) = 800.000$$

Projected excess profits	900.000
--------------------------	---------

Goodwill = Excess profits capitalized to 15%

= (900.000 : 15%)	6.000.000
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Total value of the business (10.000.000 + 6.000.000)	16.000.000
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5. The method of the commission of the capital market

The method known by the above name was used by the Capital Market Commission, alongside other known methods, to calculate the value of shares that are not listed on the Stock Exchange and are included in mutual fund portfolios. This method is described by the formula:

$$\text{Value enterprise} = [\text{NAB} + (\text{AOP} \times 12)] : 2$$

where: NAB is the net asset position of the enterprise and AOP is the average operating gain of the last five-year period.

According to the above formula, the value of the enterprise is the average of the net asset position and twelve times the annual profits.

According to the data of the example:

Value enterprise = $[10.000.000 + (1.700.000 \times 12)] : 2 =$	15.200.000
---	------------

and therefore Goodwill = $15.200.000 - 10.000.000 =$	5.200.000
--	-----------

6. The method of the Schmalenbach

This method capitalizes future profits, as does the capitalized operating profits method. However, the following additional assumptions are made:

The goodwill of the enterprise is depreciated in a number years, say n .

The profits of the enterprise will remain stable over time and equal to a predictable amount.

Depreciation of goodwill must be deducted from these profits.

Based on these assumptions, the value of the enterprise is determined.

It is shown that the value this is given from the mathematical formula:

$$V = [P - (V - NV) : n] : i$$

The formula this will must to be solved as to V .

Where: P is the annual profit of the enterprise, V is the value of the enterprise to be determined, NV is the net asset position of the enterprise, $V - NV$ is goodwill, and i is the discount rate.

According to the data in the example, we have:

$$\begin{aligned} \text{The value of the enterprise is } V &= [1,700,000 - (V - 10,000,000) : 5] : 0.08 \leftrightarrow 0.08V = \\ 1,700,000 - V : 5 + 2,000,000 &\leftrightarrow 0.08V + 0.2V = 3,700,000 \leftrightarrow 0.28V = 3,700,000 \leftrightarrow V = \end{aligned}$$

	13.214.285
Less: projected average net position	10.000.000
Goodwill	3.214.285

Inventory valuation methods based on acquisition cost – Practical applications

Based on the following data on the movement of the merchandise account, determine the value of closing inventory and the cost of goods sold using the following methods:

- of the average weighted cost,
- of the moving average or of successive balances,
- of the FIFO (first in, first out),

d) of the LIFO (last in, first out).

Data:

		Purchases					Sales	Balance
		Units		cost entity		Value	Units	Units
Jan. 1	opening	200	X	10	=	2.000	–	200
Jan. 12	Purchase	600	X	12	=	7.200	–	800
Jan. 16	Sale						600	200
Jan. 26	Purchase	400	X	11	=	4.400	–	600
Jan. 29	Sale						300	300
Jan. 30	Purchase	100	X	12	=	1.200	–	400

Solution

a) Weighted average cost method

Opening inventories	200	× 10	=	2.000
Purchases 12/1	600	× 12	=	7.200
26/1	400	× 11	=	4.400
30/1	100	× 12	=	1.200
Total purchases	1.100		=	12.800
Total	1.300		=	14.800

Weighted average acquisition price = Value of opening inventory + Value of purchases at acquisition cost / Quantity of opening inventory + Quantity of purchases for the period

$$= (2.000 + 12.800) / (200 + 1.100) = 14.800 / 1.300 = 11,385$$

therefore: 1) value of inventories	$400 \times 11,385$	=	4.554
2) value of goods sold	$900 \times 11,385$	=	10.246
	1.300		14.800

b) Moving average method

DATE	PURCHASES SALES	INCOMING			OUTGOING			BALANCE		
		UNIT	Unit price	VALUE	UNIT	Unit price	VALUE	UNIT	Unit price	VALUE
Jan. 1	Opening							200	10	2.000
Jan. 12	Purchase	600	12	7.200				800	11,50	9.200
Jan. 16	Sale				600	11,50	6.900	200	11,50	2.300
Jan. 26	Purchase	400	11	4.400				600	11,17	6.700
Jan. 29	Sale				300	11,17	3.350	300	11,17	3.350
Jan. 30	Purchase	100	12	1.200				400	11,38	4.550
				12.800			10.250			4.550

VALUE OF PURCHASES

COST OF GOODS SOLD

VALUE
CLOSING

INVENTORY

c) method FIFO

DATE	PURCHASES SALES	INCOMING			OUTGOING			BALANCE		
		UNIT	Unit price	VALUE	UNIT	Unit price	VALUE	UNIT	Unit price	VALUE
Jan. 12	Opening Purchases	600	12	7.200				200 <u>600</u> 800	10 12	2.000 7.200 9.200
Jan. 16	Sales				600	12	7.200	200	10	2.000
Jan. 26	Purchase	400	11	4.400				200 <u>400</u> 600	10 11	2.000 4.400 6.400
Jan. 29	Sale				300	11	3.300	200 <u>100</u> 300	10 11	2.000 1.100 3.100
Jan. 30	Purchase	100	12	1.200				200 100 <u>100</u> 400	10 11 12	2.000 1.100 1.200 4.300
				12.800			10.500			4.300

VALUE OF PURCHASES

COST OF GOODS SOLD

VALUE
CLOSING

INVENTORY

d) method LIFO

DATE	PURCHASES SALES	INCOMING			OUTGOING			BALANCE		
		UNIT	Unit price	VALUE	UNIT	Unit price	VALUE	UNIT	Unit price	VALUE
Jan. 1	Opening							200		2.000
Jan. 12	Purchases	600	12	7.200				<u>600</u>	10	7.200
								800	12	9.200
Jan. 16	Sales				200	10	2.000	200	12	2.400
					400	12	4.800			
Jan. 26	Purchase	400	11	4.400				200	12	2.400
								<u>400</u>	11	4.400
								600		6.800
Jan. 29	Sale				200	12	2.400	300	11	3.300
					100	11	1.100			
Jan. 30	Purchase	100	12	1.200				300	11	3.300
								<u>100</u>	12	1.200
								400		4.500
				12.800			10.300			4.500
				VALUE OF PURCHASES					COST OF GOODS SOLD	
									VALUE CLOSING	
									INVENTORY	

Rental payments (IFRS 16)

A lessee enters into a five-year lease of a building which has a remaining useful life of ten years. Lease payments are €50.000 per annum, payable at the beginning of each year.

The lessee incurs initial direct costs of €20.000 and receives lease incentives of €5.000.

There is no transfer of the asset at the end of the lease and no purchase option.

The interest rate implicit in the lease is not immediately determinable but the lessee's incremental borrowing rate is 5%.

At the commencement date the lessee pays the initial €50.000, incurs the direct costs and receives the lease incentives.

The lease liability is measured at the present value of the remaining four payments:

	€
€50.000 / 1.05	47.619
€50.000 / 1.05 ²	45.351
€50.000 / 1.05 ³	43.192
€50.000 / 1.05 ⁴	41.135
Present value of remaining four payments	177.297

Assets and liabilities will initially be recognised as follows:

Description	Debit €	Credit €
Right-of-use asset		
Initial payment	50.000	
Discounted liability	177.297	
Initial direct costs	20.000	
Incentives received	(5.000)	
Total	242.297	
Lease liability		177.297
Cash (50.000 + 20.000 - 5.000)		65.000
Total	242.297	242.297

At the end of year 1 the liability will be measured as:

	€
Opening balance	177.297
Interest 5%	8.865
Closing balance before next payment	186.162
Current liability	50.000
Non-current liability	136.162
Total liability	186.162

The right of use asset will be depreciated over five years, being the shorter of the lease term and the useful life of the underlying asset.

Now we will see how this would work out if the lease payments were made in arrears.

At the commencement date the lessee would incur the direct costs and receive the lease incentives.

The lease would be measured at the present value of five payments:

	€
€50.000 / 1.05	47.619
€50.000 / 1.05 ²	45.351
€50.000 / 1.05 ³	43.192
€50.000 / 1.05 ⁴	41.135
€50.000 / 1.05 ⁵	39.176
Present value of five payments	216.473

Assets and liabilities would be recognised as follows:

Description	Debit €	Credit €
Right-of-use asset		

Description	Debit €	Credit €
Discounted liability	216.473	
Direct costs	20.000	
Lease incentives	(5.000)	
Total	231.473	
Lease liability		216.473
Cash (20.000 - 5.000)		15.000
Total	231.473	231.473

At the end of year 1 the liability will be measured as:

	€
Opening balance	216.473
Interest 5%	10.824
Lease payment year 1	(50.000)
Year-end balance	177.297

In order to ascertain the split between non-current and current liabilities, we work out the balance at the end of year 2:

	€
Opening balance	177.297
Interest 5%	8.865
Lease payment year 2	(50.000)
Year-end balance	136.162

The statement of financial position will show:

	€
Non-current liability	136.162
Current liability (177.297 - 136.162)	41.135
Total liability	177.297

Example of accounting for a finance lease using Greek Accounting Standards

On 1.1.20X1, lessee entity "X" leases a machine with an invoice value of €1,000 from lessor entity "Y" under a finance lease. The lease was set for 3 years with an annual lease payment of €400, payable at the end of each annual period. The machine has a useful life of 5 years and remains with the lessee at the end of the lease without any additional consideration.

The lease must be accounted for in the books of the lessee and the lessor for the first year.

Solution

Because the fixed asset passes to the possession of the lessee in maturity of the lease, the lease is classified as finance.

The effective interest rate of the agreement is determined; it must equate the fair value of the fixed asset at the signing of the agreement (net product) with the discounted 3 annual cash outflows for lease payments, as follows:

$400/(1+i) + 400/(1+i)^2 + 400/(1+i)^3 = 1.000$ and therefore: $i=9,7\%$ or from the table calculation IRR (Interest Rate of Return) the which has as as follows:

Principal	1.000,00
expenses	0,00
Balance capital	1.000,00
Interest rate	-
Effective interest rate	9,70103%

duration loan	3
Balance capital	-1.000,00
Instalment 1	400,00
Instalment 2	400,00
Instalment 3	400,00
Total	1.200,00

Based on the above data of the finance lease agreement and established practice in our country, the common service schedule for the finance lease (allocation of finance cost for the lessee and income for the lessor) is as follows:

Principal finance lease	Date payment lease payment	Interest rate	annual interest	Principal repayment	Annual lease payment (instalment)	Outstanding principal balance
1.000	1.1.20X1					1.000
1.000	31.12.20X1	9,7%	97	303	400	697
697	31.12.20X2	9,7%	68	332	400	365
365	31.12.20X3	9,7%	35	365	400	0
Totals			200	1.000	1.200	

Accounting entries in the lessee’s books

1.1.20X1

13.01 Acquisition cost of machinery equipment	1.000
53.08 Long-term leasing liabilities	1.000

Acquisition of the machine under leasing agreement No...

31.12.20X1

53.08 Long-term leasing liabilities	303
65.05 Interest on leasing arrangements	97
38.02 Sight deposits	400

Payment of the lease instalment for year 20X1

31.12.20X1

66.03. Depreciation machine... (€1.000/5 years)	200
13.02. Accumulated depreciation machine...	200

Recognition of depreciation of the machine for year 20X1

Accounting entries in the lessor’s books

1.1.20X1

13.01 Acquisition cost of machinery equipment	1.000
38.02 Sight deposits	1.000

Acquisition of the machine under invoice No...

1.1.20X1

33.03 Leasing receivables	1.000
13.01 Acquisition cost of machinery equipment	1.000
Under finance lease agreement No...	

31.12.20X1

30.01 Customers - unrelated entities	400
33.03 Leasing receivables	303
72.02 Income from leasing interest	97

Issue of our invoice No... for rent for year 20X1

31.12.20X1

38.02 Sight deposits	400
30.01 Customers - unrelated entities	400
Settlement of our invoice No... for rent for year 20X1	

Example of accounting for provisions for employee benefits using Greek Accounting Standards codes

For enterprise ALPHA, the following data are given regarding provisions for benefits to its personnel after leaving service.

a) The compensation amount to which employees are entitled in the event of dismissal as at 31.12.20X1 (100% compensation) is 140,000.

b) The amount of the provision formed as at 31.12.20X1 amounts to 56,000 (the amount of compensation payable in the event of retirement, which is 40% of dismissal compensation).

c) During the year 20X2, certain employees were dismissed or retired and compensation of 12,000 was paid to them, while other employees resigned voluntarily and no compensation was paid to them.

Based on the above, the accounting treatment of the example in the paragraph is as follows:

Entries for payment of compensation in 20X2

60.04 Personnel benefits paid in the period	12.000
38 Cash and cash equivalents	12.000

Entry 1 - 31.12.20X2

57.01 Provisions for employee benefits	4.000
60.04 Current-period provisions for personnel benefits	4.000

Entry 2 - 31.12.20X2

60.04 Current-period provisions for personnel benefits	16.000
57.01 Provisions for employee benefits	16.000

The amount credited to 60.04.99 is a gain from the reversal of a formed provision.

The provisions account in the 20X2 period results in a gain of €4,000 (reversal of provisions in profit or loss), which is the total of the secondary account 60.04 (€12,000 - €16,000).

This amount (€4,000) is the carrying amount of the expense (in this specific case, a gain) of the provisions for personnel compensation.

The tax basis of the expense is the amount paid, €12,000 (acct. 60.04.01). The amount of the provision (liability) in the balance sheet (acct. 57.01.99) is €56,000 - €16,000 = €40,000 and constitutes the carrying amount of the liability.

Correspondingly the accounting value of the expense is €12.000+€4.000=€16.000 (account 60.04).

Example of accounting treatment of government grants(Application based on Greek Accounting Standards)

At the beginning of period 20X0, A S.A. imported machinery equipment from abroad with a value of €100,000. This value was subsidized by the Greek State at a rate of 40%. The acquisition cost of the machinery is depreciated at a rate of 15%.

All resulting journal entries for period 20X0 must be presented.

Solution

Journal entries for period 20X0

XX.XX.20X0

12.00 Machinery	100.000	
32.00 Orders abroad		100.000

Recognition of acquisition cost of machinery from abroad

XX.XX.20X0

33.14 Greek State - other receivables (Debtors sundry)	40.000	
45.97 Government grants (Long-term liabilities)		40.000

Recognition of government grant under the law

31.12.20X0

66.02 Depreciation Machinery - Technical installations - Other machinery 15.000
equipment ($\text{€}100.000 \times 15\%$)

12.99 Accumulated depreciation machinery - technical installations - other machinery equipment	15.000
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Calculation of depreciation for year 20X0

31.12.20X0

45.97 Government grants ($\text{€}40.000 \times 15\%$)	6.000
--	-------

74.03 Special grants – Subsidies - Government grant	6.000
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Recognition of grants for fixed-asset investments attributable to the period

Example of accounting treatment of government grants (Application based on IAS 20)

On 01.01.20X0, A S.A. imported machinery equipment from Germany with a value of €100,000, whose useful life was estimated at 5 years. The acquisition cost of the machinery equipment up to its import into the company's factory was monitored in the account "Orders abroad". For this fixed asset, the enterprise collected all necessary supporting documents and submitted them to the Greek State on 31.12.20X0 in order to receive a grant equal to 40% of the acquisition cost of the imported machinery equipment. On 20.01.20X1, the Greek State deposited the amount of the grant into the entity's bank account.

All resulting journal entries for periods 20X0 and 20X1 must be presented under both methods adopted by IAS 20, namely:

a) Treatment of the grant as income of future periods. In this case, the amount of the grant is presented as deferred income, which is recognized in income on a systematic and rational basis over the useful life of the asset.

b) Treatment of the grant as an item reducing cost. In this case, the amount of the grant is deducted from the carrying amount of the fixed asset. In this way, recognition of the grant as income is achieved through the reduced depreciation expense.

Solution

a) Accounting treatment of the grant as income of future periods

01.01.20X0

12.00 Machinery	100.000	
32.00 Orders for non-current (fixed) assets		100.000

Recognition of acquisition cost of machinery from abroad

31.12.20X0

33.14 Greek State - other receivables	40.000	
45.97 Government grants		40.000

Recognition of government grant receivable

31.12.20X0

66.02 Depreciation Machinery - Technical installations - Other machinery equipment (€100.000 × 20%)	20.000	
12.99 Accumulated depreciation machinery - technical installations - other machinery equipment		20.000

Calculation of depreciation for year 20X0

31.12.20X0

45.97 Government grants ($\text{€}20.000 \times 40\%$)	8.000
74.03 Special grants – Subsidies - Government grant	8.000

Recognition of grants for fixed-asset investments attributable to period 20X0

20.01.20X1

38.03 Sight deposits in €	40.000
33.14 Greek State - other receivables	40.000

Deposit of the government grant by the Greek State

31.12.20X1

66.02 Depreciation Machinery - Technical installations - Other machinery equipment ($\text{€}100.000 \times 20\%$)	20.000
12.99 Accumulated depreciation machinery - technical installations - other machinery equipment	20.000

Recognition of depreciation for year 20X1

31.12.20X1

45.97 Government grants ($\text{€}20.000 \times 40\%$)	8.000
74.03 Special grants – Subsidies - Government grant	8.000

Recognition of grants for fixed-asset investments attributable to period 20X1

Note: The last 2 entries will be repeated for periods 20X2, 20X3 and 20X4

b) Accounting treatment of the grant as an item reducing cost

01.01.20X0

12.00 Machinery	100.000	
32.00 Orders for non-current (fixed) assets		100.000

Recognition of acquisition cost of machinery from abroad

31.12.20X0

33.14 Greek State - other receivables	40.000	
12.00 Machinery		40.000

Recognition of government grant receivable

31.12.20X0

66.02 Depreciation Machinery - Technical installations - Other machinery equipment (€60.000 × 20%)	12.000	
12.99 Accumulated depreciation machinery - technical installations - other machinery equipment		12.000

Calculation of depreciation for year 20X0

20.01.20X1

38.03 Sight deposits in €	40.000	
33.14 Greek State - other receivables		40.000

Deposit of the government grant by the Greek State

31.12.20X1

66.02 Depreciation Machinery - Technical installations - Other machinery 12.000
equipment ($€60.000 \times 20\%$)

12.99 Accumulated depreciation machinery - technical installations - other 12.000
machinery equipment

Recognition of depreciation for year 20X0

The last entry will be repeated for periods 20X2, 20X3 and 20X4

Example of measuring property at fair value where the revaluation increases its carrying amount

Entity "X", which measures its real estate at fair value, uses a building for its own purposes which on 31.12.20X6 had a gross (revalued by the measurement of 31.12.20X2) value of €500,000 and accumulated depreciation of €100,000, i.e. a carrying amount of €400,000. Based on a new measurement carried out by an expert valuer for the specific building, its new carrying amount was estimated at €800,000.

Required the journal entry that must to be made the 31.12.20X6 in the books of the "X".

Solution

The fair value of €800,000 will result from revaluing both the gross value (€500,000) and the accumulated depreciation (€100,000) by a coefficient of: $€800,000 : €400,000 = 2$; consequently, the value of the building will become:

$€500.000 \times 2 - €100.000 \times 2 = €800.000$, that is the new fair value of the.

The positive differences measurement are recognized as difference to the net position to the period that arise».

The revaluation difference of €400,000 (carrying amount after revaluation of €800,000 less carrying amount before revaluation of €400,000) will be presented in account 44.01 "Fair value differences on tangible fixed assets".

Journal entry

31.12.20X6

12.01	Gross value (cost or revalued amount) buildings-technical works	500.000	
12.02	Accumulated depreciation buildings-technical works		100.000
44.01	Fair value differences on tangible fixed assets		400.000

Recognition of revaluation of the building to its fair value on 31.12.20X6

Example of measuring property at fair value after a previous increase in its carrying amount

On 15.12.20X0, entity "X" acquired a plot of land for its own use by paying the amount of €250,000. The entity has chosen the fair value model for measuring its owner-occupied properties. On 31.12.20X4, its value was estimated at €400,000 by a certified expert valuer. On 31.12.20X8, a new measurement of the land by the same valuer determined its value at €200,000.

Required the journal entries that must to be presented in the books of the "X" from the 15.12.20X0 until the 31.12.20X8.

Solution

1. On 15.12.20X0 will be recognized the acquisition cost of the land amount €250.000.
2. On 31.12.20X4, an increase in the value of the land will be recognized, with an equal creation of a reserve from "fair value differences" in the amount of €150,000 (€400,000 less €250,000).
3. According to paragraph 24.5.3, "negative measurement differences first offset any existing positive fair value difference in equity for the same item, and the remaining amount is recognized as an impairment loss in the results of the period in which it arises."

Consequently, on 31.12.20X8, because the value of the land decreases by €200,000 (€400,000 - €200,000), an amount of €150,000 will be offset by debiting the reserve formed from the fair value difference recognized in period 20X4, while the remaining amount of €50,000 will be transferred by debit to account 61.07.01 "Fair value losses on tangible fixed assets".

Journal entries

31.12.20X0

10.01	Gross value (cost or revalued amount) of land	250.000	
38.02	Sight deposits		250.000

Acquisition of the land plot under notarial deed No...

31.12.20X4

10.01	Gross value (cost or revalued amount) of land	150.000	
44.01	Fair value differences on tangible fixed assets		150.000

Recognition of revaluation of the land plot to its fair value on 31.12.20X4

31.12.20X8

44.01	Fair value differences on tangible fixed assets	150.000	
61.07	Fair value losses on tangible fixed assets	50.000	
10.01	Gross value (cost or revalued amount) of land		200.000

Recognition of revaluation of the land plot to its new reduced fair value on 31.12.20X8

Example of valuation of compound instruments

RCo issues 2.000 convertible bonds at the start of 20X2. The bonds have a three year term, and are issued at par with a face value of €1.000 per bond, giving total proceeds of €2.000.000. Interest is payable annually in arrears at a nominal annual interest rate of 6%. Each bond is convertible at any time up to maturity into 250 ordinary shares.

When the bonds are issued, the prevailing market interest rate for similar debt without conversion options is 9%.

Required

What is the value of the equity component in the bond?

Solution

The liability component is valued first, and the difference between the proceeds of the bond issue and the fair value of the liability is assigned to the equity component. The present value of the liability component is calculated using a discount rate of 9%, the market interest rate for similar bonds having no conversion rights, as shown.

	€
Present value of the principal €2.000.000 payable at the end of three years (€2m × 0.77218*)	1.544.367
Present value of the interest €120.000 payable annually in arrears for three years (€120.000 × 2.5313*)	303.755
Total liability component	1.848.122
Equity component (balancing figure)	151.878
Proceeds of the bond issue	2.000.000

** These figures can be obtained from discount and annuity tables or simply calculated arithmetically as follows.*

Principal

	€
€2.000.000 discounted at 9% over 3 years:	
2.000.000 ÷ 1.09 ÷ 1.09 ÷ 1.09 (or 2.000.000 × 1/1.09³)	1.544.367

Interest

	€
Year 1 $120.000 \div 1.09$	110.091
Year 2 $110.091 \div 1.09$	101.002
Year 3 $101.002 \div 1.09$	92.662
Total present value of interest	303.755
Value of liability component	1.848.122
Equity component (balancing figure)	151.878
Proceeds of bond issue	2.000.000

Example of an available-for-sale bond (1)

ALPHA holds a bond that it classified as available for sale upon initial recognition. The following information is given:

• Acquisition cost	100
• Differences measurement (positive) to the last balance sheet	20
• Value sale (fair value):	
• a)	130
• or b)	90
• expenses sale	2

The relevant entries are required.

Solution

a) Net selling price $\text{€}130 - \text{€}2 = \text{€}128$

Cash and cash equivalents	128	
Equity reserve from available-for-sale assets	20	
Available-for-sale assets		120

Gain on sale of available-for-sale assets	28
b) Net selling price €90 - €2 = €88	
Cash and cash equivalents	88
Equity reserve from available-for-sale assets	20
Loss on sale of available-for-sale assets	12
Available-for-sale assets	120

In practice, both the acquisition cost at initial recognition and the carrying amount of the asset must be monitored.

Example of an available-for-sale bond (2)

ALPHA holds a bond which it classified as available for sale upon its initial recognition. This bond had been acquired for €200, and in the balance sheet for the year 20X0 (previous period) a negative difference in equity of €60 was formed [IFRS fair value differences (negative equity)] by crediting the contra account of the investment [IFRS - Contra account (decrease in FV)]. At the end of 20X1, it is estimated that €40 of the fair value difference represents impairment of the item, i.e. a permanent loss of value.

Where: AFSFA = Available-for-Sale Financial Asset and FV = Fair Value.

The entry transferring the impairment loss to profit or loss is required.

Solution

Impairment losses AFSFA (profit or loss)	40
AFSFA - Accumulated impairment (contra account)	40
AFSFA - contra account (reduction FV)	40
Differences FV AFSFA (negative Equity)	40

The accounting system must monitor:

- The acquisition cost upon initial recognition of the asset, as well as its carrying amount.
- The amount of the value difference of available-for-sale assets that has been transferred to profit or loss. This information is required in the event that this impairment is reversed in the future, as explained in the following paragraph.

Example of issuing a bond

On 01.01.20X1, S.A. "X" issued a three-year bond with a nominal value of €1,000,000 and an issue price of €970,000, bearing a fixed annual interest rate of 2%. S.A. "X" incurred a financial adviser's fee of €2,000. Interest is paid at the end of each calendar year and the principal is repaid on 31.12.20X3.

Required:

Calculate the amount of the bond loan liability that S.A. "X" must recognize using the amortized cost method and the straight-line method or the effective interest method, and record the corresponding journal entries arising under the amortized cost method and the straight-line method from 01.01.20X1 to 31.12.20X3 in the books of S.A. "X".

Solution

The amount of the liability that S.A. "X" must initially recognize is €968,000, while the amount of €32,000 (the sum of the discount and the fee) will be allocated over the 3 periods either by the straight-line method ($€32,000 / 3 \text{ years} = €10,667$ annually) or by the effective interest method.

The nominal interest rate of the bond of 2% gives annual interest of €20,000 ($= €1,000,000 \times 2\%$).

The total expenses that entity "X" will pay for the bond during its term (three years) are: $€1,000,000 + (3 \text{ years} \times €20,000) = €1,060,000$.

In reality, S.A. "X" collected €968,000 at the beginning of 20X1 and the related cash flows are presented in the following table:

Bond cash-flow table

Description	20X0 (01.01)	20X1 (31.12)	20X2 (31.12)	20X3 (31.12)
Nominal value of bond	-1.000.000			1.000.000
Discount and issue costs	+32.000			
Net initial proceeds	-968.000			
Interest for the period		20.000	20.000	20.000
Total maturity payment				1.020.000

Under the amortized cost method (straight-line method), the discount loss of €30,000 plus expenses of €2,000 = €32,000 is allocated as issue cost over the three years of the bond in equal amounts for each year ($€32,000 : 3 \text{ years} = €10,667$).

The data of the analysis for presenting the bond in the balance sheet of "X" during the three-year period based on amortized cost (straight-line method) are summarized in the following table:

Amortized cost - Straight-line method	31.12.20X1	31.12.20X2	31.12.20X3
Balance opening	968.000	978.667	989.334
Interest period	20.000	20.000	20.000
depreciation under the par	10.667	10.667	10.666

Amortized cost - Straight-line method	31.12.20X1	31.12.20X2	31.12.20X3
Payment period	-20.000	-20.000	-1.020.000
Balance maturity	978.667	989.334	0

When the bond is measured at amortized cost using the effective interest method (which is also the more objective method), the interest rate i (IRR - Interest Rate of Return) must be found that equates the discounted cash flows of the bond (€1,060,000) with its issue price (€968,000), which based on the following formula is calculated at $i = 3.1342\%$.

$$968.000 = 20.000/(1+i) + 20.000/(1+i)^2 + 1.020.000/(1+i)^3$$

or from the following table of the Excel:

Principal	1.000.000,00
expenses	32.000,00
Balance capital	968.000,00
Interest rate	2,00%
Effective interest rate	3,1342%
duration loan	3
Balance capital	-968.000,00
Instalment 1	20.000,00
Instalment 2	20.000,00
Instalment 3	1.020.000,00

Total	1.060.000,00
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Amortized cost - Effective interest rate	31.12.20X1	31.12.20X2	31.12.20X3
Balance opening	968.000	978.339	989.002
Interest period	20.000	20.000	20.000
depreciation under the par	10.339	10.663	10.998
Payment period	-20.000	-20.000	-1.020.000
Balance maturity	978.339	989.002	0

The calculations for allocating the amount of €32,000 over the three years are as follows:

$(€968.000 \times 0,031342) - €20.000 = €10.339$, $€10.339 \times 1,031342 = €10.663$, and $€10.663 \times 1,031342 = €10.998$.

Journal entries

01.01.20X1

33.95	Bondholder	970.000	
64.00	Fees of financial advisers	2.000	
54.00	VAT 24% ($€2.000 \times 24\%$)	480	
54.04	Tax on fees of freelance professionals ($€2.000 \times 20\%$)		400

53.08	Fee beneficiaries (€2.000 + €480 - €400)	2.080
45.00	Bond loan in € non-convertible into shares...2%	970.000

Issue of a three-year bond...2%

01.01.20X1

45.00	Bond loan in € non-convertible into shares...2%	2.000
64.00	Fees of financial advisers	2.000

Adjustment of bond...2%

XX.01.20X1

38.03	Sight deposits in €	970.000
33.95	Other sundry debtors in €	970.000

**Deposit by the bondholder and granting to him of a bond with a nominal value of
€1,000,000**

31.03.20X1

54.04	Tax on fees of freelance professionals (€2.000 × 20%)	400
38.03	Sight deposits in €	400

Submission of return and payment of withholding income tax on third-party fees

31.12.20X1

65.98	Other financing-related expenses	10.339
45.00	Supplementary amount (under the par)	10.339

Supplementary amount under the par that corresponds in period 20X1

31.12.20X1

65.00	Interest and expenses loans in € non-convertible into shares ($€1.000.000 \times 2\%$)	20.000
54.09	Interest tax ($€20.000 \times 15\%$)	3.000
53.05	Coupon payable (coupon No.. 1)	17.000

Recognition coupon No.. 1

31.12.20X1

53.05	Coupon payable (coupon No.. 1)	17.000
38.03	Sight deposits in €	17.000

Settlement coupons maturity 31.12.20X1

28.02.20X2

54.09	Interest tax ($€20.000 \times 15\%$)	3.000
38.03	Sight deposits in €	3.000

Settlement withheld interest coupon No.. 1

31.12.20X2

65.98	Other financing-related expenses	10.663
45.00	Supplementary amount (under the par)	10.663

Supplementary amount under the par that corresponds in period 20X2

31.12.20X2

65.00	Interest and expenses loans in € non-convertible into shares ($€1.000.000 \times 2\%$)	20.000
54.09	Interest tax ($€20.000 \times 15\%$)	3.000

53.05	Coupon payable (coupon No.. 2)	17.000
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Recognition coupon No.. 2

31.12.20X2

53.05	Coupon payable (coupon No.. 2)	17.000
38.03	Sight deposits in €	17.000

Settlement coupons maturity 31.12.20X2

28.02.20X3

54.09	Interest tax ($€20.000 \times 15\%$)	3.000
38.03	Sight deposits in €	3.000

Settlement withheld interest coupon No.. 2

31.12.20X3

65.98	Other financing-related expenses	10.998
45.00	Bond loan in € non-convertible into shares...2%	10.998

Supplementary amount under the par that corresponds in period 20X3

31.12.20X3

65.00.	Interest and expenses bond loans ($€1.000.000 \times 2\%$)	20.000
54.09	Interest tax ($€20.000 \times 15\%$)	3.000
53.05	Coupon payable (coupon No.. 3)	17.000

Recognition coupon No.. 3

31.12.20X3

53.05	Coupon payable (coupon No.. 3)	17.000
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38.03	Sight deposits in €	17.000
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Settlement coupons maturity 31.12.20X3

31.12.20X3

45.00	Amount issue	968.000
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45.00	Supplementary amount (under the par)	32.000
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38.03	Sight deposits in €	1.000.000
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Settlement bond maturity 31.12.20X3 to the nominal amount

28.02.20X4

54.09	Interest tax ($€20.000 \times 15\%$)	3.000
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38.03	Sight deposits in €	3.000
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Settlement withheld interest coupon No.. 3

Application of the method of the percentage-of-completion without revision of the contract price

On 15 April 20X1, entity "ALPHA" undertook the construction of a project with a contract price of €3,000,000. Construction is expected to last 36 months and total cost will amount to €2,000,000.

with the signing of the agreement the customer paid the amount of the €1.000.000.

Within of the 20X1 the «ALPHA» incurred expenses amount €750.000. from the amount this were paid to the suppliers €250.000 until the end of the 20X1.

Required:

Based on the accrual principle:

a) To be calculated the amount of the expense of the period 20X1.

- b) To be calculated the amount of the income of the period 20X1.
- c) Calculate the amount and determine the asset account in which the related amount will appear in the balance sheet at the end of period 20X1 in relation to this contract.
- d) Calculate the amount and determine the liability account in which the related amount will appear in the balance sheet at the end of period 20X1 in relation to this contract.

Solution:

- a) The amount of expenses of the period €750.000 will charge as expense the 20X1.
- b) Given that 37.5% of the project was completed in year 20X1 (€750,000 : €2,000,000), the revenue for year 20X1 will be calculated as 37.5% of total revenue.

That is the income of the 20X1 is: $€3.000.000 \times 0,375 = €1.125.000$.

- c) At the end of 20X1, the amount of €125,000 will appear in the balance sheet as a receivable, arising as the difference between the revenue for the period and the advance received:

That is, $€1.125.000 - €1.000.000 = €125.000$.

- d) At the end of 20X1, the amount of €500,000 will appear in the balance sheet as a liability, arising as the difference between the expense for the period and the amount paid:

That is $€750.000 - €250.000 = €500.000$.

Application of the method of the percentage-of-completion with revision of the contract price

1. On 02.01.20X1, entity "ALPHA" undertook the construction of a technical project with a total contract price of €10,000 and total estimated cost of €6,000.
2. The construction of the project will last 4 years.
3. to the year 20X1 the project had absorbed cost €600 and to the year 20X2 €1.200 (total cost first and second year €1.800).

4. At the end of the second year, the expected cost to complete the project over the four-year period was revised to €8,000, and "ALPHA" succeeded in revising the contract price by €400; that is, it will collect a total of €10,400.

Required:

To be calculated the income and the expense that will recognized in the years 20X1 and 20X2.

Solution:

a) to the year 20X1 the expense that will recognized is €600.

to the same year the rate of the project that completed is €600: $€6.000 = 10\%$.

Consequently, the income that will recognized is $€10.000 \times 10\% = €1.000$.

b)) to the year 20X2 the expense that will recognized is €1.200.

to the same year the rate of the project that has completed cumulatively is $€1.800 / €8.000 = 22,5\%$, while the revised income is €10.400.

Consequently, the cumulative income for the years 20X1 and 20X2 is $€10.400 \times 22,5\% = €2.340$.

Based on these data, the revenue for year 20X2 is $€2.340 - €1.000 = €1.340$.

Example of contract profits (IAS 15)

P Co has the following contract in progress.

Item	€m
Total contract price	750
Costs incurred to date	225
Estimated costs to completion	340
Payments invoiced and received	290

Now we will calculate the amounts to be recognised for the contract in the statement of profit or loss and statement of financial position assuming the amount of performance obligation satisfied is calculated using the proportion of costs incurred method.

Solution

1 Estimated profit

	€m
Total contract price	750
Less costs incurred to date	(225)
Less estimated costs to completion	(340)
Estimated profit	185

2 Percentage complete

Costs to date / total estimated costs: $225 / (225 + 340) = 40\%$

3 Statement of profit or loss

	€m
Revenue ($40\% \times €750m$)	300
Cost of sales ($40\% \times (225 + 340)$)	(226)
Profit ($40\% \times 185$)	74

4 Statement of financial position

	€m
Costs incurred to date	225
Recognised profits	74
Less receivable	(290)
Contract asset	9

How would we account for this if it was a loss-making contract?

We will reduce P Co's contract price to €550m.

1 Estimated loss

	€m
Total contract price	550
Less costs incurred to date	(225)
Less estimated costs to completion	(340)
Estimated loss - costs not recoverable	(15)

2 Percentage complete

Costs to date / total estimated costs: $225 / (225 + 340) = 40\%$

3 Statement of profit or loss

	€m
Revenue ($40\% \times €550m$)	220
Cost of sales (balancing figure)	(235)
Loss	(15)

4 Statement of financial position

	€m
Costs incurred to date	225
Recognised loss	(15)
Less receivable	(290)
Contract liability	(80)

Example of provisions for post-employment employee benefits

Private employee G.G., who works full-time under an indefinite-term employment relationship and has completed 18 years of continuous service with S.A. "Z", left service due to full retirement on 30.11.2013. The employee's retirement compensation was calculated as follows:

- Normal compensation calculated on the total regular earnings of the last month, increased by 1/6 for the proportion of holiday bonuses and leave allowance ($\text{€}11.000 \times \frac{14}{12} \times 12 \text{ salaries}$)

- Additional compensation of 2 months for each year of service beyond 16 years with the same employer, without the restriction of the maximum limit of €22,000 ($\text{€}11.000 \times 2 \text{ months}$)

Total	176.000
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- The compensation was calculated to the 40% of the amount of the normal compensation
($\text{€}176.000 \times 40\%$)

The amount above the threshold of €60,000 and up to €100,000 was taxed separately, exhausting the tax liability, at a rate of 10%; the withholding tax on compensation $[(70,400 - 60,000) \times 10\%]$ amounted to €1,040.

The amount was paid on time to the competent tax office on 15.12.2013 by preparing and submitting the relevant return.

The company (for this employee), up to the date of his departure (30.11.2013), had formed "provisions for employee benefits" over time totaling €50,000. Part of this amount, namely €3,000, concerns a provision attributable to the closing period and was recorded on 30.11.2013.

Based on the above data, the corresponding journal entries required to be presented in the accounting records of S.A. "Z" are requested, from 30.11.2013 through 15.12.2013.

Solution

Provisions for post-employment benefits arising from defined benefit plans are recognized and measured at the resulting nominal amounts (para. 22.13.1 of the interpretative Circular).

In our example, provisions for compensation after leaving service were formed at 40% of the compensation entitlement up to the date of departure due to the employee's retirement; that is, on 30.11.2013, account 57.01.99 "Provisions for employee benefits" showed a credit balance of €50,000, of which €3,000 was recorded on that date.

Because provisions for personnel benefits are not recognized for tax purposes as deductions from gross income when they are formed, but only when the related amounts are paid (a rule that generally applies to provisions), the entity must monitor the relevant information by any suitable method at its discretion. As an alternative to directly reducing provisions by the amounts paid, the following method of monitoring provisions is recommended in order to enable the expense to be deducted immediately from the entity's gross income.

Account 60.04 "Provisions for post-employment benefits (net amount)" is analyzed into two tertiary accounts:

1) 60.04 "Provisions - personnel benefits paid in the period". On 30.11.2013, the amount paid of €70,400 will be recorded in this account, so that the account balance will be recognized as deductible from gross income for tax purposes, with credit to cash and cash equivalents.

2) 60.04 "Current-period provisions for personnel benefits". This account records the provisions formed at the end of each period for benefits, with credit to liability account 57.01 "Provisions for employee benefits"; these amounts are not recognized for tax purposes and therefore their tax basis is zero. The amount of account 60.04 is determined at the level required so that the related balance sheet account (57.01) has the accumulated provision required under the law. Therefore, account 57.01 showed a credit balance of €47,000 up to 30.11.2013 and, with the new supplementary provision entry of €3,000 made on that date, reached €50,000.

With this accounting treatment, account 60.04 accumulates the total accounting provisions of the period for personnel benefits (expense or income) presented in the income statement, whether recognized for tax purposes or not. At the same time, the accounting system directly produces the tax-recognized amount of the provision (account 60.04), the non-tax-recognized amount (account 60.04), and the accumulated provision amount in the balance sheet (account 57.01).

Journal entries

30.11.2013

60.04	Provisions for post-employment benefits	3.000	
57.01	Provisions for employee benefits		3.000

Formation of a provision (relating to the period from 01.01.2013 to 30.11.2013) for compensation of G.G. due to leaving service

The above entry was made over time, so that by 31.12.2012 a cumulative provision of €47,000 had been formed and the account balance was tax-adjusted each year.

30.11.2013

60.04	Provisions for post-employment benefits	70.400	
54.03	Withholding income taxes of third parties		1.040
38.03	Sight deposits in €		69.360

Payment of compensation due to retirement to employee G.G.

30.11.2013

57.01	Provisions for employee benefits	50.000	
60.04	Provisions for post-employment benefits		50.000

Transfer of formed provisions of the employee G.G. to the acct. 60.04.99

The amount credited to 60.04.99 is a gain from the reversal of a formed provision and is reversed for tax-adjustment purposes.

15.12.2013

54.03	Withholding income taxes of third parties	1.040	
38.03	Sight deposits in €		1.040

Payment of tax on compensation due to retirement of employee G.G.

Example of a provision for payment of compensation

There is a pending lawsuit against entity "X" by the lessor of the industrial facility in which the business is housed, seeking compensation for serious damage caused by the business to the property during its operation. Based on available information derived from a written "opinion" of its legal advisers, on 31.12.20X1 (the month of balance sheet closing) the entity faced a present obligation (as a result of past events) estimated at approximately €1,000,000. The legal advisers identified the beginning of year 20X5 as the probable date for issuance of a final judgment by the competent court on the lawsuit filed by the lessor of its industrial facility. Indeed, on 12.01.20X5 the case was finally adjudicated, and the business was obliged to pay compensation of €700,000 to the opposing lessor, issuing a cheque in his name on the same date. The financial services of entity "X" determined an indicative discount rate reflecting current market assessments of the time value of money at 10%.

Required to be presented the resulting journal entries for the years 20X1, 20X2, 20X3, 20X4 and 20X5.

Solution

In cases of provisions involving a significant amount or settlement period that are expected to have a material effect on the financial statements, discounting of the nominal amount of the provision may be required. Where discounting is applied, the provision is subsequently unwound using the discount rate, with a charge to profit or loss. Therefore, in the example, because both the amount of the provision and the period until settlement are significant (three years), the provision to be recognized in the results as at 31.12.20X1 must be derived from the discounted present value of the future cash flow. For the next 3 years, the additional provision for each period will be recognized as a finance expense and will be calculated at an interest rate of 10% on the carrying amount of the initial provision.

The method of calculating the initial provision using the discount rate, as well as the amount of the provision that must be presented in the financial statements for the years 20X2, 20X3, and 20X4, is described in the following table:

DATE	CALCULATION PROVISION	ACCUMULATED AMOUNT PROVISION	PROVISION PERIOD
31.12.20X1	1.000.000 $(1+0,1)^3$	751.315	751.315
31.12.20X2	1.000.000 $(1+0,1)^2$	826.446	75.131
31.12.20X3	1.000.000 $(1+0,1)^1$	909.091	82.645
31.12.20X4		1.000.000	90.909
Total			1.000.000

From the above table it is clear that, on the date of initial recognition of the provision (31.12.20X1), the amount to be presented in the financial statements of entity "X" is €751,315. This amount relates to the present value of the future expense, which increases each year until, on 31.12.20X4, it reaches €1,000,000, with which the entity will settle its obligation.

On 12.01.20X5, when the compensation is paid, because the amount paid (€700,000) is lower than the provision formed (€1,000,000), the provision will be reversed for the difference of €300,000 (€1,000,000 - €700,000), which will be recorded in account 76.01 "gains from reversal of provisions for litigation" (see paragraph 22.14.1 of the interpretative Circular and the phrase "the same treatment also applies to the related differences that may arise upon final settlement of those amounts").

journal entries:

31.12.20X1

68.01	Provisions for pending litigation	751.315	
57.02	Provisions for pending litigation		751.315
Recognition of the present value of the compensation provision for the lessor of the industrial facility due to his lawsuit			
<u>31.12.20X2</u>			
65.04	Interest on other liabilities and provisions	75.131	
57.02	Provisions for pending litigation		75.131
Recognition of finance cost for year 20X2 on the present value of the provision			
<u>31.12.20X3</u>			
65.04	Interest on other liabilities and provisions	82.645	
57.02	Provisions for pending litigation		82.645
Recognition of finance cost for year 20X3 on the present value of the provision			
<u>31.12.20X4</u>			
65.04	Interest on other liabilities and provisions	90.909	
57.02	Provisions for pending litigation		90.909
Recognition of finance cost for year 20X4 on the present value of the provision			
<u>12.01.20X5</u>			
57.02	Provisions for pending litigation	1.000.000	
38.03	Sight deposits in €		700.000
76.01	Gains from reversal of provisions for pending litigation		300.000
Payment of compensation for amount lower of the formed provision and reversal of the difference between of the formed provision and of the payment			

Example of accounting deferred taxation

The following are given the following data of an enterprise:

Accounting without deferred taxation

	20X0	20X1
Accounting profit before tax	500	500
Differences between accounting and tax basis	100	-100
Taxable profit	600	400
Current income tax (say 30%)	180	120
Net profit after tax	320	380

As is evident, solely due to the difference between the accounting and tax basis, which reverses in year 20X1, a difference arises in current income tax between years 20X0 and 20X1, although profit before tax is the same in both years. Thus, the net profits of the two years differ accordingly because of the tax difference.

In reality, in period 20X0 the enterprise had expenses of 100 whose tax benefit (reduction of income tax) will arise in the following year, 20X1. Under deferred tax accounting, the benefit of these expenses is transferred from year 20X1, when it arises in cash terms (tax payment), and is recognized for accounting purposes in year 20X0.

Specifically:

- a) in year 20X0, with current tax expense of 180, deferred tax income equal to $100 \times 30\% = 30$ is recognized, together with a corresponding deferred tax asset of the same amount; and
- b) in year 20X1, with current tax expense of 120, deferred tax expense equal to $100 \times 30\% = 30$ is recognized, an amount that will offset the tax asset of 20X0.

accounting with deferred taxation

	20X0	20X1
Accounting profit before tax	500	500
Differences between accounting and tax basis	100	-100

Taxable profit	600	400
Current income tax (say 30%)	-180	-120
Deferred tax income / expense	30	-30
Net profit after tax	350	350

for better understanding are presented the accounting entries tax income for the years 20X0 and 20X1:

Entries year 20X0

Current tax (expense)	180	
Deferred tax asset	30	
Current income tax (liability)		180
Deferred tax-income		30

Entries year 20X1

Current tax (expense)	120	
Deferred tax expense	30	
Current income tax (liability)		120
Deferred tax asset		30

It is clear that if the chronological order of the differences between the accounting and tax basis were reversed between years 20X0 and 20X1, in year 20X0 the enterprise would recognize deferred tax expense and a related liability, while in year 20X1 it would recognize deferred tax income.

Deferred tax, whether an asset or a liability, is initially recognized and subsequently measured at the amount resulting from applying the applicable tax rate to each temporary difference.

Changes in the amount of the deferred tax asset or liability in the balance sheet that arise from period to period are recognized as a decrease or increase, respectively, in the income tax of the income statement. By exception, differences arising from assets or liabilities whose changes are recognized in equity are likewise recognized directly in equity as a decrease or increase, respectively, of the related item.

Example of current and deferred tax

J Co buys equipment for €50.000 on 1 January 20X1 and depreciates it on a straight-line basis over its expected useful life of five years. It has no other non-current assets.

For tax purposes, the equipment is depreciated at 25% per annum on a straight-line basis.

Accounting profit before tax for the years 20X1 to 20X5 is €20.000 per annum.

The tax rate is 40%.

Required

Show the calculations of current and deferred tax for the years 20X1 to 20X5.

Solution

The differences between accounting and tax depreciation on the equipment will be:

	20X1 €	20X2 €	20X3 €	20X4 €	20X5 €
Accounting depreciation	10.000	10.000	10.000	10.000	10.000
Tax depreciation	12.500	12.500	12.500	12.500	-
Taxable difference	(2.500)	(2.500)	(2.500)	(2.500)	10.000
Cumulative difference	2.500	5.000	7.500	10.000	-

Note that the taxable difference reverses in 20X5, when the equipment is fully depreciated for tax purposes.

This will give the following differences between the carrying amount and the tax base of the asset at the end of each year.

	20X1 €	20X2 €	20X3 €	20X4 €	20X5 €
Carrying amount at Y/E	40.000	30.000	20.000	10.000	-
Tax base at Y/E	37.500	25.000	12.500	-	-
Cumulative difference	2.500	5.000	7.500	10.000	-
Deferred tax 40%	1.000	2.000	3.000	4.000	-

The tax charge to profit or loss will be as follows:

	20X1 €	20X2 €	20X3 €	20X4 €	20X5 €
Profit for the year	20.000	20.000	20.000	20.000	20.000
Add back depreciation	10.000	10.000	10.000	10.000	10.000
Deduct tax depreciation	(12.500)	(12.500)	(12.500)	(12.500)	-
Taxable amount	17.500	17.500	17.500	17.500	30.000
Tax charge 40%	7.000	7.000	7.000	7.000	12.000
Deferred tax adjustment*	1.000	1.000	1.000	1.000	(4.000)
Tax charge in profit or loss	8.000	8.000	8.000	8.000	8.000

* $2.500 \times 40\%$

The effect of the deferred tax adjustment is to recognise the additional tax which will be due in 20X5 evenly over years 20X1 to 20X5.

At the end of 20X5 there will be no remaining temporary difference and the balance on the deferred tax account in the statement of financial position will be credited back to profit or loss.

The statements of financial position will show:

	20X1 €	20X2 €	20X3 €	20X4 €	20X5 €
Non-current liabilities					

	20X1 €	20X2 €	20X3 €	20X4 €	20X5 €
Deferred tax	1.000	2.000	3.000	4.000	-
Current liabilities					
Income tax payable	7.000	7.000	7.000	7.000	12.000

Example of a provision for pending litigation on 31.12.20X0, finalized in the following period 20X1 for €100, and accounting presentation of deferred taxation

31.12.20X0

68.01 Provisions for pending litigation	100	
57.02 Provisions for pending litigation		100
Recognition provision pending litigation (temporary difference between of the accounting and of the tax basis)		

ACCOUNTING PROFITS PERIOD ASSUME €900

DESCRIPTION	20X0	20X1
1. PROFITS BEFORE PROVISIONS	1.000	1.000
2. PROVISIONS	(100)	0
3. PROFITS BEFORE income tax (ACCOUNTING BASIS)	900	1.000
4. tax rateE.	29%	29%
5. TAX INCOME-ACCOUNTING BASIS (3 × 4)	261	290
6. PROFITS BEFORE income tax (TAX BASIS)	1.000	900
7. TAX INCOME-TAX BASIS (6 × 4)	290	261
8. DEFERRED TAX ASSET (7-5)	29	(29)

ENTRIES DEFERRED TAXATION PERIOD 20X0

31.12.20X0

69.01 Current tax (expense) period	290	
54.01 Income tax per annual return		290
Recognition of current income tax based on form N		
<u>31.12.20X0</u>		
39.00 Deferred taxes assets	29	
78.02 Deferred tax period (income)		29
Recognition deferred tax income income as temporary difference between of the accounting and of the tax basis		
ENTRIES DEFERRED TAXATION PERIOD 20X1		
<u>31.12.20X1</u>		
57.02 Provisions for pending litigation	100	
38.02 Sight deposits		100
Finalization and settlement pending litigation		
<u>31.12.20X1</u>		
69.01 Current tax (expense) period	261	
54.01 Income tax per annual return		261
Recognition of current income tax based on form N		
<u>31.12.20X1</u>		
69.02 Deferred tax (expense) period	29	
39.00 Deferred taxes assets		29
Offsetting and equalization deferred tax receivable previous period		

Example of statement of cash flows

Set out below are the financial statements of E Co.

Statement of profit or loss for the year ended 31 December 20X2

	€'000
Revenue	2.553
Cost of sales	(1.814)
Gross profit	739
Other income: interest received	25
Distribution costs	(125)
Administrative expenses	(264)
Finance costs	(75)
Profit before tax	300
Income tax expense	(140)
Profit for the year	160

Statements of financial position as at 31 December

	20X2 €'000	20X1 €'000
Assets		
Non-current assets		
Property, plant and equipment	380	305
Intangible assets	250	200
Investments	-	25
Current assets		
Inventories	150	102
Receivables	390	315
Short-term investments	50	-
Cash in hand	2	1

	20X2 €'000	20X1 €'000
Total assets	1.222	948
Equity and liabilities		
Equity		
Share capital (€1 ordinary shares)	200	150
Share premium account	160	150
Revaluation surplus	100	91
Retained earnings	260	180
Non-current liabilities		
Long-term loan	130	50
Environmental provision	40	-
Current liabilities		
Trade payables	127	119
Bank overdraft	85	98
Taxation	120	110
Total equity and liabilities	1.222	948

The following information is available.

- (i) The proceeds of the sale of non-current asset investments amounted to €30.000.
- (ii) Fixtures and fittings, with an original cost of €85.000 and a net book value of €45.000, were sold for €32.000 during the year.
- (iii) The following information relates to property, plant and equipment:

	31.12.20X2 €'000	31.12.20X1 €'000
Cost	720	595
Accumulated depreciation	340	290

	31.12.20X2 €'000	31.12.20X1 €'000
Net book value	380	305

(iv) On 31 December 20X2 E purchased a chalk quarry from which extraction will take place for five years. At the end of that time E will be obliged to close off the quarry and make the area safe. The cost of this has been estimated and discounted to a present value of €40.000, which is included in the carrying amount of the quarry and shown as a provision.

(v) 50.000 €1 ordinary shares were issued during the year at a premium of 20c per share.

(vi) The short-term investments are highly liquid and are close to maturity.

(vii) Dividends of €80.000 were paid during the year.

Required

Prepare a statement of cash flows for the year to 31 December 20X2 using the format laid out in IAS 7.

Workings

1 Depreciation charge

	€'000
Depreciation at 31 December 20X2	340
Depreciation at 31 December 20X1	290
Depreciation on assets sold (85 - 45)	(40)
Charge for the year	(250)
Depreciation charge	90

2 Assets

	Property, plant and equipment €'000	Intangible assets €'000	Investments €'000
B/d	305	200	25
Disposals (85 - 40)*	(45)		(25)
Depreciation (W1)	(90)		
Environmental provision	40		
Revaluation (100 - 91)	9		
Purchases for cash (β)	161	50	-
Carrying amount 31.12.X2	380	250	-

* *Loss on disposal* = $(45 - 32) = 13$

3 Equity

	Share capital €'000	Share premium €'000	Revaluation surplus €'000	Retained earnings €'000
B/d	150	150	91	180
Revaluation (W2)			9	
SPL				160
Dividends paid				(80)
Cash received (β)	50	10	-	-
C/d	200	160	100	260

4 Liabilities

	Long-term loan €'000	Environmenta l provision €'000	Taxation €'000
B/d	50		110
Provision		40	
SPL			140
Cash received / (paid) β	80		(130)
C/d	130	40	120

5 Working capital movement

	Inventory €'000	Receivables €'000	Payables €'000
B/d	102	315	119
Increase (decrease)	48	75	8
C/d	150	390	127

E Co - Statement of cash flows for the year ended 31 December 20X2

Cash flows from operating activities	€'000	€'000
Profit before tax	300	
Depreciation charge (W1)	90	
Loss on sale of property, plant and equipment (45 - 32)	13	
Profit on sale of non-current asset investments	(5)	
Interest expense (net)	50	

Cash flows from operating activities	€'000	€'000
(Increase) / decrease in inventories	(48)	
(Increase) / decrease in receivables	(75)	
Increase / (decrease) in payables	8	
Cash generated from operations	333	
Interest paid	(75)	
Dividends paid	(80)	
Tax paid (110 + 140 - 120)	(130)	
Net cash from operating activities		48
 Cash flows from investing activities	 €'000	 €'000
Payments to acquire property, plant and equipment (W2)	(161)	
Payments to acquire intangible non-current assets	(50)	
Receipts from sales of property, plant and equipment	32	
Receipts from sale of non-current asset investments	30	
Interest received	25	
Net cash from investing activities		(124)
 Cash flows from financing activities	 €'000	 €'000
Issue of share capital	60	
Long-term loan	80	
Net cash from financing activities		140
Increase in cash and cash equivalents		64
Cash and cash equivalents at 1.1.X2		(97)

Cash flows from financing activities	€'000	€'000
Cash and cash equivalents at 31.12.X2		(33)

Consolidation example

B acquired 80% of G's equity shares for €300.000 on 1 January 20XX. At the date of acquisition G had retained earnings of €190.000. On 31 December 20XX B despatched goods which cost €80.000 to G, at an invoiced cost of €100.000. G received the goods on 2 January 20X9 and recorded the transaction then. The two companies' draft financial statements as at 31 December 20XX are shown below.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20XX

	B	G
	€'000	€'000
Revenue	5.000	1.000
Cost of sales	2.900	600
Gross profit	2.100	400
Other expenses	1.700	320
Profit before tax	400	80
Income tax expense	130	30
Profit for the year	270	50
Other comprehensive income:		
Gain on revaluation of property	20	–
Total comprehensive income for the year	290	50

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 20XX

€'000 €'000

Assets

Non-current assets

Property, plant and equipment	1.940	200
Investment in Goose	300	—
	2.240	200

Current assets

Inventories	500	120
Trade receivables	650	40
Bank and cash	170	35
	1.320	195

Total assets	3.560	395
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Equity and liabilities

Equity

Share capital	2.000	100
Retained earnings	500	240
Revaluation surplus	20	—
	2.520	340

Current liabilities

Trade payables	910	30
Tax	130	25
	1.040	55

Total equity and liabilities	3.560	395
------------------------------	-------	-----

Prepare a draft consolidated statement of profit or loss and other comprehensive income and statement of financial position. It is the group policy to value the non-controlling interest at acquisition at fair value. The fair value of the non-controlling interest in Ge at the date of acquisition was €60.000.

Workings

1 Group structure

B

80%

↓

G

B owns 80% of G. Non-controlling interest: 20%

2 Goodwill (= Consideration paid + Fair value of NCI – Fair value of identifiable net assets acquired)

	€'000	€'000
Consideration transferred		300
Fair value of non-controlling interest		60
		360
Fair value of net assets:		
Share capital	100	
Retained earnings	190	
		(290)
Goodwill		70

3 Retained earnings

	Boo	Goose
	€'000	€'000
Per question	500	240
Unrealised profit (W5)	(20)	
	480	
Less pre acquisition		(190)
		50
Goose: 80% × 50	40	
Group total	520	

4 Non-controlling interest

	€'000
NCI at acquisition	60
NCI share of post-acquisition retained earnings ($50 \times 20\%$)	10
	70

5 Intragroup issues

Step 1: Record Goose's purchase

DEBIT Cost of sales	€100.000	
CREDIT Payables		€100.000
DEBIT Closing inventory (SFP)	€100.000	
CREDIT Cost of sales		€100.000

These transactions can be simplified to:

DEBIT Inventory	€100.000	
CREDIT Payables		€100.000

Step 2: Cancel unrealised profit

DEBIT COS (and retained earnings) in B	€20.000	
CREDIT Inventory (SFP)		€20.000

Step 3: Cancel intragroup transaction

DEBIT Revenue	€100.000	
CREDIT Cost of sales		€100.000

Step 4: Cancel intragroup balances

DEBIT Payables	€100.000	
CREDIT Receivables		€100.000

B GROUP – CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER

COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 20XX

	€'000
Revenue ($5.000 + 1.000 - 100$ (W5))	5.900
Cost of sales ($2.900 + 600 - 100 + 20$ (W5))	(3.420)

Gross profit	2.480
Other expenses (1.700 + 320)	(2.020)
Profit before tax	460
Tax (130 + 30)	(160)
Profit for the year	300
Other comprehensive income	
Gain on property revaluation	20
Total comprehensive income for the year	320
Profit attributable to	
Owners of the parent	290
Non-controlling interest (20% × 50)	10
	300
Total comprehensive income attributable to	
Owners of the parent (β)	310
Non-controlling interest	10
	320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 20XX

	€'000	€'000
Assets		
Non-current assets (1.940 + 200)		2.140
Goodwill (W2)		70
Current assets		
Inventory (500 + 120 + 80)	700	
Trade receivables (650 – 100 (W5) + 40)	590	
Bank and cash (170 + 35)	205	
		1.495
Total assets		3.705

Equity and liabilities

Equity attributable to owners of the parent

Share capital (Boo only)		2.000
Retained earnings (W3)		520
Revaluation surplus		20
		2.540
Non-controlling interest (W4)		70
Total equity		2.610
Current liabilities		
Trade payables (910 + 30)	940	
Tax (130 + 25)	155	
		1.095
Total equity and liabilities		3.705

Example of closing entries for the accounting period and appropriation of results based on Greek Accounting Standards

Entity "X", for the period ended 31.12.2015, prepared its financial statements based on the accounting procedures provided by Law 4308/2014 (Greek Accounting Standards). The provisional trial balance of 31.12.2015 included the following balances of primary accounts provided in Annex C of the law:

Description	Amount
Credit balance of account 82.01 "Aggregation of income-statement accounts". These profits arose after deduction of income tax of €35,000, which is shown in account 54.01.01 "Income tax payable".	100.000
Advance payment of income tax period 2014 (A/C 54.01.03 contra account)	10.000
Stamp duty and OGA income from buildings period 2014 (A/C 54.04) [Rents income buildings (A/C 71.04.00) €10.000 × 3,6%]	360

Withheld income tax from interest deposits (A/C 54.01.02 contra account)	500
Share capital (A/C 40)	270.000
Legal reserve (A/C 46 balance previous period)	50.000
Loss of previous year (A/C 49.01 for tax purposes recognized)	5.000

Required

a) Present the additional closing entries for the 2015 accounting period that are required in order to prepare the final trial balance and finalize the income statement provided in Template B.2.2 of Annex C and Article 25 of Law 4308/2014.

b) Perform the calculations and present the entries that must be made in the following period, 2016, after approval of the financial statements by the General Meeting of shareholders convened on 30.06.2016 and up to the payment of dividends to shareholders on 31.08.2016, if the following are known:

The rate tax income for the period 2015 and 2016 is 29%.

The rate supplementary tax income to the income from buildings of the entity "X" is 3%.¹

The rate advance payment tax income for the period 2016 is the 100% of the tax income of the period 2015.

Regarding the appropriation of profits for the 2015 period, which will be shown in Template B.3 "Statement of Changes in Equity for the period" of Annex C of Law 4308/2014, the Board of Directors of the above entity "X" proposed the following, which were also approved by the Ordinary General Meeting of Shareholders held on 30.06.2016:

- the formation of the during law legal reserve (A/C 46),
- the distribution of the during law mandatory dividend (A/C 53.05) and
- the any balance profits to remain «carried forward new» (A/C 49.00).

Additional information:

1. from the mandatory dividend amount €10.000 will be paid to the shareholders in shares.

For this purpose, the approval of the General Meeting of shareholders has been secured by a majority of 65% of the paid-up share capital, as required by the provisions of paras. 2 and 3 of Article 3 of Compulsory Law 148/1967.

2. the decimals of amounts that are required will be rounded to the above or below of the integer unit.

3. The rate tax dividends is 15%.

Note

The solution of the case to be made with the period codes accounts of Greek Accounting Standards (Law 4308/2014 ANNEX c)).

Also, the data concerning the income tax rate, the supplementary tax of 3%, the composition percentages of the General Meeting of shareholders, and the dividend tax rate relate exclusively to the 2015 and 2016 periods referred to in the example.

¹ To be noted, that the tax this has abolished from the 01.01.2014, therefore and was put in force the Law 4172/2013 (Income Tax Code).

Solution

Entries closing of the period 2015

31.12.2015

82.01	Aggregation of income-statement accounts	100.000
82.02	Net gain period (after from taxes)	100.000

Transfer of the credit balance of the account 82.01 to the account 82.02

31.12.2015

82.02	Net gain period (after from taxes)	100.000
49.00	Profit for the year carried forward	100.000

Transfer of the credit balance of the account 82.02 to the account 49

31.12.2015

49.00	Profit for the year carried forward	5.000
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49.01 Loss of previous year 5.000

Offsetting accounting loss previous period with the account profits period carried forward
carried forward

Calculations and entries appropriation results in period 2016

Calculations for to be made the entries period 2016

1. Calculation due advance payment tax (A/C 54.01.03 contra account)

Main and supplementary tax		35.000
Times: advance payment coefficient		100%
Total		35.000
Less: Withheld income tax from interest deposits		500
Income tax advance payment due		34.500

2. Income tax per annual return (A/C54.01.01)

Main and supplementary tax (as given data)		35.000
Plus:		
- Advance payment T. E. following period (as 1 above)	34.500	
- Duties stamp duty real estate (10.000 × 3%)	300	
- OGA contribution (300 × 20%)	60	34.860
		69.860
Less:		
- Advance payment tax previous year	10.000	
- withheld tax interest deposits	500	10.500

Income tax per annual return (A/C 54.01.01)		59.360
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3. Calculation legal reserve (A/C46)

It is solved the equalization calculation of the legal reserve:

the = $(NP-L) \times 5\% = (100.000-5.000) \times 5\% = 4.750$	4.750
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4. Calculation mandatory dividend (A/C 53.05 and 48)

Based on of the article 3 para. 2a) Law 148/1967:

Mandatory dividend = $(NP-L-LR) \times 35\% = (100,000-5,000-4,750) \times 35\%$	31.588
The distribution is made:	
- In cash (A/C 53.05)	21.588
- In shares (A/C 48)	10.000

5. Calculation balance profits carried forward carried forward (A/C 49)

Profits carried forward carried forward = $NP-L-the-mandatory\ dividend = 100.000-5.000-4.750-31.588$	58.662
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Journal entries that must be made after the approval of financial statements from the General Meeting of shareholders of the 30.06.2016

30.06.2016

54.01	Advance payment of income tax year 2015 (contra account)	34.500
54.04	Duties stamp duty	360
54.01	Advance payment of income tax year 2014 (contra account)	10.000
54.01	Withheld income tax (contra account)	500
54.01	Income tax per annual return	24.360

Entry annual return tax income

The credit balance of account 54.01.01 "Income tax per annual return" on 30.06.2016 is €59,360 (€35,000 recorded in the 2015 period and €24,360 recorded on 30.06.2016 after approval of the financial statements by the General Meeting of entity "X").

30.06.2016

49.00	Profit for the year carried forward	36.338
46.00	Legal reserve	4.750
53.05	Dividends payable (21.588 - 21.588 × 15%)	18.350
48.00	Other reserves for increase capital (10.000 - 10.000 × 15%)	8.500
54.03	Withholding tax on distributed dividends	4.738

Appropriation and distribution of profits for the 2015 period and withholding of tax on distributed dividends, after approval of the financial statements by the General Meeting of shareholders of 30.06.2016

31.07.2016

54.01	Income tax per annual return	59.360
38.02	Sight deposits	59.360

Settlement annual return tax income

31.08.2016

54.03	Withholding tax on distributed dividends	4.738
38.02	Sight deposits	4.738

Settlement withheld tax dividends

31.08.2016

53.05	Dividends payable	18.350
38.02	Sight deposits	18.350

Payment of dividends

6. Chapter 6: Conclusion

In this dissertation we analyzed the use of IFRS by Greek companies and compared IFRS to Greek Accounting Standards. The analysis was based on information about the accounting environment, origins and structure of IFRS, adoption process in Greece, the Law 4308/2014 and technical comparison between IFRS and GAS.

In Greece, all economic entities use the Greek Accounting Standards when preparing their financial statements. The only companies that use International Accounting Standards are those that are listed on the stock exchange, as required by law.

With the application of IFRS/IAS, all types of organizations will be able to adapt to the new accounting system and consider the necessary criteria for strengthening working capital. The application of IFRS/IAS allows for a more realistic presentation of financial data, facilitating the process of making investment and strategic decisions. In addition, continuous adaptation to these standards is a necessity for every modern business that is called upon to operate in the internationalized economic environment of our time. However, the use of fair value and the new methods of revenue recognition created challenges for businesses, as they required a higher level of professional judgment.

Furthermore, through the literature review that preceded the above, an effort was made to determine whether the introduction of IFRS/IAS into the Greek economic reality helped the businesses operating within it improve various aspects, such as their financial statements and profitability. The conclusions are that it is much better for a country such as Greece to keep pace with international practice and, by extension, with the International Accounting Standards, since in this way there is harmony between the Greek economy and the corresponding international economy. This helps Greek economic entities avoid falling behind their counterparts abroad.

After presenting the International Accounting Standards & Financial Reporting Standards, we proceeded to present the new Greek Accounting Standards and then compared the two frameworks. The new law on the Greek Accounting Standards constitutes a fundamental reform measure and a particularly beneficial tool for all Greek organizations, as they seek opportunities within the national economy. The Greek Accounting Standards provide a more accurate approach to reality with greater reliability and aim to unify, update, and improve

accounting rules, as defined in the relevant legislative framework. The purpose of this approach is to create an integrated, functional accounting framework that meets the needs of both businesses and other economic entities. At the same time, it addresses the complexity that characterized the previous system. For the first time, all accounting rules are incorporated into a single law, structured based on best international practices, providing a clear and harmonized set of guidelines for businesses and accountants.

The new framework ensures transparency, reliability, and comparability of financial information, thereby contributing to the creation of stable and secure market conditions. The convergence of the Greek Accounting Standards with international practices constitutes an important step toward the harmonization of the country's accounting standards with the International Financial Reporting Standards (IFRS). The relevant law makes the Greek accounting framework compatible with international requirements. The adoption of an accounting system that is understandable to the international market creates an environment of transparency and comparability, facilitating Greek businesses' access to domestic and international markets. By aligning Greek accounting and tax regulations with international practices, Greece now follows the same rules for the preparation of financial statements.

Given the rapid changes in the corporate environment, the application of the Greek Accounting Standards is vital in order to keep pace with the opening of global markets. As a result, Greece can become a more attractive location for foreign investors who wish to assess the economic advantages of investing in the country.

Despite improvements in alignment between GAS and IFRS, differences remain between the two frameworks. Examples include presentation of financial statements, measurement rules for the statement of cash flows, accounting policies, correction of errors, events after reporting period and more. These differences affect recognition of numbers in financial statements and the disclosures available to users.

It is possible to argue that Greek Accounting Standards and International Financial Reporting Standards converge towards common goals. Reliable, comparable and transparent financial reporting are principles shared by both GAS and IFRS. GAS are not identical to IFRS. The differences between them arise because GAS are designed for Greece while IFRS are designed for international capital markets.

To conclude a limitation of this dissertation is the lack of primary research. The conclusions and arguments presented are based on secondary data, including previous studies and analysis of accounting frameworks. This research could examine more recent Greek financial statements or focus on the implications of newer developments to IFRS standards.

This dissertation may serve as a starting point for similar future research on the subject of accounting standards, since, given the frequency with which the data change in anything related to the practice of standards, it is considered certain that the time will soon come when a new analysis of this field will be required.

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Appendix A: “Title of appendix”

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Appendix B: “Title of appendix”

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Author’s Statement:

I hereby expressly declare that, according to the article 8 of Law 1559/1986, this dissertation is solely the product of my personal work, does not infringe any intellectual property, personality and personal data rights of third parties, does not contain works/contributions from third parties for which the permission of the authors/beneficiaries is required, is not the product of partial or total plagiarism, and that the sources used are limited to the literature references alone and meet the rules of scientific citations.