

IFRS: A comparison with Dutch Laws and regulations 2021

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Preface to the 2021 edition

Since 2005, all entities listed on regulated stock exchanges in the European Union have been required to apply EU-endorsed International Financial Reporting Standards (IFRS) to their consolidated financial statements. Dutch legislation allows all entities covered by Part 9 of Book 2 of the Dutch Civil Code to apply IFRS voluntarily instead of Dutch accounting principles. How does the application of accounting principles under IFRS differ from Dutch GAAP? This publication aims to answer that question.

IFRS is prepared by the International Accounting Standards Board (IASB). It comprises the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and amended where necessary by the IASB and the IFRS issued by the IASB, as well as official interpretations (SICs/IFRICs). In order to determine what the application of IFRS means for Dutch companies, we have published a comparison between Dutch laws and regulations and IFRS annually since 2000. This twenty-first edition updates those comparisons and applies to financial statements for 2021.

The publication is meant to serve as an easy-reference manual for the Dutch practice, explaining the differences between financial statements compiled on the basis of Dutch laws and regulations and those compiled in accordance with IFRS. It is also available in Dutch.

It shows where IFRS differ from Dutch laws and regulations, where they are more restrictive and where they supplement them. Using financial statements compiled in accordance with Dutch laws and regulations as a basis, this publication will serve as a tool for understanding the consequences of compiling a set of financial statements based on IFRS. Please refer to the relevant IFRS standard for further details.

This publication is based on Dutch legislation as it was in force at 31 December 2020 and on the 2020 edition of Dutch Accounting Standards for Annual Reporting in the Netherlands issued by the Raad voor de Jaarverslaggeving (Dutch Accounting Standards Board). The new Dutch Accounting Standards in the 2020 edition apply to financial statements for 2021. With regard to the IASB, IAS 1-41, SIC interpretations 1-32, where applicable, IFRS 1-17 and IFRIC 1-23, where applicable as at 1 May 2021, are covered by this publication. They apply (or may be applicable in the case of early adoption of the standard concerned) to financial statements for 2021 (or earlier years).

Unless indicated otherwise, all references to sections of standards and interpretations relate to those mandatory for 2021.

For any questions on how to use this manual, or on any other aspects of rules governing financial statements, please consult your EY accountant, who will be happy to advise you.

Rotterdam, the Netherlands
August 2021

Instructions for use

The contents of this manual are divided into three main parts: the statement of financial position, selected topics and special organisations. Since a number of items are discussed in more than one of these, certain differences may be included more than once.

Several topics relating to the financial statements, such as the directors' report, the audit and the filing of financial statements, are not discussed, as no IFRS currently apply to them.

This publication is based on the requirements for large entities as under IFRS there is no distinction between large, medium-sized and small entities.

This edition does not address the IFRS for SMEs standard published by the IASB in 2009.

Each part first summarises the main differences between Dutch laws and regulations and IFRS in a table, which also contains a conclusion column to quickly assess whether:

- There are any conflicts between Dutch laws and regulations, and IFRS.
- IFRS impose additional rules/require more disclosure.
- The Dutch laws and regulations impose additional rules/require more disclosure.
- IFRS permit fewer options than Dutch laws and regulations, or vice versa.

Conflicts are assumed only if a certain procedure is explicitly prescribed in Dutch laws and regulations but proscribed under IFRS, or vice versa. Only in those cases, an entity will not be able to compile financial statements that comply with both IFRS and Dutch laws and regulations. In all other cases, it is possible to opt for a method of accounting that is allowed under both accounting frameworks.

The differences are then analysed and explained in more detail in the explanatory notes.

While every care has been taken to ensure the accuracy of the contents of this publication, EY cannot guarantee that the list of differences between Dutch laws and regulations and the IASB standards is complete.

Application of IFRS

First-time adoption: general provisions

Financial statements that have been prepared in accordance with IFRS for the first time are currently subject to a special standard (IFRS 1, First Time Adoption of IFRS). The usual standard on changes in accounting policies (IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) does not apply in these situations, since there are no changes within IFRS but rather a transition to IFRS.

IFRS 1 is based on the principle that financial statements prepared on the basis of IFRS for the first time should be compiled as if they had always been prepared in accordance with IFRS. The comparative figures for at least one year must also be restated. The standards applied should be the version of each standard in force on the reporting date of the financial year in which IFRS is applied for the first time. In other words, earlier versions of the standards and related transitional provisions may not be taken into account. The following exemptions are allowed:

- Exemptions from the application of IFRS are given for business combinations effected before the date of the opening statement of financial position of the earliest year presented. For example, no adjustment is required if a merger was carried out or an acquisition was made before the earliest year presented and was accounted for using the pooling-of-interests method, while under IFRS this should have been accounted for as an acquisition. Nor does goodwill charged to equity immediately on a business combination before the date of transition to IFRS need to be capitalised again.
- For property, plant and equipment and certain intangible assets measured at cost, the fair value may be regarded as the deemed cost at the date of transition to IFRS.
- The reserve for exchange differences on foreign entities recognised in equity may be reset to zero at the date of transition to IFRS. Subsequent exchange differences will be recorded under this reserve from that moment on. Any balance existing at the transition date will be recognised in retained earnings.
- Compound financial instruments that have been converted or repaid need not be broken down into debt and equity components.
- If a parent and its subsidiary forming part of the same group do not convert to IFRS simultaneously, the subsidiary does not need to apply IFRS 1 twice.
- Not applying IFRS 2 Share-based Payment to equity instruments granted before 7 November 2002, or vested prior to the date of transition or prior to 1 January 2005, or settled prior to the date of transition.
- Applying the transitional provisions of IFRS 4 Insurance Contracts.
- Not applying IFRIC 1 Changes in Decommissioning, Restoration and Similar Liabilities retrospectively.
- Leases:
 - The option to assess, on the basis of the facts and circumstances existing at the transition date, whether an existing contract contains a lease (IFRS 1, Appendix D, D9) instead of the date on which the lease contract was entered into.
 - The option for a lessee to measure the lease liability at the transition date.
 - For a lessee, there are two possibilities for measuring the right of use at the transition date.

- The option for a lessee to apply one or more of the practical expedients with regard to the discount rate, initial direct costs, short-term leases, leases of low-value assets and also the use of hindsight in a number of specific circumstances.
- Not being required to determine cost retrospectively on first-time adoption of IAS 27 Consolidated and Separate Financial Statements in drawing up the parent's separate financial statements.
- IFRS 9 provides the option, upon initial recognition, of designating a financial asset or a financial liability as a financial asset or a financial liability at fair value through profit or loss, or as an investment in an equity instrument at fair value through other comprehensive income. Despite this requirement, first-time adopters of IFRS may also perform this designation on the transition date, provided the criteria of IFRS 9 are complied with at that date and on the basis of the facts and circumstances at the transition date (IFRS 1, Appendix D, D19-D19C).
- The transitional provisions for IFRS 9 relating to day one profits on financial instruments can be applied.
- The transitional provisions of IFRIC 12 Service Concession Arrangements can be applied.
- The transitional provisions of the revised IAS 23 Borrowing Costs, which made capitalisation of interest costs mandatory, can be applied.
- The transitional provisions of IFRIC 18 Transfers of Assets from Customers.
- The transitional provisions of IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments can be applied.
- Measurement at fair value if the entity's functional currency had been subject to severe hyperinflation prior to the date of first-time adoption of IFRS.
- Upon transition from proportionate consolidation to the equity method following the implementation of IFRS 11, the value as at the beginning of the first period presented should be tested for impairment in accordance with IAS 36, irrespective of whether any indications of impairment existed as at that date. Impairment losses, if any, should be recognised in the other reserves in the opening statement of financial position of the first period presented.
- Stripping costs incurred during the development phase of a surface mine may be capitalised and depreciated proportionately. IFRS 1 is in line with IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine in this respect. The effective date of implementation is 1 January 2013 or any later date if the beginning of the first-time IFRS reporting period is later in time.
- IFRS 9 allows some contracts to buy non-financial assets to be designated at fair value through profit or loss upon initial recognition. First-time adopters are allowed to do so, subject to specific conditions, as at the date of transition rather than at the date of initial recognition.
- The transitional provisions in Section C5 of IFRS 15 are permitted to be applied.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* does not need to be applied to assets, income and expenses in the scope of this interpretation initially recognised before the date of the transition to IFRS (IFRS 1, Appendix D, D36).

In addition, there are a number of exceptions to the principle that each standard has to be applied retrospectively. In some cases, a standard must be applied prospectively as from the date of transition to IFRS:

- At the date of transition, the entity is required to account for all derivatives at fair value in the opening statement of financial position and to derecognise all deferred losses and gains arising on derivatives that were reported as assets and liabilities (IFRS 1, Appendix B, B4). IFRS 1 requires that for the opening statement of financial position, the hedging relationship is to be tested based on the criteria for hedge accounting as stated in IFRS 9.

On that basis a hedging relationship that did not qualify for hedge accounting under IFRS 9 does not qualify for hedge accounting in the opening statement of financial position (IFRS 1, Appendix B, B5). For all other transitional provisions for hedge accounting, IFRS 1 refers to the transitional provisions as set out in IFRS 9.

- An entity adopting IFRS for the first time will be required to apply the derecognition rules of IFRS 9 prospectively. This means that financial assets and liabilities that were derecognised under the prior rules are not recognised in the opening IFRS statement of financial position (IFRS 1, Appendix B, B2). Early adoption of the derecognition rules is also permitted, provided all information that is required for the adoption of IFRS 9 was available at that time.
- Generally, any estimates made under IFRS must be based on estimates used under Dutch accounting principles, unless the estimates were made in error. In other words, hindsight may not be applied.
- In determining the non-controlling interest, a number of changes may not be applied retrospectively.
- In assessing whether a financial instrument may be measured at amortised cost under IFRS 9, the facts and circumstances as at the date of transition must be considered.
- On the date of transition, information must be used that is reasonable, supportable and is available without undue cost to determine the credit risk of a financial instrument on the date of initial recognition (or in the case of irrevocable commitments of loans and financial guarantee contracts on the date on which the first-time adopter became a party to the contract) and to compare it with the credit risk on the date of transition.
- In determining whether embedded derivatives are involved that need to be separated from the overall contract, a first-time adopter may consider the situation as at the later of the two dates set out below:
 - The date on which the first-time adopter first became a party to the contract
 - The date on which a reassessment has to be made under IFRS 9, B4.3.11
- A first-time adopter must classify government loans in accordance with IAS 32 Financial Instruments: Presentation. It must then apply IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing as at the date of transition. In doing so, it may not recognise the corresponding benefit of the government loan at a non-market rate of interest at the time of the transition. An exception to this rule applies if the entity has the information required for measuring a government loan available at the time of taking out the loan in question; in that case, it is allowed to measure the loans retrospectively (IFRS 1, Appendix B, B10-12).
- When assessing whether an embedded derivative must be separated from the host contract and accounted for separately as a derivative, a first-time adopter is required to base itself on the conditions that existed at the later of the date when the entity first became a party to the contract and the date when reassessment is required pursuant to paragraph B4.3.11 in IFRS 9 (IFRS 1, Appendix B, B9).
- Many of the transitional provisions in IFRS 17 Insurance contracts also apply to first-time adopters (IFRS 1, Appendix B, B13).

IFRS 1, Appendix E also states a number of short-term exemptions:

- If the financial year in which the entity applies IFRS for the first time commences before 1 January 2019, a first-time adopter can opt to prepare the comparative information in accordance with DAS instead of in accordance with IFRS 7 or IFRS 9. Applying this exemption requires additional disclosure.
- If the transition date to IFRS is before 1 July 2017, a first-time adopter can opt not to apply IFRIC 23 in the comparative information. The cumulative effect of the first-time adoption of IFRIC 23 will then be accounted for in the opening equity of the financial year in which IFRS is adopted. Supposing that an entity transitions to IFRS for the financial year 2018, the transition date will in that case be 1 January 2017. The effect of the adoption of IFRIC 23 will in that situation be accounted for in the opening statement of financial position as at 1 January 2018.

Summary of main points

In this publication, a comparison is made between Dutch laws and regulations, and International Financial Reporting Standards. The basic assumption has been to establish to what extent financial statements prepared under Dutch laws and regulations can comply with IASB requirements. There are differences between the two in a large number of areas. These differences are briefly set out in this summary. They are subdivided into differences relating to:

- Accounting policies (measurement)
- Presentation of information (presentation)
- Information to be disclosed (disclosure)

This document also indicates whether a difference leads to a conflict or whether the requirements are stricter.

The differences are listed according to subject. In certain cases, this may lead to duplication since certain subjects relate to various items on the statement of financial position (e.g., to both financial assets and receivables under current assets). The tables below are drawn up on the basis of the Dutch Accounting Standards for Annual Reporting in the Netherlands (DAS), IAS, IFRS and Interpretations that are compulsory. They do not include the revised standards and interpretations that can be applied voluntarily in 2021.

Differences identified in the 2021 edition (financial statements for 2021) compared with previous editions of this publication

	Conflicting					IFRS stricter					Dutch laws and regulations stricter				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Measurements	92	90	89	88	67	171	167	167	158	171	60	59	57	56	58
Presentations	20	19	20	23	19	37	38	35	34	33	43	46	39	37	31
Disclosure	–	–	–	–	–	68	68	65	50	55	48	38	44	27	27
Total	112	109	109	111	86	276	273	267	242	259	151	143	140	120	116

This table shows that the number of differences is relatively stable. In the past few years, the increase has been primarily attributable to new standards for financial instruments (IFRS 9), revenue recognition (IFRS 15) and leases (IFRS 16).

The differences identified on the basis of current DAS are found in all areas. Some subjects show a large number of differences from the IASB standards.

The conflicts in measurement and recognition requirements under the present DAS are shown in the following table. The table also shows by means of footnotes, where necessary, which conflicts will be eliminated if draft DASs are converted into final DASs.

Subject	Conflict in measurement and recognition requirements	Chapter
Intangible assets	Under IFRS, intangible assets with indefinite useful lives are not amortised, whereas Dutch laws and regulations apply the principle that useful life is always determinable, together with a rebuttable presumption of a maximum useful life of twenty years.	1, 1.1
	If measured at current value, measurement under DAS is at current cost, unless the recoverable amount is lower. IAS 38.75 interprets current value as fair value.	1, 1.5
	IFRS requires annual impairment testing of intangible assets with indefinite useful lives, whereas Dutch laws and regulations require such testing of intangible assets being amortised over a period exceeding twenty years.	1, 1.7
	Under Dutch laws and regulations, the valuation of intangible assets received in a business combination for which there is no active market cannot result in negative goodwill or an increase in negative goodwill. Under IFRS, no restrictions apply with regard to the amount that can be capitalised.	1, 1.10 20, 2.13
Property, plant and equipment	Under IFRS, the current value should only be interpreted as fair value, whereas under Dutch laws and regulations – depending on the situation – the current cost, or lower recoverable amount (higher of value in use or realisable value) should be used as the current value.	2, 1.1
	Under IFRS, if a change in accounting policy from the cost model to the revaluation model takes place, this is required to be accounted for prospectively whereas under Dutch laws and regulations, this is required to be accounted for retrospectively in accordance with the general requirements for changes in accounting policies.	2, 1.2 25, 1.1
	If, in the case of a change in accounting policy from current value to historical cost, the transitional provision for applying prospective recognition has been used, the carrying amount at the end of the previous financial year is taken as the basis for historical cost under Dutch laws and regulations. This transitional provision does not apply under IFRS and the general requirements for changes in accounting policies apply.	2, 1.3
	Under IFRS, non-current assets held for sale are not amortised or depreciated but are subject to an impairment test. Dutch laws and regulations do not stipulate any specific rules and require that the amortisation or depreciation of non-current assets not be discontinued.	2, 1.7
	In accounting for restoration costs as part of the carrying amount of the asset (mandatory under IFRS), a change in the amount of the expected restoration costs when applying the revaluation model or current value model, respectively, leads to changes in the revaluation reserve under IFRS, but not under Dutch laws and regulations.	2, 1.13
	Under IFRS, fair value is required to be applied for the measurement of biological assets. Under Dutch laws and regulations, there is a choice between current value and cost. The definition of current value differs from that in IFRS.	2, 1.15

Subject	Conflict in measurement and recognition requirements	Chapter
Property, plant and equipment (continued)	Under IFRS, (in principle) all leases must be accounted for in the statement of financial position. This requirement does not apply under Dutch laws and regulations. IFRS no longer distinguishes between finance and operating leases from the lessee's perspective.	2, 1.16 24, 1.4
	In the event of disposal, a consideration required to be recognised in profit or loss as a result of derecognition of an item of property, plant and equipment is determined in accordance with the principles for determining the transaction price under IFRS 15. Under Dutch laws and regulations, a consideration to be received upon disposal of an item of property, plant and equipment is, in principle, accounted for at fair value.	2, 1.18
Investments in subsidiaries/associates	Under Dutch laws and regulations, interests in group companies and investments in associates over which significant influence is exercised are carried at net asset value in the separate financial statements. Under IAS 27, they are to be carried based on the equity method, at cost or fair value.	4, 1.1
	According to Dutch laws and regulations, participating interests and participating interests where significant influence is exercised must be stated at net asset value (in some cases perhaps the net asset value disclosed in the statement of financial position) in the consolidated financial statements. Pursuant to IAS 28, such participating interests must be valued using the equity method (in some cases perhaps at cost or fair value).	4, 1.2
	Pursuant to Dutch laws and regulations, if potential voting rights have substance they must be taken into account when determining whether significant influence exists. IAS 28.7/8 requires the potential voting rights to be exercisable or convertible at the reporting date. The intention and the financial ability to exercise them do not play a part.	4, 1.5
	Pursuant to Dutch laws and regulations, dividends which can be deemed to have been included in the purchase price of securities are deducted from the purchase price. Under IFRS, all distributions from associates or group companies are recognised as income, even if these arise from accumulated profits of the associate before the acquisition.	4, 1.6 16, 1.13
	If part of an investment in an associate is sold, with the investor ceasing to have significant influence over the associate as a result, IFRS requires that the associate be derecognised and the difference between the carrying amount of the investment and proceeds from disposing of the part interest in the associate plus the fair value of any retained investment be recognised in profit or loss. Under Dutch laws and regulations, such investments are carried at the last-known net asset value.	4, 1.8
	If IFRS is applied, participating interests presented as held for sale are stated at carrying amount or fair value less cost to sell. According to Dutch laws and regulations there is no change in value.	4, 1.10
	Other financial assets	If bonds are measured at fair value and the changes in value are accounted for via the revaluation reserve, Dutch laws and regulations do not permit a negative revaluation reserve. By contrast, a negative revaluation reserve is permitted under IFRS.

Subject	Conflict in measurement and recognition requirements	Chapter
Other financial assets (continued)	If investments in equity instruments are measured at fair value and changes in value are taken through other comprehensive income, they are transferred to profit or loss when realised. A negative revaluation reserve is not permitted. No recycling through profit or loss applies under IFRS. A negative revaluation reserve is permitted.	5, 1.15
	Under IFRS, expected credit losses on debt instruments at fair value through other comprehensive income must always be taken into account. Credit losses are not accounted for separately under Dutch laws and regulations.	5, 1.12
Construction contracts	The attribution of revenue is based on transfer of control under IFRS and on transfer of risk and rewards under Dutch laws and regulations.	7, 1.2
	Under IFRS, costs are charged to profit or loss when incurred (unless the capitalisation criteria have been met). Under Dutch laws and regulations, costs incurred are charged to profit or loss in proportion to the work performed (percentage of completion method).	7, 1.3
Current assets: receivables	If purchased loans and bonds are measured at fair value and changes in value are taken through the revaluation reserve, a negative revaluation reserve is not permitted under Dutch laws and regulations. By contrast, a negative revaluation reserve is permitted under IFRS.	8, 1.3
	Under IFRS the embedded derivative is part of the assessment of the relevant category (and therefore the subsequent measurement) on the basis of the financial asset in its entirety. Dutch laws and regulations provide rules on whether or not to separate and separately measure the embedded derivative.	8, 1.6
Current assets: securities	Under IFRS, changes in value of investments in listed equity instruments are required to be recognised in profit or loss or in other comprehensive income. The latter changes in value may subsequently not be taken to profit or loss (no recycling). Under Dutch laws and regulations, the changes in value are required to be taken to profit or loss directly, or initially to a revaluation reserve within equity and to profit or loss when realised. A negative balance of the revaluation reserve is not permitted, while it is possible under IFRS.	9, 1.2
	Under IFRS, changes in value of investments in non-listed equity instruments measured at fair value are required to be recognised in profit or loss or in other comprehensive income. The latter changes in value may subsequently not be taken to profit or loss (no 'recycling'). Under Dutch laws and regulations, the changes in value are required to be recognised in profit or loss directly, or initially in a revaluation reserve within equity and to profit or loss when realised. A negative balance of the revaluation reserve is not permitted, while it is possible under IFRS.	9, 1.4
	Under IFRS, changes in value of bonds at fair value are recognised, depending on the category (subsequent measurement), in profit or loss or other comprehensive income with recycling. Under Dutch laws and regulations, these changes in value are required to be recognised in profit or loss directly, or initially in a revaluation reserve within equity and to profit or loss when realised. A negative balance of the revaluation reserve is not permitted.	9, 1.6

Subject	Conflict in measurement and recognition requirements	Chapter
Current assets: securities (continued)	Under IFRS, the embedded derivative is part of the assessment of the relevant category (and therefore the subsequent measurement) on the basis of the financial asset in its entirety. Dutch laws and regulations provide rules on whether or not to separate and separately measure the embedded derivative.	9, 1.8
Provisions	Under Dutch laws and regulations, reimbursements received from third parties to settle provisions should be recognised if it is probable that the reimbursement will be received. Under IFRS, they should be recognised only if it is virtually certain that reimbursement will be received.	12, 1.2
Employee benefits	IFRS requires a risk approach and Dutch laws and regulations a liabilities approach to pensions.	13, 1.2
	Under IFRS, pension costs are calculated actuarially. Under Dutch laws and regulations, pension costs include the contribution payable.	13, 1.3
	DAS requires changes in accounting estimates to be recognized in profit or loss, whereas IFRS requires them to be recognised in other comprehensive income.	13, 1.4
	Under IFRS, an early retirement plan should be recognised as a post-employment benefit in the event of effective lowering of the retirement age, or as a termination benefit in the case of a non-recurring liability as part of a reorganisation. Under Dutch laws and regulations, an early retirement plan should be recognised under other long-term benefit.	13, 1.5
Provision for deferred taxation	Under IFRS, the acquirer must recognise a deferred tax asset relating to tax losses through profit or loss. Under Dutch laws and regulations, such a deferred tax asset should be recognised through goodwill.	14, 1.3
	Under IFRS, acquired deferred tax assets recognised at a later stage are taken to goodwill if they are recognised on the basis of new information on the situation at the acquisition date within one year of the acquisition date. Under Dutch laws and regulations, the deferred tax assets are recognised through profit or loss, with the goodwill being written off simultaneously through profit or loss.	14, 1.4
Statement of profit or loss	IFRS 15 is based on the recognition of revenue upon transfer of control over goods or services. Dutch laws and regulations are based on the transfer of economic risks and rewards.	16, 1.2
	Under IFRS, the decisive factor in determining whether an entity is a principal or an agent is whether the principal has control over those goods and services. Under Dutch laws and regulations, the decisive factor is whether the principal has the significant rights to rewards and significant risks with regard to the goods and services.	16, 1.3
	Under IFRS, variable consideration is recognised only if it is highly probable that this revenue will not need to be reversed. Under Dutch laws and regulations, the amount of the revenue is determined on the basis of the fair value of the consideration.	16, 1.5
	Under IFRS, transfer of control is the decisive factor for sales transactions with buy-back or resale agreements. Under Dutch laws and regulations, transfer of all significant rights to economic benefits and all significant risks is the decisive factor.	16, 1.7

Subject	Conflict in measurement and recognition requirements	Chapter
Consolidation	Under IFRS, a non-controlling interest can have a deficit balance. Under Dutch laws and regulations, this portion is attributed to the majority shareholder unless and to the extent that the minority shareholder is obliged, and is able, to make up those losses.	19, 1.9
Business combinations (incl. goodwill)	IFRS only allows the acquisition method for accounting for business combinations. Under Dutch laws and regulations, depending on the actual circumstances, the acquisition method is used for acquisitions and the pooling of interests method for pooling of interests.	20, 2.1
	Under IFRS 3, costs relating to acquisitions are recognised directly in profit or loss. Dutch laws and regulations stipulate that such costs be presented as part of the acquisition price.	20, 2.4
	Under IFRS 3, the contingent liability is measured at fair value. If the contingent liability is a financial instrument and is classified as an equity instrument, subsequent changes in fair value are not recognised. If the contingent liability is a financial instrument and is classified as a debt instrument or is not a financial instrument, subsequent changes in fair value are recognised in profit and loss. Under Dutch laws and regulations, account must be taken in determining the acquisition price of an uncertainty insofar as a change of the acquisition price on the acquisition date is likely and its amount can be reliably determined. The changes are recognised in the year (or the years) in which the changes of the accounting estimates were made and/or the actual payments were received or made, respectively. Comparative figures are not restated. The change of the acquisition price impacts the amount of goodwill. At the time of the change, the change in the uncertain acquisition price is adjusted with regard to the goodwill and the adjusted goodwill is subsequently written off prospectively.	20, 2.5
	Under IFRS, when determining the cost of a business combination involving a subsequent change in the consideration, this must be recognised under the regular standards IAS 32 and IFRS 9. Under Dutch laws and regulations, this leads to a change in share premium on original share issue.	20, 2.6
	Upon recognition and measurement of (intangible) assets under IFRS, the probability requirement that future economic benefits are obtained is part of the measurement process. Under Dutch laws and regulations, the probability requirement is a separate requirement that needs to be met.	20, 2.7
	Under IFRS, a deferred tax asset is recognised as a tax gain in profit or loss after the acquisition. Under Dutch laws and regulations, such a deferred tax asset is charged to goodwill.	20, 2.9
	Under IFRS 3, a provision for restructuring costs should not be recognised unless the costs meet the definition of liabilities at the acquisition date. Under Dutch laws and regulations, the acquirer must have plans with regard to the acquiree's activities that give rise to a liability as a direct consequence of the acquisition. This is subject to compliance with strict conditions.	20, 2.10

Subject	Conflict in measurement and recognition requirements	Chapter
Business combinations (incl. goodwill) (continued)	In the case of an acquisition, under IFRS, contingent liabilities are recognised at fair value in the acquiree's acquisition statement of financial position. Under Dutch laws and regulations, such contingent liabilities are not recognised.	20, 2.11
	If goodwill is purchased on business combinations, such goodwill is capitalised, not amortised, with an impairment test to be carried out annually, under IFRS 3. Under Dutch laws and regulations, goodwill must be capitalised and systematically amortised based on the useful life.	20, 2.15
	If an acquirer deducted positive goodwill directly from its equity when recognising an acquisition, when the acquiree is sold in full or in part the written-off positive goodwill must be reversed and recognised as part of the result on sales. This is not dealt with in IFRS.	20, 2.16
	If negative goodwill arises on acquisitions, under IFRS 3 such negative goodwill must be immediately recognised in profit or loss. Under Dutch laws and regulations, it must be recognised under liabilities, with specific rules for the release of such goodwill.	20, 2.17
	Under Dutch laws and regulations, the reversal of a provision for restructuring costs recognised in the case of an acquisition must result in an adjustment to goodwill, irrespective of the period that has lapsed since the acquisition was made. Under IFRS, this must be recognised in profit or loss.	20, 2.20
	If an acquirer recognises a deferred tax asset of the acquiree not recognised at the acquisition date at a later date, under IFRS, such a deferred tax asset is charged to goodwill only if it is recognised in the measurement period, based on new information on the actual situation as at the acquisition date. In all other cases, the deferred tax asset is recognised in profit or loss. Under Dutch laws and regulations, such a deferred tax asset is recognised in profit or loss, with simultaneous goodwill impairment charged to profit or loss.	20, 2.21
	Under IFRS, goodwill is the difference between the total of the acquisition prices, any non-controlling interests, the acquisition-date fair value of equity interest previously held, and the acquisition-date fair value of underlying assets and liabilities. Previously held equity interests (including goodwill) must be revalued, and the revaluation is recognised in the statement of profit or loss (revaluation reserve to be formed in separate financial statements), and in connection with which reserves relating to previously held equity interests are reclassified to the statement of profit or loss or transferred to other reserves. Under Dutch laws and regulations, goodwill is the difference between the sum of the acquisition prices of separate transactions and any non-controlling interests, and the sum of the fair value of the underlying assets and liabilities of the separate transactions. Underlying assets and liabilities (excluding goodwill) of previously held equity interests may be revalued; the revaluation is recognised in the revaluation reserve.	20, 2.22
	IFRS 3 makes no reference to pooling of interests. Under IFRS, the pooling of interests method is only used in mergers and acquisitions under common control. Under Dutch laws and regulations, accounting for a pooling of interests is required.	20, 2.23

Subject	Conflict in measurement and recognition requirements	Chapter
Joint ventures	IFRS classify a joint arrangement either as joint ventures or as joint operations and a mandatory method of accounting for each of these. Dutch laws and regulations classify a joint arrangement as joint venture, for which they offer an accounting policy choice between proportional consolidation and valuation at net asset value. The difference in definition may give rise to conflicts.	21, 1.2
	IFRS does not contain any specific rules on the measurement of assets contributed in joint ventures, so that the general rules for recognition of assets and liabilities apply. Under Dutch laws and regulations, the initial measurement of assets contributed in a joint venture must be at fair value.	21, 1.3
	Under IFRS, joint ventures held for sale must be measured at the lower of the last-known carrying amount using the equity method and fair valueless costs to sell. Dutch laws and regulations require joint ventures to continue to be measured at net asset value.	21, 1.6
Foreign currencies	Under IFRS, exchange differences relating to qualifying receivables are recognised in the statement of profit or loss when measuring participating interests at cost. Under Dutch laws and regulations, the exchange differences are recognised in the reserve for translation differences.	22, 1.2
	If control is lost, with part of the interest being retained, cumulative translation adjustments are reclassified in full to profit or loss under IFRS. Dutch laws and regulations provide for proportionate reclassification (to profit or loss or to other reserves) of translation adjustments based on partial disposal, irrespective of the extent of control, or whether or not control is lost.	22, 1.4
Financial instruments	Under IFRS, equity instruments are measured at fair value through profit or loss or directly through other comprehensive income (without recycling). Under Dutch laws and regulations, listed equity instruments are valued at fair value through profit or loss directly or through the revaluation reserve. Non-listed equity instruments are valued at cost, or at fair value through profit or loss or through the revaluation reserve; this is an accounting policy choice.	23, 1.3
	Under IFRS, the measurement and determination of results of debt instruments depends on the specific category to which an instrument belongs. Specific categories are distinguished that are decisive in measurement at amortised cost, fair value through profit or loss or fair value through other comprehensive income (with recycling). Fair value through profit or loss is allowed (fair value option) if a number of conditions are met. Generally, changes in value of financial liabilities resulting from the own credit risk are recognised in equity ("OCI"). Under Dutch laws and regulations, there is an option for certain items to apply fair value through profit or loss or through equity.	23, 1.5
	There is no general fair value option under Dutch laws and regulations, but fair value through profit or loss is allowed for all financial assets, with the exception of loans granted and receivables. Other financial liabilities (not trading portfolio, not derivatives) are required to be measured at amortised cost.	23, 1.5

Subject	Conflict in measurement and recognition requirements	Chapter
Financial instruments (continued)	Under IFRS, depending on the category, decreases in value are recognised in the statement of profit or loss or through equity (OCI), in connection with which a negative revaluation reserve is possible. Under Dutch laws and regulations, decreases in value to below cost are required to be recognised in the statement of profit or loss: a negative revaluation reserve is not possible.	23, 1.7
	Under IFRS, separation may be required for embedded derivatives for financial liabilities and non-financial instruments. Embedded derivatives in financial assets are not separated, but the instrument in its entirety is measured in most cases at fair value through profit or loss. Under Dutch laws and regulations, separation may be required both for financial assets and financial liabilities as well as non-financial instruments.	23, 1.11
	Under IFRS, all changes in fair value (including impairments) of equity instruments are recognised in the statement of profit or loss or in equity ("OCI") (option, if not held for trading). Reversal of impairments therefore does not apply. Under Dutch laws and regulations, reversal of impairments of equity instruments is allowed.	23, 1.13
	Under IFRS, reversal of impairments is possible for debt instruments, on the basis of the <i>expected loss</i> model. Under Dutch laws and regulations, reversal of impairments is likewise possible for debt instruments, but on the basis of the <i>incurred loss</i> model.	23, 1.13
Leasing	IFRS and Dutch laws and regulations have different specific conditions for contract combinations.	24, 1.3
	Under IFRS, classification of subleases by the lessor is based on the right of use asset. Under Dutch laws and regulations, classification is based on the underlying asset.	24, 1.6
	Under IFRS, the separation of lease components and non-lease components is based on relative stand-alone selling prices. Under Dutch laws and regulations, the separation is applied on the basis of relative fair values. In practice, this will often lead to similar outcomes.	24, 1.9
	Under IFRS, in assessing whether a sale-and-leaseback meets the conditions for revenue recognition, an analysis is required of whether performance obligations under IFRS 15 are met. Under Dutch laws and regulations, there is no relationship with DAS 270 on revenue recognition.	24, 1.20
	Under IFRS, gain or loss from a sale-and-leaseback is recognised proportionally for the part that is not leased back. Under Dutch laws and regulations, if the fair value exceeds the carrying amount, a gain is in principle realised for the difference.	24, 1.21
Government grants, emission rights, service concessions and levies	Under IFRS, the general rules for loan facilities apply to development loans. Under Dutch laws and regulations, if repayment of a development loan received depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs. Repayment of the loan principal and interest must be recognised in cost of sales.	28, 1.2

Subject	Conflict in measurement and recognition requirements	Chapter
Earnings per share and other ratios, key figures and multi-year summaries	IAS 33 does not distinguish between a business combination that can be classified as a business acquisition and a business combination that can be classified as a pooling of interests. DAS does make this distinction, however, with the number of shares being adjusted for prior periods in the case of pooling of interests. Accordingly, the calculation of earnings per share differs.	29, 1.2
	When calculating the diluted earnings per share for contracts that may be settled in ordinary shares or cash, the DAS do not distinguish between the issuing entity or holder of the instrument/contract upon recognition, whereas IFRS does make this distinction, as a result of which the calculation of earnings per share differs.	29, 1.4
	Whether potential ordinary shares lead to a dilution of earnings per share and are therefore included in the calculation of diluted earnings per share is determined on the basis of the effect on profit or loss from continuing operations under IAS 33 and on the basis of the profit or loss (including discontinued operations) under Dutch laws and regulations.	29, 1.5
Events after the reporting period	Under Dutch laws and regulations (Combination 1 and 2), events providing additional information on the situation at the reporting date taking place in the period between the preparation of the financial statements up to the date on which the financial statements are adopted should be presented in the financial statements if this is essential to provide a true and fair view. IFRS does not recognise this specific period, which means that any events taking place after the preparation of the financial statements by the board of management are not taken into account in the financial statements.	30, 1.1
	Under IFRS, recognition of a dividend on preference shares depends on their classification in the statement of financial position. Under Dutch laws and regulations, dividend should be recognised as a liability if sufficient freely distributable reserves are available.	30, 1.3
Discontinued operations and disposal of (groups of) assets	Under Dutch laws and regulations, assets are depreciated up to the time that they are actually sold. Under IFRS, depreciation is no longer recognised as from the time an asset is classified as held for sale/distribution.	32, 1.3
Share-based payments (including employee share options)	IFRS 2 applies specific rules for accounting for 'non-vesting conditions'. No such specific rules apply under Dutch laws and regulations.	33, 1.6
	Under Dutch laws and regulations, related payroll tax is treated as cash-settled share-based payments. Under IFRS, there is a specific exception due to which payments can in some cases nonetheless be treated as equity-settled share-based payments.	33, 1.11
Investment institutions	Pursuant to IFRS, costs of issuing or purchasing units which are charged separately to investors are recognised in profit or loss if the participating interests are presented as liabilities and recognised in equity if the participating interests are presented as equity. Under Dutch laws and regulations, they are recognised in profit or loss.	36, 1.3

Subject	Conflict in measurement and recognition requirements	Chapter
Investment institutions (continued)	Pursuant to IFRS, costs of incorporation and/or emission (open-end investment entity) which are charged separately to investors are recognised in profit and loss if the participating interests are presented as liabilities and recognised in equity if the participating interests are presented as equity. Under Dutch laws and regulations, they are recognised in profit or loss.	36, 1.3
	Under IFRS, a listed investment institution is required to present basic and diluted earnings per unit for each type of unit. Under Dutch laws and regulations, the calculation per unit is required to be based on the number of units outstanding with third parties at the time of measurement, for which purpose open-end investment entities take account of the requirements relating to accounting for purchase and (re)issue of own units and dividend distributions.	36, 1.6
Insurance companies	Under Dutch laws and regulations, owner-occupied property is always qualified as an investment. Measurement at cost is not customary but is allowed. If measured at market value, changes in value are recognised in profit or loss and no depreciation is applied. Under IFRS, owner-occupied property is required to be measured at cost or revalued value. If measured at revalued value, changes in value are recognised in equity and depreciation is applied, and accumulated revaluations remain in equity when realised.	38, 1.2

The conflicts in presentation requirements are shown in the following table:

Subject	Conflict in presentation	Chapter
Intangible assets	Under IFRS, non-current assets held for sale are presented separately.	1, 2.2
Property, plant and equipment	Under Dutch laws and regulations, such assets continue to be classified under non-current assets.	2, 2.2 3, 2.2
Investment property of		4, 2.3
Investments in associates		21, 2.1
Joint ventures		32, 2.1
Disposal groups		
Investments in associates	On the initial measurement of an associate based on the equity method, goodwill under IAS 28 is included under investments in associates. Goodwill is not subsequently amortised. Under Dutch laws and regulations, goodwill is presented separately as an intangible asset and amortised.	4, 2.2 20, 3.1
Construction contracts	Under IFRS, no strict requirement applies to present a positive balance of construction contracts in a separate line item for construction contracts in the statement of financial position. Under Dutch laws and regulations, a separate statement of financial position item for construction contracts is recognised between inventories and receivables.	7, 2.1
	Under IFRS, a negative balance on construction contracts resulting from an onerous contract is presented as a provision. Under Dutch laws and regulations, this is presented as a liability in that case.	7, 2.2
Provisions	Under IFRS, provisions are recognised under liabilities. Under Dutch laws and regulations, provisions are recognised separately between equity and liabilities.	12, 2.1
	Under IFRS, provisions that are part of a 'disposal group held for sale' are recognised in a separate class 'liabilities included in disposal group'. This requirement does not apply under Dutch laws and regulations, which require the customary presentation to be applied (as a separate class between equity and non-current liabilities).	12, 2.12
Income tax	Under Dutch laws and regulations, deferred tax liabilities are presented as a provision. Under IFRS, they are presented as a liability.	14, 2.2
Liabilities	Under IFRS, liabilities primarily held for trading purposes should be presented as current liabilities, regardless of when they are payable. Dutch laws and regulations stipulate that liabilities should be classified under non-current liabilities if they are payable after more than one year.	15, 2.4
Statement of profit or loss	Under IFRS, changes in non-controlling interests are recognised in other comprehensive income. Under Dutch laws and regulations, such changes are not recognised in other comprehensive income.	16, 2.4

Subject	Conflict in presentation	Chapter
Statement of cash flows	IFRS applies no distinction for lessees between finance or operating leases. Under IFRS, there will often be comparatively higher cash flow from operating activities (less operating cash outflows) and lower cash flow from financing activities (more financing cash outflows). Under Dutch laws and regulations, (all) payments for leases classified as operating lease are qualified as cash flows from operating activities. Under IFRS, only payments for short-term leases and low-value leases, as well as variable lease payments that are not included in the lease liability, are presented as cash flows from operating activities.	17, 2.3
	IFRS requires presentation as an investing activity on obtaining/losing control and presentation as financing activity on purchase/sale of non-controlling interests; in certain circumstances as operating or financing activity on pay-out of an earn-out scheme. Under Dutch laws and regulations, presentation as investing activity is required in all cases.	17, 2.4
	Under Dutch laws and regulations, expenditure relating to directly attributable acquisition costs is presented under investing activities. Under IFRS, this is presented under operating activities.	17, 2.5
Mergers, acquisitions and goodwill	Under Dutch laws and regulations, goodwill is presented separately in the separate financial statements if participating interests are valued at net asset value. If participating interests are valued based on the equity method when Combination 3 is applied, or if they are valued at the acquisition price by applying Section 2:408 of the Dutch Civil Code, no separate presentation takes place, with the goodwill included in the value of the participating interest. Under IFRS, goodwill is always included in the value of the participating interest.	20, 3.1
Events after the reporting period	Under Dutch laws and regulations, the presentation of the preference dividend to be distributed takes place independently of the classification of the preference shares. Under IFRS, the classification of the preference dividend to be distributed follows the classification of the preference shares.	30, 2.1
Discontinued operations	IFRS requires separate presentation of assets 'held for sale'/ distribution and disposal groups. Under Dutch laws and regulations, the regular presentation requirements continue to apply, although there is a category 'property, plant and equipment not in use' under property, plant and equipment (tangible fixed assets).	32, 2.1
Investment entities	Under Dutch laws and regulations, a subclassification is applied in the statement of cash flows into cash flows from investing activities and financing activities. IFRS applies no specific rules for investment entities and therefore the regular format of the statement of cash flows must be used under IFRS.	36, 2.4

Formats of separate financial statements

There is a range of possible formats for the separate financial statements, depending on which system of rules is applied (DAS or IFRS) and whether there are also consolidated financial statements.

The following forms can be distinguished:

- Individual financial statements based on DAS; this is not discussed in this publication.

- Individual financial statements based on IFRS (which also need to comply with several DAS requirements); see below under A.
- Separate financial statements if consolidated financial statements are also prepared on the basis of DAS (Combination 1): this is not discussed in this publication.
- Separate financial statements if consolidated financial statements are also prepared on the basis of IFRS:
 - Combination 2: see below under B
 - Combination 3; see below under C
 - Combination 4: see below under D

A. Individual financial statements on the basis of IFRS

Even if there are no consolidated financial statements, the legal entity can opt to prepare its individual financial statements on the basis of IFRS. The individual financial statements must then comply in full with the IFRS requirements; IAS 27 concerning 'separate financial statements' does not apply; these are 'individual financial statements'. IAS 28 (measurement of associates) and IFRS 11 (joint arrangements) apply in full. In addition, a number of specific provisions of Part 9 Book 2 of the Dutch Civil Code continue to apply. To the extent that Dutch laws and regulations relate to matters that are outside the scope of the IAS regulation, Dutch laws and regulations will continue to apply in full.

Examples include, besides the rules for capital protection, the directors' report (Section 2:392 of the Dutch Civil Code), the audit (Section 2:393 of the Dutch Civil Code) and the filing (Section 2:394 and Section 2:395 of the Dutch Civil Code) (DAS 100.110).

B. Separate financial statements if consolidated financial statements are also prepared on the basis of IFRS: Combination 2

In the case of this combination, the separate financial statements comply in full with Dutch laws and regulations without application of the option (Combination 3) to apply the IFRS policies applied in the consolidated financial statements. The reason is that the separate financial statements will have to comply in full with Dutch laws and regulations because net asset value must be based in full on the policies of valuation and determining results of Part 9 of the Dutch Civil Code. This means that different accounting systems (for instance, other accounting for goodwill) have to be maintained in parallel for the consolidated financial statements and the separate financial statements. This combination will often lead to a difference between separate and consolidated equity and net result. This combination is not often applied in practice.

C. Separate financial statements if consolidated financial statements are also prepared on the basis of IFRS: Combination 3

Under Section 2:362 (8) of the Dutch Civil Code, it is possible to prepare the consolidated financial statements on the basis of EU-IFRS in combination with the separate financial statements pursuant to Part 9 of Book 2 of the Dutch Civil Code, for which purpose the accounting policies will be applied that the legal entity also applied in the consolidated financial statements. The legislator created the option of applying the accounting policies that are applied in the consolidated IFRS financial statements in the separate financial statements as well in order to make it possible to keep equity pursuant to the separate financial statements equal to equity pursuant to the consolidated financial statements. The accounting policies also include the classification principles that affect the distinction between equity and debt.

D. Separate financial statements if consolidated financial statements are also prepared on the basis of IFRS: Combination 4

One requirement under this combination is that the consolidated and the separate financial statements must each separately comply with the IFRS requirements. It is acceptable to refer to the consolidated financial statements for the policies for valuation and determining results in the separate financial statements. In addition, a number of specific provisions of Part 9 Book 2 of the Dutch Civil Code continue to apply, to the extent that Dutch laws and regulations relate to matters that are outside the scope of the IAS regulation.

Examples include, besides the rules for capital protection, the directors' report (Section 2:392 of the Dutch Civil Code), the audit (Section 2:393 of the Dutch Civil Code) and the publication (Section 2:394 and Section 2:395 of the Dutch Civil Code) (DAS 100.110) The Annual Accounts Formats Decree does not apply if the entity has opted for Combination 4.

Dutch rules that continue to apply if IFRS is applied

Even in the case of full application of IFRS, certain Dutch rules continue to apply, both in the consolidated and the separate financial statements. Although IFRS comprises an extensive set of reporting requirements, this does not mean that all topics covered in Part 9 of the Dutch Civil Code are also addressed in IFRS.

The provisions of Part 9 referred to in Section 2:362 (9) of the Dutch Civil Code that continue to apply if IFRS is applied can be summarised as follows:

- Section 2:362 (6) of the Dutch Civil Code, in the penultimate complete sentence, provides that, if it becomes apparent after the general meeting of shareholders that the financial statements are seriously defective in providing the required view, the management shall, without delay, inform the members or shareholders thereof and provide information thereon to the office of the commercial register. If the financial statements have been audited in accordance with Section 2:393 of the Dutch Civil Code, such information shall be accompanied by an auditor's report.
- Section 2:362 (7), of the Dutch Civil Code provides, in the last complete sentence, that the items shall be described in the Dutch language, unless the general meeting has resolved to use another language.
- Section 2:362 (10) of the Dutch Civil Code provides that the legal entity shall state in the notes which standards the financial statements have been prepared in compliance with.
- Section 2:379 (1) and (2) of the Dutch Civil Code comprises requirements for the disclosure of information on interests in other legal entities and enterprises.
- Section 2:380b (d) of the Dutch Civil Code concerns the obligation to disclose the Chamber of Commerce number of the reporting entity.
- Section 2:382 BW concerns the disclosure of the average number of employees working for the legal entity during the financial year, broken down in accordance with the manner in which the business is organised. The company shall also state the number of employees working outside the Netherlands.
- Section 2:382a of the Dutch Civil Code concerns the disclosure of the total fees in the financial year charged to the legal entity for the audit of the financial statements, total fees for other audit engagements, total fees for tax consultancy services and total fees for other non-audit services, performed by the external auditor and the audit firm. The fees charged in the financial year to subsidiaries or other consolidated companies shall be included in the disclosure.

- Section 2:383 and 2:383e of the Dutch Civil Code concern the disclosure of the remuneration of managing directors and supervisory directors and loans, advances and guarantees provided to those persons. For financial years beginning on or after 1 January 2016, in addition to the amounts outstanding, the impaired amounts and the amounts waived are also required to be disclosed.
- Section 2:383b up to and including 2:383d of the Dutch Civil Code concerns the disclosure of information about the remuneration. To the extent that this concerns 'share-based payments', as in Section 2:383d of the Dutch Civil Code, which provides for the disclosure of information on share options, there is some overlap with IFRS 2 'Share-based Payment'. There is also some concurrence with IAS 24.17 on disclosure of compensation.
- Section 2:389 (8) of the Dutch Civil Code concerns the obligation to form a legal reserve for exchange differences on foreign participating interests as well as exchange differences on loans entered into to hedge exchange risks of foreign participating interests.
- Section 2:389 (10) of the Dutch Civil Code concerns the obligation to disclose in the notes to the separate financial statements the differences between equity and the profit or loss in accordance with the separate financial statements and the consolidated financial statements.
- Section 2:390 of the Dutch Civil Code concerns requirements for accounting for and disclosures on revaluation reserves.
- Chapter 7, Section 2:391 of the Dutch Civil Code concerns the directors' report; Chapter 8, Section 2:392 of the Dutch Civil Code concerns the Other information; Chapter 8A, Section 2:392a of the Dutch Civil Code concerns the report on payments to government authorities; Chapter 9, Section 2:393 of the Dutch Civil Code concerns the audit, and Chapter 10, Sections 2:394 and 2:395 of the Dutch Civil Code concern the publication. These topics are not provided for in IFRS.
- Section 2:421 (5) of the Dutch Civil Code concerns banks and declares that the second sentence of Section 2:383 (2) of the Dutch Civil Code is partially inapplicable to banks. This means that banks are required to disclose the amount outstanding, but not the interest rate, the principal other terms and the repayment during the financial year for the loans, advances and guarantees that have been provided to managing directors and supervisory directors. As such, this provision also concerns the disclosure of information on remuneration.
- Section 2:441 (10) of the Dutch Civil Code provides that insurers with a limited level of risk, as referred to in Section 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*), are required to disclose in the notes the explanatory notes determined on the basis of the Section 3:73b of the Act on their solvency and financial position.

Statement of financial position

1 Intangible fixed assets (excluding goodwill)

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Intangible fixed assets with indefinite useful lives	The principle is that useful life is always determinable.	No amortisation.	Conflicting
1.2 Useful lives of intangible fixed assets	Rebuttable presumption that the useful life of an intangible asset will not exceed twenty years.	No maximum useful life, nor any rebuttable presumption that there is a maximum useful life.	Dutch laws and regulations stricter
1.3 Capitalisation of intangible fixed assets acquired in a business combination	Regular capitalisation requirements apply.	Assumption that fair value is always reliably measurable, and that future economic benefits are probable.	Dutch laws and regulations stricter
1.4 Capitalisation of share issue expenses and start-up costs	Allowed.	Not allowed.	IFRS stricter
1.5 Definition of current value	Current cost, unless recoverable amount is lower.	Fair value.	Conflicting
1.6 Current value: restatement of accumulated amortisation	One method prescribed.	Choice between two methods.	Dutch laws and regulations stricter
1.7 Annual impairment test	Of intangible fixed assets: <ul style="list-style-type: none"> • Amortised over a period of more than twenty years Or • Not yet taken into operation 	Of intangible fixed assets: <ul style="list-style-type: none"> • With indefinite useful lives Or • Not yet taken into operation 	Conflicting
1.8 Exploration for and evaluation of mineral resources	No specific rules.	Specific rules.	IFRS stricter
1.9 Legal reserve	For capitalised share issuing expenses, start-up costs and development costs.	IFRS does not have any concept resembling legal reserves.	Dutch laws and regulations stricter
1.10 Measurement of intangible assets acquired in a business combination	Cannot result in negative goodwill or an increase in negative goodwill.	The capitalised amount is not limited.	Conflicting
1.11 Emission rights	Specific rules.	No specific rules.	Dutch laws and regulations stricter

1 Intangible fixed assets (excluding goodwill)

	Dutch laws and regulations	IFRS	Conclusion
1.12 Amortisation method	Selection of amortisation method that results in lower accumulated amortisation than straight-line method is very unlikely.	Variety of methods can be used.	Dutch laws and regulations stricter
1.13 Exchange	If dissimilar (based upon type of asset and fair value) assets are involved in the exchange: acquired asset to be recognised at fair value; if similar assets are involved, acquired asset to be recognised at the carrying amount of the asset transferred.	Recognised at fair value, unless: <ul style="list-style-type: none"> • Commercial substance is lacking Or • Fair value cannot be reliably measured 	IFRS stricter
2 Presentation			
2.1 Presentation of classes	Prescribed classes.	No prescribed classes.	Dutch laws and regulations stricter
2.2 Intangible fixed assets held for sale	To be presented under intangible assets.	To be presented separately below current assets.	Conflicting
3 Disclosure			
3.1 Information on each intangible fixed asset	Information on individual items listed in Section 365(1) of Book 2 of the Dutch Civil Code.	Information on each class of intangible fixed asset.	IFRS requires more disclosure
3.2 Comparative amounts in movement schedule	Not required.	Required.	IFRS requires more disclosure
3.3 Disclosure of intangible fixed assets with indefinite useful lives (IFRS) or with useful lives of more than twenty years (DAS)	Indefinite useful lives not applicable. Separate disclosure for intangible fixed assets with useful lives of more than twenty years.	Intangible fixed assets with indefinite useful lives to be disclosed separately.	IFRS requires more disclosure
3.4 Disclosure of intangible fixed assets acquired by means of government grants	No requirements.	Specific disclosures are required for intangible fixed assets acquired by means of government grants and initially valued at fair value.	IFRS requires more disclosure
3.5 Disclosure of intangible fixed assets held for sale	No specific rules.	Detailed disclosure.	IFRS requires more disclosure

1 Recognition and measurement

1.1 Intangible fixed assets with indefinite useful lives

IFRS distinguishes between intangible assets with finite and indefinite useful lives (IAS 38.88). Intangible assets with indefinite useful lives may not be amortised on a straight-line basis (IAS 38.107), but should be tested for possible impairment each year (or whenever there is an indication that the intangible asset may be impaired) (IAS 38.108).

This distinction is not made under Dutch laws and regulations, which stipulate that intangible fixed assets must always be amortised. Dutch Accounting Standard (DAS) 210.401 contains a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years.

1.2 Useful lives of intangible fixed assets

Under IFRS, intangible assets with finite useful lives should be amortised over their expected useful lives, irrespective of the length (IAS 38.97). In other words, the rebuttable presumption that the useful life of an intangible fixed asset does not exceed twenty years does not exist under IFRS. DAS 210.401 is stricter in this respect, as it includes a rebuttable presumption that the useful life of an intangible asset does not exceed twenty years.

1.3 Capitalisation of intangible fixed assets acquired in a business combination

IFRS 3 assumes that the probability of future economic benefits and reliable measurement of cost criteria have automatically been satisfied. Therefore under IFRS, the two criteria are implicitly connected (IFRS 3.14, IAS 38.33, IAS 38.35, IAS 38.BC16A-19D). DAS does not contain such automatic assumptions. DAS specifically stipulates that if the fair value as cost of an intangible asset acquired in a business combination cannot be measured reliably to a sufficient extent, such an asset should not be recognised separately under non-current assets. Instead, the asset concerned is deemed to be included in goodwill (DAS 210.211, under b).

1.4 Capitalisation of share issue expenses and start-up costs

The definition of intangible fixed assets under both IFRS and DAS does not in itself include start-up costs and share issue expenses. Under IAS 38, they may not be capitalised as a result. Start-up costs should be recognised as expense when they are incurred (IAS 38.69). However, since Dutch law allows such costs to be capitalised as intangible fixed assets, with a legal reserve equalling the capitalised amount, DAS 210.103 recommends that these costs not be capitalised.

IAS 32.37 stipulates that share issue expenses should be charged to equity (net of any related income tax benefit). Under DAS 240.219, the preferable treatment is not to capitalise costs and capital duty incurred on the issue of (treasury) shares, but to charge them directly to the share premium account, net of any tax effect, or, if and insofar as the balance of the share premium account is insufficient, to other reserves.

1.5 Definition of current value

Given the strict criteria for measuring intangible fixed assets at current value set under both IFRS (IAS 38.75-87) and Dutch legislation (Section 6 of the Dutch Asset Valuation Decree), measurement at current value will hardly ever arise. If it does, measurement at current cost will apply under DAS, unless recoverable amount is lower.

IAS 38.75 states the fair value as the basis for determining an asset's current value.

1.6 Current value: restatement of accumulated amortisation

If intangible assets are measured at current value/fair value, they should be remeasured regularly. IAS 38.80 stipulates that if an intangible fixed asset is revalued, any accumulated amortisation at the date of the revaluation be either:

- Restated proportionately to the change in the gross carrying amount of the asset
- Or
- Eliminated against the gross carrying amount of the asset

DAS state that the accumulated amortisation must be restated proportionately to the change in the current purchase price or production cost of the asset.

1.7 Annual impairment test

Under IFRS, annual impairment testing is prescribed for:

- All intangible assets with indefinite useful lives (IAS 38.108)
- Intangible assets not yet taken into operation (IAS 36.10)

DAS contains a similar provision for:

- Intangible assets with useful economic lives of more than twenty years
- Intangible assets not yet taken into operation (DAS 210.419)

1.8 Exploration for and evaluation of mineral resources

The IASB published IFRS 6 Exploration for and Evaluation of Mineral Resources concerning the recognition of costs of exploring for and extracting oil, gas and other minerals. DAS does not contain any such rules.

1.9 Legal reserve

Under Dutch laws and regulations (Section 365 (2) of Book 2 of the Dutch Civil Code), a legal reserve should be formed whenever share issue expenses, start-up costs or development costs are capitalised. IFRS does not have any concept resembling legal reserves.

1.10 Measurement of intangible assets acquired in a business combination

DAS 216.215 stipulates that if the fair value of an intangible asset cannot be determined by reference to an active market, the amount to be capitalised must be limited to an amount not resulting in negative goodwill, or an increase in negative goodwill. IFRS 3 does not contain such a rule, and as a result, the amount to be capitalised is not limited.

1.11 Emission rights

The appendix to DAS 274 considers the recognition of purchased emission rights and emission rights obtained free of charge. Part 9 of Book 2 of the Dutch Civil Code and DAS allow several variants for the recognition and measurement of emission rights and the resulting liabilities. IFRS does not contain specific rules for the treatment of emission rights.

1.12 Amortisation method

A variety of amortisation methods can be used to amortise an intangible asset. However, DAS 210.412 stipulates that it is highly unlikely that an amortisation method resulting in lower accumulated amortisation than under the straight-line method can be justified. There is no such provision in IAS 38.

1.13 Exchange

IAS 38.45 stipulates that in the event of an exchange of assets, the cost of an acquired asset is measured at fair value unless:

- The exchange transaction lacks commercial substance
- Or
- The fair value of neither the asset received nor the asset given up is reliably measurable and in that case is recognised based on the carrying value of the asset given up.

IAS 38.46 stipulates that an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. More specifically, an exchange transaction has commercial substance if:

- The configuration (i.e. risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and
- The difference is significant for one of the two conditions relative to the fair value of the assets exchanged.

The result of these analyses may be clear from the exchange transaction without detailed and complex calculations having to be performed (IAS 38.46).

Under DAS 210.214/215, the substance of the exchange is based on a comparison between the acquired assets and the assets transferred, without referring to the cash flow changes set out in IFRS, but to a comparison based on type of asset and also to a comparison between the fair value of the acquired asset and asset transferred. If inequivalent assets are involved, the cost of the acquired asset is measured at fair value; if equivalent assets are involved, the cost of the acquired asset is recognised at the carrying amount of the asset transferred.

IFRS stipulates that if the fair value of both the acquired asset and the asset given up can be reliably measured, the fair value of the acquisition price is set at the fair value of the asset given up, unless the fair value of the acquired asset is more clearly evident (IAS 38.47). DAS stipulates that the fair value of the acquired asset is equal to the fair value of the asset given up, adjusted for any supplementary payment or receipt (DAS 210.214).

2 Presentation

2.1 Presentation of classes

Section 365 (1) of Book 2 of the Dutch Civil Code stipulates that the following classes should be presented in the statement of financial position and/or notes separately under intangible assets:

- Expenses relating to the incorporation of an entity and the issue of shares
- Development costs
- Acquisition costs in respect of concessions, licenses and intellectual property rights
- Costs of goodwill acquired from third parties
- Prepayments for intangible assets

IAS 38.119 gives a number of examples of separate classes of intangible assets that can be distinguished in the disclosure (see Section 3.1), but does not prescribe any classification.

2.2 Intangible fixed assets held for sale

Under IFRS 5, intangible fixed assets qualifying as held for sale, or forming part of a disposal group or discontinued activity, should be presented below current assets as assets held for sale (see Chapter 32).

3 Disclosure

3.1 Information on each intangible fixed asset

Section 365 (2) of Book 2 of the Dutch Civil Code stipulates that information should be disclosed on each of the items specified under Section 365 (1) of Book 2 of the Dutch Civil Code (see Section 2.1), differentiating for that purpose between internally generated and acquired intangible assets (DAS 210.501).

Under IAS 38.118, information should be provided on each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets. Examples include (IAS 38.119):

- Brand names
- Mastheads and publishing titles
- Computer software
- Licenses and franchises
- Copyrights, patents and other industrial property rights, service and operating rights
- Recipes, formulas, models, designs and prototypes
- Intangible fixed assets under development

Accordingly, IAS 38 may require more disclosure than Dutch laws and regulations. IAS 38 also requires a distinction to be made between intangible fixed assets with indefinite useful lives and intangible fixed assets with finite useful lives.

3.2 Comparative amounts in movement schedule

IFRS requires presentation of comparative amounts in the movement schedule (IAS 1.38). This is not required under DAS (DAS 110.127).

3.3 Disclosure of intangible fixed assets with indefinite useful lives (IFRS) or with useful lives of more than twenty years (DAS)

In the case of intangible assets with indefinite useful lives, IAS 38.122 requires disclosure of the carrying amount of the asset concerned and the reasons supporting the designation of an indefinite useful life. In giving these reasons, the entity should state the factors that played a significant role in determining that the asset has an indefinite useful life.

DAS 210.407 stipulates that all intangible assets have finite useful lives. In addition, DAS 210.401 contains a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years. If the amortisation period for an intangible asset exceeds twenty years, the reason must be disclosed for the fact that the presumption that the useful life of an intangible asset will not exceed twenty years is rebutted (DAS 210.505). In doing so, the entity should also state the factors that played a significant role in determining the useful life of the asset.

3.4 Disclosure of intangible fixed assets acquired by means of government grants

For intangible fixed assets acquired by means of government grants and initially recognised at fair value (see Chapter 28, 1.6), the initial fair value, the carrying amount and the valuation model used should be disclosed (IAS 38.122 (c)). There are no such requirements under Dutch laws and regulations.

3.5 Disclosure for intangible fixed assets held for sale

IFRS 5.41 and 5.42 require additional disclosure for intangible assets held for sale, such as a description, recognised gains or losses, if any, and the segment in which they are reported.

Accounting standards

Relevant accounting standards:

- DAS 210 Intangible Fixed Assets
- DAS 216 Mergers and Acquisitions
- DAS 240 Shareholders' Equity
- DAS 274 Government Grants and Other forms of Government Support
- IFRS 3 Business Combinations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IAS 32 Financial Instruments: Presentation
- IAS 38 Intangible Assets
- SIC 32 Intangible Assets – Web Site Costs

2 Property, plant and equipment

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Definition of current value	Current cost or lower recoverable amount (higher of value in use and realisable value (see text below)).	Fair value (see text below).	Conflicting
1.2 Transition from cost model to current value model	Retrospectively.	Prospectively.	Conflicting
1.3 Transitional provision for current cost	Prospective recognition of transition from current value to historical cost, using prior year carrying amount as basis for cost.	Not applicable.	Conflicting
1.4 Exception applying to recognition at fixed volume and value	Recognition at fixed volume and value allowed, subject to certain conditions.	Not allowed.	IFRS stricter
1.5 Transfer of assets from customers	No special rules.	Specific rules.	IFRS stricter
1.6 Capitalisation of borrowing costs	Allowed for qualifying assets.	Mandatory for qualifying assets.	IFRS stricter
1.7 Property, plant and equipment held for sale	General rules.	Specific rules.	Conflicting
1.8 Regular review of residual value, depreciation method and depreciation period	Annual review of residual value, depreciation method and depreciation period is not explicitly required, but is in the event of changes in circumstances or new information.	Annual review of the residual value, depreciation method and depreciation period.	IFRS stricter
1.9 Accounting for realised revaluation reserve	Required in proportion to the use of the property, plant and equipment item and upon disposal.	Allowed in proportion to the use of the asset, and required in full when the asset is disposed of.	Dutch laws and regulations stricter
1.10 Accounting for realised revaluation reserve	To be released to the statement of profit or loss, or transferred to other reserves.	To be transferred to other reserves; release to statement of profit or loss is not allowed.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.11 Costs of large maintenance	Capitalised as a separate asset component which is subsequently depreciated from initial acquisition, or accretion of a separate maintenance provision.	Capitalised as a separate asset component which is subsequently depreciated (from initial acquisition).	IFRS stricter
1.12 Accounting for decommissioning and restoration costs attributable to the placing of the asset	A provision should be recognised at the time of investment and the cost of the asset should be increased at the same time, or accretion of a provision over the period of the asset's useful life.	A provision should be recognised at the time of investment and the cost of the asset should be increased at the same time.	IFRS stricter
1.13 Change in the amount of restoration costs under current value model	Change in the amount of restoration costs does not lead to changes in revaluation reserve.	Change in the amount of restoration costs does lead to changes in revaluation reserve.	Conflicting
1.14 Accounting for building demolition costs when acquiring land with buildings	The acquisition cost of buildings to be demolished is attributed to the land.	Part of the acquisition cost may have to be attributed to the buildings.	IFRS stricter
1.15 Biological assets	Cost or current value.	Fair value, with the exception of bearer plants.	Conflicting
1.16 Leased property, plant and equipment and rights of use of assets	Operating lease contracts are not recognised in the statement of financial position as rights of use.	Rights of use arising from lease contracts are accounted for as a separate category of assets. Presentation either as separate category in the statement of financial position or separate classification in notes.	Conflicting
1.17 Spare parts and spare capacity	Detailed requirements.	Limited requirements.	Dutch laws and regulations stricter
1.18 Consideration upon disposal	Recognition at fair value.	In accordance with the principles for determining the transaction price under IFRS 15.	Conflicting
2 Presentation			
2.1 Classification of property, plant and equipment	Prescribed classification.	No classification prescribed.	Dutch laws and regulations stricter

2 Property, plant and equipment

	Dutch laws and regulations	IFRS	Conclusion
2.2 Presentation of property, plant and equipment not in use and assets held for sale	Presentation of all assets not in use as separate category within property, plant and equipment.	Separate presentation of assets held for sale under current assets. Other retired assets remain part of original category.	Conflicting
2.3 Routine sales of items of property, plant and equipment	Recognition of proceeds from sale as revenue recommended.	Reclassification to inventories when ceased to be rented and assets are held for sale. Proceeds from sale to be recognised in accordance with IFRS 15.	IFRS stricter
2.4 Leased property, plant and equipment and rights of use of assets	Presentation within tangible fixed assets (only relevant for finance leases).	Presentation as a separate category of assets. Presentation either by means of a separate category in the statement of financial position, or separate classification in the notes.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Disclosure for measurement at current value	Different disclosures required (see text below).	Different disclosures required (see text below).	Dutch laws and regulations and IFRS differ
3.2 Comparative amounts in movement schedule	Not required.	Required.	IFRS requires more disclosure
3.3 Disclosure for property, plant and equipment held for sale	No specific accounting standard. General disclosure requirements for property, plant and equipment apply.	Detailed disclosures required. General disclosure requirements for property, plant and equipment do not apply.	Dutch laws and regulations and IFRS differ
3.4 Disclosure for decommissioning/ restoration and large maintenance costs	Mandatory disclosure (see text below).	No separate disclosure requirements.	Dutch laws and regulations and IFRS differ
3.5 Disclosure for capitalised borrowing costs	Recommendation to disclose total borrowing costs in the notes with a visible deduction for capitalised borrowing costs or to state what amount in borrowing costs has been capitalised by means of the movement in construction contracts and for capitalised own production.	IFRS requires the disclosure of borrowing cost capitalised.	Dutch laws and regulations and IFRS differ

	Dutch laws and regulations	IFRS	Conclusion
3.6 Disclosure for application of transitional provision for current cost	Mandatory disclosure (see text below).	Not applicable.	Dutch laws and regulations and IFRS differ

General

Section 384 (1) of Book 2 of the Dutch Civil Code stipulates that property, plant and equipment can be valued at cost of acquisition, production cost or current value. IAS 16 allows use of the cost model or the revaluation model on the basis of fair value (IAS 16.29 and IAS 16.31). Fair value is similar to the definition of market value in the Dutch Asset Valuation Decree (BAW: Besluit actuele waarde).

It should be noted that biological assets (that are not bearer plants) fall outside the scope of IAS 16 but within the scope of IAS 41. Under IAS 41, biological assets (that are not bearer plants) are presented and accounted for separately. Dutch laws and regulations do not include any specific provisions on biological assets.

There are differences compared with the requirements applying in the Netherlands with regard to the assets that have been 'obtained' ('acquired') by means of a (lease) contract. The requirements of IFRS 16 'Leases' can also be applied as a choice of accounting policy (instead of the requirements of DAS 292), provided those requirements are applied in full and consistently (DAS 292.101).

IFRS 16 comprises rules for identifying and accounting for the rights of use arising from the contracts. In principle, under IFRS 16 the rights of use are separately identified with regard to the assets that are wholly owned by the entity. DAS do not clearly differentiate between a tangible fixed asset that is wholly owned or held via a finance lease contract.

For the presentation on the face of the statement of financial position, it is also permitted under IFRS 16 to combine the rights of use of assets with the same assets that are wholly owned, provided separate classification is provided in the notes. See also Chapter 24 Leasing.

Investment property is discussed in Chapter 3 Investment Property.

1 Recognition and measurement

1.1 Definition of current value

Both IFRS and DAS provide alternatives to the cost model in measuring property, plant and equipment after initial recognition: the revaluation model and the current value model, respectively.

IFRS

The measurement basis under the revaluation model is fair value less accumulated depreciation and accumulated impairment losses (IAS 16.31). Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date concerned (IAS 16.6). IFRS 13 states that fair value is a measurement that is determined from a buyers' perspective assuming the asset's highest and best use.

DAS

The Dutch Asset Valuation Decree (BAW) refers to current cost as definition of current value, unless the recoverable amount (higher of realisable value or value in use) is lower. Current cost is the current purchase price or the current production cost of the asset itself, less accumulated depreciation (DAS 212.404).

The revaluation of fair value under IFRS or current cost under DAS, respectively, should be made regularly to ensure that the carrying amount of the assets does not differ materially from fair value or current cost, respectively at the reporting date (IAS 16.31, DAS 212.408).

Upon revaluation, the adjustment of accumulated depreciation recognised before can take place under IFRS by adjusting the accumulated depreciation proportionately to the change in the gross carrying amount of the asset or by elimination of the accumulated depreciation against the gross carrying amount of the asset, after which the net carrying amount after revaluation is equal to the newly determined fair value (IAS 16.35). Under DAS, the accumulated depreciation is required to adjusted proportionately upon revaluation to the change in the current purchase price or production cost of the asset (DAS 212.406).

1.2 Transition from cost model to current value model

If a change in accounting policy from the cost model to the current value model takes place at any time, different methods of accounting apply under IFRS and DAS. Under IAS 8.17-18 such a change in accounting policy is dealt with prospectively and without restating the comparative figures, as if it were a regular revaluation, and therefore not according to the general provisions of IAS 8 on accounting for changes in an accounting policy. There is not such specific provision under DAS 140 and therefore the transition from the cost model to the current value model is required to be accounted for retrospectively under DAS while restating comparative figures.

1.3 Transitional provision for current cost

Under DAS, if current value was used as the measurement basis at year-end 2015 for a category of items of property, plant and equipment and, as a result of the change in definition of current value, a change in accounting policy is opted for in 2016 or subsequently, pursuant to which the category of items of property, plant and equipment will be valued at historical cost going forward, prospectively accounting for this change in accounting policy is allowed. For that purpose, the carrying amount at the end of the preceding financial year is used as a basis and subsequently deemed to be the historical cost. Any revaluation reserve existing at the date of the transition is released upon realisation, by write-off or disposal in future periods (DAS 212.802 and 803). No such transitional provision applies under IFRS and any change in accounting policy is accounted for in conformity with the requirements of IAS 8.

1.4 Exception applying to recognition at fixed volume and value

Section 385 (3) of Book 2 of the Dutch Civil Code stipulates that property, plant and equipment items which are replaced regularly and whose total value is immaterial be measured at a fixed volume and value, provided the volume, composition and value are only subject to limited change (DAS 212.203). IFRS does not contain such an exception.

1.5 Transfer of assets from customers

If a customer provides a non-financial consideration to the seller as part of an IFRS 15 contract, for instance in the form of an item of property, plant and equipment, the asset is accounted for in accordance with the other relevant standards including IAS 16 (IFRS 15.66).

Dutch law and regulations do not contain specific guidance on the recognition and measurement of property, plant and equipment and revenue to be recognised from transfers from customers. The general criteria for the recognition of property, plant and equipment under DAS and IFRS are however identical and accordingly the capitalisation of assets transferred from customers will correspondingly be the same. This means that also under DAS economic control and not legal ownership is the decisive criterion (*'substance over form'*).

The general requirements of DAS 212 and DAS 270 concerning measurement and revenue recognition are consistent with the requirements under IFRS. There may still be diversity in application in Dutch practice with regard to such transactions. Applying IFRS 15 is often allowed but not required under Dutch law and regulations.

1.6 Capitalisation of borrowing costs

Capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of all qualifying assets is mandatory under IFRS (IAS 23.8). These qualifying assets can also be part of property, plant and equipment. In the Netherlands, capitalisation of borrowing costs for the period that is attributable to the production of the asset is allowed, but not mandatory under Section 388 (2) of Book 2 of the Dutch Civil Code, DAS 273.204. The rules for capitalising borrowing costs in IAS 23 are otherwise the same as under DAS 273, except for the scope, which is narrower under IAS 23.

1.7 Property, plant and equipment held for sale

Specific requirements apply under IFRS for the presentation and measurement of property, plant and equipment classified as held for sale (and meeting a number of other criteria) or included in a disposal group or discontinued operation. Items of property, plant and equipment classified as held for sale in accordance with IFRS 5 are no longer depreciated (IAS 16.55) and are measured at the lower of their carrying amount and fair value less costs to sell (IFRS 5.15). IFRIC 17 stipulates that IFRS 5 also applies to property, plant and equipment classified as held for distribution to owners. See also Chapter 32. DAS does not contain such specific provisions.

1.8 Regular review of residual value, depreciation method and depreciation period

IFRS requires an annual review of the useful life, depreciation method and residual value applied for property, plant and equipment (IAS 16.51). Under DAS, this review only needs to be performed if circumstances change or if new information on the remaining useful life and/or residual value becomes available (DAS 212.428). Although this provision is less strict than IAS 16, the practical consequences will be similar.

1.9 Accounting for realised revaluation reserve

Under DAS, the revaluation reserve must be reduced in proportion to the use of the property, plant and equipment item (in line with depreciation) and upon its disposal. IFRS allows the realisation of the revaluation reserve to be recognised in proportion to the item's use, and requires full recognition upon disposal.

1.10 Accounting for realised revaluation reserve

DAS 212.415 allows the realised revaluation reserve to be released to the statement of profit or loss, or transferred directly to other reserves. IFRS only permits the realised revaluation to be recycled directly to the other reserves (IAS 16.41).

1.11 Costs of large maintenance

IFRS and DAS both apply the method of accounting for large maintenance based on recognition in the carrying amount of an asset (if the criteria for recognition in the statement of financial position are met, applying the separate asset component method) (IAS 16.13-14, DAS 212.445). The method of recognition via a provision for large maintenance can only be used as an alternative if DAS is being applied (DAS 212.445).

Transitional measure for discontinued accounting policies (solely under DAS)

Two separate options (accounting policy choices) were discontinued with effect from 1 January 2019. The first change (see below under a.) concerns the time of commencement of the identification of separate components and the separate depreciation relating to them when applying the separate component method. The second change (see below under b.) concerns the discontinuation of the option to recognise the costs of large maintenance immediately in profit or loss.

Re a.:

Up to the end of 2018, DAS also permitted a method under which large maintenance was not recognised in the carrying amount of the asset before being performed (instead of identification of separate components upon initial acquisition). This differs to such an extent from the method of depreciation over the pattern of consumption and/or useful life that the DASB no longer permits this method, with effect from 1 January 2019.

The depreciation of the parts to be replaced (large maintenance) is required to be applied over the pattern of consumption and/or the useful life of the part itself and not over the pattern of consumption and/or useful life of the tangible fixed asset to which that part belongs.

As a transitional measure, the DAS permits prospective application of the change for the assets that were present on 1 January 2019 (instead of the method of retrospective application prescribed, in principle, in DAS 140) (DAS 212.806). When applying the transitional measure, an asset acquired on or after 1 January 2019 must always be accounted for on the basis of the separate components method. Accordingly, during the period when the transitional method is applied, two different methods of accounting will be used.

Re b.:

Accounting for the costs of large maintenance by charging them directly to profit or loss has been discontinued. Users of this method are required to have discontinued this method as from 1 January 2019 and to have selected a new accounting policy to account for large maintenance either via the carrying amount of the asset or via a provision for large maintenance.

If the method of accounting for the costs of large maintenance via a provision for maintenance is chosen, this must be accounted for retrospectively in accordance with Chapter DAS 140 'Changes in accounting policies'.

Three transitional methods are only possible if the method of accounting for the costs as part of the carrying amount of the asset is selected (DAS 212.805):

- Retrospectively in accordance with DAS 140 'Changes in accounting policies'.
- Retrospectively with effect from the preceding financial year, restating the comparative figures but no further prior periods.
- Prospectively (without restatement of prior periods).

It is emphatically stated that the transitional measure can solely be applied to assets already present before 1 January 2019. Assets acquired on or after 1 January 2019 are therefore explicitly outside the scope of the transitional measure.

Transitional measure (solely under DAS) concerning change from 'provision for maintenance' to 'separate component method'

DAS 212.807 includes a transitional provision for accounting for 'costs of large maintenance via a provision' to 'costs of large maintenance in the carrying amount of the asset' in derogation from DAS 140 'Changes in accounting policies'. The background to this transitional provision is that legal entities aim to switch from the method of forming a provision for large maintenance to the method of accounting for the costs of large maintenance as part of the carrying amount of the asset. The change in accounting policy can entail accounting complications. A transitional measure was included in DAS to mitigate this.

Three transitional methods are permitted:

- Retrospectively in accordance with DAS 140 'Changes in accounting policies'.
- Retrospectively with effect from the preceding financial year, restating the comparative figures but no further prior periods.
- Retrospectively with effect from the current financial year (without restatement of prior periods).

1.12 Accounting for decommissioning and restoration costs attributable to the placing of the asset

IAS 16.16 requires the entire restoration obligation caused by placing the asset to be provided for and accounting for the restoration costs as part of its carrying amount (capitalise and depreciate).

DAS 212.435 offers a choice between that method and the accretion of a provision over the period of the asset's useful life (charged to the statement of profit or loss).

1.13 Change in the amount of restoration costs under current value model

If restoration costs are accounted for as part of the carrying amount of the asset (mandatory under IFRS), a change in the expected restoration costs when applying the revaluation model or the current value model, respectively does (in principle) lead to changes in the revaluation reserve (IFRIC 1.6) under IFRS but not under DAS (DAS 212.440).

1.14 Accounting for building demolition costs when acquiring land with buildings

The allocation of the cost of acquisition in full to the land, if land on which buildings stand was purchased with the intention for those buildings to be demolished or to decay, must be considered in detail under IFRS. Land and buildings must be accounted for separately upon acquisition (IAS 16.58), which means that part of the cost of acquisition (potentially) will be attributed to the buildings to be demolished. Under DAS, the cost of acquisition will be attributed in full to the land concerned (DAS 212.302).

1.15 Biological assets

Under Dutch rules and regulations, the general rules governing the measurement of property, plant and equipment (DAS 212) apply to the measurement of biological assets. This means that a biological asset is measured on the basis of the cost model or the current value model. IAS 41 requires other biological assets (other than bearer plants) to be accounted for on the basis of fair value (less costs to sell), whereas there is no requirement but a choice under Dutch rules and regulations. A choice between cost and current value applies to the measurement of bearer plants under both DAS and IFRS. It should be noted that the definition of current cost as current value under Dutch rules and regulations is not identical to fair value under IFRS.

1.16 Leased property, plant and equipment and rights of use of assets

Unlike under DAS, under IFRS (in principle) all operating leases must also be accounted for in the statement of financial position. From the lessee's perspective, IFRS applies no distinction between finance and operating leases. See also Chapter 24 'Leasing'.

1.17 Spare parts and spare capacity

In DAS 212.427, the DAS provides more extensive rules than IFRS for accounting for spare parts. However, the implementation in practice will usually be similar.

1.18 Consideration upon disposal

An item of property, plant and equipment is accounted for as disposal after sale or if no future economic benefits are expected from its use or disposal, for instance due to the destruction of the asset as a result of demolition or dismantling (DAS 212.505, IAS 16.67).

The consideration required to be accounted for in profit or loss due to the derecognition of an item of property, plant and equipment is determined in accordance with the principles for determining the transaction price under IFRS 15 (IAS 16.72, with reference to IFRS 15.47-72).

Under Dutch laws and regulations, a consideration to be received upon the sale of an item of property, plant and equipment is in principle recognised at fair value (DAS 212.510). The requirements are therefore conflicting, in principle, although in practice no or only limited differences will arise in many cases.

2 Presentation

2.1 Classification of property, plant and equipment

Section 366 (1) of Book 2 of the Dutch Civil Code stipulates which categories of property, plant and equipment items should be presented separately. These are land and buildings, machinery, plant and equipment in use by the entity, other fixed operating assets, property, plant and equipment under construction, and prepayments on property, plant and equipment, and property, plant and equipment not in use by the entity. IFRS does not prescribe a standard format, but does require the information in the notes to be presented by category (IAS 16.73). A category is defined as a grouping of assets of a similar nature and use in an entity's operations. IAS 16 lists a number of examples of such categories, but does not mandate any prescribed classification (IAS 16.37).

2.2 Presentation of property, plant and equipment not in use and assets held for sale

Property, plant and equipment classified as held for sale in accordance with IFRS 5 or included in a disposal group or discontinued operation) should be presented under IFRS as a separate item below current assets (see also Chapter 32). For an asset to be classified as held for sale, its sale must be highly probable. Assets still in use can also be classified as held for sale. However, retired assets that are not classified as held for sale continue to form part of the original category under IFRS. Under Dutch laws and regulations, all property, plant and equipment not in own use is treated equally as a separate, prescribed category forming part of property, plant and equipment (Section 366 (1)(e) of Book 2 of the Dutch Civil Code, DAS 212.601 and 603). No reclassification to current assets is applied.

2.3 Routine sales of items of property, plant and equipment

IFRS requires items of property, plant and equipment that are held for rental and are sold in the course of the ordinary activities after the end of the rental period, to be reclassified to inventories as soon as they cease to be rented and become held for sale. Upon sale, the proceeds are required to be accounted for as revenue on the basis of the principles in IFRS 15 (IAS 16.68A). DAS applies a similar provision concerning the presentation of the proceeds from sale, but as a recommendation rather than as a requirement (DAS 212.506).

2.4 Leased property, plant and equipment and rights of use of assets

Unlike under DAS, under IFRS (in principle) all operating leases must also be accounted for in the statement of financial position. From the lessee's perspective, IFRS does not distinguish between finance and operating leases.

The right of use assets are qualified as a separate class of assets under IFRS (right of use assets) that is required to be presented either on the face of the statement of financial position or in the notes separately from the property, plant and equipment that is owned. Dutch GAAP does not apply a separate classification of tangible fixed assets that are wholly owned and those obtained via a finance lease; only limited disclosure of the absence of the legal ownership is required.

3 Disclosure

3.1 Disclosure for measurement at current value

If items of property, plant and equipment are stated at current value, the disclosure requirements under DAS differ from those under IFRS. For instance, the disclosure requirements for the date of the revaluation differ, which must be specified more accurately under IFRS (namely the date or year of the revaluation).

Dutch laws and regulations also require the following disclosure in the event of measurement of property, plant and equipment at current value:

- The carrying amount of items of property, plant and equipment for which the legal entity establishes and expects that it is no longer possible to reliably measure current cost (DAS 212.705 (f)).
- The treatment of realised revaluation results (DAS 212.705 (g)).
- The manner in which the current cost, the value in use and the realisable value are determined (Section 9 of the Decree on current value and DAS 120.402).
- If indices are used to estimate the current value, the nature of these indices and whether they have been adjusted in line with technological developments (DAS 120.403).
- The date of the estimate if based on the current cost or value in use (DAS 120.403).

IFRS 13 stipulates that the fair value hierarchy be disclosed of the property, plant and equipment measured at fair value, which consists of three levels.

- Level 1: Quoted prices in active markets.
- Level 2: No quoted prices, but assumptions directly or indirectly based on observable market data.
- Level 3: Assumptions are not based on observable market data.

The disclosure requirements are extensive, in particular for Level 3 valuations.

3.2 Comparative amounts in movement schedule

IFRS requires presentation of comparative amounts in the movement schedule (IAS 1.38). This is not required under DAS (DAS 110.127).

3.3 Disclosure for property, plant and equipment held for sale

The IAS 16 disclosures are not required for property, plant and equipment held for sale. IFRS 5 stipulates that only the disclosures required by IFRS 5 apply to property, plant and equipment held for sale, unless a different standard specifically requires additional disclosures for these assets (IFRS 5.5B).

See Chapter 32 for further details of the disclosures under IFRS 5. DAS does not contain any such stipulation. The general disclosure requirements for property, plant and equipment apply under DAS.

3.4 Disclosure for decommissioning/restoration and large maintenance costs

DAS requires the following information to be disclosed in addition to that required under IFRS:

- Treatment of decommissioning/restoration and large maintenance costs (DAS 212.701 (b)). IFRS does not require such disclosure as only one method for recognising decommissioning/restoration and large maintenance costs is allowed.
- The expected total amount of decommissioning/restoration costs if a provision is formed for these costs (DAS 212.703 (f)). IFRS does not contain such a disclosure requirement.

3.5 Disclosure for capitalised borrowing costs

If borrowing costs are capitalised, Section 388 (2) of Book 2 of the Dutch Civil Code requires this to be disclosed, as DAS offer a choice to include borrowing costs in the production cost of qualifying assets. IFRS does not offer a choice between accounting policies. Both IFRS and DAS requires the amount of the capitalised borrowing costs and the interest rate used to calculate them to be disclosed (IAS 23.26, DAS 273.302). The DAS also recommend disclosing the total borrowing costs in the notes with a visible deduction for the capitalised borrowing costs or stating the amount of borrowing costs that has been capitalised by means of the movement in construction contracts and for capitalised own production (DAS 273.302). IFRS does not contain this recommendation.

3.6 Disclosure for application of transitional provision for current cost

If the transitional provision is used under DAS to cease application of current value as of 1 January 2016 or a later date and switch to historical cost using the last-known current value measurement as initial measurement after the change, the application of this transitional provision is required to be disclosed in the financial year in which the transition is accounted for and in subsequent years for as long as the revaluation reserve is not realised in full. The amount of the revaluation not yet realised must be disclosed separately (DAS 212.804). No such transitional provision applies under IFRS.

Accounting standards

Relevant accounting standards:

- DAS 120 Valuation Principles
- DAS 140 Changes in Accounting Policies
- DAS 145 Changes in Accounting Estimates
- DAS 212 Tangible Fixed Assets
- DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position
- DAS 273 Borrowing Costs
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with Customers
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

2 Property, plant and equipment

- IAS 16 Property, Plant and Equipment
- IAS 23 Borrowing Costs
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 17 Distribution of Non-cash Assets to Owner

3 Investment properties

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Investment property and special business sectors	Specific requirements for different business sectors.	No specific requirements except for pension funds and insurers.	Dutch laws and regulations stricter
1.2 Investment properties and intra-group relations	Specific requirements for classification in parent company's separate financial statements if property is made available in intra-group relations.	No specific requirements for classification in parent company's separate financial statements.	Dutch laws and regulations stricter
1.3 Subsequent costs in respect of investment property – large maintenance	Accounting policy choice to recognise provision for large maintenance only possible if valuation of investment property at historical cost.	Provision for large maintenance not allowed.	IFRS stricter
1.4 Definition of fair value	Market value/fair value in accordance with Dutch Asset Valuation Decree and DAS 213/940.	Fair value in accordance with IFRS 13.	IFRS stricter
1.5 Revaluation reserve	Revaluation reserve must be recognised if investment properties are measured at fair value.	No revaluation reserve prescribed by IFRS, but legal revaluation reserve is also mandatory for Dutch legal entities that apply IFRS.	Dutch laws and regulations stricter
1.6 Measurement of deferred tax items arising on investment properties measured at fair value	No specific requirements.	Rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	IFRS stricter
1.7 Recognition of revaluation reserve upon reclassification of property from own use to investment property	Upon subsequent disposal, release to other reserves or (on gross basis) to profit or loss.	Upon subsequent disposal release only to other reserves.	IFRS stricter
1.8 Measurement of investment properties 'held for sale'	No specific requirements.	When applying cost price model, measurement of investment properties that qualify as 'held for sale' at the lower of carrying amount and fair value less costs to sell.	IFRS stricter

3 Investment properties

	Dutch laws and regulations	IFRS	Conclusion
1.9 Accounting for operating lease as investment property (by the lessee)	If investment property is measured at fair value, operating leases that qualify as investment property may optionally be accounted for as such.	In principle, all leases are accounted for in the statement of financial position. A right of use will then be recognised on the assets side of the statement of financial position, unless there is a financial <i>sublease</i> . When applying the fair value model for investment properties, this also applies for rights of use that qualify as investment property.	IFRS stricter
2 Presentation			
2.1 Presentation in statement of financial position	Investment property to be presented under Property, plant and equipment not used in the production process, or as a separate statement of financial position item.	Investment property to be presented separately in the statement of financial position.	IFRS stricter
2.2 Investment property held for sale	To continue to be presented as investment property.	To be presented separately as held for sale.	Conflicting
2.3 Presentation in statement of profit or loss	Specific requirements for the presentation of items relating to investment property in the statement of profit or loss.	No specific requirements.	Dutch laws and regulations stricter.
3 Disclosure			
Disclosure for investment property	Different disclosures required in a number of respects (see text below).	Different disclosures required in a number of respects (see text below). Fair value hierarchy.	Dutch laws and regulations and IFRS differ

General

DAS 213 'Investment Properties' and IAS 40 'Investment Property' allow investment property to be measured at fair value (without depreciation) or at historical cost less depreciation and impairment. For guidance on historical cost accounting these standards refer to the guidance on property, plant and equipment in DAS 212 and in IAS 16, respectively.

The differences between DAS 212 and IAS 16 are presented in Chapter 2 Property, Plant and Equipment. Similarly, reference is also made to Chapter 2 for accounting for restoration costs.

1 Recognition and measurement

1.1 Investment property and special business sectors

Chapter 6 of the DAS addresses special business sectors, including banks, insurance companies, pension funds and investment entities. DAS include specific provisions relating to property, plant and equipment and investment property which apply to these business sectors in certain cases. These specific provisions take precedence over the provisions set out in DAS 212 and DAS 213. IFRS does not contain any specific accounting standards relating to these business sectors, except for pension funds, for which IAS 26 'Accounting and Reporting by Retirement Benefit Plans' applies. Aside from that exception, IAS 16 and IAS 40 apply in full to the above sectors. IAS 40 does however expand the range of options available to insurers for the measurement of certain investment properties. The above may result in differences between Dutch laws and regulations and IFRS.

The main provisions for the above special business sectors are:

- DAS 605 'Insurance companies' states that the provisions of DAS 213 apply to all buildings and land, regardless of whether these are properties for their own use or properties held for investment purposes.
- Insurers reporting under IFRS can apply a specific provision in IAS 40: If investment properties back insurance liabilities, and the policyholder shares in their movements in value or proceeds from them, the insurer can choose whether the property is measured at fair value or cost, regardless of the choice of accounting policy for the other investment properties (IAS 40.32A-32C). DAS does not contain such expanded choice of accounting policies for investment property.
- DAS 610 'Pension Funds' and DAS 611 'Premium pension institutions' prescribe market value/fair value for the measurement of investment properties. Valuation of investment property at fair value is also prescribed under IFRS (IAS 26.32).
- Pursuant to DAS 615 'Investment Entities', valuation at fair value is advisable for investment entities, taking unrealised increases in value through profit or loss.

1.2 Investment properties and intra-group relations

DAS 213.113 requires an investment property that is held by a consolidated participating interest and is made available to the parent company or another group company for own use to be classified as property for own use in the parent company's separate financial statements when determining the carrying amount of the consolidated participating interest in accordance with the net asset value method (in accordance with the classification as applied in the consolidated financial statements). DAS 213.113 also requires a property that is held by a parent company and is made available to a consolidated participating interest for own use to be classified as property for own use in the parent company's separate financial statements. IFRS does not apply similar/specific provisions for these situations in connection with the parent company's separate financial statements.

1.3 Subsequent costs in respect of investment property – large maintenance

No provision for large maintenance can be formed for investment property measured at fair value (DAS 213.403); by contrast, if it is measured at historical cost, a provision for large maintenance can be formed.

Under IFRS, forming a provision for large maintenance is not possible, not even in the case of measurement at historical cost. Replacements made (as part of 'large maintenance') are accounted for in the cost of the investment property on the basis of the separate component method. See also Chapter 2 of this brochure.

1.4 Definition of fair value

After initial recognition, investment properties may be measured in one of the following ways. Measurement is required to take place either at current value defined as fair value/market value (DAS)/fair value (IFRS), or at historical cost.

The DAS rules are still based on the former IFRS rules (without application of IFRS 13) and define fair value as the amount for which an asset can be exchanged (or a liability settled) between knowledgeable, willing parties in an arm's length transaction (DAS 940).

As a consequence of IFRS 13, the definition in IAS 40 differs from this; fair value is defined as the price at which an asset can be exchanged in an orderly transaction between market participants at the measurement date (IAS 40.5).

The clarification of the revised definition provided by the IASB can be summarised as follows:

- Both the new and the old definition assume a hypothetical, orderly transaction; not an actual or forced transaction (IFRS 13.BC30).
- The previous definition (IFRS 13.BC30):
 - Did not specify whether the reporting entity acts as buyer or seller.
 - Was unclear about what is meant by settling a liability because it did not refer to a creditor, but to a knowledgeable counterparty.
- Did not explain the date of the transaction and the measurement date. These elements have now been incorporated in the revised definition.
- In addition, the new definition clarifies that value is a market-based measurement referring to generic market parties rather than an entity-specific measurement.

Under the DAS (and IAS 40 'old'), the fair value of investment property was determined as the most likely price that is reasonably obtainable in the market. It is the best price that a seller can reasonably obtain and the most advantageous price that a buyer can reasonably achieve. This estimate specifically excludes there being an estimated price that has been inflated or deflated as a result of special terms or circumstances, such as atypical financing, sale-and-leaseback arrangements, special terms or concessions granted by a party involved in the sale (DAS 213.505). The previous IAS 40 additionally stated that both the buyer and seller were assumed to be a 'willing party' (motivated, not compelled, or over-eager), and reasonably informed about the current situation of the asset as well as its potential future uses.

These elements return in the definition of IFRS 13, sometimes in reinforced form. In particular, the position of the parties is more clearly outlined, with market parties being referred to in the current definition (whereas willing parties were previously referred to but these were not designated as neutral (market) parties) (IFRS 13.24 in conjunction with IFRS 13.B2-B4).

The current IAS 40/IFRS 13 requires the measurement of fair value also to take into account the assumptions that market participants would take into account at the measurement date, including assumptions concerning:

- Specific characteristics of the asset concerned, insofar market participants would take them into account (IFRS 13.11); for example, the condition, location, restrictions on the use.
- 'Highest and best use' (IFRS 13.27 ff).
- Risk elements.

This determination of fair value in IFRS 13 is far more specific than that of 'market value' as in Article 4 of the Dutch Asset Valuation Decree (BAW, Besluit actuele waarde).

DAS 213 states that fair value can best be determined by reference to current prices in an active market (if available) for similar properties in the same location and in the same condition (DAS 213.508).

IFRS refers in IFRS 13 to the fair value hierarchy, in which the greatest value is assigned to unadjusted, directly observable prices:

- Level 1: Fair value is equal to quoted prices in an active market.
- Level 2: Fair value is based on inputs that are observable in the market, either directly or indirectly.
- Level 3: Fair value is based on inputs that are unobservable in the market.

A 'level 3' type measurement will almost always apply to investment property (see 2021 Handboek Jaarrekening (financial reporting manual) 4.7.4).

In practice, however, there will often be no difference in the way in which investment property is valued under Dutch laws and regulations and IFRS.

1.5 Revaluation reserve

Gains or losses arising from a change in the fair value of investment property should be recognised in profit or loss for the period in which the change arises (DAS 213.504, IAS 40.35). In addition, a revaluation reserve should be formed, either from the profit appropriation or from the other reserves, equal to the amount of the difference between the carrying amounts before and after the revaluation. This is entailed by Section 390 of Book 2 of the Dutch Civil Code, which does provide the option of recognising changes in fair value directly through profit or loss but then requires a revaluation reserve to be recognised if there are no frequent market listings for the asset (in principle, there will be no frequent market listings for investment properties).

Although there is no such requirement under IFRS, the above also applies for Dutch legal entities reporting under IFRS. That is because if IFRS is applied, the reporting entity also continues to be subject to Part 9 of Book of the Dutch Civil Code, and pursuant to Section 362 (9) of Book 2 of the Dutch Civil Code, the provisions of Section 390 of Book 2 of the Dutch Civil Code will continue to apply correspondingly.

A direct transfer from the revaluation reserve to the other reserves will take place upon realisation of the revaluation in the event of a disposal (DAS 240.411). Transferring the realisation to the statement of profit and loss is not permitted as this would mean that the increase in value would be taken through profit or loss for the second time (given that the increase in value was also already recognised through profit or loss in the year when it occurred).

The amount of the revaluation reserve is determined by comparison of the fair value of the investment property with the cost of acquisition or manufacture; DAS provides two methods for determining cost of acquisition (DAS 213.504):

- A (notional) carrying amount on the basis of the cost model (i.e. taking account of accumulated depreciation and impairment).
- The initial cost of acquisition or manufacture, i.e. without applying (notional) depreciation or impairment.

The method applied must be explained in the notes.

1.6 Measurement of deferred tax items arising on investment properties measured at fair value

For the measurement of deferred tax assets and liabilities arising on investment properties measured at fair value, IFRS applies a rebuttable presumption that the carrying amount of the investment properties will be recovered through sale (IAS 12.51C). The rebuttable presumption also applies if the investment property is measured at fair value in connection with an acquisition ('business combination') if the fair value model is applied for subsequent measurement (IAS 12.51D). This assumption may affect the tax rate applicable as well as measurement of the tax base of the investment property (IAS 12.51A).

The above presumption can be rebutted if the investment property can be depreciated (and therefore has a definite useful economic life) and the entity intends to realise substantially all of the future economic benefits through use (such as rental), rather than through sale of the investment property. If the presumption is rebutted, the provisions of IAS 12.51 and IAS 12.51A are applied (IAS 12.51C).

Dutch laws and regulations do not contain such a rebuttable presumption.

1.7 Recognition of revaluation reserve upon reclassification of property from own use to investment property

Under Dutch laws and regulations, there are two options for accounting for the revaluation reserve that has been recognised upon reclassification from property for own use to investment property, in the event of a subsequent disposal (realisation): it can be taken to the other reserves (transfer within equity) or taken to profit or loss on a gross basis (release of revaluation reserve plus deferred taxation). The underlying reason for accounting for this in profit or loss is that this increase in value upon reclassification has not yet been taken to the statement of profit or loss. Under IFRS, only a transfer within equity is permitted (IAS 40.62).

1.8 Measurement of investment property 'held for sale'

Under IFRS, investment properties that are measured at historical cost and that qualify as 'held for sale' on the basis of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured at the lower of carrying amount and fair value less costs to sell (IFRS 5.2 and 15). These assets cease to be depreciated (IFRS 5.25). IFRS 5 does not apply to the measurement of investment property that is measured at fair value (IFRS 5.5(d)). There are no specific provisions for 'held for sale' under Dutch laws and regulations and the regular rules for measurement continue to apply. Depreciation ceases only upon retirement (DAS 212.427); the intention to sell is not decisive in this regard. See also Chapter 32.

1.9 Accounting for operating lease as investment property (by lessee)

Although assets for which an operating lease contract has been concluded are not usually recognised in the statement of financial position under Dutch laws and regulations, leases of property are a possible exception to this. Operating leases (for instance, a ground lease) can be accounted for as investment property by the lessee, if and to the extent that this right of use to property meets the definition of investment property and the lessee applies the measurement basis of fair value for the asset concerned (DAS 213.102). The consequence is that the fair value model is required to be chosen for all investment property (DAS 213.501a). Moreover, this alternative method of accounting is applicable, if the lessee opts for this, for all operating leases that qualify as investment property (DAS 213.102).

The initial recognition of an operating lease that is accounted for as an investment property by the lessee is the same as for a finance lease. Accordingly, the asset is measured at the fair value of the property at the time the lease contract is entered into or, if lower, at the present value of the minimum lease payments (DAS 213.306).

Under IFRS 16 'Leases', lessees are in principle required to account for all lease contracts in the statement of financial position (see also Chapter 24).

If the lessee then enters into a lease contract with another party for the right of use of a property, the reporting entity is both lessee and lessor for the same underlying property. This is also referred to as a *head lease* (entity is lessee) in combination with a *sublease* (entity is lessor).

The sublease is subject to the 'lessor' requirements of IFRS 16 and must be classified as either a finance lease or an operating lease. IAS 40.40A clearly states that this classification is required to be performed on the basis of the right of use and not on the basis of the underlying asset (as is customary under DAS).

If the sublease is a finance lease, the right of use is derecognised (as in an economic perspective, a 'sale' of the rights of use has taken place) and there is no investment property (IAS 40.9(e)).

If the sublease is an operating lease, the right of use is retained in the statement of financial position (from an economic perspective, there is no 'sale' of the rights of use). If the entity applies the fair value model for investment properties, this same measurement basis must also be applied to all such subleased rights of use to properties that qualify as investment property (IFRS 16.34).

2 Presentation

2.1 Presentation in the statement of financial position

In the terminology of the Dutch regulations, investment properties appear to be part of the item 'tangible fixed assets in the statement of financial position, as 'tangible fixed assets not used in the production process' (Section 366 (1) of Book 2 of the Dutch Civil Code; referred to in the Annual Accounts Formats Decree (BMJ, Besluit Modellen Jaarrekening) as 'not used in business operations'). The breakdown of the tangible fixed assets by category can be included either in the statement of financial position or in the notes; under the Annual Accounts Formats Decree, it is permitted to change the designation 'not used in business operations' (provided the new designation covers the essence; Section 5 (2) of the Annual Accounts Formats Decree) or to subclassify this category (Section 7 (1) of the Annual Accounts Formats Decree). As an alternative it is also justifiable, in our opinion, partly in view of Section 7 (1) and (2) of the Annual Accounts Formats Decree, to present investment properties and (other) tangible fixed assets as separate items in the statement of financial position. IFRS requires separate presentation of investment properties in the statement of financial position (IAS 1.54 (b)).

2.2 Presentation of investment properties as 'held for sale'

Investment properties that qualify as 'held for sale' under IFRS 5 (individually or as part of a 'disposal group') are, regardless of their measurement basis, presented separately in the statement of financial position as (part of the) 'assets held for sale', after the current assets. Dutch laws and regulations include no specific provisions concerning 'held for sale'. See also Chapter 32.

2.3 Presentation in the statement of profit or loss

Under Dutch laws and regulations, specific requirements apply for the presentation in the statement of profit or loss (including section 377 of Book 2 of the Dutch Civil Code and the Annual Accounts Format Decree:

- Depreciation of investment properties that are measured at historical cost in a separate item 'depreciation on intangible and tangible fixed assets' (classification of costs by nature) or as part of 'cost of sales', 'selling expenses, or 'general administrative expenses', depending on the function that the costs have for the legal entity (classification of costs by function).
- Impairments of investment property measured at historical cost in a separate item 'other changes in value of intangible and tangible fixed assets' (classification of costs by nature) or allocation in accordance with the allocation of depreciation costs charges (classification of costs by function).
- Results on disposal of investment property generally as part of the 'other operating income' or (only with classification of costs by nature) 'other operating expenses'.
- The changes in value of investment property that is measured at fair value that are recognised directly in profit or loss in a separate item called 'unrealised changes in value of investments' (DAS 270.512).

Under IFRS, there are no prescribed models such as in Dutch laws and regulations. IAS 1 does however include general presentation requirements for the statement of profit or loss.

3 Disclosure

Disclosure requirements relating to investment property are largely the same under Dutch laws and regulations and IFRS.

The main differences are:

- IFRS requires disclosure of significant adjustments to the fair value of investment property for the purpose of the financial statements, for example adjustments to avoid double-counting (IAS 40.77). Dutch laws and regulations do not require such disclosure.
- IFRS requires disclosure of the amounts recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (usually relating to insurers) (IAS 40.75(f)(iv)). Dutch laws and regulations do not contain such a provision.
- Under IFRS 5, investment property reclassified as held for sale is shown separately in the movement schedule of investment property. Dutch laws and regulations do not require separate presentation of non-current assets held for sale, so that the movement schedule only presents the eventual disposal.
- Dutch laws and regulations do not require disclosure of comparative figures for the movement schedule of investment property (DAS 110.127), whereas IFRS does (IAS 1.38).
- Dutch laws and regulations require the following additional disclosure for investment property measured at current value:
 - The total of the revaluations at the reporting date.
 - If applicable, the nature of these indices and whether they have been adjusted in line with technological developments.
 - Information on historical cost if necessary to provide a true and fair view.
- DAS 213.802b stipulates that property under development must be disclosed separately in the notes. Although IFRS does not contain such a specific provision, separate disclosure of property under development seems to be a preferred method due to the difference in risk profiles.
 - Dutch laws and regulations require disclosure of (i) whether and, if so, to what extent own development costs, other indirect costs and interest are taken into account when measuring the property concerned; and (ii) which criteria the entity applies to determine when the development phase is completed for property and therefore there is no longer property under development (DAS 213.802b and 805a). No such requirements apply under IFRS.
- IFRS 13 requires more disclosure than DAS 213 for investment properties measured at fair value. In connection with this, investment properties must be classified by reference to the fair value hierarchy (Level 1, 2 or 3).
- Dutch laws require specific disclosure of whether the legal entity has only a limited right in rem or in personam to use tangible fixed assets (Section 2:366 (2) of the Dutch Civil Code, DAS 213.802a).

Accounting standards

Relevant accounting standards:

- DAS 212 Tangible Fixed Assets
- DAS 213 Investment Property
- DAS 240 Shareholders' Equity
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 13 Fair Value Measurement
- IFRS 16 Leases
- IAS 16 Property, Plant and Equipment
- IAS 40 Investment Property

4 Investments in subsidiaries/associates (excluding joint ventures)

4 Investments in subsidiaries/associates (excluding joint ventures)

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Separate financial statements: Valuation of interests in group companies and associates over which significant influence is exercised	Valuation at net asset value; in certain cases, valuation at the net asset value disclosed in the statement of financial position, at cost or current value.	Valuation at cost or fair value or using the equity method.	Conflicting
1.2 Consolidated financial statements: Valuation of associates over which significant influence is exercised	Valuation at net asset value; in certain cases, valuation at the net asset value disclosed in the statement of financial position, at cost or current value.	Valuation using the equity method.	Conflicting
1.3 Separate and consolidated financial statements: Valuation of other interests (over which no significant influence is exercised)	Valuation at cost or current value, with changes in value recognised in equity.	Valuation at fair value, with changes in value recognised in equity or profit or loss.	IFRS stricter
1.4 Participations and investments of investment entities	Valuation at cost or fair value. Changes in value through profit or loss or equity.	Non-consolidated participations and investments in which control is held: fair value, with changes in value recognised in profit or loss.	IFRS stricter
		Other participations and investments: as above, or equity method.	Differing options
1.5 Considering potential voting rights in determining significant influence	If the potential voting rights have substance.	If the potential voting rights can be exercised or converted as at the reporting date.	Conflicting
1.6 Separate financial statements: Recognition of dividends	Dividends qualifying as pre-acquisition profit to be deducted from the acquisition price.	Always recognised as income, possibly recognition of impairment.	Conflicting
1.7 Change in interest while retaining control	Through profit or loss or equity.	Through equity.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.8 Disposal of part of an investment in an associate, loss of control or significant influence	Remeasurement of remaining interest at fair value is allowed only if such remaining interest is measured at current value (in the revaluation reserve) and if it qualifies as an investment measured at fair value (in profit or loss).	Remeasurement of remaining interest at fair value, with the difference with the carrying amount recognised in profit or loss.	Conflicting
1.9 Increase in interest following associate's share repurchase	To be included in initial valuation of associate, or recognised directly in equity.	No specific rules.	Dutch laws and regulations stricter
1.10 Valuation of associates held for sale	No changes in valuation.	To be recognised in equity.	Conflicting
2 Presentation			
2.1 Statement of movements in financial assets	Inclusion is required.	No requirement	Dutch laws and regulations stricter
2.2 Associate/goodwill	Goodwill to be presented as a separate item under intangible assets.	Goodwill to be presented under associates.	Conflicting
2.3 Presentation of associates held for sale	To be presented under financial assets.	To be presented separately under current assets.	Conflicting
3 Disclosure			
3.1 Disclosure of information on associates	Limited details.	Extensive details.	IFRS requires more disclosure

General

In IAS 28.3, an associate is defined as an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Although the Dutch legal definition for an associate is slightly different from the definition of an associate under IFRS, we will use the term associate.

Under Dutch laws and regulations, an interest in a legal entity is a participating interest if capital is provided for its own account and there is a lasting connection serving its own activities. Under IFRS, what matters is explicitly the ability to exercise policy-setting influence or control, joint control, significant influence or no significant influence.

The IFRS term subsidiary is used for the Dutch term group company.

4 Investments in subsidiaries/associates (excluding joint ventures)

1 Recognition and measurement

1.1 Separate financial statements: Valuation of interests in group companies and associates over which significant influence is exercised

Under Dutch law and regulations, consolidated interests and associates over which significant influence is exercised are carried at net asset value in the separate financial statements. If too little data is available, valuation at the net asset value disclosed in the statement of financial position is allowed. If there are valid reasons, valuation at cost or current value is allowed. IAS 27.10 allows an accounting policy choice between valuation at cost, fair value or using the equity method.

The equity-method is comparable with the net asset value method required in the Netherlands.

However, the equity method does not use the investor's share in the equity of the participating interest, but uses cost instead. This means goodwill is not separately presented, but included in the carrying amount of the participating interest. In the Netherlands goodwill is not included in the net asset value, but is separately presented as part of the intangible fixed assets.

1.2 Consolidated financial statements: Valuation of associates over which significant influence is exercised

In the consolidated financial statements, interests in group companies are required to be consolidated, with associates over which significant influence is exercised being measured using the equity method (IAS 28.16). The equity method is very similar to the net asset value method prescribed in the Netherlands. If insufficient data are available, valuation may be at the net asset value disclosed in the statement of financial position. Pursuant to IAS 28.16 associates where significant influence is exercised on must be valued using the equity method.

Valuation at cost price or fair value is, however, allowed if all of the following conditions are met (IAS 28.17):

- The entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
- The entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- The entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- The ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs, (or the investment entity parent uses the possibility to measure subsidiaries at fair value through profit or loss).

1.3 Separate and consolidated financial statements: Valuation of other interests (over which no significant influence is exercised)

Under Section 384 (1) of Book 2 of the Dutch Civil Code and DAS 214.320, interests over which no significant influence is exercised are carried at cost or current value. If they are carried at current value, a legal reserve (revaluation reserve) is formed under equity for the changes in value.

Under IFRS 9.4.1.2a/4.1.4, such interests are carried at fair value, with the changes in fair value being recognised either in equity ('Other comprehensive income') or profit or loss.

1.4 Participations and investments of investment entities

Under DAS, participations and investments of investment entities are measured in relation to the underlying shares held: at cost or fair value, with changes in value recognised in profit or loss or in equity. DAS prefer measurement at fair value through profit or loss for investments of investment entities. This applies both for non-consolidated participations and investments in which control is held and other participations and investments.

Under IFRS, these participations and investments are referred to as investments held by venture capital companies, unit trusts and similar organisations. Non-consolidated participations and investments in which control is held are required to be measured at fair value through profit or loss. The same basis can be chosen for other participations, or accounting on the basis of the equity method. IFRS therefore does not permit applying the basis of cost, nor the basis of measurement at fair value through equity. The equity method (or measurement at net asset value) is not allowed under DAS.

1.5 Considering potential voting rights in determining significant influence

DAS 214.303 stipulates that, in determining significant influence, potential voting rights are to be considered if they have substance. This same criterion applies, when considering potential voting rights, in determining controlling influence.

IFRS 10 contains a provision similar to DAS 214.303, but only in determining whether control exists. In assessing significant influence, it should be possible to exercise or convert the potential voting rights as at the reporting date, according to IAS 28.7/8. The intention and the financial ability to exercise it do not play a part.

1.6 Separate financial statements: Recognition of dividends

Under Dutch laws and regulations, dividends which can be deemed to have been included in the purchase price of an equity interest must be deducted from the cost price (DAS 214.504).

Under IAS 27.12, all distributions from associates or group companies are recognised as income, even if they result from accumulated pre-acquisition profit of the associate. However, IAS 36.12 (h) requires impairment tests to be carried out in cases in which the carrying amount of the associate exceeds the net asset value in the consolidated financial statements, or in cases in which the dividend declared exceeds the total comprehensive income.

4 Investments in subsidiaries/associates (excluding joint ventures)

1.7 Change in interest while retaining control

A subsidiary can issue shares to a third party, as a result of which the relative interest held by the participating legal entity decreases (is diluted) but the participating legal entity retains control. The transaction results in diluted earnings or losses. This is due to the fact that the issue of additional shares and payment thereon by a new shareholder causes the net asset value to be different from the previous net asset value. As long as control is retained, DAS requires the diluted earnings or loss to be recognised by the participating legal entity either in profit or loss or directly in equity (DAS 214.315). IFRS 10.23 allows recognition in equity only.

The same applies if part of the interest is sold while retaining control and if a non-controlling interest is acquired (with control being held both before and after the acquisition).

1.8 Disposal of part of an investment in an associate, loss of control or significant influence

IFRS 10.25 contains a special provision for the situation that part of a participating interest (and therefore included in the consolidation) is sold, with the investor continuing to have significant influence, but ceasing to have control. An example would be a wholly-owned subsidiary of which 70% is sold. The difference between the selling price and the carrying amount of the 70% interest is recognised in profit or loss. In this case, the remaining 30% interest must be remeasured at fair value, with the difference with the carrying amount also being recognised in profit or loss. In other words, the interest is deemed to be sold in full, with a 30% interest subsequently being acquired. The underlying reason for this is that losing control is a very important fact justifying the remeasurement of the remaining interest. The 30% interest is recognised at fair value on initial recognition and as cost of the interest.

The Dutch rules do not contain any provision requiring remeasurement of the remaining interest. Such remaining interest is either an investment or an associate, to be measured at either cost or current value/fair value. The same method as provided by IFRS applies only if such interest is classified as an investment measured at fair value. If it is classified as an associate measured at current value, the remaining interest will be remeasured, but the change in value will be taken to a revaluation reserve.

Comparable provisions apply to a loss of significant influence (provided for in IFRS in IAS 28.22/23).

There are also differences concerning the consequences for the goodwill recognised on a (partial) sale of a participating interest. Up to and including the 2015 financial statements, it was possible to charge goodwill directly to equity. Goodwill relating to the sold participating interest charged to equity must now be charged to profit or loss.

DAS 214 uses an average daily balance method to indicate the amount of the goodwill, or the proportionate portion thereof, written down from equity that must be reversed (DAS 214.341):

- If the sale takes place within a year of the acquisition, 100% of the goodwill write-off.
- If the sale takes place within two years of the acquisition, at least 80% of the goodwill write-off.
- If the sale takes place within three years of the acquisition, at least 60% of the goodwill write-off, et cetera.

Since there is no mention of positive goodwill charged to equity in IFRS 3, by contrast to DAS 214, there is also no mention of goodwill reversal when an acquiree is sold.

If part of the interest in the participating interest is sold, a proportionate part of the goodwill is written off and charged to profit or loss (DAS 214.341a). These provisions apply not only if an interest is sold but also if it decreases due to dilution. Based on these provisions, under DAS the goodwill is also proportionately written off if part of the interest has been sold but control is retained.

Under IFRS, goodwill is not proportionately written off in the event of a partial sale of an associate (IFRS 10.B96). This goodwill is only written off when control is lost (IFRS 10.B98(a)(i)). In the event of partial sale of a subsidiary, the treatment required under IFRS of the part of the goodwill that relates to the sold interest in the subsidiary is not clear. In our opinion, a proportionate part of the goodwill must be reallocated from equity to non-controlling interests in the consolidated financial statements.

1.9 Increase in interest following associate's share repurchase

Moreover, a situation may arise in which an associate repurchases shares from other shareholders, resulting in the increase in the investor's interest in the associate concerned. This process is referred to as reverse dilution. A typical situation arises when the entity has had control prior to this transaction (see also Chapter 1.7), when it gains control as a result of the transaction, or it has no control either before or after the transaction. In all cases, any difference between the cost of the repurchased shares and the relevant proportionate part of the net asset value should be included in the initial measurement of the associate (if the increase is regarded as the acquisition of the interest; this may cause goodwill to be created), or directly in equity (if the indirect acquisition of the interest is regarded as a transfer of equity between shareholders) (DAS 214.318). The method of treatment of this type of transaction should be the same as that used for dilutive earnings or losses (DAS 214.319), i.e. either as a purchase/sale, or as a transfer of equity (see Section 1.7).

Under IFRS, no specific rules apply in the case of associates over which significant influence is exercised. See Section 1.7 for the acquisition of a third-party interest.

1.10 Valuation of associates held for sale

If associates meet the requirements of held for sale (see Chapter 32 for further details), pursuant to IFRS these must be reclassified (see Section 3.2) and measured at the most recent carrying value or fair value less cost to sell. Based on Part 9, such associates are presented and measured in the same way as associates not held for sale.

2 Presentation

2.1 Statement of movements in financial assets

Under Dutch laws and regulations, a statement of movements in each financial asset is mandatory (Section 368 (1) of Book 2 of the Dutch Civil Code). IFRS contain no rules on this point.

4 Investments in subsidiaries/associates (excluding joint ventures)

2.2 Associate/goodwill

The equity method is similar to a large extent to the net asset value method required under DAS, but the initial value according to the equity method is not based on the share in the net asset value of the associate, but on cost. This means that goodwill is not recognised separately, but is included in the initial carrying amount of the associate, which is subsequently also adjusted for changes in goodwill (IAS 28.23). Under DAS, goodwill is disclosed separately under intangible assets.

2.3 Presentation of associates held for sale

If associates meet the held-for-sale criteria, they should be presented as non-current assets held for sale, under current assets. See also Chapter 32. Under DAS, associates continue to be classified as non-current financial assets. See also Section 1.10.

3 Disclosure

3.1 Disclosure of information on associates

Information disclosure requirements differ considerably between IFRS and DAS, with IFRS requiring substantially more disclosure. IFRS 12 contains rules on information to be included in the notes for all subsidiaries, joint arrangements, associates and structured entities. IFRS does not apply the concept of 'affiliated companies not forming part of the group', by contrast to DAS, under which the same disclosure requirements apply for these companies as for group companies. This therefore does not apply under IFRS. The EY Handboek Jaarrekening (financial reporting manual) lists and clarifies the disclosure requirements.

Accounting standards

Relevant accounting standards:

- DAS 214 Financial Assets
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

5 Other financial assets

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Derecognition	In the event of a transfer of all or substantially all risks and rewards to third parties.	When all or substantially all risks and rewards are transferred. If not, to the extent that control is transferred.	IFRS stricter
1.2 Bonds; Measurement	At amortised cost (not subject to any conditions) or fair value.	At amortised cost (if specific conditions are met) or fair value.	IFRS stricter
1.3 Bonds carried at fair value; Accounting for changes in value	Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised.	Depending on the situation, through profit or loss or other comprehensive income (transfer to profit or loss when realised).	IFRS stricter
	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Conflicting
1.4 Unlisted equity instruments; Measurement	At cost or fair value.	At fair value.	IFRS stricter
1.5 Equity instruments carried at fair value; Accounting for changes in value	Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised.	Recognised in profit or loss or in other comprehensive income (no transfer to profit or loss when realised).	Conflicting on recognition in revaluation reserve/other comprehensive income
	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Conflicting
1.6 Participations and investments of investment entities	At cost or fair value. Changes in value recognised in profit or loss or equity.	Non-consolidated participations and investments in which control is held: fair value through profit or loss.	IFRS stricter
		Other participations and investments: as above or equity method.	Differing options
1.7 Loans granted and other receivables; Measurement	At amortised cost.	At amortised cost (if specific conditions are met) or fair value.	Dutch laws and regulations stricter

5 Other financial assets

	Dutch laws and regulations	IFRS	Conclusion
1.8 Fair value option	No specific option, but at fair value through profit or loss being allowed for all financial assets, with the exception of loans granted and receivables.	At fair value through profit or loss if specific conditions are met.	IFRS stricter
1.9 Amortised cost	Based on the annuity method of amortisation of premiums, discounts and transaction costs (i.e. effective interest method), or, if only minor differences result, based on the straight-line method of amortisation.	Based on the annuity method of amortisation of premiums, discounts and transaction costs (i.e. effective interest method).	IFRS stricter
1.10 Temporary impairment	Temporary Impairment at the reporting date may be taken into account.	Specific rules (the permanence concept not being used as a criterion).	IFRS stricter
1.11 Impairment of assets measured at amortised cost	Incurred loss model and expected loss model are allowed. Amount of impairment determined on the basis of cash flows discounted at the original effective interest rate, or downward value adjustment to lower fair value.	Only expected loss model is allowed. Amount of impairment determined on the basis of expected cash flows discounted at the original effective interest rate.	IFRS stricter
1.12 Expected credit losses on debt instruments at fair value through equity	No separate accounting for credit losses.	Always recognise expected credit losses.	Conflicting
2 Presentation			
2.1 Classification of securities under non-current or current financial assets	In statement of financial position.	In statement of financial position or notes.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Information on accounting policies	Specific disclosure requirements (see text below).	Specific disclosure requirements (see text below).	IFRS requires more disclosure
3.2 Information on shareholdings in other companies	The investee's equity and result should be disclosed if measurement is at cost or current value.	Disclosure not mandatory.	Dutch laws and regulations require more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.3 Movement schedule of non-current financial assets	Mandatory disclosure.	Not mandatory.	Dutch laws and regulations require more disclosure

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IFRS 9 addresses the derecognition of assets and liabilities in great detail. See also Chapter 23 Financial Instruments.

1.2 Bonds; Measurement

Bonds that do not form part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments. Non-derivative financial assets also include receivables (loans) purchased from third parties.

DAS 290.410 distinguishes between the following two subcategories:

- Held to maturity (whether listed or not)
- Other bonds

The first subcategory (held to maturity) should be measured at amortised cost.

Under DAS 290.518, the second subcategory may be carried at amortised cost or at fair value.

No distinction is made between listed and unlisted purchased loans and bonds.

Under IFRS 9, debt instruments are subsequently measured either at amortised cost or fair value.

Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9, under Section 4.1.2.):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model whose objectives are both held-for-sale and held-to-collect interest and payments on principal, the financial asset is measured at fair value, with changes in value being recognised in other comprehensive income (via equity as part of total comprehensive income). These changes in value are subsequently (e.g. upon sale) recognised in profit or loss, i.e. recycling is applied.

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss. Measurement at fair value is also still an option if specific conditions were to be met, provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.8 below). If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.

1.3 Bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure bonds (and purchased loans) category not being part of the trading portfolio at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below (amortised) cost should be recognised directly in profit or loss.

IFRS 9 requires accounting for changes in value through profit or loss if the bonds are solely held for sale, and through other comprehensive income if the business model's objectives are both held-for-sale and held-to-collect interest and payments on principal, provided the securities only provide cash flows for payments on principal and interest.

A negative balance of the revaluation reserve is permitted under IFRS.

1.4 Unlisted equity instruments; Measurement

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio must be classified under one of the following subcategories:

- Listed
- Unlisted

Under DAS 290.522, investments in unlisted equity instruments may be carried at cost or at fair value. Under IFRS 9, they have to be carried at fair value. DAS requires measurement at fair value for listed securities.

1.5 Equity instruments carried at fair value; Accounting for changes in value

Under DAS 290.522, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income (through equity as part of other comprehensive income). Realised changes in value are not transferred to profit or loss when recognising changes in value in other comprehensive income. Dividend income should always be recognised in profit or loss, except for pre-acquisition dividends. IFRS allows a negative balance of the revaluation reserve.

1.6 Participations and investments of investment entities

Under DAS, participations and investments are measured in accordance with shares: at cost of acquisition or fair value, with changes in value recognised in profit or loss or in equity. DAS prefer measurement at fair value through profit or loss for investments of investment entities.

This applies both for non-consolidated participations and investments in which control is held and other participations and investments.

Under IFRS, these participations and investments are referred to as investments held by venture capital companies, unit trusts and similar organisations. Non-consolidated participations and investments in which control is held are required to be measured at fair value through profit or loss. The same basis can be chosen for other participations, or accounting on the basis of the equity method. IFRS therefore does not permit applying the basis of cost, nor the basis of measurement at fair value through equity. The equity method (or measurement at net asset value) is not allowed under DAS.

1.7 Loans granted and other receivables; Measurement

Loans granted and other receivables not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments that are not listed in an active market. They are measured at amortised cost under Dutch laws and regulations (DAS 290.519).

Under IFRS 9, the measurement and determination of results of loans granted and other receivables is the same as for bonds (see Sections 1.2 and 1.3 above).

1.8 Fair value option

Under IFRS 9, measurement at fair value (through profit or loss) is an option for all financial assets, provided this choice is made on initial recognition of the asset and the choice results in the elimination or significant reduction of an accounting mismatch. DAS does not contain a separate fair value option. However, DAS 290 allows other financial assets (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss. Unlike under IFRS 9, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements are met) under IFRS 9.

1.9 Amortised cost

The definition of amortised cost under IFRS 9 is based on the annuity method of amortisation of premiums, discounts and transaction costs. As a result, the annual interest recognised in the statement of profit or loss is calculated using the effective interest method. Generally, DAS use the same principle. However, DAS 273.201 allows the straight-line method of amortisation, if such does not result in any significant differences from the effective interest method.

1.10 Temporary impairment

Dutch law (Section 387 (3) of Book 2 of the Dutch Civil Code) stipulates that impairment at the reporting date that is not expected to be permanent may be taken into account. IFRS 9 contains a specific rule for impairment, with the permanence concept not being used as a criterion in this rule.

1.11 Impairment of assets measured at amortised cost

There are two basic models with respect to the timing of impairments of assets measured at amortised cost:

- The 'incurred loss' model: impairments must be applied if there are objective indications for them regarding the financial asset or a portfolio of financial assets (DAS 290.533/534).

- The 'expected credit loss' model: changes in value are applied if credit losses are expected. This model leads to earlier recognition of credit losses than under the 'incurred loss' model.

IFRS 9 prescribes the 'expected loss model'. DAS offers a choice between the two basic models.

IFRS 9 stipulates that impairment of financial assets measured at amortised cost, including receivables and bonds, be based on estimated future cash flows discounted at the financial asset's original effective interest rate as computed at initial recognition. DAS 290.533-537 also contains this method of determining the impairment loss. However, DAS 290.537a provides an alternative for impairment of financial assets measured at amortised cost that is in line with the lower of cost and market value method. In the latter case, the estimated future cash flows are based on a market participant's expectations and are discounted at the market rate of interest applicable at the reporting date.

1.12 Expected credit losses on debt instruments at fair value through equity

Under IFRS 9, debt instruments (bonds, loans, etc.) are accounted for at fair value through comprehensive income if the business model's objective is both held-for-sale and held-to-collect interest and payments on principal, provided the securities solely provide for cash flows for payments on principal and interest. Even in the case of positive revaluations, the expected credit losses are required to be recognised in profit or loss.

No separate accounting for credit losses is required under DAS 290. Positive revaluations are taken through comprehensive income, decreases in value below (amortised) cost are taken directly through profit or loss.

2 Presentation

2.1 Classification of securities under non-current or current financial assets

Securities is the collective reference to negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 226.104). Securities may be included under either non-current or current financial assets.

DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:

- Is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle
 - Is held primarily for trading purposes or is expected to be realised within one year after the reporting date
- Or
- Qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity.

If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. These criteria are the same as those referred to in DAS 190.206. If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

3 Disclosure

3.1 Information on accounting policies

Under IFRS, all disclosure requirements for financial instruments are included in IFRS 7. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity's financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A-H).
Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the degree of certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 mainly contains provisions laid down in general terms, compared with the specific provisions of IFRS 7.

3.2 Information on shareholdings in other companies

Under Section 379 of Book 2 of the Dutch Civil Code, certain information should be provided on investments providing 20% or more of the share capital of other companies, such as the name and principal place of business of the associate and the share held in the issued capital, plus, in the case of associates that are not carried at net asset value, their equity and results. IFRS 12.10 and 12.21 stipulate that a list should be disclosed containing descriptions of all significant associates and group companies, including shareholding percentage (and voting right percentage if this is different). No information is required on the equity and results of the investees that are not carried using the equity method.

3.3 Movement schedule of non-current financial assets

Under Dutch laws and regulations, a movement schedule of each financial asset is mandatory (Section 368 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a requirement.

Accounting standards

Relevant accounting standards:

- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 160 Post-Balance-Sheet Events
- DAS 190 Other General Matters
- DAS 214 Financial Fixed Assets
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 1 Presentation of Financial Statements
- IAS 10 Events after the Reporting Period
- IAS 32 Financial Instruments: Presentation

6 Inventories

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Measurement by producers of inventories of agricultural products without frequent market quotation	Choice between: <ul style="list-style-type: none"> • Measurement at cost (or lower net realisable value); or • Net realisable value, with changes in value being recognised in equity (revaluation reserve). Upon realisation revaluation reserve recycled to profit and loss. 	Choice between: <ul style="list-style-type: none"> • Measurement at cost (with fair value less costs to sell as initial value); or • Net realisable value, with changes in value being recognised in profit or loss. 	IFRS stricter
Measurement of inventories of agricultural products with frequent market quotation	Choice between: <ul style="list-style-type: none"> • Measurement at cost (or lower net realisable value); or • Net realisable value, with changes in value being recognised in profit and loss (no revaluation reserve) or directly in revaluation reserve. The realised portion of the revaluations on inventories that have been sold is recognised in profit or loss. 	Choice between: <ul style="list-style-type: none"> • Measurement at cost (with fair value less costs to sell as initial value); or • Net realisable value, with changes in value being recognised in profit or loss. 	IFRS stricter
1.2 Measurement of inventories held by producers of mineral products and commodities	Measurement at cost (or lower net realisable value). Measurement of commodities relating to agricultural products at net realisable value also allowed.	Choice between: <ul style="list-style-type: none"> • Measurement at cost or lower net realisable value; or • Net realisable value (realisable value less costs to be incurred) with changes in value being recognised in profit and loss. 	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
1.3 Measurement of inventories of commodities held by brokers/traders	Measurement at cost (or lower net realisable value).	Choice between: <ul style="list-style-type: none"> • Measurement at cost or lower net realisable value; or • Fair value less costs to sell; changes in value being recognised in profit or loss. 	Dutch laws and regulations stricter
1.4 Application of LIFO method	LIFO method is permitted, but requires more disclosure.	LIFO method is not permitted.	IFRS stricter
1.5 Capitalisation of borrowing costs	Allowed.	Mandatory, provided that certain criteria are met.	IFRS stricter
2 Presentation			
2.1 Subdivision of inventories	<ul style="list-style-type: none"> • Raw materials and consumables • Work in progress • Finished products and goods for resale • Prepayments on inventories 	Inventories to be subdivided in categories appropriate to the entity.	Dutch laws and regulations stricter
2.2 Assets that have ceased to be rented and become held for sale	No specific rules.	Presentation as inventories.	IFRS stricter
3 Disclosure			
3.1 Disclosure of current value	For inventories measured at cost of acquisition or production, if this is necessary for the view to be provided.	IFRS does not contain this requirement.	Dutch laws and regulations stricter
3.2 Disclosure of liabilities relating to inventories	Disclosure of total amount and term of obligations to purchase or sell inventories, if these entail abnormally large purchase or delivery obligations compared with normal business volumes.	IFRS does not contain a specific requirement for this.	Dutch laws and regulations stricter
3.3 Additional disclosure if measurement at current value of agricultural inventories is applied	Disclosure of total amount and the method of determining net realisable value and recognition of revaluations.	Not applicable.	Dutch laws and regulations stricter for application of current value

1 Recognition and measurement

1.1 Measurement by producers of inventories of agricultural products

Generally, inventories are carried at cost. Under IAS 2.3 (a), subject to specific conditions, inventories of producers of agricultural products may also be carried at net realisable value, with the changes in value being recognised in profit or loss. Dutch law does not make a distinction between inventories of agricultural products held by producers or others.

Dutch law allows measurement at cost (or lower net realisable value) or current value for inventories of agricultural products (Section 384 (1) of Book 2 of the Dutch Civil Code).

If inventories of agricultural products are carried at current value, the current value is the net realisable value (Section 8 of the Dutch Asset Valuation Decree).

If inventories of agricultural products are carried at net realisable value and if frequent market quotations are available, changes in value can be recognised directly in the statement of profit or loss (no revaluation reserve) or be recognised directly in a revaluation reserve in equity (Section 384 (7) of Book 2 of the Dutch Civil Code, DAS 220.405). If there are no frequent market quotations, changes in value of agricultural inventories are always recognised directly in a revaluation reserve in equity. In that case revaluations are not recognised in the statement of profit or loss (DAS 220.402).

In connection with this, it should be noted, however, that IAS 41 contains specific requirements for determining the value of inventories of agricultural products at the time of harvesting. Under IAS 41, such inventories should be measured at fair value less costs to sell. Subsequently this fair value less costs to sell is the deemed cost of the inventories of agricultural products under subsequent measurement in accordance with IAS 2 (IAS 41.13).

DAS does not elaborate on the way that cost should be initially determined. Therefore this could be the fair value at harvest, as in IAS 41, but could also be a cost price based on an allocation of costs actually incurred.

1.2 Measurement of inventories held by producers of mineral products and commodities

Under IAS 2.3 (a), producers of mineral resources and mineral products are allowed to measure inventories at net realisable value, with changes being recognised in profit or loss. There is no special accounting treatment under Dutch laws and regulations of mineral products and commodities (that are not also agricultural products), and therefore the general requirements for inventories apply to them: measurement at lower of cost or lower realisable value (DAS 220.301). Commodities that relate to agricultural products can optionally be measured, in accordance with the relevant regulations as described above, at cost (or lower net realisable value) or realisable value.

1.3 Measurement of inventories of commodities held by brokers/traders

Under IAS 2.3 (b), commodities held by brokers/traders for trading purposes may be carried at fair value less costs to sell, with changes in value being recognised in profit or loss. Dutch laws and regulations only allow measurement at lower of cost or market value.

1.4 Application of LIFO method

Under IAS 2.25, measurement of inventories using the LIFO method is not permitted. DAS 220 allows measurement of inventories using the LIFO method (DAS 220.316), but requires the following disclosures (DAS 220.602):

- The way in which the LIFO method is applied: on a transaction basis or per period.
- The inventory valuation if it were based on cost under the FIFO method or weighted average prices to the extent that this leads to significant differences in equity.

1.5 Capitalisation of borrowing costs

IAS 23 requires capitalisation of borrowing costs for all qualifying assets (IAS 23.8 and IAS 23.9). These qualifying assets can also be part of inventories. Capitalisation is allowed, but not mandatory under DAS 273 (DAS 273.204).

2 Presentation

2.1 Subdivision of inventories

Under Dutch laws and regulations, inventories are to be subdivided in the statement of financial position or the notes thereto into (Section 369 of Book 2 of the Dutch Civil Code; DAS 220.501):

- Raw materials and consumables
- Work in progress
- Finished products and goods for resale
- Prepayments on inventories

IFRS does not prescribe any subdivision. However, it does require a breakdown into classifications appropriate to the entity to be provided in the notes (IAS 2.36 [b]).

2.2 Assets that have ceased to be rented and become held for sale

There is a specific requirement in IAS 16 for the presentation of assets that have ceased to be rented and that are routinely sold at the end of their useful life; rental cars of a car rental company are an example of this. IAS 16.68A stipulates that the carrying amount is required to be transferred from property, plant and equipment to inventories as soon as these assets cease to be rented. Upon the sale of such an asset, the net realisable value is recognised at the (gross) amount in revenue and the carrying amount of the asset is recognised in cost of sales. DAS 212.506 only recommends recognising revenue or cost of sales, respectively, in these cases. The requirement of a transfer to inventories is not included. This method of accounting can clearly also be applied under Dutch laws and regulations.

3 Disclosure

3.1 Disclosure of current value

On the basis of DAS 115.220 the legal entity is required to disclose information on current value, if this is required for the true and fair view to be provided, for inventories measured at cost of acquisition or production. There is no such requirement under IFRS.

3.2 Disclosure of liabilities relating to inventories

DAS 220.605 requires disclosure of the total amount and term of purchase or delivery obligations under purchase and sale contracts for inventories, if the purchase or delivery obligations are abnormally large compared with normal business volumes. There are no specific requirements on this under IFRS.

3.3 Additional disclosure if measurement at current value of agricultural inventories is applied

If measurement of inventories of agricultural products at current value is applied, DAS 220 and IAS 2 and IAS 41, respectively, apply differing disclosure requirements.

Accounting standards

Relevant accounting standards:

- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 220 Inventories
- DAS 273 Borrowing Costs
- IAS 2 Inventories
- IAS 16 Property, Plant and Equipment
- IAS 23 Borrowing Costs
- IAS 41 Agriculture

7 Construction contracts

	Dutch laws and regulations	IFRS	Conclusion	
1	Recognition and measurement			
1.1	Alternative accounting methods	Application of IFRS 15 allowed, if applied consistently and in full.	No alternative accounting methods allowed.	IFRS stricter
1.2	Allocation of revenue to financial years	On the basis of transfer of risks and rewards.	On the basis of transfer of control.	Conflicting
1.3	Allocation of costs to financial years	Costs incurred are charged to profit or loss in proportion to the work performed (percentage of completion method).	Under IFRS, costs are charged to profit or loss when incurred (unless the capitalisation criteria have been met).	Conflicting
1.4	Identification of performance obligations	General rules for separating components.	Specific rules for separating performance obligations.	IFRS stricter
1.5	Allocation of transaction price to performance obligations	No specific requirements.	Allocation based on stand-alone selling prices of performance obligations.	IFRS stricter
1.6	Variable consideration	No specific provisions for accounting if realisation is probable and the amount can be reliably determined.	Recognition in transaction price only if it is highly probable that revenue recognised previously will not have to be reversed when the uncertainty has ceased to exist.	IFRS stricter
1.7	Contract modifications	No specific requirements for accounting for contract modifications, except for contract extras.	Specific requirements for accounting for contract modifications, incl. contract extras	IFRS stricter
		Recognise contract extras if approval is probable and the amount can be reliably determined.	Only recognise contract extras if there are new or changed enforceable rights and obligations.	
1.8	Construction contracts with expected losses	Specific provisions for construction contracts in DAS 221. Expected loss determined on basis of total contract costs.	General provisions for onerous contracts in IAS 37. Not (yet) unambiguously clear with regard to which costs the expected loss is to be determined.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Presentation of construction contracts	Presentation as separate (aggregated) item construction contracts in the statement of financial position between inventories and receivables (if balance is positive) or as a liability (if balance is negative).	No (aggregated) item for construction contracts. No strict requirement to present a contract asset or liability as separate statement of financial position item.	Conflicting
2.2 Presentation of expected losses	Part of item construction contracts (presentation as liability if balance is negative).	Presentation as provision.	Conflicting
2.3 Determination positive or negative balance	Determine presentation as asset or liability item for each individual construction contract or at aggregated level (all construction contracts netted).	Determine presentation as contract asset or contract liability for each individual contract.	IFRS stricter
2.4 Classification of costs by nature	Contract revenue is to be presented either as revenue or presented as change in construction contracts.	Contract revenue is presented solely as revenue.	IFRS stricter
3 Disclosure			
3.1 Disclosure requirements	Less detailed disclosure requirements.	More detailed disclosure requirements.	IFRS requires more disclosure

General

IFRS 15 'Revenue from Contracts with Customers' comprises a single coherent set of requirements for revenue recognition and applies, with a few exceptions, to all contracts with customers. With effect from financial statements for 2018, IFRS 15 replaces the formerly separately stated rules of IAS 18 'Revenue' (with the general principles for revenue recognition), IAS 11 'Construction Contracts' and IFRIC 15 'Agreements for the Construction of Real Estate' (concerning construction contracts) and several SIC/IFRIC interpretations (IFRIC 13 'Customer Loyalty Programmes', IFRIC 18 'Transfers of assets' and SIC 31 'Barter Advertising').

As a consequence, there are no specific regulations for construction contracts under IFRS. The more generally formulated requirements of IFRS 15 apply instead.

Under Dutch laws and regulations, in addition to DAS 270 'Statement of profit or loss' there is a separate Standard for accounting for construction contracts in the financial statements. DAS 221 'Construction contracts' is based largely on former rules under IFRS that were included in IAS 11. In addition, the DASB offers entities the option, as an accounting policy choice, to apply IFRS 15 as adopted by the European Union for accounting for construction contracts, provided IFRS 15 is applied in full and consistently.

So, entities that prepare their financial statements on the basis of Dutch laws and regulations can apply IFRS 15 instead of DAS 221 (see also Section 1.1).

Following the introduction of IFRS 15, the DASB examined whether DAS 221 and 270 needed to be amended as well. It found that there was a need in practice for detailed requirements concerning revenue recognition under DAS. The DASB concluded, however, that comprehensively adopting the provisions of IFRS 15 is not desirable. Instead, the DASB decided to implement specific amendments in the current DAS 221 and DAS 270, and to supplement these with detailed explanations and examples.

In December 2020, DAS Authoritative Statement 2020-15 'Introduction to Standards 221, 270, B5 and B13 (amended in 2021)' ('Ten geleide bij Richtlijnen 221, 270, B5 en B13 (aangepast 2021)') was published with the definitive amendments in the standards for revenue recognition. These amendments become effective for reporting years beginning on or after 1 January 2022. Earlier adoption is allowed. It should be noted that the current option to apply IFRS 15 in full continues to exist (in unchanged form).

Only differences between IFRS and current DAS will be discussed in the remainder of this chapter.

1 Recognition and measurement

1.1 Alternative accounting methods

DAS allow application of IFRS 15 for revenue and related costs concerning construction contracts instead of paragraphs 1 to 4 of DAS 221, provided IFRS 15 is applied in full and consistently (DAS 221.102a). All requirements of IFRS 15 will in that case need to be applied in full, including the more detailed disclosure requirements. In addition, IFRS 15 will in that case need to be applied for revenue and related costs concerning the sale of goods and the provision of services, instead of paragraph 1 of DAS 270.

No alternative accounting methods are allowed under IFRS (other than IFRS 15).

1.2 Recognition and measurement (1.2 to 1.7)

The more generally formulated requirements of IFRS 15 differ significantly from the requirements of DAS 221 specifically formulated for construction contracts. Detailing the many differences between IFRS 15 and DAS 221 (sub)paragraph by (sub)paragraph would exceed the scope of this publication.

Instead, a brief summary is provided of significant differences between DAS 221 and IFRS 15 (versus the DAS) in connection with construction contracts:

Significant differences between DAS 221 and IFRS 15		
	DAS 221	IFRS 15
Allocation of revenue to reporting periods	On the basis of transfer of risks and rewards.	On the basis of transfer of control.
Allocation of costs to reporting periods	Costs recognised in profit or loss in proportion to the work performed under the 'percentage of completion' method.	Costs recognised in profit or loss when incurred, unless the capitalisation requirements have been met.

Significant differences between DAS 221 and IFRS 15		
	DAS 221	IFRS 15
Identification of performance obligations	General provision to apply the criteria for accounting for contract revenue and costs to separately identifiable components, in order to depict the economic substance.	Revenue recognition per performance obligation and specific provisions for identifying these (on the basis of commitments to customers).
Allocation of transaction price to performance obligations	No specific provisions for the allocation to separate components.	On the basis of the stand-alone selling prices of the performance obligations.
Variable considerations (including claims, variable discounts, performance bonuses, sanctions, et cetera)	No specific provisions for accounting for variable considerations if realisation is probable and the amount can be reliably determined.	Recognition in transaction price only if it is highly probable that revenue recognised previously will not have to be reversed when the uncertainty has ceased to exist.
Contract modifications (including contract extras)	No specific requirements for accounting for contract modifications, except for contract extras. Recognise contract extras if approval is probable and the amount can be reliably determined.	Specific requirements for accounting for contract modifications, inclusive contract extras. Only recognise contract extras if there are new or changed enforceable rights and obligations.

1.8 Construction contracts with expected losses

DAS 221.323 provides for the expected losses to be accounted for immediately in the statement of profit or loss if it is probable that the total contract costs will exceed total project revenue. Contract costs are defined as costs that are attributable to a construction contract based on the project activities of the legal entity or on the basis of contractual provisions (DAS 221.0). These costs comprise (a) the costs directly related to the contract, (b) the costs that are attributable to project activities in general and are allocable to the contract, and (c) other costs that can be contractually attributed to the client (DAS 221.206).

The DASB's view with regard to the attribution of indirect expenses is that this must relate to a specific portion of the indirect or general expenses, not all general expenses as a whole. The specific portion relates only to the expenses that are attributable to the project activities and are allocable to the contract.

These costs will often be allocated to individual projects by means of a mark-up (DAS 221.210). Accordingly, more generic overhead expenses (such as general administrative expenses) are not eligible for attribution to projects or project activities (DAS 221.213).

IFRS 15 contains no specific rules for contracts for which a loss is expected. The general provisions for onerous contracts of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' apply. The present rules of IAS 37.68 stipulate that the amount of a provision is equal to the unavoidable costs of meeting the obligations under the contract, less the expected economic benefits. The unavoidable costs are defined as the lower (a) the net cost of exiting from the contract including the payment of penalties for early termination etc. and (b) the costs of fulfilling the contract.

In May 2020, the IASB published an amendment to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract') because there was uncertainty in practice as to whether the 'costs of fulfilling a contract' comprise only the incremental costs of the contract (e.g. direct labour and material costs) or all costs directly related to the contract), i.e. the incremental costs plus an allocation of other costs directly related to fulfilling the contract, such as depreciation costs of equipment deployed and costs for project management and supervision). The amendment to IAS 37 clarifies that 'costs of fulfilling a contract' are understood to include all 'costs that relate directly to the contract' (IAS 37.68A) and is required to be applied for reporting years beginning on or after 1 January 2022.

2 Presentation

2.1 Presentation of construction contracts

Under DAS, the item construction contracts in the statement of financial position consists, to the extent applicable, of the balance of realised project costs, attributed profit, losses recognised and already billed instalments (DAS 221.407). Account is also taken of expected losses on contracts for which no work has been performed yet on the reporting date (DAS 221.412) (also see Section 2.2).

DAS 221 prescribes a different presentation for positive and negative balances. If the balance is positive (debit balance), there is in fact a receivable due from the customer.

If the balance is negative (credit balance), there is in fact an advance payment received from the customer that may in part reflect activities still to be carried out. See Section 2.3 for determining whether a balance is positive or negative.

Under Dutch laws and regulations, a positive balance is required to be presented as a separate item in the statement of financial position, between Inventories and Receivables. A negative balance is presented as a separate item in the statement of financial position under (current) liabilities (DAS 221.409).

Contract expenditure that relates to work not yet performed, such as materials that have not yet been used, are part of the Inventories or, if applicable, prepayments and accrued income. Presentation under construction contracts is also permitted (DAS 221.411 and 413).

Under IFRS, there is no (aggregated) item construction contracts in the statement of financial position, but a differentiation is applied between a number of separate elements. The relationship between performance (transfer of a good or service) and consideration (payment) in a contract with a customer is reflected in a contract asset, or receivable, or a contract liability (IFRS 15.105). Besides inventories, intangible assets and property, plant and equipment, IFRS also applies (among other things) capitalised contract costs and a provision for onerous contracts (see also Section 2.2).

IFRS 15.105 provides that an unconditional right to consideration (i.e. a right that depends only on the passage of time) shall be presented separately from a contract asset as a receivable (for instance, under trade receivables).

There is no explicit requirement to recognise a contract asset or contract liability as a separate line on the face of the statement of financial position. IFRS 15.BC320, the IASB confirms the absence of such a requirement, but does suggest at least considering separate presentation in the statement of financial position (by stating that an assessment should be performed on the basis of the principles of IAS 1 'Presentation of Financial Statements' to decide whether separate presentation is appropriate).

IFRS does not stipulate that the contract asset or contract liability is presented under that name in the statement of financial position. Specific descriptions are also allowed (IFRS 15.109), provided the difference versus (trade) receivables and payables is clear.

IFRS contains no specific provisions for the presentation of capitalised contract costs. As the definition of a contract asset or contract liability in IFRS 15 is not met, capitalised contract costs are required to be presented separately from them. In our opinion there is a choice with regard to capitalised costs of obtaining a contract between recognition either as a separate item in the statement of financial position or as a separate category under intangible assets. In our view, capitalised costs of fulfilling a contract are required to be recognised as a separate item in the statement of financial position.

2.2 Presentation of expected losses

Under DAS 221, expected losses on construction contracts are part of the item construction contracts in the statement of financial position. A negative balance is presented as a (current) liability (see Section 2.1) even if the negative balance arose from expected losses on contracts. Therefore, expected losses on construction contracts are not recognised under the provisions.

Under IFRS, the general requirements for onerous contracts of IAS 37 apply. Therefore, expected losses on onerous contracts are recognised separately, as part of the item provisions, in the statement of financial position under IAS 1.54(l).

2.3 Determining positive or negative balance

DAS permits two methods for determining whether a positive balance (debit balance) or negative balance (credit balance) applies with regard to a construction contract:

- The recommended treatment is to determine the presentation as asset or liability item per individual construction contract (DAS 221.409).
- Alternatively, prior netting of the amounts of all construction contracts is permitted before recognising the balance either as asset or liability in the statement of financial position (DAS221.410); a split of the debit and credit balances of individual construction contracts is then required to be disclosed in the notes.

The second of these methods generally leads to better reported solvency.

IFRS allows only the first method. Whether there is a contract asset (positive balance) or contract liability (negative balance) must be assessed for each contract individually (IFRS 15.105), even if there are several performance obligations within the same contract. In principle, netting of positions from different contracts is not permitted, unless those contracts are required to be combined on the basis of IFRS 15.

2.4 Classification of costs by nature

If the classification of costs by nature is used in the statement of profit or loss, DAS offer a choice between presenting contract revenue in profit or loss as:

- Revenue; or
- Change in construction contracts in progress, as long as the construction contract is not yet completed.

When applying the second method of presentation, in the year of completion of the construction contract, total contract revenue is presented under revenue, and the cumulative contract revenue recognised previously is reversed via the line 'change in construction contracts (DAS 221.401). The sum of the items revenue and changes in construction contracts is then required to be shown in a separate subtotal, which might for instance be designated as 'contract revenue' or 'operating income' (DAS 221.402).

IFRS does not permit the second method of presentation (partly pursuant to IFRS 15.2 and IAS 1.102) and the realised returns are presented as revenue (IAS 1.82).

Losses on construction contracts are customarily accounted for as costs in profit or loss under both Dutch laws and regulations and IFRS. However, if the item 'change in construction contracts' is used (only permitted under DAS), the DASB considers it to be acceptable, as an alternative, to account for the losses as a part of that item.

3 Disclosure

3.1 Disclosure requirements

IFRS 15 applies more disclosure requirements than DAS.

Accounting standards

Relevant accounting standards:

- DAS 221 Construction Contracts
- IFRS 15 Revenue from Contracts with Customers
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

8 Current assets: receivables

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Derecognition	In the event of the transfer of economic benefits and risks to third parties.	In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred.	IFRS stricter
1.2 Purchased loans and bonds; Measurement	Measurement at amortised cost (without conditions) or fair value.	Measurement at amortised cost (subject to conditions) or fair value.	IFRS stricter
1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value	Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised.	Depending on category of subsequent measurement: changes in value through profit or loss or through OCI with recycling.	IFRS stricter
	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Conflicting
1.4 Loans granted and other receivables; Measurement	At amortised cost.	Measurement at amortised cost (subject to conditions) or fair value.	Dutch laws and regulations stricter
1.5 Fair value option	No specific option, but fair value being allowed for all financial assets, with the exception of loans granted and receivables.	Changes in value recognised in profit or loss if a number of conditions are met.	IFRS stricter
1.6 Embedded derivatives	Rules for possible separate measurement.	Part of determining the category for subsequent measurement.	Conflicting
1.7 Impairment of assets measured at amortised cost	To be determined on the basis of losses incurred, from a historical perspective ('incurred loss' model). The DASB also permits voluntary application of the IFRS 9 'expected credit loss model' (accounting policy choice).	To be determined on the basis of expected loss model.	IFRS stricter
2 Presentation			
2.1 Classification of current assets	Classification prescribed. Split receivables due in more than one year can be in the notes or on the face of the statement of financial position.	No classification prescribed. Receivables due in more than one year are presented non-current on the statement of financial position in case a current/non-current split is provided.	Dutch laws and regulations stricter (classification)/ IFRS stricter (current/non-current)

	Dutch laws and regulations	IFRS	Conclusion
3 Disclosure			
3.1 Disclosure of financial instruments	Specific disclosure requirements (see text below).	More detailed and larger number of disclosure requirements (see text below).	IFRS requires more extensive and more disclosure

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

While the views on derecognition of a receivable are conceptually similar under IFRS, IFRS 9 addresses derecognition of financial instruments in much greater detail than DAS. See also Chapter 23 Financial instruments for details on these provisions.

1.2 Purchased loans and bonds; Measurement

Purchased loans and bonds not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments. They also include receivables purchased from third parties. DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory held to maturity should be measured at amortised cost (DAS 290.516).

Under DAS 290.518, other purchased loans and bonds may be carried at amortised cost or at fair value. No distinction is made between listed and unlisted purchased loans and bonds.

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9.4.1.2):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model whose objectives are both held-for-sale and held-to-collect interest and payments on principal, the financial asset is measured at fair value, with changes in value being recognised in other comprehensive income (with recycling upon disposal of the financial instrument).

All other debt instruments are measured at fair value with changes in value being recognised immediately in the statement of profit or loss.

Measurement at fair value is also an option ('fair value option'), provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.5 below). If the entity chooses to apply the fair value option, all changes in value are recognised in profit or loss.

1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure instruments in the other purchased loans and bonds category at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 stipulates that changes in value upon measurement at fair value (on the basis of the category subsequent measurement) be recognised in profit or loss (category 'fair value through profit or loss', see below Section 1.5) or in other comprehensive income (OCI) with recycling, the latter being an option only if the assets are held both for generating future cash flows and for sale under the business model (see above under Section 1.2).

The portion of the changes in value to be accounted for through 'other comprehensive income' is of a limited nature: interest income, foreign currency gains and impairments due to credit losses are charged to profit or loss of the financial year when incurred. Only the remainder of the fair value change is taken through 'other comprehensive income', which may for instance relate to deferring a positive variance between fair value and original cost of acquisition (adjusted for credit losses).

Given the type of receivable (not a trade receivable) the simplified approach cannot be applied for an impairment due to credit losses (instead the more general approach applies).

Upon disposal of the financial asset, the difference in value recognised in 'other comprehensive income' is subsequently recognised in profit or loss for the financial year via recycling.

As stated above, no negative balance of the revaluation reserve is permitted under Dutch laws and regulations. By contrast, IFRS permits recognition of a negative revaluation reserve within equity.

1.4 Loans granted and other receivables; Measurement

Loans granted and other receivables not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments that are not listed in an active market.

Under DAS, loans granted and other receivables not forming part of a trading portfolio are measured at amortised cost (DAS 290.519 and DAS 222.202).

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9.4.1.2):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model whose objectives are both held-for-sale and held-to-collect interest and payments on principal, measurement at fair value is applied, with changes in value being recognised in other comprehensive income (with recycling upon disposal of the financial instrument).

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss.

Measurement at fair value is also still an option ('fair value option'), provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.5 below). If the entity chooses to apply the fair value option, all changes in value are recognised in profit or loss.

1.5 Fair value option

Under IFRS 9, measurement at fair value is also an option ('fair value option') if applying this option for debt instruments results in the elimination or significant reduction of an accounting mismatch (IFRS 9.4.1.5). DAS does not contain a separate fair value option. However, DAS 290 allows certain categories of instruments (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss, although their application is much more restricted. Unlike under IFRS 9, this option is not subject to any criteria being met.

However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument under IFRS 9 (provided the requirements are met).

1.6 Embedded derivatives

Under IFRS 9, separation of the embedded derivative is not applied for financial assets, but is part of the assessment of the relevant IFRS 9 category (and hence the subsequent measurement) on the basis of the financial asset in its entirety (including embedded derivative).

DAS are still based on the former requirements of IAS 39 and provide rules for whether or not the embedded derivative is to be separated and separately measured.

For further information, including information in connection with DAS, see Chapter 23.

1.7 Impairment of assets measured at amortised cost

With respect to financial assets measured at amortised cost, IFRS 9 requires that an entity recognise an impairment on these financial assets (such as a loan) based on expected credit losses to be incurred over the next twelve months or the entire remaining term of the loan. In many cases, this results in recognition – at an earlier date – of credit losses which no longer only include losses already incurred, as provided under DAS 290. DAS 290 does however permit voluntary application of the aforesaid IFRS 9 'expected credit loss' method by means of an accounting policy choice.

Pursuant to Section 2:387 (2) of the Dutch Civil Code, current assets are measured at current value if this is lower on the reporting date than the cost of acquisition or production. If this is conducive to the true and fair view, valuation at another lower is required. The rules are presented in detail in DAS 290 'Financial instruments' (in general terms) and DAS 222 Receivables.

DAS applies an 'incurred loss' model for this purpose, which in outline means that the amount of the financial asset that is no longer considered to be collectible (recoverable) is determined on the basis of objective indications. This relates to the credit loss that is deemed to have arisen, from a historical perspective.

Under IFRS 9, an estimate is required to be made on each reporting date (interim and/or year-end) of the *future* credit losses and an impairment to be applied to the financial asset for this. By comparison with the measurement model under the former IAS 39 (and the current DAS 290 model) this means that potential credit losses are already considered in advance without having actually occurred for the individual receivable. In general this will mean that credit losses are recognised earlier (as expense or impairment of the financial asset) than before (IFRS 9.5.5).

On the first reporting date (after providing a loan) a credit loss is in any case recognised equal to the amount of the loss that is expected for the next twelve months (IFRS 9.5.5.5). If there is no significant deterioration in credit quality, the estimated credit loss will remain unchanged for the next twelve months from the measurement date (IFRS 9.5.5.5). However, if there is a significant deterioration in credit quality, the estimate of the future credit loss must be increased from a twelve-month period to the overall remaining lifetime of the financial asset (IFRS 9.5.5.3).

A simplified approach applies to trade and lease receivables as well as the contract assets (under IFRS 15), under which the expected loss is determined for the lifetime of the receivable (IFRS 9.5.5.15). In fact, this simplified method is mandatory for trade receivables that do not contain a significant financing component (as referred to in IFRS 15). In the simplified model, it is not necessary to monitor changes in the credit risk for the financial asset; instead recognition of a loss allowance for credit losses is mandatory on the basis of expected losses for the lifetime of the financial asset concerned.

2 Presentation

2.1 Classification of current assets

Section 364 (3) of Book 2 of the Dutch Civil Code requires separate disclosure of the following under current assets:

- Inventories (see Chapter 6 Inventories)
- Receivables
- Securities
- Cash at bank and in hand; and
- Insofar as not shown under receivables, prepayments and accrued income

IFRS includes no specific requirements for the format of the statement of financial position and/or statement of profit or loss except for the requirement under IAS 1.54 that the statement of financial position must as a minimum show separately the items 'inventories', 'trade and other receivables', 'cash and cash equivalents'; IFRS 7 does however provide specific guidance for presentation of financial assets and financial liabilities in categories (IFRS 7.8) and grouping into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments (IFRS 7.6), but offers a choice between disclosure either in the statement of financial position or as part of the notes.

Section 370 (1) of Book 2 of the Dutch Civil Code stipulates that the following items should be included separately under the receivables forming part of current assets:

- Trade receivables
- Receivables from group companies
- Receivables from other entities and partnerships that have a participating interest in the entity or in which the entity has a participating interest
- Issued share capital called but not paid up
- Other receivables, with separate disclosure of amounts receivable on loans and advances granted to members or holders of registered shares

No mandatory disclosure of current receivables as required under Section 370 (1) of Book 2 of the Dutch Civil Code applies under IFRS.

In the case of a statement of financial position applying a classification on the basis of a current/non-current distinction, IFRS requires separate classification in statement of financial position of amounts with a total term of more than year into a non-current (longer than one year) portion and a current (no more than one year) portion (IAS 1.60). DAS 222.306 also allows a breakdown to be provided in the notes.

3 Disclosure

3.1 Disclosure of financial instruments

The disclosure requirements for financial instruments are included in IFRS 7 and IFRS 13. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity's financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks.
- The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure

requirements are relevant to financial institutions in particular (IFRS 7.42A–H).

Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 is not fully in line with the specific provisions of IFRS 7.

Accounting standards

Relevant accounting standards:

- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 222 Receivables
- DAS 224 Prepayments and Accrued Income
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements

9 Current assets: securities

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Derecognition	In the event of the transfer of risks and rewards to third parties.	In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred.	IFRS stricter
1.2 Investments in listed equity instruments (shares); Accounting for changes in value	Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised.	Through profit or loss or through other comprehensive income without recycling.	Conflicting
	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Conflicting
1.3 Investments in unlisted equity instruments; Measurement	At cost or fair value.	At fair value.	IFRS stricter
1.4 Investments in unlisted equity instruments; Accounting for changes in value	Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised.	Through profit or loss or through other comprehensive income without recycling.	Conflicting
	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Conflicting
1.5 Bonds: Measurement	Measurement at amortised cost (without conditions) or fair value.	Measurement at amortised cost (subject to conditions) or fair value.	IFRS stricter
1.6 Bonds carried at fair value: Accounting for changes in value	Recognised directly in profit or loss or first in the revaluation reserve and in profit or loss when realised. A negative revaluation reserve is not allowed.	Depending on category of subsequent measurement: changes in value through profit or loss or through OCI with recycling.	Conflicting
1.7 Fair value option	No specific option but fair value is allowed for all financial assets except loans granted and receivables.	Fair value option with changes in value through profit or loss (debt instruments) subject to conditions.	IFRS stricter
1.8 Embedded derivatives	Rules for possible separate measurement.	Part of determining the category for subsequent measurement.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
1.9 Impairment of bonds measured at amortised cost and at fair value through equity	To be determined on the basis of losses incurred, from a historical perspective ('incurred loss' model). The DASB also permits voluntary application of the IFRS 9 'expected credit loss model' (accounting policy choice).	To be determined on the basis of expected losses (expected loss model).	IFRS stricter
2 Presentation			
2.1 Classification of securities under financial assets or current assets	In statement of financial position.	In statement of financial position if classification based on current/non-current distinction, otherwise in notes.	Dutch laws and regulations stricter
2.2 Securities in relation to affiliated companies not forming part of the group	To be presented separately under securities.	No requirements for presenting them separately under securities.	Dutch laws and regulations stricter
2.3 Regular income from shares and bonds	Recognised under income from receivables forming part of the fixed (non-current) assets and securities.	No prescribed formats for statement of financial position and statement of profit or loss.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Disclosure of financial instruments	Specific disclosure requirements (see text below).	More detailed and larger number of disclosure requirements (see text below).	IFRS requires more extensive and more disclosure
3.2 Securities admitted to trading on a market for financial instruments	Disclosure of total value.	No requirements for disclosing total value.	Dutch laws and regulations require more disclosure
3.3 Securities not at the free disposal of the legal entity	Disclose.	No explicit disclosure requirements.	Dutch laws and regulations require more disclosure

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

While the views on derecognition of a receivable are conceptually similar under IFRS, IFRS 9 addresses derecognition of financial instruments in much greater detail than DAS. See also Chapter 23 Financial Instruments for details on these provisions.

1.2 Investments in listed equity instruments (shares); Accounting for changes in value

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted

Both DAS 290 and IFRS 9 require the first category Investments in listed equity instruments to be measured at fair value. Under DAS 290.521 and DAS 226.204, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers an irrevocable choice between recognition in profit or loss or other comprehensive income. The latter changes in value may subsequently no longer be recognised in profit or loss (no recycling), irrespective of whether they are sold or impaired. Dividend income should always be recognised in profit or loss, except for pre-acquisition dividend. A negative balance of the revaluation reserve may occur.

1.3 Investments in unlisted equity instruments; Measurement

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted

Under DAS 290.522 and DAS 226.205, Investments in unlisted equity instruments may be carried at cost or at fair value. If the fair value model has been chosen, but the fair value cannot be measured reliably, investments may be carried at cost. Under IFRS 9, they must be carried at fair value; the exception of investments being carried at cost if the fair value cannot be measured reliably does not apply.

1.4 Investments in unlisted equity instruments carried at fair value; Accounting for changes in value

If the entity chooses to measure unlisted shares in the category of Investments in equity instruments at fair value, DAS 290.522 and DAS 226.205 allow changes in value to be recognised directly in profit or loss, or initially in the revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income). These latter changes in value may subsequently no longer be recognised in profit or loss (no recycling), irrespective of whether the instruments are sold or impaired. Dividend income should always be recognised in profit or loss, except for pre-acquisition dividend. A negative balance of the revaluation reserve may occur.

1.5 Bonds: Measurement

Bonds, as part of the DAS 290 category Purchased loans and bonds that do not form part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments. They include receivables purchased from third parties (bonds).

DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory (held to maturity) should be measured at amortised cost (DAS 290.516 and DAS 226.206).

Under DAS 290.518 and DAS 226.208, the second category, Other purchased loans and bonds, may be carried at amortised cost or at fair value. No distinction is made between listed and unlisted purchased loans and bonds.

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9.4.1.2):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model whose objectives are both held-for-sale and held-to-collect interest and payments on principal, measurement at fair value is applied, with changes in value being recognised in other comprehensive income (with recycling upon disposal of the financial instrument, see Section 1.6).

All other debt instruments are measured at fair value with changes in value being recognised immediately in the statement of profit or loss.

Measurement at fair value is also still an option ('fair value option'), provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.7 below). If the entity chooses to apply the fair value option, all changes in value are recognised in profit or loss.

1.6 Bonds carried at fair value: Accounting for changes in value

If the entity opts to measure bonds at fair value, DAS 290.518 and DAS 226.208 offer the choice of recognising changes in value in the statement of profit or loss directly or initially in a revaluation reserve within equity and in the statement of profit or loss when realised.

A negative balance of the revaluation reserve is not permitted; an accumulated impairment to below cost is required to be recognised directly in profit or loss.

IFRS 9 stipulates that in the case of measurement at fair value, the changes in fair value on the basis of the category for subsequent measurement are recognised in profit or loss (category 'fair value through profit or loss', see below Section 1.7) or in 'other comprehensive income' (OCI) (with recycling).

Recognition through OCI is only allowed if the assets are held, in accordance with the 'business model' (see above under Section 1.5) both to realise future cash flows and for sale.

The portion of the changes in value to be accounted for through 'other comprehensive income' is of a limited nature: interest income, foreign currency gains and impairments due to credit losses are charged to profit or loss of the financial year when incurred. Only the remainder of the fair value change is taken through 'other comprehensive income', which may for instance relate to deferring a positive variance between fair value and original cost of acquisition (adjusted for credit losses).

Given the type of receivable (securities are not trade receivables) the simplified approach cannot be applied for an impairment due to credit losses; instead the general approach applies, see below 1.9.

Upon disposal of the financial asset, the difference in value recognised in 'other comprehensive income' is subsequently recognised in profit or loss for the financial year via 'recycling'.

1.7 Fair value option

Under IFRS 9, measurement at fair value is an option if applying this option for debt instruments results in the elimination or significant reduction of an accounting mismatch. DAS does not contain a separate fair value option. However, DAS 290 allows other financial assets (with the exception of loans and receivables) to be carried at fair value, with changes in fair value being recognised in profit or loss. Unlike under IFRS 9, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements are met) under IFRS 9.

1.8 Embedded derivatives

Separation of the embedded derivative is not applied under IFRS 9, but is part of the assessment of the relevant IFRS 9 category (and hence the subsequent measurement) on the basis of the financial asset in its entirety (including embedded derivative).

DAS are still based on the former requirements of IAS 39 and provide rules for whether or not the embedded derivative is to be separated and separately measured.

For further information, including information in connection with DAS, see Chapter 23.

1.9 Impairment of bonds measured at amortised cost and at fair value through equity

IFRS 9 prescribes specific requirements for accounting for impairments relating to debt instruments measured at amortised cost or at fair value through equity ('OCI'). Under these requirements, a credit loss or credit provision must be recognised immediately for these financial assets (such as a loan) on the basis of an expected credit loss (*expected loss*) that will occur in the next twelve months or – following a significant deterioration of credit quality – on the basis of the remaining lifetime of the loan.

This may lead to earlier recognition of the credit losses that no longer consist solely of losses that have already occurred (*incurred loss*) as is the case under DAS 290.

Under DAS 290, assets measured at amortised cost are written down to the present value of the estimated cash flows discounted by the original effective interest rate. Under DAS 290, writing down to market value/fair value is also permitted. No losses due to future events are recognised, regardless of how probable they might be.

DAS 290 however also permits, with regard to impairments (only), application (in full) of the provisions of IFRS 9 in the financial statements. This also applies to bonds measured at fair value through a revaluation reserve in equity. If this accounting policy is opted for, the corresponding disclosure requirements of IFRS 7 likewise apply.

2 Presentation

2.1 Classification of securities under financial assets or current assets

Securities is the collective reference to negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 226.0). Securities may be included in the statement of financial position under either financial assets or current assets.

DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:

- Is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle
Or
- Is held primarily for trading purposes or as a short-term investment and it may justifiably be expected to be realised within twelve months of the reporting date
Or
- Qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity. If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. IAS 1.66 treats the lifetime criterion as an independent criterion: an asset expected to be realised within 12 months after the reporting date is a current asset. The DAS link the lifetime criterion to the held-for-sale criterion.

If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

2.2 Securities in relation to affiliated companies not forming part of the group

If current assets include securities in relation to an affiliated company not forming part of the group, these must be presented separately under securities (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a requirement.

2.3 Regular income from shares and bonds

All regular income from shares and bonds, such as dividends and interest, should be recognised under income from receivables forming part of the fixed (non-current) assets and securities (DAS 226.302; Annual Accounts Formats Decree).

IFRS contains no prescribed formats for the statement of financial position and statement of profit or loss. At financial institutions, dividends and interest form part of operating results. At non-financial organisations, dividend and interest income are recognised under financial results.

3 Disclosure

3.1 Disclosure of financial instruments

The disclosure requirements for financial instruments are included in IFRS 7 and IFRS 13. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity's financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A–H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.

- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918-947). DAS 290 has not been brought into line with the specific provisions of IFRS 7.

If shares and bonds are measured at cost but the fair value is higher, the higher fair value is required to be disclosed in the notes (DAS 226.303). This requirement does not apply under IFRS.

3.2 Securities admitted to trading on a market for financial instruments

Dutch law requires disclosure of the total value of securities admitted to trading on a market for financial instruments (a regulated market or multilateral trading facility) referred to in Section 1:1 of the Financial Supervision Act (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a disclosure requirement.

3.3 Securities not at the free disposal of the legal entity

Section 371 (2) of Book 2 of the Dutch Civil Code requires disclosure of the extent to which securities are not at the free disposal of the legal entity. This disclosure requirement is not explicitly included in IFRS.

Accounting standards

Relevant accounting standards:

- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 190 Other General Loans and Advances
- DAS 226 Securities
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements

10 Cash and cash equivalents

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Definition	Narrow definition of cash and cash equivalents.	Broader definition due to cash equivalents.	Dutch laws and regulations stricter
1.2 Measurement	Nominal value.	Amortised cost.	IFRS stricter
2 Presentation			
2.1 Current assets - non-current assets	Demand deposits can be recognised under securities or under cash and cash equivalents.	Classify demand deposits under cash and cash equivalents.	IFRS stricter
3 Disclosure			
	–	–	–

1 Recognition and measurement

1.1 Definition

Under Dutch laws and regulations (Section 372 (1) of Book 2 of the Dutch Civil Code and DAS 228.0), cash and cash equivalents (cash at bank and in hand) include:

- Cash in hand
- Balances on bank and giro accounts
- Bills of exchange and cheques

Deposits and similar funds may be recognised under cash and cash equivalents if they are actually available immediately, regardless of whether interest income is sacrificed in that case (DAS 228.301).

In IFRS, the term cash and cash equivalents is fleshed out in more detail in IAS 7 Statement of Cash Flows. In connection with this, the following relevant terms are set out in IAS 7.6.

- Cash comprises amounts payable on demand, including demand deposits that may be converted into cash without any kind of penalty.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Generally, equity instruments cannot be included in cash equivalents (except in special situations) (IAS 7.7).

The difference between cash equivalents and, for example, securities is that cash equivalents are held for the purpose of meeting short-term cash commitments, whereas securities are partly intended to realise price gains to some extent (IAS 7.7). For more detailed information on the definition of cash equivalents, see Chapter 17.

In intra-group relations, cash management (and often also the management of other financial instruments, also referred to as treasury) is carried out centrally:

- Under DAS this receivable does not meet the definition of cash at bank and in hand.
- Under IFRS, this perhaps could be considered cash equivalents, provided the group company concerned in that situation itself has a banking licence; if that is not the case, the relevant definition will not be complied with.

Under DAS, the term cash at bank and in hand is clearly defined more narrowly than cash and cash equivalents under IFRS. Under IFRS, the term also includes other highly liquid assets, whereas DAS apply a term that refers to actual cash and bank balances.

1.2 Measurement

Generally, cash and cash equivalents are required to be measured at nominal value (DAS228.201). Under IFRS 9, a current account receivable from a bank is a debt instrument, for which subsequent measurement is at amortised cost. In practice, this will give rise to few differences compared with nominal value.

Note that in principle, the requirements concerning impairments owing to expected credit losses under IFRS 9.5.5 also apply. However, in this situation, the period during which an immediately (daily) callable bank receivable is held is so short that an impairment for expected credit losses will tend to be zero; therefore no provision for credit losses needs to be formed in most cases.

2 Presentation

2.1 Current assets – non-current assets

DAS stipulate that if cash and cash equivalents are (expected to be) not freely available for more than twelve months, they are required to be classified as financial fixed assets (DAS 228.301). A similar requirement applies under IFRS, which provides that balances that are not freely available for at least twelve months must not be classified as current assets if a current/non-current assets and liabilities presentation is applied in the statement of financial position (IAS 1.66).

Under DAS 228.301, demand deposits can be classified under cash and cash equivalents if they are immediately accessible, albeit with an interest penalty. Under IFRS, they can be cash equivalents and hence can be classified as such.

3 Disclosure

No differences exist between Dutch laws and regulations and IFRS.

Accounting standards

Relevant accounting standards:

- DAS 228 Cash and Cash Equivalents
- DAS 290 Financial Instruments
- IFRS 9 Financial Instruments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows

11a Equity in separate financial statements

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Revaluation and deferred taxation	Forming a provision for deferred taxation is not obligatory, but recommended.	Forming a provision for deferred taxation is obligatory.	IFRS stricter
1.2 Release of revaluation reserve for property, plant and equipment	In certain situations, if the revaluation reserve is no longer required, it can be released to profit or loss.	The revaluation reserve is released to another component of equity.	IFRS stricter
1.3 Accounting for expenses for issuing equity instruments	To be charged to equity or capitalised as intangible asset.	To be charged to equity.	IFRS stricter
1.4 Negative revaluation reserve for financial instrument	Negative revaluation reserve is not allowed.	Negative revaluation reserve is allowed.	Dutch laws and regulations stricter
1.5 Revaluation of assets of participating interests	Recognised in legal reserve for participating interests or in revaluation reserve.	No specific rules.	Dutch laws and regulations stricter
1.6 Issued capital in foreign currency	If the currency of the nominal value differs from the functional currency, the share capital is required to be translated at the rate applying at the reporting date.	No specific rules.	Dutch laws and regulations stricter
1.7 Capital contributions without share issue	Capital contributions made by existing shareholders without share issues are required to be accounted for as share premium.	No specific rules.	Dutch laws and regulations stricter
2 Presentation			
2.1 Prescribed classification	Prescribed classification of equity in the statement of financial position.	No classification prescribed.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
2.2 Classification as equity or liability	Choice between legal form or economic reality (substance).	Depending on substance, in particular if a repayment obligation or dividend distribution obligation exists. Breakdown into equity and liability components in the case of compound instruments.	IFRS stricter
2.3 The term capital base	Designation of capital base is allowed.	The term capital base is not used.	IFRS stricter
2.4 Procedures for forming legal reserves	In various cases, legal reserves should be formed.	No obligation to form legal reserves.	Dutch laws and regulations stricter
2.5 Revaluation reserve based on fair value measurement or cash flow hedging	Legal reserve.	No legal reserve.	Dutch laws and regulations stricter
2.6 Changes in value of assets carried at current value recognised in profit or loss	Under certain circumstances, then recognised in revaluation reserve.	Not recognised in revaluation reserve.	Dutch laws and regulations stricter
2.7 Profit or loss for the financial year	In statement of financial position before profit appropriation: as part of equity. In statement of financial position after profit appropriation: proposed dividend under current liabilities allowed.	As part of equity in all cases. IFRS only includes statement of financial position before profit appropriation.	IFRS stricter
2.8 Cost of treasury shares	To be charged to other reserves.	To be accounted for as a separate item within equity.	Dutch laws and regulations stricter
2.9 Issued capital and capital not recognised for tax purposes	DAS requires disclosure if part of the issued capital is not recognised for tax purposes.	No specific rules.	Dutch laws and regulations stricter

11a Equity in separate financial statements

	Dutch laws and regulations	IFRS	Conclusion
2.10 Share premium not paid up for tax purposes	Disclosure required for share premium that is qualified as not paid up for tax purposes.	No specific rules.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Statement of changes in equity	Statement of changes as part of the notes.	Statement of changes is a primary statement.	Dutch laws and regulations and IFRS differ

General

This chapter considers equity in the separate financial statements. Chapter 11b discusses the provisions concerning equity in the consolidated financial statements.

Unlike IFRS, DAS explicitly distinguish between equity in separate financial statements (DAS 240.2) and equity in the consolidated financial statements (DAS 240.3). This distinction is partly due to legal requirements concerning capital maintenance applicable to the separate financial statements. The separate financial statements provide insight into the non-distributable and the distributable portions of shareholder's equity (DAS 240.101). In the consolidated financial statements, financial instruments are required to be accounted for as equity or debt on the basis of the economic reality (DAS 240.3). There is a choice for the separate financial statements regarding the accounting for financial instruments as equity or debt. Entities can choose between application of the legal reality or economic reality (substance), in line with the accounting treatment applied in the consolidated financial statements. Since Dutch laws and regulations assume measurement at net asset value, equity figures presented in the separate and consolidated financial statements are often identical.

IFRS provides no separate rules for recognising equity in the separate financial statements and consolidated financial statements. However, equity in the separate financial statements is often different from that recognised in the consolidated financial statements. The reason for this is the measurement of investments in associates and subsidiaries. Both associates and subsidiaries should be carried using the equity method, at cost or fair value in the separate financial statements. In the consolidated financial statements, associates are carried using the equity method, with subsidiaries being consolidated. The equity method is not always equivalent to consolidation for subsidiaries, for instance in the case of impairments (and their reversal).

See Chapter 20 for treatment of goodwill.

For the disclosure of stock options, please refer to Chapter 33 Share-Based Payment (including employee options).

1 Recognition and measurement

1.1 Revaluation and deferred taxation

Pursuant to Section 390 (5) of Book 2 of the Dutch Civil Code, it is not required to take into account (and form a provision for) deferred taxation when forming a revaluation reserve. If such a provision is not formed, this should be explained in the notes, stating the quantitative effects. IAS 12.20 requires that a provision for deferred taxation be formed and charged to the revaluation reserve.

1.2 Release of revaluation reserve for property, plant and equipment

Section 390 (4) of Book 2 of the Dutch Civil Code stipulates that if a reduction in the revaluation reserve is released to profit or loss, it is included in the statement of profit or loss as a separate item.

This relates mainly to property, plant and equipment. IAS 16.41 does not allow such a release relating to the revaluation of property, plant and equipment to profit or loss. Under IFRS, the revaluation reserve is released to another component of equity.

Under Dutch law and regulations and IFRS, the revaluation reserve relating to financial assets can be released to profit or loss when these assets are realised (see also Chapter 23 Financial Instruments).

1.3 Accounting for expenses for issuing equity instruments

Under IAS 32.35, expenses relating to the successful issue of equity instruments are charged directly to equity, taking into account taxation, current and deferred, so that the expenses are accounted for net.

Only incremental external expenses directly attributable to the equity transaction may be taken direct to equity. Expenses relating to the issue of equity instruments in connection with the acquisition of a business do not qualify as such; nor do expenses relating to equity transactions in the nature of a stock exchange flotation or a share split. Therefore, if shares are issued as part of a stock exchange flotation, the total issuing expenses should be allocated proportionally to the stock exchange flotation and the share issue. The former are recognised in profit or loss and the latter in equity.

The net amount of the expenses charged directly to equity should be disclosed separately.

DAS 240.219 states that, if expenses for issuing equity instruments are not capitalised, they should be charged directly to share premium, net of any tax effect. If and to the extent that share premium is insufficient for this purpose, the expenses should be charged to other reserves. Under Section 365 of Book 2 of the Dutch Civil Code, these expenses may be capitalised, provided that a legal reserve equal to the expenses capitalised is formed. However, DAS 210.103 recommends that these expenses not be capitalised, since the criteria for an intangible asset are not met. There are no specific provisions with regard to determining the extent of the costs.

1.4 Negative revaluation reserve for financial instrument

Under IFRS, a separate negative item can be formed in equity relating to a:

- Debt instrument (receivable)
Or
- An active equity instrument (usually a strategic non-controlling interest in another entity) for which subsequent changes in fair value are taken through 'other comprehensive income' (IFRS 9.4.1.2A, 9.4.1.4 and 9.5.7.5).

An entity that prepares its consolidated financial statements in accordance IFRS, and which applies IFRS or IFRS policies (Section 2:362 (8) of the Dutch Civil Code), may however have a negative revaluation reserve (DAS240.227b). The IFRS rules therefore take precedence here. If a legal entity applies the 'ordinary' rules of Part 9 Book 2 of the Dutch Civil Code, a negative revaluation relating to investments must be charged to profit or loss.

If and insofar as the aforementioned revaluation reserve is negative, the free reserves need to be restricted up to that amount, so that to that extent no distributions can be made from the free reserves (Section 2:390 (1) of the Dutch Civil Code). DAS 240.227b requires disclosure in the notes that the negative reserve is deducted from the freely distributable reserves for the purposes of determining the freely distributable profit.

1.5 Revaluation of assets of participating interests

Participating interests carried at net asset value may be subject to revaluation due to the revaluation of assets held by the participating interests. Under DAS 240.228, the change in value resulting from the revaluation can be recognised in two ways.

- In the legal reserve for participating interests; the philosophy underlying this method is that the participating interest is regarded as an undivided unit; the participating interest is regarded as one asset in the context of the value change.
- In the revaluation reserve; the philosophy underlying this method is that the participating interest, valued using the equity method, is regarded as a group of assets and liabilities instead of a collective asset; in line with this philosophy, a revaluation of the asset of the participating interest is regarded as if a revaluation of an asset of the entity itself were concerned.

The chosen method should be applied consistently to all participating interests.

IFRS does not contain any such rules.

1.6 Issued capital in foreign currency

If the financial statements are prepared in a presentation currency other than euros, the value of the issued capital is recognised in the presentation currency at the exchange rate applying on the reporting date, and this exchange rate as well as the amount in euros must be disclosed. If the issued capital is stated in the articles of association in a different currency than the presentation currency, the exchange rate and the amount must also be disclosed for this other currency, in addition to the disclosure in euros (Section 2:373 (5) of the Dutch Civil Code).

If IFRS is applied, several specific provisions in Part 9 of Book 2 of the Dutch Civil Code continue to apply, including rules for capital protection and hence the disclosures relating to the issued capital. For a more specific description of the rules that continue to apply, see the "Summary of main points" at the start of this publication.

1.7 Capital contributions without share issue

Capital contributions that are made in connection with the financial relationship of the legal entity with its shareholders as such by existing shareholders without an issue of shares (or issue of rights to subscribe to shares), are required to be recognised as share premium. Such capital contributions are also referred to as informal capital contributions. Examples include making up losses and the waiver of a loan (DAS 240.221 and 240.403) and donations of assets.

IFRS does not apply similar requirements concerning capital contributions without share issues. However, the general requirements that transactions with shareholders are accounted for in equity do apply. In practice, this will not lead to differences.

2 Presentation

2.1 Prescribed classification

Under Section 373 (1) of Book 2 of the Dutch Civil Code, the following items should be shown separately under equity:

- Issued capital
- Share premium
- Revaluation reserves
- Other legal reserves
- Reserves required by the articles of association
- Other reserves
- Undistributed profit (retained earnings)

Although IFRS does not require any specific classification, the financial statements should contain a statement of changes in equity (IAS 1.106). IFRS does not have any concept resembling legal reserves.

2.2 Classification as equity or liability

Entities have a choice regarding accounting for a financial instrument in the separate financial statements (DAS 240.207-208.) For the classification of a financial instrument as equity or debt, entities can choose between applying the legal reality or the economic reality, in line with the accounting treatment applied in the consolidated financial statements. IAS 32.15 requires classification based on the economic reality of the instrument. In that connection, a financial instrument is classified as a liability if a repayment/repurchase obligation exists, or if the entity is unable to prevent distribution in respect of an instrument.

The former is the case if a contractual repayment obligation exists, or if the holder of the instrument can force the issuing entity to repay or repurchase the instrument; the latter if the instrument, a preference share for example, incorporates the right to a certain dividend percentage if sufficient profit is made or sufficient freely distributable reserves are available. Since the entity has no control over this, it is unable to prevent distribution. In other words, preference shares are classified as a liability, unless the entity or general meeting can prevent dividend distribution (and repayment) until the entity is dissolved.

IAS 32 contains an exception for puttable financial instruments and for financial instruments, with the entity, in the event of liquidation, having the obligation to transfer the net assets, or a pro rata share thereof, to another party. These instruments transferred under sale and repurchase transactions are to be classified under equity if certain conditions are met.

IAS 32.28 also stipulates that if a financial instrument contains both a liability and an equity component, the two components should be classified separately under liabilities and equity respectively. With regard to the classification of financial instruments in the separate financial statements, DAS 240.207-208 permits an entity to choose between classification on the basis of the legal form or on the basis of the economic reality of the instrument. IFRS is stricter, as it requires classification based on economic reality while DAS also allows opting for legal reality in the separate financial statements.

2.3 The term capital base

DAS 240.305 allows the disclosure of a capital base item (usually in the notes, as the annual accounts formats often do not allow a continuous list of totals). The capital base includes equity, non-controlling interests in group companies and generally subordinated loans. IFRS does not have any concept resembling capital base or group equity.

2.4 Procedures for forming legal reserves

Dutch law requires that various legal reserves be formed, such as the reserve for the retained profits of participating interests, a revaluation reserve, a reserve in connection with capitalised incorporation/ share issue or development costs. These reserves may not be distributed. IFRS does not have any concept resembling legal reserves.

2.5 Revaluation reserve based on fair value measurement or cash flow hedging

Unlike DAS, IFRS does not regard a revaluation reserve as a result of fair value measurement or cash flow hedging as a legal non-distributable reserve.

If IFRS is applied, several specific provisions in Part 9 of Book 2 of the Dutch Civil Code will continue to apply, including rules for capital protection and associated statutory reserves, in this case the creation of a revaluation reserve. For a more specific description of the rules that continue to apply, see the "Summary of main points" at the start of this publication.

2.6 Changes in value of assets carried at current value recognised in profit or loss

If changes in value are recognised in profit or loss (for example for specific financial instruments or investment properties), a revaluation reserve must be formed in the absence of frequent market listings for these assets. The revaluation reserve is formed with additions being charged to profit or to the freely distributable reserves. Under IFRS, no revaluation reserve is formed for value increases recognised directly in profit or loss.

If IFRS is applied, several specific provisions in Part 9 of Book 2 of the Dutch Civil Code will continue to apply, including rules for capital protection and associated statutory reserves, in this case the creation of a revaluation reserve. For a more specific description of the rules that continue to apply, see the "Summary of main points" at the start of this publication.

2.7 Profit or loss for the financial year

IFRS does not distinguish between a statement of financial position before and after profit appropriation. The profit for the financial year is always recognised as a separate item under equity, with the proposed dividend being disclosed in the notes (IAS 10.12 and IAS 1.137). This corresponds to a statement of financial position before profit appropriation in the Netherlands. Dutch law and regulations also allow the proposed dividend to be recognised under current liabilities in a statement of financial position after profit appropriation.

2.8 Cost of treasury shares

Under DAS 240.214, the cost, including the costs incurred in connection with a transaction involving treasury shares, or the carrying amount of the treasury shares held by the entity or its subsidiary, or held by a third party on behalf of the entity or its subsidiary, should be charged to an item in equity other than issued capital (Section 2:373 (3) of the Dutch Civil Code).

IAS 32.33 does not require cost to be charged to any specific component of equity (e.g., retained earnings or share premium). It allows cost to be recognised as a separate item under equity.

2.9 Issued capital not recognised for tax purposes

It is possible that the issued capital is not recognised (in full) as paid up for tax purposes. In that case, under DAS, the notes are required to quantify the portion of the issued capital that is not recognised as paid up for tax purposes, although medium-sized legal entities are exempted from this requirement (DAS 240.218). This requirement does not apply under IFRS.

2.10 Share premium not paid up for tax purposes

In certain circumstances, share premium can be distributed untaxed in the form of bonus shares to the shareholders. In some cases, however, share premium exists that does not qualify as such for tax purposes. This may occur if profit reserves are converted into share premium in a merger or acquisition. This share premium is designated as 'share premium not recognised for tax purposes' and this often continues to be accounted for in the line item share premium. Distributions from it qualify as profit distributions for tax purposes, even if they take place in the form of shares. If a distribution to the shareholders that is charged to the share premium would entail levying of income tax for certain shareholders, DAS requires the notes to quantify the portion of the share premium that is qualified as not paid up for tax purposes and is therefore subject to a tax claim (DAS 240.218), except for medium-sized legal entities. This requirement does not apply under IFRS.

3 Disclosure

3.1 Statement of changes in equity

Under DAS, the statement of changes in equity is included in the notes. Under IFRS, this is a primary statement (IAS 1.10).

Accounting standards

Relevant accounting standards:

- DAS 210 Intangible Fixed Assets
- DAS 240 Shareholders' Equity
- IFRS 9 Financial Instruments
- IAS 1 Presentation of Financial Statements
- IAS 12 Income Taxes
- IAS 32 Financial instruments: Presentation

11b Equity and non-controlling interests in consolidated financial statements

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Revaluation and deferred taxation	Forming a provision for deferred taxation is not obligatory, although recommended.	Forming a provision for deferred taxation is required.	IFRS stricter
1.2 Release of revaluation reserve for property, plant and equipment	In certain situations, the revaluation reserve can be released to profit or loss.	The revaluation reserve is released to another item under equity.	IFRS stricter
1.3 Accounting for expenses for issuing equity instruments	To be charged to equity or capitalised as intangible asset.	To be charged to equity.	IFRS stricter
1.4 Measurement of non-controlling interests	Measurement at proportionate share in the fair value of the identifiable assets and liabilities.	<ul style="list-style-type: none"> For each business combination, instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation to be measured at either proportionate share in fair value of identifiable assets and liabilities, or at fair value. All other instruments to be measured at fair value. 	Dutch laws and regulations stricter
1.5 Decrease in non-controlling interest	Recognition in goodwill or in equity.	<ul style="list-style-type: none"> Recognition in equity. 	IFRS stricter
1.6 Increase in non-controlling interest due to sale while retaining control	No rules (in practice, through profit or loss or through equity).	<ul style="list-style-type: none"> Recognition in equity. 	IFRS stricter
1.7 Items recognised through 'other comprehensive income' with regard to non-controlling interests	No specific rules.	Reallocation of items recognised through other comprehensive income in separate components of equity from or to non-controlling interest.	IFRS stricter

11b Equity and non-controlling interests in consolidated financial statements

	Dutch laws and regulations	IFRS	Conclusion
1.8 Issued capital in foreign currency	If the currency of the nominal value differs from the functional currency, the share capital is required to be translated at the rate applying at the reporting date.	No specific requirements.	NL stricter
2 Presentation			
2.1 The term capital base	Designation of capital base is allowed.	The term capital base is not used.	IFRS stricter
2.2 Presentation of non-controlling interest	Presented separately (but part of group equity).	Part of consolidated equity.	Dutch laws and regulations stricter
2.3 Negative value of non-controlling interests	Negative item under equity if negative value can be recovered from the non-controlling interest.	Negative item under equity.	Dutch laws and regulations stricter
2.4 Puttable instruments	Under equity or liabilities.	Under equity (mandatory) if the relevant conditions are met.	IFRS stricter
3 Disclosure			
3.1 Statement of changes	Statement of changes as part of the notes.	Statement of changes is a primary statement.	Dutch laws and regulations and IFRS differ
3.2 Non-controlling interests	Disclosure required if necessary for the legally required true and fair view.	Disclosure required for all material non-controlling interests.	IFRS stricter

General

Chapter 11a considered equity in the separate financial statements. This Chapter (11b) discusses the provisions concerning equity (group equity) in the consolidated financial statements. Pursuant to DAS, forming legal reserves in the separate financial statements is required (Section 373 (4) of Book 2 of the Dutch Civil Code), legal reserves are not required in the consolidated financial statements (Section 411 (1) of Book 2 of the Dutch Civil Code).

Under Dutch laws and regulations (Section 411 (2) of Book 2 of the Dutch Civil Code and Article 10 (2) of the Annual Accounts Formats Decree), non-controlling interests are recognised as separate elements of group equity. Under IFRS 10.22, non-controlling interests should be presented separately within equity.

For the disclosure of stock options, please refer to Chapter 33 Share-Based Payment (including employee options). See Chapter 20 for treatment of goodwill.

1 Recognition and measurement

1.1 Revaluation and deferred taxation

Pursuant to Section 390 (5) of Book 2 of the Dutch Civil Code, it is not required to take into account (and form a provision for) deferred taxation when forming a revaluation reserve. If such a provision is not formed, this should be explained in the notes, stating the quantitative effects. IAS 12.20 requires that a provision for deferred taxation be formed and charged to the revaluation reserve.

1.2 Release of revaluation reserve for property, plant and equipment

Section 390 (4) of Book 2 of the Dutch Civil Code stipulates that if a reduction in the revaluation reserve is released to profit or loss, it is included in the statement of profit or loss as a separate item.

This relates mainly to property, plant and equipment. IAS 16.41 does not allow such a release relating to the revaluation of property, plant and equipment to profit or loss. Under IFRS, the revaluation/revaluation reserve is released to another component of equity.

Under Dutch law and regulations and IFRS, the revaluation reserve relating to financial assets can be released to profit or loss when these assets are realised (see also Chapter 23 Financial Instruments).

1.3 Accounting for expenses for issuing equity instruments

Under IAS 32.35, expenses relating to the successful issue of equity instruments are recognised directly in equity, taking into account taxation, current and deferred, so that the expenses are accounted for net.

Only incremental external expenses directly attributable to the equity transaction may be recognised directly in equity. Expenses relating to the issue of equity instruments in connection with the acquisition of a business do not qualify as such; nor do expenses relating to equity transactions in the nature of a stock exchange flotation or a share split do not qualify as such. Therefore, if shares are issued as part of a stock exchange flotation, the total issuing expenses should be allocated proportionally to the stock exchange flotation and the share issue. The former are recognised in profit or loss and the latter in equity.

The net amount of the expenses charged directly to equity should be disclosed separately.

DAS 240.219 states that, if expenses for issuing equity instruments are not capitalised, they should be recognised directly in share premium, net of any tax effect. If and to the extent that share premium is insufficient for this purpose, the expenses should be charged to Other reserves.

Under Section 365 of Book 2 of the Dutch Civil Code, these expenses may be capitalised, provided that a legal reserve equal to the expenses capitalised is formed. However, DAS 210.103 recommends that these expenses not be capitalised, since they do not meet the criteria for capitalisation as an intangible asset. There are no specific provisions with regard to determining the extent of the costs.

1.4 Measurement of non-controlling interests

There are two types of non-controlling interests under IFRS 3 (IFRS 3.19). Instruments that provide a present ownership interest in the acquiree and an entitlement to a proportionate share of the net assets in the event of liquidation can initially be measured at the proportionate share in the fair value of the identifiable assets and liabilities of the acquiree or at fair value. The choice between these policies can be made for each acquisition. DAS 216 only allows non-controlling interests to be measured at the proportionate share in the fair value of the acquiree's identifiable assets and liabilities.

All other non-controlling interests (instruments not entitling their holders to present ownership interests and/or a proportionate share of the entity's net assets in the event of liquidation) are measured at their acquisition-date fair values, as are all other identifiable assets and liabilities.

1.5 Decrease in non-controlling interest

DAS permits the following options upon acquisition of a non-controlling interest: as acquisition (with recognition of goodwill) or as a shift in capital (with recognition within equity). IFRS allows only recognition within equity.

1.6 Increase in non-controlling interest due to sale while retaining control

There are no rules under DAS for the partial sale of an equity interest (increase in non-controlling interest), without loss of control; in practice, two methods for recognising the difference in value occur, through profit or loss or through equity. IFRS allows only recognition through equity.

1.7 Items recognised through 'other comprehensive income' with regard to non-controlling interests

A reallocation may occur under IFRS of items recognised through 'other comprehensive income' in separate components of equity from or to non-controlling interests. For example, if there is an 80% group company that reports in a different currency than the functional currency of the parent company, 80% of the translation differences arising is recognised in a reserve of the parent company and 20% is allocated to the value of the non-controlling interest. If the parent company increases its interest to 90%, half (10% in relation to 20%) of the relevant cumulative translation differences is required to be transferred from non-controlling interest to the parent company's reserve for translation differences (IAS 21.48C).

The reallocation also applies for the other elements of 'other comprehensive income'. There are no specific requirements for this under DAS.

1.8 Issued capital in foreign currency

If the financial statements are prepared in a presentation currency other than euros, the value of the issued capital is stated in the presentation currency at the exchange rate applying at the reporting date, and that exchange rate as well as the amount in euros are required to be disclosed. If the articles of association state the issued capital in a currency unit that differs from the presentation currency, the exchange rate and the amount must also be disclosed for this other currency, in addition to the disclosure in euros (Section 373 (5) of Book 2 of the Dutch Civil Code).

If IFRS is applied, several specific provisions of Part 9 Book 2 of the Dutch Civil Code continue to apply, including rules for capital maintenance and therefore also for the disclosures concerning the issued capital. For a more specific description of the rules that continue to apply, see the “Summary of main points” set out at the start of this publication.

2 Presentation

2.1 The term capital base

DAS 240.305 allows the disclosure of a capital base item (usually in the notes, as the annual accounts formats often do not allow a continuous list of totals). The capital base includes equity, non-controlling interests in group companies and generally subordinated loans. IFRS does not have any concept resembling capital base or group equity.

2.2 Presentation of non-controlling interest

Under Dutch laws and regulations, the item non-controlling interests is not part of equity. Non-controlling interests are required to be recognised separately, outside equity, in the consolidated statement of financial position (DAS 217.501, DAS 240.303). The items ‘equity’ and ‘non-controlling interests’ presented separately in the statement of financial position are sometimes aggregated and presented jointly as ‘group equity’ (see Section 10 (2) Annual Accounts Formats Decree).

There is no term under IFRS that corresponds to group equity. The ‘non-controlling interest’ (formerly ‘minority interest’) is presented as a separate item within ‘equity’ (IAS 1.54, IFRS 10.22). There is however, under IFRS, a requirement for the subclassification of the ‘non-controlling interest’ (IAS 1.54(q)) as part of equity. The equity attributable to the shareholders of the reporting entity is therefore often designated by those specific words. From a conceptual perspective, IFRS qualifies the non-controlling interest as part of the (total) equity in the consolidated financial statements.

2.3 Negative value of non-controlling interest

Under IFRS, a negative value of the non-controlling interest is presented as a negative item under equity. Under DAS, this is only possible if there is an explicit (enforceable) possibility to recover the negative value from the minority shareholders. A separate non-controlling interest is presented; that is then a negative amount as part of Group equity.

2.4 Puttable instruments

IAS 32 contains an exception for puttable financial instruments and for financial instruments, with the entity, in the event of liquidation, having the obligation to transfer the net assets, or a pro rata share thereof, to another party. These instruments transferred under sale and repurchase transactions are to be classified under equity if the relevant conditions are met.

Under DAS 290.808, there is a choice to classify such instruments under liabilities or equity.

3 Disclosure

3.1 Statement of changes

Under DAS, the statement of changes in equity is included in the notes to the consolidated financial statements. Under IFRS, this is a primary statement (IAS 1.10) and applies to both the separate and the consolidated financial statements.

IFRS requires only the transactions with shareholders to be recognised separately, while DAS also require the changes forming part of comprehensive income to be subclassified in the statement of changes. Under IFRS, the subclassification of comprehensive income is part of the 'statement of comprehensive income'.

3.2 Non-controlling interests

If this is necessary for the legally required true and fair view, information is required to be provided in the notes to the consolidated financial statements on minority interests in the group (DAS 217.602). This disclosure requirement can for instance be met by providing insight into the minority interest in the nature and amount of the items in the statement of financial position and in the profit and loss account. This requirement is particularly important where the risk profile, profitability profile or liquidity profile for an activity in which third parties participate differ significantly from those of the group as a whole. IFRS likewise requires this disclosure but with more details (IFRS 12.12). By contrast to DAS, the requirement is given for the material non-controlling interests.

Accounting standards

Relevant accounting standards:

- DAS 210 Intangible Fixed Assets
- DAS 240 Shareholders' Equity
- DAS 290 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 12 Income Taxes
- IAS 32 Financial Instruments: Presentation

12 Provisions (excluding taxation and pensions)

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Valuation of provisions	Present (discounted) value, if the effect of the time value of money is material. Non-discounted value is also permitted for a provision with a term of less than one year.	Present (discounted) value, if the effect of the time value of money is material.	IFRS stricter
1.2 Reimbursement from third party to settle provision	Reimbursement to be recognised only if it is probable that reimbursement will be received.	Reimbursement to be recognised only if it is virtually certain that reimbursement will be received.	Conflicting
1.3 Provision for large maintenance	Cost equalisation provision for large maintenance permitted as alternative to the separate asset component method.	Only separate asset component method permitted.	IFRS stricter
1.4 Provision for decommissioning costs	A provision should be formed immediately upon recognition of asset; accounting on the basis of the separate asset component method, or an amount should be added to the provision during the useful life of the asset.	A provision should be formed immediately upon recognition of asset; accounting on the basis of the separate asset component method.	IFRS stricter
1.5 Provision for reorganisation costs	A provision should be formed if the reorganisation was started or announced prior to the reporting date. In certain situations, a provision may be formed if the reorganisation was started or announced after the reporting date, but prior to preparing the financial statements.	A provision should be formed if the reorganisation was started or announced prior to or on the reporting date.	IFRS stricter
1.6 Provision for reorganisation costs in the event of business combination	Permitted. General provisions for a provision for reorganisation costs apply.	Not permitted.	IFRS stricter
1.7 Provision for transition payments	In certain cases, accrual of a provision instead of termination benefits.	Often qualifies as termination benefits.	IFRS stricter

12 Provisions (excluding taxation and pensions)

	Dutch laws and regulations	IFRS	Conclusion
1.8 Levies	Levies to be recognised when all conditions for the government levies have been satisfied; or recognition of levies during the period to which the government levies relate.	Levies to be recognised when all conditions for the government levies have been satisfied.	IFRS stricter
2 Presentation			
2.1 Classification	As a separate item between equity and liabilities.	Under liabilities.	Conflicting
2.2 Provisions that are part of a 'disposal group held for sale'	Between equity and liabilities.	Separately from the other liabilities.	Conflicting
3 Disclosure			
3.1 Indication of uncertainties	Not required.	Indication relating to amounts and timing of payments.	IFRS requires more disclosure
3.2 Disclosure of term for which the provisions are formed	It is recommended that the portion that will be settled within one year and the portion that will be settled after five years be stated separately.	Disclosure of the expected date of settlement for each class of provision.	IFRS requires more disclosure

1 Recognition and measurement

1.1 Valuation of provisions

DAS 252.306 and IAS 37.45 stipulate that provisions be carried at present value if the effect of the time value of money is material. DAS 252 permits recognition of the liability at non-discounted value, if the period over which expenditure is discounted does not exceed one year (DAS 252.306). However, we do not expect this to lead to differences in practice, as the effect of the time value of money will almost never be material if the period over which expenditure is discounted does not exceed one year.

In contrast to IAS 37, DAS 252 provides a further guideline for defining the term current market rate of interest. DAS 252 stipulates that market rate of interest as at the reporting date of high-quality corporate bonds best reflects the current market rate of interest. If there is no active market for corporate bonds, the return on government bonds best reflects the current market rate of interest (DAS 252.306). In practice, this will usually not lead to material differences.

1.2 Reimbursement from third party to settle provision

DAS 252.311 stipulates that if (a portion of) the expenditure required to settle a provision is expected to be reimbursed by a third party, such reimbursement should be recognised only if it is probable that the reimbursement will be received.

IAS 37.53 stipulates that an expected reimbursement to be received from a third party to settle a provision be capitalised only if it is virtually certain that reimbursement will be received. IAS 37 therefore requires a higher degree of certainty.

1.3 Provision for large maintenance

The provision for large maintenance is a cost equalisation provision under DAS 252. Under IFRS, forming such a cost equalisation provision is not permitted. For the provision for large maintenance, see Chapter 2 'Property, plant and equipment'.

1.4 Provision for decommissioning costs

For the provisions for decommissioning costs, see Chapter 2 'Property, plant and equipment'.

1.5 Provision for reorganisation costs

DAS 252.413 and IAS 37.75 stipulate that provisions for reorganisation costs may only be formed if, in addition to the existence of a formal reorganisation plan, the reorganisation is started or its main features have been announced in sufficient detail to those concerned prior to or on the reporting date. Under DAS 252.416, provisions for reorganisation costs may also be formed if the reorganisation is started or its main features have been announced in sufficient detail to those concerned after the reporting date, but before the financial statements are drawn up.

1.6 Provision for reorganisation costs in the event of business combination

For the provision for reorganisation costs in the event of a business combination, see Chapter 20 'Business combinations'.

1.7 Provision for transition payments

If, when entering into a temporary employment agreement, it is highly likely that the agreement will not be extended, the entity shall accrue a provision for the transition payment under DAS 271.

If a provision is accrued, this can be effected on a collective basis, on the basis of historical data. Under IAS 19, termination benefits are defined in a different manner, as a consequence of which transition payments will often qualify as termination benefits and be accounted for accordingly.

1.8 Levies

DAS 252.429 offers two options for recognising government levies:

- During the period to which the government levies relate
- Or
- When all conditions for the government levies have been satisfied.

The last option is comparable with IFRIC 21 as described below.

IFRIC 21 specifically addresses accounting for levies. The interpretation addresses the timing of accounting for a liability due to levies if it is within the scope of IAS 37. The interpretation also addresses the accounting for the liability if the amount and timing of the payment are certain.

The activity that leads to the liability to pay the levy, i.e. the 'obligating event', is decisive for the recognition of a liability (IFRIC 21.8). In many cases, the activities are related to participation by the entity in a specific market during a specific period. The fact that financial statements are prepared on the basis of the going concern assumption does not imply that an entity has a present constructive obligation to pay levies that will arise from operational activities in the future, even if it is not rational to discontinue those activities (IFRIC 21.9-10).

If the levy increases progressively in proportion to the operational activities, for example if the entity generates revenue, the liability is determined and recognised on the same basis (IFRIC 21.11). If the liability only arises if a certain minimum threshold is reached, the liability is recognised in full when that minimum threshold is reached (IFRIC 21.12).

An entity shall apply the same recognition and accounting principles in the interim financial report that it applies in the annual financial statements.

IFRIC 21.14 states that an entity shall recognise an asset if it has prepaid a levy that relates to a future event or events that lead to a liability.

2 Presentation

2.1 Classification

Under DAS 252.501, provisions are classified as a separate item between equity and liabilities in the statement of financial position. Current provisions are not classified separately. IAS 1.54 stipulates that provisions should be disclosed separately in the statement of financial position, the current portion under current liabilities and the non-current portion under non-current liabilities.

2.2 Provisions that are part of a 'disposal group held for sale'

IFRS stipulates that provisions that form part of a 'disposal group held for sale' are required to be presented separately from the other liabilities in the statement of financial position.

This requirement does not apply under Dutch laws and regulations, which require the customary presentation to be applied as a separate item between equity and the non-current liabilities (DAS 252.501). See further Chapter 32 Assets held for sale and discontinued operations.

3 Disclosure

3.1 Indication of uncertainties

IAS 37.85 (b) requires an indication of all uncertainties concerning the amount or timing of payments. DAS 252 does not include this requirement.

3.2 Disclosure of term for which the provisions are formed

DAS 252.507 recommends that the portion of the total provision disclosed in the statement of financial position at year-end that is expected to be settled within one year and the portion that is expected to be settled after five years be stated separately. Under IAS 37.85 (a), the expected date of settlement should be stated for each class of provision. IAS 37 therefore requires more information in the notes on the term for which provisions have been formed.

Accounting standards

Relevant accounting standards:

- DAS 212 Tangible fixed assets
- DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 21 Levies

13 Employee benefits

	Dutch laws and regulations	IFRS	Conclusion
1	Recognition and measurement		
1.1	Application of IAS 19/ US GAAP is allowed, if applied fully and consistently.	No alternative accounting method allowed.	IFRS stricter
1.2	Liabilities approach on the basis of DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position (best estimate).	Risk approach (DB/DC); with DB classification resulting in a liability (or asset) based on actuarial calculations.	Conflicting
1.3	Annual pension contribution plus any additional contributions or addition to provision.	Pension costs calculated actuarially (current service cost + net interest expense/income) on net liability) + expenses due to changes/settlement of the plan.	Conflicting
1.4	Through profit or loss.	Remeasurements (actuarial gains and losses, et cetera) recognised directly in other comprehensive income; no effect on profit for the financial year.	Conflicting
1.5	Reference is made to DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position.	To be recognised as post- employment benefit in the event of effective lowering of retirement age, or as termination benefit in the case of a non-recurring liability as part of a reorganisation.	Conflicting
1.6	A provision may be formed for increases in future contributions based on claims history. Alternatively, only contributions paid to be recognised in profit or loss.	Generally, no provision may be formed for increases in future contributions based on claims history.	IFRS stricter
1.7	Best estimate, actuarial method not prescribed.	Projected unit credit method required.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Presentation of pension charges in statement of profit or loss	To be presented as separate item.	Presentation as separate item not mandatory.	Dutch laws and regulations stricter
2.2 Presentation of pension liabilities in statement of financial position	To be presented as separate item in the statement of financial position.	Presentation as separate item not mandatory.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Related parties	No specific rules, except for disclosure of remuneration of directors under the articles of association.	Transactions with pension implementation agencies and information concerning key management personnel pension plans to be disclosed.	IFRS requires more disclosure

Introduction

Accounting for pension plans in the financial statements is set out in DAS 271 Employee Benefits and IAS 19 Employee Benefits.

In the Netherlands, the rules for the attribution of pension costs to successive financial years differ fundamentally from IFRS and US GAAP. The Standard is based on an approach that is primarily based on the set-up and practical aspects of the Dutch pension system. The main features are the general obligation, pursuant to the Pensions Act, to fund vested pension entitlements, and a strict segregation between the responsibilities and obligations of the employer(s), the members and the pension plan administrator (pension fund and/or life insurance company). The DASB has concluded that the liabilities approach included in DAS 252 'Provisions, Commitments and Rights Not Included in the Statement of Financial Position' is more appropriate as opposed to the risk approach on which IAS 19 is based. The DASB does however permit application of IAS 19 (or US GAAP) in financial statements prepared on the basis of DAS; see Section 1.1. below.

Under the IAS 19 risk approach, an assessment takes place on the basis of the (contractual) facts and circumstances to determine whether, and if so, to what extent the entity is exposed to a risk to pay future contributions (cash outflows) that, viewed at that time, relate (in part) to the past (i.e. the financial year and/or prior financial years). As part of the pension costs of the financial year, those future cash outflows (payments of contributions) are anticipated by recognising the share in future cash flows that is attributable to this financial year.

The assessment of whether the entity is exposed to a risk to have to make additional future contributions is carried out by determining whether the plan concerned is a defined benefit, (DB) or defined contribution (DC) plan.

1 Recognition and measurement

1.1 Application of IFRS/US GAAP under DAS

DAS 271.101 allows all entities to apply US GAAP, IFRS or EU-IFRS standards relating to pensions and other deferred employee benefits when drawing up their financial statements, provided that these standards are applied fully and consistently. No alternative accounting methods are allowed under IAS 19.

1.2 Carrying amount

DAS 271 only requires a liability to be recognised in the statement of financial position if and to the extent that, at the reporting date, the employer has a legal or constructive obligation towards the pension plan administrator (pension fund, insurance company) and/or to its employees. Obligations to employees generally arise from final salary plans or unconditional index-based plans, but also in a situation in which part of the pension contribution is paid at a later stage, such as some 'guarantee premiums' in the case of pension benefits guaranteed by the insurer. Under IAS 19, measurement of pension obligations depends on their classification under a DB (defined benefit) or DC (defined contribution) plan. When calculating the obligation under a DC plan, taking into account the contribution payable over the reporting period is sufficient. Measurement of a DB plan requires actuarial calculations to be made for the purpose of reliably measuring the costs of the entitlements granted to employees for the current and past years of service, using assumptions about demographic variables (such as employee turnover and life expectancies) and financial variables (such as future increases in salaries), what is known as the projected unit credit method, from which the fair value of the plan assets is deducted.

1.3 Recognition in profit or loss

Under DAS 271, pension costs include the contribution payable for the relevant period plus the obligation to pay additional contributions arisen in that period. In the absence of other obligations for which a provision is required to be recognised, this is similar to the manner in which DC plans are recognised in profit or loss under IAS 19.

With respect to DB plans, under IAS 19, a loss is recognised comprising the current pension costs (service costs) plus the net interest to be allocated.

In the case of a change (improvement or reduction) in the pension plan, any resulting additional expenses or income, respectively, are also part of pension cost.

The following are also included in pension cost:

- The costs for past service resulting from a change in the pension plan and negative costs due to a significant decrease in the number of participants in the pension plan ('curtailment').
- The allocable effect of discontinuing the plan ('settlement').

The net interest is calculated on a time-proportionate basis by multiplying the net liability (or asset) by the discount rate, with the net liability (or asset) being the balance of the present value of the pension benefits and the fair value of the plan assets.

1.4 Changes in accounting estimates

The IFRS measurement of pension entitlements under DB plans requires assumptions to be made about demographic variables (such as life expectancies) and financial variables (such as future increases in salaries and the discount rate). Differences (remeasurements) may arise between expectations and what has actually occurred, and expectations may be adjusted. IAS 19 requires remeasurements to be recognised in other comprehensive income on a permanent basis, meaning that they will never under any circumstances be reclassified to operational results. Remeasurements comprise:

- a. Actuarial gains and losses resulting from the calculations of the (gross) present value of the pension benefits; these comprise, on the one hand, the changes in accounting estimates, as the actual results differ from the estimated parameters and amounts, and, on the other, the effects of changes in parameters on new calculations to be made in a subsequent financial year.
- b. The difference between the actual return on plan assets and the assumed return included in the calculation of the net interest on the net defined benefit liability/asset to be allocated.
- c. Any change in the effect of the asset ceiling, excluding amounts included in net interest.

DAS requires changes in accounting estimates to be recognised in profit or loss.

1.5 Recognition of early retirement plan

Reference is made to DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position for the rules concerning the provision for early retirement plans. Under IAS 19, a pre-pension plan is accounted for as a post-employment benefit in the case of an effective lowering of the retirement age, or as termination benefit in the case of a non-recurring liability as part of a restructuring. In connection with this, specific rules and circumstances should be taken into account. IFRS and DAS therefore conflict on this point.

1.6 Provision for insured disability expenses

Under DAS 271.210, a provision may be formed for future insurance contributions directly attributable to the entity's own claims history, to the extent that the risk of disability is not insured (either with a state scheme or with an insurance company) (differentiated contributions) provided they can be reliably estimated. Moreover, these contributions may be recognised as expenses in the period in which they are paid. DAS 271.214 stipulates that, if it is decided not to form such a provision, a general note should be included if the contributions are expected to have a material impact on future staff costs.

Under IAS 19, there are no specific requirements concerning differentiated contributions, but recognising a provision for differentiated contributions will generally not be permitted under IFRS.

1.7 Long-term employee benefits: Accrued rights

Under IAS 19.155, the projected unit credit method has to be applied to accrued rights to long term employee benefits (including jubilee benefits, profit sharing and bonuses).

Dutch laws and regulations also allow this method. However, a best estimate of the amounts required to settle the commitments concerned at the reporting date suffices (DAS 271.206).

Under DAS 252.302, best estimate represents the amount paid by a rational entity to settle the relevant commitments or to transfer them to a third party.

Unlike under pension plans, remeasurements (actuarial gains and losses, et cetera) must be recognised directly in profit or loss (IAS 19.154).

2 Presentation

2.1 Presentation of pension charges in statement of profit or loss

Section 377 of Book 2 of the Dutch Civil Code requires pension charges to be presented separately in the statement of profit or loss if classification of costs by nature is applied. IAS 19 does not require this. Dutch laws and regulations are therefore stricter in this respect.

2.2 Presentation of pension liabilities in statement of financial position

Section 375 of Book 2 of the Dutch Civil Code requires pension liabilities to be presented separately in the statement of financial position. IAS 19 does not require this. Dutch laws and regulations are therefore stricter in this respect.

3 Disclosure

3.1 Related parties

Under IAS 24, balances and transactions with pension implementation agencies and information concerning key management personnel pension plans should be disclosed as transactions with related parties. DAS require disclosure of the remuneration of statutory directors but not of the other persons that qualify as key management personnel.

Accounting standards

Relevant accounting standards:

- DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position
- DAS 271 Employee Benefits
- IAS 19 Employee Benefits
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

14 Provision for deferred taxation

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Deferred tax on revaluation	Recognition of deferred tax liability on revaluation is not mandatory.	Recognition of deferred tax liability on revaluation is mandatory.	IFRS stricter
1.2 Recognition of deferred tax asset; concurrence with taxable temporary differences relating to revaluation	No deferred tax on revaluation is taken into account as part of the assessment.	No restrictive rules.	Dutch laws and regulations stricter
1.3 Recognition of previously unrecognised deferred tax asset relating to tax losses by acquirer	Taken into account in determining the goodwill.	Through profit or loss.	Conflicting
1.4 Recognition of acquired deferred tax asset at a later stage	Deferred tax asset recognised through profit or loss; changes in goodwill also written off through profit or loss.	Taken to goodwill if new facts/circumstances arise within one year of the acquisition date; in all other cases, through profit or loss. New facts and circumstances required to relate to situation at reporting date.	Conflicting
1.5 Measurement	Discounted (present) or non-discounted value.	Non-discounted value.	IFRS stricter
1.6 Deferred tax on share-based payments	No specific rules apply.	Specific rules apply.	IFRS stricter
1.7 Tax group (fiscal unit)	Several rules apply.	No rules included.	Dutch laws and regulations stricter
2 Presentation			
2.1 Presentation of deferred tax assets	To be presented either as current or non-current asset.	To be presented as non-current asset.	IFRS stricter
2.2 Presentation of deferred tax liabilities	Presentation as provision.	Presentation as non-current liability.	Conflicting
3 Disclosure			
3.1 Various information to be disclosed in the notes	Some disclosure mandatory for large entities only.	Mandatory.	IFRS requires more disclosure

1 Recognition and measurement

1.1 Deferred tax on revaluation

Due to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code, recognition of a deferred tax liability relating to revaluation is not mandatory, but recommended, under DAS 272.304.

IAS 12.20 requires recognition of a deferred tax liability.

1.2 Recognition of deferred tax asset; concurrence with taxable temporary differences relating to revaluation

DAS 272.310 explicitly stipulates that taxable temporary differences relating to revaluation are not taken into account in assessing whether a deferred tax asset is recognised for deductible temporary differences. IAS 12 does not include such an explicit restriction.

1.3 Recognition of previously unrecognised deferred tax asset relating to tax losses by acquirer

As a result of a business combination, an acquirer may consider it probable that it will recover a deferred tax asset that it had not previously recognised. For example, the acquirer may be able to utilise the benefits of its unrecognised unused tax losses against the future taxable profit of the acquiree. In such cases, the acquirer should recognise a deferred tax asset arising from future loss carry-forwards at the time of acquisition. Under DAS 272.505, this should be taken into account in determining the goodwill; the deferred tax asset recognised by the acquirer is deducted from the goodwill arising on the acquisition.

Under IAS 12.67, there is no deduction from the goodwill arising on the acquisition; instead, such a deferred tax asset should be recognised through profit or loss.

1.4 Recognition of acquired deferred tax asset at a later stage

If an acquirer recognises an acquired deferred tax asset, not recognised at the date of acquisition, at a later stage, this deferred tax asset is recognised as a tax gain through profit or loss, with the goodwill being written off simultaneously through profit or loss (DAS 272.505a). Under IAS 12.68, such deferred tax asset is only charged to goodwill if it is recognised within the period of initial recognition (up to one year following the acquisition date) based on new information about facts and circumstances that existed at the acquisition date. In all other cases, the deferred tax asset is recognised as a tax gain through profit or loss.

1.5 Measurement

DAS 272.404 stipulates that deferred tax assets and liabilities should be measured at either their discounted (present) value or their non-discounted value. Under IAS 12.53, deferred tax assets and liabilities may not be measured at present value.

1.6 Deferred tax on share-based payments

DAS 272 does not contain any specific rules on the recognition of deferred taxes arising from share-based payments. IAS 12.68A-C does contain such rules. The IAS 12 rules are also considered acceptable under DAS 272.

1.7 Tax group (fiscal unit)

DAS 272.8 lays down several rules for the allocation of taxes within a tax group.

IAS 12 does not contain any such rules. Opinions differ widely on whether or not allocation to the entities involved should take place, ranging from full allocation to all entities to not allocating at all to any entities.

Whatever the choice, it must be consistently applied, and of course adequately disclosed. Any contractual agreements within the group must also be considered.

2 Presentation

2.1 Presentation of deferred tax assets

DAS 272.602 stipulates that deferred tax assets should be shown on a separate line under financial fixed (non-current) assets or under current assets. Under IAS 1 it is not permitted to include deferred taxes under current assets (IAS 1.56).

2.2 Presentation of deferred tax liabilities

DAS 272.601 stipulates that deferred tax liabilities should be presented as a provision, and the same treatment is entailed by the Annual Accounts Formats Decree. Under IAS 1.54, deferred tax liabilities are presented as a non-current liability.

3 Disclosure

3.1 Various information to be disclosed in the notes

The disclosure requirements under DAS 272 are largely in line with those of IAS 12. DAS 272 contains disclosure recommendations as well as requirements. IAS 12 does not make this distinction, requiring all entities to include all disclosures.

Accounting standards

Relevant accounting standards:

- DAS 272 Taxation
- IAS 1 Presentation of Financial Statements
- IAS 12 Income Taxes
- IFRIC 23 Uncertainty over Income Tax Treatments
- SIC 25 Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders

15 Liabilities & accrued liabilities and deferred income

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Derecognition	Generic rules.	Detailed standards.	IFRS stricter
1.2 Categories for subsequent measurement	Classification into three categories.	Main rule with exceptions.	IFRS stricter
1.3 Fair value option (except trading portfolio and derivatives)	Not allowed.	Allowed subject to conditions if certain criteria are met upon initial recognition.	Dutch laws and regulations stricter
1.4 Other financial liabilities	Subsequent measurement using effective interest method or option straight-line amortisation.	Only effective interest method allowed.	IFRS stricter
1.5 Share premium (discounts)	Capitalisation and allocation to the consecutive reporting periods or deducted from the liability.	Capitalisation of share discounts and allocation to the consecutive reporting periods is not allowed under IFRS.	IFRS stricter
2 Presentation			
2.1 Classification of current portion of long-term debt	Current portion of long-term debt to be classified under either current liabilities (recommended) or non-current liabilities.	Mandatory classification as current.	IFRS stricter
2.2 Classification of financial instruments as equity or financial liabilities in the <u>separate</u> financial statements	Accounting policy choice between classification based on economic reality or legal form.	Based on economic reality (in all types of IFRS financial statements).	IFRS stricter
2.3 Separation for statement of financial position presentation	Prescribed presentation.	Limited number of prescribed items.	Dutch laws and regulations stricter
2.4 Presentation of liabilities held for trading purposes	Liabilities with no settlement date should be classified under non-current liabilities if they could be claimed only after one year.	Liabilities principally held for trading purposes should be presented as current liabilities, irrespective of when they are payable.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
2.5 Classification under current/non-current liabilities in the event of refinancing agreed after the reporting date	Classification as non-current allowed if refinancing has been contractually agreed prior to preparing the financial statements.	Not relevant to classification under current/non-current liabilities.	IFRS stricter
2.6 Early repayment	Presentation as current liability allowed if the early repayment took place or was agreed before the date of preparation of the financial statements.	Classification of the loan depends on its term.	IFRS stricter
2.7 Early payability	Possibility of classification as long-term if a 'waiver' has been agreed after the reporting date but before the date of preparation of the financial statements.	Mandatory classification as current and disclosure as event after reporting date.	IFRS stricter
3 Disclosure			
3.1 Information on financial instruments	General and specific disclosure requirements.	General and many detailed specific disclosure requirements.	IFRS requires more disclosure
3.2 Disclosure movement schedule	Presentation of movement schedule for each category of long-term liabilities.	Disclosure of changes in 'liabilities arising from financing activities', possibly by means of movement schedule.	Dutch laws and regulations require more disclosure
3.3 Comparative amounts in movement schedule	Not required.	Required.	IFRS requires more disclosure
3.4 Disclosure regarding long-term liabilities with a remaining term to maturity of over five years	Disclosure of the total of debts with remaining terms over five years must be given separately.	No specific disclosure requirements.	Dutch laws and regulations stricter

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 include a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or nearly all entitlements to economic benefits and all or nearly all the risks attached to the asset or the liability.

IFRS 9 addresses the derecognition of assets and liabilities in much greater detail. Financial liabilities are derecognised when the contractual obligation no longer exists, for instance, if the obligation specified in the contract is discharged, cancelled or expires (IFRS 9.3.3.1). For the treatment under IFRS 9 also see Chapter 23 Financial instruments.

1.2 Categories for subsequent measurement

IFRS and DAS apply a certain form of 'classification' of groups of similar financial liabilities in connection with the applicable rules for measurement and determining results (which classification does not necessarily need to be applied as statement of financial position presentation, see below under Section 2.5). The differentiation between groups (categories) is not the same for DAS and IFRS.

DAS 290 applies a classification into three categories for the purpose of determining the subsequent measurement of the financial liabilities (also referred to as measurement categories below) (DAS 290.413):

- Financial liabilities that form part of a trading portfolio (fair value through profit or loss)
- Derivatives:
 - Part of a hedging relationship
 - Other derivatives, listed shares as underlying value: fair value through profit or loss
 - Other derivatives, underlying value other than listed shares
- Other financial liabilities: amortised cost, effective interest in profit or loss

IFRS 9 in part applies similar measurement categories, although a different policy applies for specifically designated liabilities.

IFRS 9.4.2.1 uses a formulation that is based on a 'main rule' and a number of exceptions. The 'main rule' is that financial liabilities are recognised in the category and the subsequent measurement is at amortised cost. The exceptions on the basis of IFRS 9.4.2.1 are:

- (a) Financial liabilities at fair value through profit or loss (at fair value through profit or loss); this group of liabilities comprises (IFRS 9 Appendix A):
 - Financial liability held for trading, including derivatives (unless a derivative is a financial guarantee contract or is designated in an effective hedge); or
 - Financial liability that, subject to conditions, is designated on initial recognition as at fair value (see below 'fair value option', 1.3); or
 - Financial liability under a derivative for an instrument to hedge credit risk that is designated either on or after initial recognition as at fair value.
- (b) Financial liabilities arising from the transfer of an asset which does not meet the requirements for derecognition.
- (c) financial guarantee contracts (measurement at the higher of the loss provision or the amount initially recognised).
- (d) commitment to provide a loan at a below-market interest rate (measurement at the higher of the loss provision or the amount initially recognised).
- (e) liability owing to an additional compensation to the seller in connection with a business combination (to which IFRS 3 applies) (measurement at fair value through profit or loss).

Under Dutch laws and regulations, the format of the statement of financial position of financial statements is prescribed on the basis of the Annual Accounts Formats Decree; therefore, a statement of financial position presentation that more closely matches the measurement categories is usually not possible.

Under IFRS, the rules for the format of the presentation of the statement of financial position are more limited, and hence the format applied in the presentation of the statement of financial position may sometimes more closely (or exactly) match the classification on the basis of the measurement categories. In addition, IFRS 7 requires detailed disclosure of the reconciliation between the statement of financial position presentation and the classification into measurement categories (IFRS 7.6 and 7.8).

1.3 Fair value option (except trading portfolio and derivatives)

With the exception of financial liabilities in the trading portfolio and derivatives, DAS do not allow valuation of liabilities at current value.

The fair value option under IFRS 9.4.2.2 and IFRS 9.B4.1.27-36 allows companies, at the time of entering into a financial instrument (financial liability) contract, to carry such an instrument at fair value with changes in value being recognised in profit or loss, provided that one of the following two criteria is met (IFRS 9.4.2.2):

- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.

On the basis of IFRS 9.4.3.5, it is also permitted with regard to a financial instrument (a financial liability) that contains an embedded derivative to apply the fair value option for the entire hybrid contract, except if the embedded derivative has little or no influence on the cash flows of the financial instrument or if it can easily be demonstrated that the economic features and risks of the embedded derivative are clearly and closely related to the host financial instrument.

The portion of the change in value attributable to changes in the entity's credit risk will in most cases not be recognised in profit or loss, but in other comprehensive income (IFRS 9.5.7.7).

1.4 Other financial liabilities

Under DAS, the other financial liabilities are measured at 'cost', for which purposes the initial cost is equal to fair value on initial recognition (when the liability arises). Under IFRS, the same method is applied to financial liabilities, with subsequent measurement at amortised cost.

After initial recognition, any difference between initial cost (i.e. fair value adjusted for transaction costs) and the nominal amount (or, more formally: the redemption amount) of the liability is allocated over the period to the last redemption or repayment. This valuation is referred to as amortised cost method.

DAS state that applying straight-line amortisation instead of applying the effective interest method as an alternative is allowed if straight-line amortisation does not lead to significant differences compared with applying the effective interest method (DAS 273.201 and DAS 940 under definition of amortised cost). IFRS does not apply this exemption.

1.5 Share premium (discounts)

Share premium and discounts are required to be allocated (as are repayment premiums) over the term of the contract as part of the interest expense to the consecutive reporting periods over the term of the contract. This allocation must take place in such a way that, together with the interest due on the loan, the effective interest is accounted for in the profit and loss account and the amortised cost of the liability is accounted for in the statement of financial position (net). This ensures that the interest expense reported each year in the profit and loss account reconciles with the market rate at the time when the loan is entered into. Amounts of share premium and discounts not yet recognised in the profit and loss account are recognised as increase or decrease, respectively, of the liability to which they relate (DAS 273.201, IFRS 9.5.1.1). Pursuant to Section 2:375 (5) of the Dutch Civil Code, it is also possible to capitalise the share discount that is allocated to the consecutive reporting periods instead of deducting it from the liability. Capitalisation of share discounts and allocation to the consecutive reporting periods is not allowed under IFRS.

2 Presentation

2.1 Classification of current portion of long-term debt

Section 375 (6) of Book 2 of the Dutch Civil Code prescribes disclosure in the notes of the amount required to be repaid in the next financial year on a long-term debt if that amount is included under non-current liabilities in the statement of financial position, either by including it under current liabilities in the statement of financial position or by separate disclosure in the notes if the current portion is included under non-current liabilities. However, DAS recommend classification of that amount as a current liability in the statement of financial position with a view to providing insight into the legal entity's liquidity (DAS 254.308). Under IAS 1, it is not permissible to include the current portion of loans under non-current liabilities (IAS 1.71-72).

2.2 Classification of financial instruments as equity or financial liabilities in the separate financial statements

The requirement under IFRS (IAS 32.15) to classify liability items in the separate financial statements on the basis of substance (economic principles) differs from DAS (which offer an accounting policy choice for the separate financial statements between classification based on legal form or economic reality (DAS 240.207-209)). Under Dutch GAAP, this may entail that the classification of an instrument is not the same in the consolidated and separate financial statements, whereas it is under IFRS.

2.3 Separation for statement of financial position presentation

Under Section 375 (1) of Book 2 of the Dutch Civil Code, the following should be shown separately under liabilities:

- a. Bond loans, mortgage bonds and other loans, with specific mention of convertible loans
- b. Amounts owed to credit institutions
- c. Prepayments received on orders, insofar as they have not already been deducted from asset items

- d. Trade payables and trade credits
- e. Bills of exchange and cheques payable
- f. Amounts owed to group companies
- g. amounts owed to other affiliated companies that are not part of the group (Section 2:361 (4) of the Dutch Civil Code
- h. Amounts owed to entities and partnerships that have an interest in the entity or in which the entity has an interest, insofar as not included under f
- i. Amounts owed in respect of tax and social security contributions
- j. Amounts owed in respect of pensions
- k. Other payables; and,
On the basis of Section 2:364 (4) of the Dutch Civil Code, insofar as accruals and deferred income are not included in other liabilities.

Under IAS 1.54, at least the following should be included separately under liabilities:

- Trade payables and other amounts payable
- Financial obligations
- Immediate tax liabilities
- Deferred tax liabilities
- Liabilities included in 'disposal groups' referred to in IFRS 5

Possible disaggregation under IFRS depends on the nature, amount and function of the item (IAS 1.77-78).

A difference between IFRS and Dutch laws and regulations is that IFRS applies a less far-reaching listing for the separation into categories compared with the requirement in Section 2:375 (1) of the Dutch Civil Code.

2.4 Presentation of liabilities held for trading purposes

Under IAS 1.70, liabilities principally held for trading purposes should be presented as current liabilities. DAS does not include such a rule, but stipulate that liabilities with no agreed settlement date should be presented under current liabilities if they could be claimed after the reporting date within one year at most and under non-current liabilities otherwise (DAS 254.303).

2.5 Classification under current/non-current liabilities in the event of refinancing agreed after the reporting date

Under DAS 254.305, non-current liabilities with a contracted settlement date within one year should continue to be classified under non-current liabilities if the entity intends and has the right to refinance the debt concerned for a period of at least twelve months after the reporting date. If, at the reporting date, the entity is not entitled, under the ruling loan conditions, to refinance the debt for a period of at least twelve months after the reporting date, but if refinancing has been contractually agreed prior to preparation of the financial statements, the entity may classify the debt concerned as non-current, with application of this option being disclosed (DAS 254.305).

Under IFRS, the potential to refinance the obligation is not taken into consideration for the classification of a liability if the legal entity does not have the right at the reporting date under the applicable terms of the loan to refinance the liability for a period of at least twelve months after the reporting date. Under IFRS, this liability continues to be classified as current (IAS 1.69 (d) and IAS 1.73). This is a 'non-adjusting event' that must be disclosed as an event after the reporting date (IAS 1.76).

2.6 Early repayment

DAS provides an option to present as current an (agreement for) early repayment between the reporting date and the date of preparation of the financial statements (DAS 254.306). The application of this option must be explained in that case. This is not permitted under IFRS.

2.7 Early payability

The same difference in accounting treatment applies to loans in respect of which the entity, at the reporting date, fails to meet the loan conditions, as a result of which the debt becomes payable on demand, if:

- On or before the reporting date, a period of grace of has been agreed with the lender and immediate repayment can no longer be demanded, the liability must continue to be classified as non-current, provided the period of grace ends at least twelve months after the reporting date and the lender cannot demand immediate repayment during that period (DAS 254.307, IAS 1.75).
- After the reporting date but before the preparation of the financial statements, a period of grace is agreed and repayment is not an issue, DAS 254.37, allows classification of the debt as non-current; IFRS (IAS 1.74) do not allow this and requires classification of the debt under current liabilities. This does qualify as a 'non-adjusting event' which must be clarified as an event after the reporting date (IAS 1.76).

3 Disclosure

3.1 Information on financial instruments

The disclosure requirements for financial instruments are included in IFRS 7 Financial Instruments: Disclosures. The fair value information with regard to financial instruments is included in IFRS 13 Fair Value Measurement. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (see also under 1.2).

The primary objective of the disclosure requirements is to disclose information that enables users of the financial statements to evaluate the significance of financial instruments for the entity's financial position and performance (IFRS 7.7). To that end, IFRS 7 comprises qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Dutch legislation requires information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code). DAS has been brought into line with the mandatory disclosures previously prescribed by IAS 32 (by now replaced by IFRS 7 in this respect). DAS 290.901 contains a similar general objective to that of IFRS, but the level of detail under DAS is less extensive than under IFRS 7.

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and valuation methods used.

Additional information on liabilities is required to be disclosed in several respects, pursuant to the law and DAS, concerning the following:

- Interest rate on long-term loans and disclosure of interest rate and cash flow risks
- Security
- Subordination
- Conditions for conversion
- Term
- Disclosure of fair value
- Other information required to be disclosed in the notes

Also see Chapter 23 Financial instruments.

3.2 Disclosure movement schedule

A movement schedule is required to be presented for each group of long-term liabilities (including liabilities under finance leases on the basis of DAS 254.104). In addition, if the current portion is not presented in current liabilities, the portion that is current is also required to be disclosed for each group in the movement schedule (DAS 254.408a).

IFRS contain a similar but not identical requirement. IAS 7 requires disclosure of changes in 'liabilities arising from financing activities' and specifically stipulates which types of changes are to be disclosed separately (IAS 7.44a). One way to fulfil the disclosure requirement is by providing a reconciliation between the opening and closing balances in the statement of financial position (i.e. a movement schedule) for 'liabilities arising from financing activities' (IAS 7.44D), supplemented by additional information where necessary.

3.3 Comparative amounts in movement schedule

IFRS requires presentation of comparative amounts in the movement schedules (IAS 1.38). This is not required under DAS (DAS 110.127).

3.4 Disclosure regarding long-term liabilities with a remaining term to maturity of over five years

Pursuant to Section 375 (2) of Book 2 of the Dutch Civil Code, the total of the long-term debts with a remaining term to maturity of over five years must be disclosed separately. There is no such specific requirement in IFRS.

Accounting standards

Relevant accounting standards:

- DAS 254 Long-term Liabilities
- DAS 258 Accruals and Deferred Income
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosure
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements
- IAS 32 Financial Instruments: Presentation

Selected topics

16 Statement of profit or loss

	Dutch laws and regulations	IFRS	Conclusion	
1	Recognition and measurement			
1.1	Full application of IFRS 15 under DAS	Application of IFRS 15 allowed, provided it is applied consistently and in full.	No alternative accounting methods allowed.	IFRS stricter
1.2	Revenue recognition - general	On the basis of transfer of risks and rewards.	On the basis of transfer of control.	Conflicting
1.3	Principal – agent	Distinction on basis of rights to risks and rewards.	Distinction on the basis of control.	Conflicting
1.4	Transactions with multiple performance obligations	General rules for separating components.	Specific rules for separating performance obligations	IFRS stricter
1.5	Variable consideration	Fair value of the consideration determines revenue.	Recognition only if it is highly probable that this revenue will not need to be reversed.	Conflicting
1.6	Contract modifications	No specific rules.	Specific rules.	IFRS stricter
1.7	Sales transactions with resale or repurchase agreements	Accounting based on rights to economic benefits and risks.	Accounting based on control.	Conflicting
1.8	Returns	No specific rules.	Recognition of (gross) liability and an asset based on the expected value of the returns.	IFRS stricter
1.9	Warranties	Less specific rules on accounting for warrantees.	Depending on the situation, recognition as costs or as revenue if there is a separate performance obligation.	IFRS stricter
1.10	Capitalisation of borrowing costs	Borrowing costs attributable to qualifying assets to be capitalised or recognised in profit or loss.	Capitalisation of borrowing costs mandatory for qualifying assets.	IFRS stricter
1.11	Recognition of interest income and expense	Effective interest method or straight-line amortisation (subject to certain conditions).	Effective interest method.	IFRS stricter
1.12	Payment discounts	Depending on the situation, deducted from revenue or as borrowing costs.	Deducted from revenue.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.13 Pre-acquisition dividend subsidiary, joint venture or associate	To be deducted from the net asset value of the subsidiary, joint venture or associate.	Usually to be recognised in profit or loss, with an impairment test being made of the carrying amount of the subsidiary, joint venture or associate.	Conflicting
2 Presentation			
2.1 Formats	Prescribed formats.	Only those line items to be included are mentioned.	Dutch laws and regulations stricter
2.2 Statement of comprehensive income	Four options for presentation of comprehensive income.	Two options for presentation of comprehensive income.	IFRS stricter
2.3 Separation of comprehensive income	No rules.	Separation of comprehensive income into items that can be recycled in future periods and items for which that is not possible. In addition, separate disclosure of amounts for associates and joint ventures accounted for using the equity method.	IFRS stricter
2.4 Disclosure of changes in non-controlling interests in comprehensive income	Changes in non-controlling interests are not disclosed in comprehensive income.	Changes in non-controlling interests are disclosed in comprehensive income.	Conflicting
2.5 Condensed statement of profit or loss in separate financial statements	Allowed (only for non-PIEs).	Not allowed.	IFRS stricter
3 Disclosure			
3.1 Disclosure requirements	Less disclosure requirements.	More disclosure requirements.	IFRS requires more disclosure

1 Recognition and measurement

There are numerous differences between IFRS and DAS with regard to revenue recognition, as IFRS 15 is based on the principle of control whereas DAS 270 is based on the transfer of economic risks and rewards, and as revenue recognition is specifically prescribed for various situations by IFRS 15. Significant differences are discussed below but this summary is incomplete.

In December 2020, the DASB published DASB Authoritative Statement 2020-15. The Authoritative Statement comprises various amendments to the current DAS 270. These amendments are effective for reporting years beginning on or after 1 January 2022. As a result of those amendments, the differences between IFRS and DAS will become smaller but not be eliminated entirely. The analysis below is based on the requirements applying for 2021, and therefore does not take future amendments into account.

1.1 Full application of IFRS 15 under DAS

DAS allow the provisions of IFRS 15 to be applied instead of DAS 270, provided they are applied in full and consistently. No alternative accounting methods are allowed under IFRS 15.

1.2 Revenue recognition – general

IFRS 15 is based on accounting for revenue upon the transfer of control over goods or services. DAS 270 is based on the transfer of economic risks and rewards. In most cases, this difference in approach will have no impact on the timing of revenue recognition, but differences may arise particularly for non-standard contracts.

Further to the general principle, IFRS 15 describes in detail in which specific cases revenue may be recognised over time. DAS 270 and DAS 221 set out criteria for revenue recognition relating to services and construction contracts, setting general conditions for accounting for revenue in proportion to the stage of completion, including the probability that the economic benefits associated with the transaction will flow to the legal entity.

1.3 Principal – agent

For the purpose of determining whether an entity is a principal or an agent, DAS provide that the principal holds the significant rights to economic benefits and is exposed to significant risks with regard to the goods and services, whereas under IFRS the principal has control over those goods and services.

1.4 Transactions with multiple performance obligations

Under IFRS 15, contracts are required to be split into separate performance obligations for goods or services that are considered to be distinct. This can give rise to differences compared with DAS 270, as DAS 270 is less specific with regard to transactions with multiple performance obligations. DAS 270.109 states in general terms that criteria for revenue recognition are applied in certain cases to separately identifiable components of a transaction.

IFRS 15 further requires an entity to estimate the – stand-alone selling prices for separate performance obligations in contract containing multiple elements. DAS 270 contains no rules for this either.

1.5 Variable consideration

In IFRS 15, variable consideration is only part of the transaction price if it is highly probable that this revenue will not have to be reversed. This requirement does not apply under DAS 270, as the amount of the revenue is determined on the basis of the fair value of the consideration.

1.6 Contract modifications

IFRS 15 contains specific rules for accounting for contract modifications, distinguishing between contract modifications that are to be qualified as a new contract and modifications that are considered to be part of the existing contract. The accounting treatment of the latter modifications depends on the extent to which the goods and services still to be provided are distinct from the goods and services already provided.

DAS 270 contains no specific rules on contract modifications.

1.7 Sales transactions with resale or repurchase agreements

Annex 2 to DAS 270 states how sales transactions with resale or repurchase agreements are to be accounted for. This implementation is based on the transfer of all significant rights to economic benefits and all significant risks. The accounting treatment under IFRS is based on the transfer of control to the customer. IFRS 15.B64-76 provides guidelines for various situations.

1.8 Returns

Under IFRS 15, a (gross) liability is required to be recognised for expected returns together with an asset based on the expected value of those returns. This is not required under DAS 270.

1.9 Warranties

IFRS 15.28-33 states that a warranty is a separate performance obligation if a customer has the option to purchase the warranty separately or if the warranty offers the customer a service in addition to the assurance that the good provided complies with the agreed-upon specifications. In such a situation, a portion of the revenue is allocated to that performance obligation.

In all other cases, a warranty is accounted for as costs by recognising a provision. Under DAS 270 there is no specific requirement to allocate revenue to a warranty besides the generic requirement concerning transactions with multiple performance obligations.

1.10 Capitalisation of borrowing costs

Under IAS 23.8, borrowing costs directly attributable to a qualifying asset must be capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Under DAS 273.204, borrowing costs directly attributable to a qualifying asset may be capitalised or expensed immediately. If capitalisation is opted for, this should be applied to all qualifying assets (DAS 273.206).

1.11 Recognition of interest income and expense

Under IFRS, recognition of interest income and expense must be based on the effective interest method (IFRS 9.5.4.1).

DAS stipulate that straight-line amortisation (instead of application of the effective interest rate method) is allowed as an alternative, provided it does not result in substantial differences compared with the effective interest rate method (DAS 270.125 and 273.201).

1.12 Payment discounts

DAS offers two accounting treatments for payment discounts granted to customers:

- Deduction from revenue
Or
- Recognition as interest expense (DAS 273.202).

If the discounts are regularly applied, deduction from revenue is the appropriate method. If they are used on an occasional basis, presentation as interest expense is appropriate. IFRS 15.47 assumes that payment discounts granted will be deducted from net revenue.

1.13 Pre-acquisition dividend subsidiary, joint venture or associate

If equity investments in subsidiaries, joint ventures and associates result in the right to dividend in respect of equity and/or profit established and achieved, respectively, prior to the acquisition of the investment, such dividend is deducted from the cost of the investment concerned (DAS 270.127).

Under IFRS, all dividends relating to associates should generally be recognised in profit or loss, unless the equity method is applied (IAS 27.12), in the separate financial statements, with the carrying amount of the relevant investment to be tested for impairment. Dividends relating to investments other than in associates are in principle recognised in profit or loss, unless this relates to pre-acquisition dividend at equity interests at fair value through other comprehensive income (direct in equity through comprehensive income) under IFRS 9 (IFRS 9.B5.7.1).

2 Presentation

2.1 Formats

The Annual Accounts Formats Decree sets out the statement of profit or loss formats that should be used when preparing financial statements.

While IAS 1 does not contain any formats, it does set out the separate line items that should be included in the statement of profit or loss (IAS 1.82–1.87):

- Revenue
- Gains and losses arising from derecognition of financial assets measured at amortised cost
- Finance costs
- Impairment losses on financial instruments determined in accordance with IFRS 9.5.5
- Share of the profit or loss of associates and joint ventures accounted for using the equity method
- Tax expense
- Gains and losses arising from a reclassification of a financial asset from amortised cost to 'fair value through profit or loss'
- Gains and losses arising from a reclassification of a financial asset from 'fair value through other comprehensive income' to 'fair value through profit or loss'
- A single amount for the total profit or loss from discontinued operations after tax (see IFRS 5)

In addition, Part 9 of Book 2 of the Dutch Civil Code requires separate presentation of income and expense in the statement of profit or loss, based either on the nature of the income and expenses (classification by nature), or on the function that the income and expense have for the legal entity. IAS 1 recommends, but does not mandate, presenting this separate classification in the statement of profit or loss. It can also be disclosed in the notes.

2.2 Statement of comprehensive income

DAS 265.202 lists four options for presenting comprehensive income:

- As a separate statement in addition to the consolidated statement of financial position, statement of profit or loss and statement of cash flows
- As part of the disclosure of the portion of group equity attributable to the shareholders of the entity
- Combined with the statement of changes in equity in the consolidated financial statements; or
- As an extension of the consolidated statement of profit or loss

IAS 1 defines the term comprehensive income as the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners (IAS 1.7), thus comprising:

- Profit or loss for the period.
- Other comprehensive income, which may include revaluations of property, plant and equipment and intangible assets, revaluations of financial instruments, cash flow hedges, actuarial gains and losses and translation gains and losses. Effectively, these are all changes in equity not ensuing from transactions with shareholders.

One of the primary statements to be included by an entity is a Statement of Changes in Equity, i.e. a statement of changes in equity, with transactions with shareholders being presented separately, and total comprehensive income included as a single amount.

In addition, companies can choose between the following options:

- Including one statement of comprehensive income, presenting the various elements of both components of comprehensive income (profit or loss and other comprehensive income).
- Including two statements: a statement of profit or loss, showing the profit or loss for the period, followed by a statement of comprehensive income, including the profit or loss for the period as a single line item, plus specific elements of other comprehensive income (IAS 1.10A).

These two statements are both in accordance with DAS 265.202 options one and four listed above.

2.3 Separation of comprehensive income

IFRS requires separation of comprehensive income into items that can and cannot be recycled into profit or loss in future periods (IAS 1.82A). No such separation is required under DAS. In addition, IFRS requires separate disclosure of the amounts for equity-accounted associates and joint ventures, separated into items that can be reclassified and items that cannot be reclassified.

2.4 Disclosure of changes in non-controlling interests in comprehensive income

Under DAS, changes in non-controlling interests are not disclosed in the statement of comprehensive income (DAS 265.102), whereas they are under IFRS.

2.5 Condensed statement of profit or loss in separate financial statements

Section 402 of Book 2 of the Dutch Civil Code allows a condensed statement of profit or loss to be included in the separate financial statements if consolidated financial statements (and hence a comprehensive consolidated statement of profit or loss) are prepared. IFRS does not contain any such option.

Public interest entities (PIEs) are not permitted to use Section 402 of Book 2 of the Dutch Civil Code.

3 Disclosure

3.1 Disclosure requirements

IFRS 15 comprises more disclosure requirements than DAS 270.

Accounting standards

Relevant accounting standards:

- DAS 110 Objectives and Basic Assumptions
- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 260 Accounting for Intercompany Gains and Losses in the Financial Statements
- DAS 265 Statement of Comprehensive Income of the Entity
- DAS 270 Statement of profit or loss
- DAS 273 Borrowing Costs
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- IAS 27 Separate Financial Statements

17 Statement of cash flows

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Preparation of statement of cash flows	Mandatory for large and medium-sized companies. Exemption for wholly-owned subsidiaries under certain conditions, for 100% intermediate holding companies and for legal entities applying Section 2:403 of the Dutch Civil Code.	Mandatory for all companies applying IFRS.	IFRS stricter
1.2 Preparation of statement of cash flows in separate financial statements	Only required if no consolidated statement of cash flows has been prepared.	Always.	IFRS stricter
1.3 Specific industry rules	Specific (sometimes additional) rules for specific industries.	Limited number of specific rules for certain types of entities.	Dutch laws and regulations stricter
1.4 Definition of cash and cash equivalents in statement of cash flows	Broader definition: accounting for current listed shares and bonds under cash and cash equivalents possible.	Narrower definition.	IFRS stricter
1.5 Negative balances in bank accounts	Accounting for negative balances in bank accounts under cash and cash equivalents not allowed.	Accounting for negative balances under cash and cash equivalents is allowed under certain conditions.	Dutch laws and regulations stricter
1.6 Basis for indirect method	Operating profit or loss (preferable), or profit or loss before or after taxation.	Profit or loss before or after taxation. Alternatively: (adjusted) income and expenses disclosed in the statement of profit or loss, plus changes in working capital.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Classification of cash flows with regularly recurring sales of tangible non-current assets	Classification of proceeds from sales solely under operating activities if revenues are recognised as net turnover (choice). In that case, in our view, an accounting policy must be chosen regarding classification of purchasing or manufacturing payments.	Classification of proceeds from sales and purchasing and manufacturing payments under operating activities if IAS 16.68A applies.	IFRS stricter
2.2 Classification of interest, dividend and income tax	Separate presentation recommended; only mandatory for dividends paid to shareholders of the company and to non-controlling interests. Paid dividend can be accounted for under financing activities (preferred) or operating activities (alternative).	Separate presentation of interest received and paid and dividends paid and received, as well as income tax. Dividend paid may be accounted for under operating or financing activities.	IFRS stricter
2.3 Classification of cash flows for leases (by lessee)	Distinction between finance and operating leases. Finance lease: repayment component of lease instalment under financing activities, interest component of lease instalment in accordance with accounting policy chosen for interest paid. Operating lease: lease instalment under operating activities.	No classification model. Repayment component of lease instalment under financing activities, interest component of lease instalment in accordance with accounting policy chosen for interest paid. Only payments for short-term and low-value leases, and variable lease payments not linked to index or rate, under operating activities.	Conflicting
2.4 Cash flows on acquisition or disposal of subsidiaries	As investing activity.	As investing activity when obtaining/losing control, as financing activity in the event of purchase/sale of non-controlling interest; under certain circumstances as operating or financing activity when actually paying out an earn-out.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
2.5 Classification of expenditure relating to acquisition costs on acquisition of a subsidiary	Expenditure relating to directly attributable acquisition costs under investing activities.	Expenditure relating to directly attributable acquisition costs under operating activities.	Conflicting
2.6 Off-setting cash flows	No specific guidance; cash receipts and cash payments to be presented separately.	Specific guidance on off-setting in the statement of cash flows.	IFRS stricter
2.7 Subtotal for cash flows from business operations	Subtotal for cash flows from business operations recommended.	No recommendation.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Information on acquisition and disposal of subsidiaries	No specific guidance, solely an example of a disclosure and, in a more general sense, disclosure of unusual receipts/payments.	Detailed information to be provided on obtaining or losing control of subsidiaries.	IFRS requires more disclosure
3.2 Cash flows arising from interest and income tax	No specific rules.	Disclosure of total interest paid (including capitalised interest) and total cash flow arising from income tax (if allocated to more than one activity).	IFRS requires more disclosure
3.3 Disclosure of non-controlling interests	Separate disclosure of cash and cash equivalents and cash flows attributable to non-controlling interests recommended.	Dividends paid to non-controlling interests, as well as share of these cash flows, to be disclosed.	IFRS requires more disclosure
3.4 Reconciliations	Movement schedule for each group of non-current liabilities. Various recommendations.	Disclosure required of changes in liabilities arising from financing activities; possible by means of movement schedule.	Dutch laws and regulations require more disclosure
3.5 Other disclosures	Various recommendations and requirements: see the diagram below.	Various recommendations and requirements: see the diagram below.	Dutch laws and regulations and IFRS differ
3.6 Information in the directors' report	Recommended.	No rules.	Dutch laws and regulations recommend more disclosure

1 Recognition and measurement

1.1 Preparation of statement of cash flows

Under DAS, only large and medium-sized legal entities are required to prepare a statement of cash flows, with the exception of wholly-owned subsidiaries whose parent entity prepares an equivalent statement of cash flows in its consolidated financial statements and states in the notes where those consolidated financial statements may be obtained (DAS 360.104). In addition, DAS 360.104 offers an exemption from preparing a statement of cash flows for 100% intermediate holding companies and entities applying Section 403 Book 2 of the Dutch Civil Code. A 100% intermediate holding company only provides equity to its investees and does not act as a financing company for its participating interests.

Under IFRS, the requirement to prepare a statement of cash flows applies to all entities, regardless of the size of the legal entity (IAS 7.1 and 3).

1.2 Preparation of statement of cash flows in separate financial statements

DAS 360.106 requires a statement of cash flows to be included in separate financial statements only if none is included in the consolidated financial statements. IAS 7 does not include any such requirement. This means that if separate financial statements are prepared on the basis of IFRS, a statement of cash flows must always be included in the separate financial statements (IAS 1.10).

1.3 Specific industry rules

Under DAS, there are customised industry-specific rules and/or models for the statement of cash flows for the following sectors: banks, insurance companies, pension funds, premium pension institutions, investment entities, qualifying public housing institutions and educational institutions (see DAS 600, DAS 605, DAS 610, DAS 611, DAS 615, DAS 645 and DAS 660). There are no customised rules for other sectors. They are (solely) subject to the general provisions of DAS 360 regarding the content of and notes to the cash flow statement.

IFRS provides a number of specific rules for certain types of entities. For instance, IAS 7 comprises several detailed requirements for financial institutions. Separate illustrative examples are presented in an appendix to IAS 7 for an entity other than a financial institution (Example A) and for a financial institution (Example B).

In addition, IAS 7 contains several specific requirements for investment entities (as defined in IFRS 10 'Consolidated Financial Statements') and IFRS 4 'Insurance Contracts' contains a number of supplementary requirements for insurers.

1.4 Definition of cash and cash equivalents in statement of cash flows

The statement of cash flows relates to cash and cash equivalents.

IFRS define cash equivalents as short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value (IAS 7.6).

An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Equity investments are not recognised as cash equivalents, unless they are in substance cash equivalents (e.g., preference shares acquired within three months of their specified redemption date). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes (IAS 7.7).

DAS contains a concept similar to cash equivalents: assets that are highly liquid in the short term. These are investments that are convertible to cash and cash equivalents without any restrictions or any material risk of impairment as a consequence of the transaction (DAS 360.102).

Assets that are highly liquid in the short term appear to be comparable with the concept of cash equivalents under IFRS, but are defined more broadly under DAS. Current listed shares and bonds may sometimes also be recognised as cash and cash equivalents under DAS (Annex to DAS 360), although this is usually not done in practice. Although DAS, by contrast to IFRS, do not specifically address the purposes for which highly liquid assets are held in the short term, in our opinion such assets that are not held to meet short-term cash commitments (i.e. that are not an integral part of cash management), should also not be part of cash and cash equivalents under Dutch rules.

1.5 Negative balances in bank accounts

Under IAS 7.8, in principle, amounts owed to banks are deemed to be part of financing activities. However, when bank account debit balances ('bank overdrafts') are immediately claimable and an integral component of the cash management, as an exception these are regarded as cash and cash equivalents in the statement of cash flows and thus deducted from the cash and cash equivalents. A characteristic feature of this is that the bank balance will often fluctuate between credit and debit balances. DAS 360 does not distinguish between loans granted by banks and negative bank balances. Negative bank balances are not considered to be part of (and therefore not deducted from) cash and cash equivalents.

1.6 Basis for indirect method

According to IAS 7.18, the indirect method is based on profit or loss before or after taxation, to be adjusted for movements in working capital, non-cash items and other items that are investing or financing cash flows. The only alternative mentioned by IFRS is the presentation of income and expenditure from the statement of profit or loss (adjusted for non-cash items and items forming part of cash flow from investing and financing activities, plus the changes in working capital during the financial year) (IAS 7.20).

According to DAS 360, the indirect method is based on the reported result, with the following options: operating profit or loss, or profit or loss before or after taxation. DAS 360.212 prefers operating profit or loss.

2 Presentation

2.1 Classification of cash flows from regularly recurring sales of tangible non-current assets

IFRS has stricter rules than DAS regarding the classification of cash flows related to investments in and disinvestments of tangible non-current assets intended for lease which are later sold as part of normal operating activities. In such cases, IFRS requires and DAS advise that the income is recognised as net turnover (IAS 16.68A, DAS 212.506). Correspondingly, in that case the sale price received is classified in the statement of cash flows as cash flow from operating activities (IAS 7.14, DAS 360.217).

IAS 7.14 also stipulates that the payments for acquiring or manufacturing such tangible non-current assets should be presented under operating activities. This means that a business must already determine during investment which tangible non-current assets will eventually be sold as part of normal operating activities. There is no such provision in DAS 360. This raises the question whether according to DAS these payments should be classified as operating cash flow or investment cash flow. Either alternative has its merits in our view, so a choice may be made. This must be disclosed and applied consistently.

2.2 Classification of interest, dividend and income tax

Cash flows arising from interest, dividend and income tax are classified as follows in the statement of cash flows (IAS 7.31–36, DAS 360.213-214 and 360.218).

Presentation of interest, dividend and income tax is shown in the table below

	Under IFRS			Under DAS		
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
R = Recommended A = Allowed (depending on the nature and activities of the business)						
Interest paid	A	A, provided it is capitalised and disclosed	A	A	A, provided it is capitalised	A
Interest received	A	A		A	A	
Dividends received	A	A		A	A	
Dividends paid	A		A	A		R
Income tax paid/received	A	A, provided it is allocable	A, provided it is allocable	A	A, provided it is allocable	A, provided it is allocable

IAS 7.31 and IAS 7.35 require separate disclosure of cash flows from interest received and paid and dividends and income tax, respectively. This can be effected by separate presentation in the statement of cash flows, or separate disclosure in the notes (usually directly below the statement of cash flows). DAS recommends this (DAS 360.202 and DAS 360 Appendix). Separate presentation is however required of dividends paid to shareholders of the entity and dividends paid to holders of non-controlling interests, regardless of whether these expenses are recognised under financing activities or operating activities (DAS 360.213 and 221).

The DASB recommends presenting dividends paid under financing activities but also permits classification as cash flow from operations as an alternative (DAS 360.213). IFRS offer the same choice but do not express a preference (IAS 7.34).

Pursuant to DAS, interest expenditure which has been capitalised under non-current assets is classified as cash flow from investing activities (DAS 360.218). In our view, on the basis of IAS 7.16, this is also possible under IFRS, although then the total interest paid (including capitalised interest) must be disclosed separately (IAS 7.32).

2.3 Classification of cash flows for leasing (by lessee)

Under DAS, lessees are required to distinguish finance and operating leases (unless the lessee opts to apply the requirements of IFRS 16). The acquisition of an asset under a finance lease is a transaction that does not involve an exchange of cash and therefore the lessee does not recognise any amounts in the statement of cash flows upon inception of the lease (unless, and to the extent that, payments actually were made, for instance for initial direct costs). The (periodic) payments of lease instalments do however require to be accounted for in the statement of cash flows. The repayment component of the finance lease instalment is recognised as cash flow from financing activities (DAS 360.207). The interest component of the finance lease instalment is presented in accordance with the accounting policy chosen for interest paid (see section 2.2 of this Chapter) (DAS 360.207). Operating leases lead to accounting for the (periodic) lease instalment payments as operational cash flows in the lessee's statement of cash flows (DAS 360.209).

IFRS applies no distinction for lessees between finance and operating leases. Accordingly, almost all leases are recognised in the statement of financial position under IFRS; short-term leases and low-value leases are the only exceptions.

Although the accounting treatment in the statement of cash flows is similar to accounting for finance leases under DAS, under IFRS, there will often be comparatively higher cash flow from operating activities (less operating cash outflows) and lower cash flow from financing activities (more financing cash outflows). That is because under DAS, (all) payments for leases classified as operating lease are qualified as cash flows from operating activities. Under IFRS, only payments for short-term leases and low-value leases, as well as variable lease payments that are not included in the lease liability, are presented as cash flows from operating activities (IFRS 16.50).

2.4 Cash flows on acquisition or disposal of subsidiaries

Under IFRS, cash flows arising on the acquisition or disposal of subsidiaries are only classified as investing activities if they pertain to obtaining or losing control (IAS 7.39). Cash flows arising from changes in ownership interests in a subsidiary that do not result in losing control (i.e. acquisition or disposal of a non-controlling interest) are in principle classified as cash flows from financing activities under IFRS (IAS 7.42A and 7.42B). By contrast, under DAS the acquisition or disposal of non-controlling interests (without control being lost) may also be classified as an investing activity. Furthermore, under DAS, as under IFRS, cash flows connected to new or lapsed consolidations may be classified as cash flows from investing activities (DAS 360.219).

The effective payment under an earn-out scheme (of the amount in excess of the liability recognised at the acquisition date) may be classified as cash flow from investing activities under DAS and as cash flow from operating activities under IFRS. Classification as cash flow from financing activities can only be applied if there is clearly a financing element.

2.5 Classification of expenditure relating to acquisition costs on acquisition of a subsidiary

Under IFRS, costs that are directly attributable to an acquisition are recognised through profit or loss (IFRS 3.53), whereas they are part of the acquisition price under DAS (DAS 216.207). Accordingly, the expenditure relating to those acquisition costs is included in operating cash flow under IFRS, whereas it is part of investing cash flow under DAS.

2.6 Off-setting cash flows

Under IAS 7 cash flows arising from the following operating, investing or financing activities may be reported on a net basis (IAS 7.22) in the case of cash receipts and payments:

- On behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity.
- For items in which the turnover is quick, the amounts are large, and the maturities are short.

IAS 7.24 also includes several specific exemptions for financial institutions from the general requirement to present receipts and payments separately. Although DAS does not include such guidance, in our view, it seems justifiable under DAS in situations as described in IAS 7.22 and IAS 7.24 to permit presentation on a net basis.

2.7 Subtotal for cash flows from business operations

The DASB recommends presenting a cash flow from business operations by means of a subtotal under the cash flows from operating activities. This subtotal comprises all operating cash flows, except cash flows arising from interest, dividends and income taxes (DAS 360.216). IAS 7 does not contain any such explicit recommendation to provide a subtotal.

3 Disclosure

3.1 Information on acquisition and disposal of subsidiaries

IAS 7.40 stipulates that the following information be separately disclosed on the acquisition and disposal of subsidiaries when control is obtained or lost:

- The total purchase or disposal consideration
- The portion of the purchase or disposal consideration discharged by means of cash
- The amount of cash in the subsidiary acquired or sold
- The amount of the assets and liabilities other than cash in the subsidiary acquired or sold, summarised by major category

DAS 360 does not prescribe disclosure of such information. However, the Annex to DAS 360 provides an example of a disclosure, with the following elements:

- The portion of the purchase or disposal consideration discharged by means of cash
- The amount of cash in the subsidiary acquired or sold
- The payments or receipts to be expected in the future

In addition, DAS 360.304 applies the more general requirement of detailed disclosure of extraordinary receipts and expenditure, including, for example, expenditure in connection with the entity's expansion, unless they are clearly broken down in the statement of cash flows.

3.2 Cash flows arising from interest and income tax

Under IFRS, the total amount of interest paid during a period is required to be disclosed, regardless of whether it has been accounted for as expense in profit or loss or capitalised in accordance with IAS 23 'Borrowing Costs' (IAS 7.32). Additionally, IFRS also requires that when tax cash flows are allocated over more than one class of activity, the total amount of taxes paid be disclosed (IAS 7.36). There is no such requirement under DAS.

3.3 Disclosure of non-controlling interests

IFRS 12.B10 requires that dividends paid to non-controlling interests and the share of these interests in the cash flows be disclosed. DAS 360.305 recommends only that the amount in cash and cash equivalents on the reporting date and the cash flows from operating, investing and financing activities attributable to non-controlling interests in the financial year be disclosed.

However, DAS requires separate disclosure of dividends paid to shareholders of the company and of dividends paid to holders of non-controlling interests (see Section 2.2 of this chapter).

3.4 Reconciliations

Under IFRS, entities are required to provide information to enable users of financial statements to evaluate changes in 'liabilities arising from financing activities', including both changes arising from cash flows and non-cash changes (IAS 7.44A). This disclosure requirement also applies to changes in financial assets if the cash flows from those assets are classified under the financing activities (IAS 7.44C). IAS 7.44B specifies what types of changes (at a minimum) require separate disclosure. One way to provide the required view is by providing a reconciliation between the opening and closing balances in the statement of financial position (i.e. a movement schedule) for liabilities arising from financing activities (IAS 7.44D), supplemented by additional information where necessary.

A similar (but not identical) requirement applies under DAS, in order to provide more insight into changes in long-term liabilities. A movement schedule is required to be included in the notes for each group of long-term liabilities, which in this connection also includes finance lease liabilities. If the current portion of a long-term liability in the statement of financial position is part of the item long-term liabilities, the portion of the group of long-term liabilities that is current is disclosed in the movement schedule (DAS 254.408a). DAS 254 'Long-term liabilities' does not specifically stipulate which changes are to be disclosed separately. An example of a movement schedule is however included in the DAS 254 Annex.

DAS 360 further recommends the following reconciliations:

- When using the direct method between operating result and the cash flows from operations (DAS 360.211).
- Material differences between items in the statement of cash flows on the one hand and statements of changes in assets and liabilities on the other (DAS 360.301).
- Material variances between, on the one hand, changes in items in the statement of profit or loss according to a statement of cash flows based on the indirect method or the recommended supplementary reconciliation when the direct method is used and, on the other hand, the changes between the amounts in the statement of financial position at the beginning and end of a period (DAS 360.303).

3.5 Other disclosures

DAS and IFRS apply differing recommendations and requirements regarding the other disclosures on the statement of cash flows.

Presentation of the various different mandatory and recommended disclosures relating to the statement of cash flows is shown in the diagram below.

Disclosure	Under IFRS		Under DAS	
	Mandatory	Recommended	Mandatory	Recommended
General accounting principles:	IAS 1.117			Annex to DAS 360
• Definition of the concept of 'cash and cash equivalents' and modifications thereof	IAS 7.46-47			Annex to DAS 360
• Compound transactions and non-cash transactions:				
• Compound transactions			DAS 360.206	
• Non-cash transactions	IAS 7.43		DAS 360.206	
• Inception of lease, with lessee recognising an asset while simultaneously accounting for a lease liability: reconciliation with items in the statement of financial position	IAS 7.44A-E: disclosure of changes in liabilities arising from financing activities		DAS 360.207 DAS 254.408a: movement schedule for non-current liabilities	

Presentation of the various different mandatory and recommended disclosures relating to the statement of cash flows is shown in the diagram below.

Disclosure	Under IFRS		Under DAS	
	Mandatory	Recommended	Mandatory	Recommended
Analytical reconciliation between cash and cash equivalents in the statement of cash flows and in the statement of financial position	IAS 745		DAS 360.302	
Not at the free disposal	Cash and cash equivalents not freely available to the group (IAS 7.48); significant restrictions of the ability to access and use assets of the group (IFRS 12.13); and of significant restrictions of the ability of joint ventures and associates to transfer funds (IFRS 12.22)		Cash and securities (Sections 371 (2) and 372 (2) of Book 2 of the Dutch Civil Code) not at the free disposal of the legal entity; significant restrictions with regard to availability of cash and cash equivalents, including transferability within the group (DAS 228.302)	
Special items:				
<ul style="list-style-type: none"> Disclosure of acquisition and loss of control in subsidiaries and other companies 	IAS 7.39-40: detailed disclosure requirements		DAS 360.304	Annex to DAS 360: limited disclosure
Reconciliation of differences between statement of cash flows and items in the statement of financial position	IAS 7.44A-E: disclosure of changes in liabilities arising from financing activities		DAS 254.408a: movement schedule of non-current liabilities	DAS 360.301 and 360.303
Cash and cash equivalents and cash flows attributable to non-controlling interest	IFRS 12.B10: Dividends paid and share of non-controlling interest in other cash flows			DAS 360.305: other cash flows of non-controlling shareholders

Presentation of the various different mandatory and recommended disclosures relating to the statement of cash flows is shown in the diagram below.

Disclosure	Under IFRS		Under DAS	
	Mandatory	Recommended	Mandatory	Recommended
Amount of outstanding loan facilities, including any restrictions		IAS 7.50		
Separation between amount of cash flows to maintain operating capacity and amount of cash flows to increase operating capacity		IAS 7.50-51		
Segment information		IAS 7.50 and 7.52		

3.6 Information in the directors' report

The DASB recommends that the directors' report also provides detailed disclosure of information presented in the statement of cash flows (DAS 360.301). It does not specify the information to be provided in the directors' report. IFRS does not further specify information on the statement of cash flows to be disclosed in the directors' report.

Accounting standards

Relevant accounting standards:

- DAS 360 The Statement of cash flows
- IAS 7 Statement of Cash Flows

18 Notes to the financial statements

	Dutch laws and regulations	IFRS	Conclusion
1 Presentation of recognition and measurement rules	–	–	–
2 Presentation			
2.1 Disclosure structure	The sequence of the items in statement of financial position/statement of income must be retained.	No mandatory sequence, but a systematic method of presentation is required.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Compliance with the standards	No requirement to state compliance with DAS in the financial statements; however, requirement to disclose the standards used to prepare the financial statements.	Requirement to state compliance with IFRS in the financial statements.	IFRS requires more disclosure
3.2 Departure from the standards	Requirement to disclose departure from the law in the financial statements. No explicit requirement to disclose departure from DAS in the financial statements.	Requirement to disclose departure from IFRS in the financial statements.	Dutch laws and regulations and IFRS differ
3.3 Disclosure of impact of future changes of standards	No obligation to disclose the impact of future changes to DAS in the financial statements.	Obligation to disclose the impact of future changes to IFRS in the financial statements.	IFRS requires more disclosure
3.4 Remuneration of executive and non-executive directors	Remuneration of current and former executive and non-executive directors must be disclosed. Additional rules apply for open public limited liability companies	Total remuneration of key management must be disclosed, broken down by type of remuneration.	Dutch laws and regulations and IFRS differ
3.5 Loans to executive and non-executive directors	Information on loans, advances and guarantees to executive and non-executive directors must be disclosed.	Transactions with key management must be disclosed.	Dutch laws and regulations require more disclosure
3.6 Employee information	Disclosure of average number of employees during the financial year, appropriately broken down according to the structure of the entity.	No specific requirements.	Dutch laws and regulations require more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.7 Audit fees	Total audit fees must be disclosed, broken down by type of activity.	No specific requirements.	Dutch laws and regulations require more disclosure
3.8 Information on related parties	Only on transactions not entered into at arm's length conditions.	Information on nature of relationship with related parties and all transactions with related parties, with no distinction being made between transactions entered into at arm's length conditions and other transactions.	IFRS requires more disclosure
3.9 Information about legal entity	Disclosure of commercial register number.	No specific requirements.	Dutch laws and regulations require more disclosure
3.10 Profit appropriation	Disclosure.	No specific requirements.	Dutch laws and regulations require more disclosure

1 Presentation of recognition and measurement rules

There are no differences in the presentation of recognition and measurement rules between IFRS and Dutch laws and regulations.

2 Presentation

2.1 Disclosure structure

The law stipulates that the notes must follow the order in which the items are listed in the statement of financial position and statement of profit or loss (Section 363 (1) of the Dutch Civil Code).

The Explanatory Memorandum (2015) to this change in the law indicates that the legal requirement to provide adequate insight remains a guiding principle in the presentation of the data in financial statements and the accompanying notes. To improve the legally required true and fair view, it does appear possible to combine similar information in a single note (e.g., disclosure of deferred taxes in a single note) or to discuss the main matters first.

Although IFRS does not have such a requirement, it does require details regarding items presented in the statement of financial positional, the statement of profit or loss, the statement of changes in equity and the statement of cash flows to be presented in a systematic manner (IAS 1.113). The order in which the items are presented in these statements is an example of this (IAS 1.114).

3 Disclosure

3.1 Compliance with the standards

IFRS requires a statement of compliance with IFRS to be made in the financial statements. However, financial statements may only state that these have been prepared in accordance with IFRS if they comply with all IFRS requirements (IAS 1.16). DAS does not require stating compliance with Dutch laws and regulations in the financial statements. However, Section 362 (10) of Book 2 of the Dutch Civil Code requires disclosure of the standards used to prepare the financial statements.

3.2 Departure from the standards

According to the IASB, strict compliance with IFRS will almost always result in a fair presentation (IAS 1.15). In contrast to Section 362 (4) of Book 2 of the Dutch Civil Code, the IASB therefore only allows a very limited departure in IAS 1.19. Departure from the standards in IFRS is permitted only in extremely rare circumstances, namely when compliance with IFRS would result in misleading financial reporting and when the applicable regulatory framework requires or does not forbid departure from the standards. In such circumstances, IAS 1.20 requires disclosure of the nature, reason and financial consequences of the departure. Disclosures should not only be provided with respect to the year in which the standards are departed from, but also in subsequent years, to the extent that the departure still has an impact on the figures for those years (IAS 1.21).

In the extremely rare circumstance in which management takes the view that compliance with an IFRS requirement would result in misleading financial reporting and the applicable regulations do not allow departure, the entity should disclose the following information to reduce the misleading aspects as much as possible (IAS 1.23):

- The title of the standard or interpretation, the nature of the requirement and the reason for management taking the view that the requirement is so misleading that it would conflict with a true and fair view.
- For each period presented in the financial statements, the changes that need to be made to each line item to ensure a fair presentation.

In accordance with Section 362 (4) of Book 2 of the Dutch Civil Code, the financial statements depart from legal requirements (in Part 9 of Book 2 of the Dutch Civil Code) solely if this contributes to providing the necessary view, with the reason for the departure and its impact on equity and results being disclosed in the notes; no such disclosure requirement for departures from the DAS is included in the DAS.

3.3 Disclosure of impact of future changes of standards

IFRS requires the expected impact of future amendments in standards and interpretations to be disclosed (IAS 8.30/31). This concerns standards and interpretations that have been issued by the IASB, but whose mandatory initial application is after the date of commencement of the reporting period (financial year) and for which the entity has not opted for early application.

For each new or amended standard and/or interpretation, the entity must disclose:

- The fact that a standard or interpretation has been amended or newly issued: title of the standard or interpretation concerned, the nature of the impending change in the accounting policies, the date of the mandatory initial application and the date on which the entity will apply the change initially; and
- The estimated impact on initial application in future financial statements, if already known; if the impact is not yet known, this must be explicitly stated.

This requirement does not apply under DAS.

3.4 Remuneration of executive and non-executive directors

In accordance with Section 383 (1) of Book 2 of the Dutch Civil Code, an entity is required to provide information in the financial statements on the remuneration of current and former executive and non-executive directors. According to DAS 271.602, the terms directors and former directors refer only to those natural persons or entities that are current or former members of the entity's board in accordance with the Articles of Association. Remuneration may be disclosed in the form of total amounts for each of the management board and the supervisory board, except for open public limited liability companies (Section 383 (1) of Book 2 of the Dutch Civil Code).

Section 383b and 383c of Book 2 of the Dutch Civil Code require open public limited liability companies to disclose the following information in the notes. Companies whose shares or depositary receipts issued with the cooperation of the company are listed on a regulated market (as referred to in Section 1:1 of the Act on Financial Supervision – Wft) are required to disclose the following information in the remuneration report (Section 2:135b of the Dutch Civil Code):

The remuneration of each individual current and former executive and non-executive director must be disclosed in the notes to the financial statements, to the extent that the entity incurs these amounts in the relevant financial year. For individual executive directors, remuneration must be broken down into the following components:

- Regular salary
- Long-term remuneration
- Post-employment and termination benefits and
- Profit shares and bonuses

If remuneration paid to an executive director is in the form of a bonus based in part or in full on achieving the targets set by the entity, this should be disclosed, as should be the extent to which these targets have been achieved. If remuneration is paid to a non-executive director in the form of profit sharing or bonuses, the same information should be disclosed, as well as the reason underlying the decision to pay remuneration based in part or in full on achieving the targets set by the entity to a non-executive director. Also, if (previously paid) remuneration/bonuses are adjusted or recovered, this should be disclosed (Section 383c (6) of Book 2 of the Dutch Civil Code).

Under IAS 24.16, total key management remuneration must be disclosed. Under IAS 24.9, key management is defined as those persons who directly or indirectly control the entity and are responsible for the policies, management and operations of the entity.

Under IAS 24.17, total remuneration of managers in key positions must be broken down into the following components:

- Short-term (regular) benefits
- Post-employment benefits
- Other long-term benefits
- Termination benefits and
- Share-based payments

Based on a comparison between Dutch laws and regulations and IAS 24, it can be concluded that:

- The term key management has a wider scope than the Dutch term “Bestuurders en commissarissen” (executive and non-executive directors) under the Articles of Association or otherwise.
- For Dutch companies not being open public limited liability companies, the requirements under IAS 24 are more extensive than those under Dutch laws and regulations.
- Dutch laws and regulations stipulate stricter requirements than IAS 24 with regard to executive and non-executive directors of open public limited liability companies.

3.5 Loans to executive and non-executive directors

Besides disclosures regarding the remuneration Section 283 (2) of Book 2 of the Dutch Civil Code also requires that information on loans, advances and guarantees granted to executive and non-executive directors should be disclosed (in total amounts). This information consists of:

- The amounts outstanding
- The interest rate
- The amounts repaid during the financial year
- The other principal terms and conditions
- Impaired amounts
- Amounts that were waived

Open public limited liability companies must disclose this information for each individual executive and non-executive director (Section 383e of Book 2 of the Dutch Civil Code).

IFRS does not explicitly require disclosure of information on loans, advances and guarantees granted to executive and non-executive directors. However, key management is considered a related party under IAS 24.9. IAS 24.17 requires disclosure of transactions with related parties. At a minimum, disclosures must include:

- The amount of the transactions.
- The amount of outstanding balances and their terms and conditions, and the nature of the consideration to be provided in settlement; and details of any guarantees given or received.
- Provisions for doubtful debts related to the amount of outstanding balances.
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Differences between IFRS and Dutch laws and regulations exist due to the distinction made between open public limited liability companies and other Dutch entities and the fact that the term key management has a wider scope than the Dutch term “Bestuurders en commissarissen” (executives and non-executive directors) under the Articles of Association or otherwise. See also Section 3.3 above.

3.6 Employee information

Dutch law requires that the average number of employees during a financial year be disclosed, broken down according to the structure of the entity (Sections 382 and 410 (5) of Book 2 of the Dutch Civil Code). The entity must disclose the number of employees working outside the Netherlands. IFRS do not include any such requirement.

3.7 Audit fees

Section 382a of Book 2 of the Dutch Civil Code requires large entities to disclose in the notes to their financial statements the total fees for auditing the financial statements, total fees for other assurance engagements, total fees for tax advisory services and total fees for other non-audit services, performed by the external auditor and the audit firm. Entities should also disclose the method used to calculate the audit fees (DAS 390.301a). IFRS does not include any such requirement.

3.8 Information on related parties

3.8.1 Dutch laws and regulations

Section 381 (3) of Book 2 of the Dutch Civil Code requires large entities to disclose transactions with related parties. DAS 330 is in line with that law, stipulating that information must be provided on material transactions not entered into at arm's length conditions. Such information pertains to the extent of the transaction, the nature of the relationship with the related party and other information required for an understanding of the entity's financial position.

3.8.2 IFRS

In the case of transactions between related parties, information should be disclosed on both the nature of the relationship and the transactions. This information should at least include (IAS 24.18):

- The amount of the transactions
- The amounts outstanding, as well as their terms and conditions, whether they are secured, the nature of the consideration to be provided in settlement, details of any guarantees given or received
- Provisions for doubtful debts related to outstanding balances and
- The expenses recognised in the period due to doubtful debts

The above information should be disclosed separately for each of the following categories of related party (IAS 24.19):

- The entity's parent
- Companies with joint control or significant influence over the entity
- Subsidiaries of the entity
- Associates: companies over which the entity exercises significant influence
- Joint ventures in which the entity is a joint venture partner
- The entity's or its parent's key management
- Other related parties

IAS 24 requires more detailed information on the nature of and transactions with related parties, with the question as to whether transactions have been entered into at arm's length conditions or not being irrelevant.

Dutch legislation only requires disclosure of material transactions not entered into at arm's length conditions. However, the DAS recommend disclosure of all material transactions with related parties (DAS 330.201).

3.9 Information about legal entity

The following information must be disclosed pursuant to Section 2:380b of the Dutch Civil Code:

- Name of the legal entity
- Legal form of the legal entity
- Registered office of the legal entity, and
- The number under which the legal entity is registered in the commercial register.

IFRS also requires disclosure, insofar as this is not already disclosed elsewhere in the financial statements or information published with the financial statements, of:

- The name, the legal form, the registered office and the address of the company (and principal place of business, if different from the registered office) (IAS 1.138a).

The number in the commercial register is not specifically referred to as a disclosure requirement under IFRS.

3.10 Profit appropriation

Pursuant to Section 2:380c of the Dutch Civil Code, legal entities are required to state the appropriation of the profit or the treatment of the loss in the notes, or, if this has not been determined, the proposal for this. No such disclosure requirement is specifically referred to under IFRS.

Accounting standards

Relevant accounting standards:

- DAS 110 Objectives and Basic Assumptions
- DAS 271 Employee Benefits
- DAS 300 Notes: Function and Arrangement
- DAS 330 Related Parties
- DAS 390 Other Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 24 Related Party Disclosures

19 Consolidation

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Definition of control	Consolidation is required if control is exercised. No specific rules for de facto control.	A different definition of control, resulting in consolidation being required more often.	IFRS stricter
1.2 Consolidation of specific parts	No guidance.	Requirement to consolidate parts of the entity if a specific part is controlled.	IFRS stricter
1.3 Consolidation by intermediate holding company	Specific requirement in Dutch laws.	No specific requirement; main rule applicable	IFRS stricter
1.4 Consolidation obligation for personal holding companies	Personal holdings are exempt from consolidation, subject to specific conditions.	No exemption for personal holdings.	IFRS stricter
1.5 Exemption from sub-consolidation	No restriction for entities in the process of issuing any class of instruments in a public market.	IFRS entities in the process of issuing any class of instruments in a public market may not use the exemption provided in IFRS 10.4.	IFRS stricter
	Provided no notification of objection is received in writing from holders of at least 10% of the issued capital.	Provided all non-controlling interest shareholders approve.	IFRS stricter
	The ultimate parent's or any other intermediate parent's consolidated financial statements must be prepared in accordance with the requirements set out in the EU Directive on financial statements or in an equivalent manner.	The ultimate parent's or any other intermediate parent's consolidated financial statements must be prepared in accordance with IFRS.	IFRS stricter
	Auditor's report required to be included in the consolidated financial statements.	No specific requirement for inclusion of auditor's report.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
1.6 Exemptions from consolidation due to size or disproportionate expense	The following companies need not be consolidated: <ul style="list-style-type: none"> • Companies which are immaterial to the group • Companies the information on which can only be obtained at disproportionate expense or with great delay • That belong to a 'small' group 	No explicit exemption, the materiality principle can be applied.	IFRS stricter
1.7 Consolidation of subsidiaries acquired with a view to their disposal in the near future	Exemption from consolidation (option to exclude such subsidiaries from the consolidation) applies in exceptional situations.	Consolidation required.	IFRS stricter
1.8 Venture capital companies and investment entities	Exemption from consolidation for venture capital companies and investment entities allowed if a specific exit strategy is applied.	Consolidation of equity interests/investments by venture capital/investment entities not allowed if specific conditions are met. Does not apply to the venture capital/investment entity's parent.	IFRS stricter
1.9 Attribution of losses to non-controlling interests	If minority interest becomes negative, allocate to majority shareholder, unless and to the extent that the minority shareholder is obliged and able to make up those losses.	Non-controlling interest can become negative.	Conflicting
1.10 Accounting for acquisition of minority interest	Two options: <ul style="list-style-type: none"> • Via goodwill • Via equity 	Via equity.	IFRS stricter
1.11 Proportional consolidation	Proportional consolidation required subject to certain conditions.	Proportional consolidation not permitted.	IFRS stricter
1.12 Uniform accounting policies	Different accounting policies may be used based on valid reasons.	Uniform accounting policies are required.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
	–	–	–
3 Disclosure			
3.1 Differences in equity/profit between separate and consolidated financial statements	To be disclosed.	No disclosure requirements.	Dutch laws and regulations require more disclosure
3.2 Disclosure requirements	To be disclosed.	More disclosure requirements under IFRS.	IFRS requires more disclosure

General: concepts of group and group company

In the Netherlands, an entity which, either solely or jointly with another group company, heads its group is required to include consolidated financial statements, showing its own financial information with that of its subsidiaries, other group companies and other entities over which it exercises control or in respect of which it carries out central management activities (Section 406 (1) of Book 2 of the Dutch Civil Code). Section 24b of Book 2 of the Dutch Civil Code defines a group as an economic unity in which entities and partnerships are united as if they were one organisation. Group companies are entities and partnerships that are united in one group.

The Dutch Accounting Standards Board fleshed out the concept of a group and the existence of a group company in DAS 217.201–208. DAS 217.201 contains three criteria that have to be met under a group concept: forming an economic unity, organisational structure and central management. A group relationship exists if one entity effectively controls the other; in other words, whether it has a policy-setting and controlling interest in the other (policy-dependent) entity (DAS 217.202). A special purpose entity can form part of a group (DAS 217.205).

IFRS 10.19 requires that a parent present consolidated financial statements. IFRS 10.5 defines a parent as an entity that has one or more subsidiaries, and a subsidiary as an entity that is controlled by another entity (a parent).

1 Recognition and measurement

1.1 Definition of control

IFRS 10 provides that an investor controls an investee if the following criteria are met:

- Has power over the relevant activities of the investee; and
- Has exposure, or rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect the amount of the investor's returns (link between 1 and 2).

In addition, the purpose and the structure of the investee and/or the special purpose entity also need to be considered.

De facto control

The definition of control will result in consolidation being required more often, as a non-controlling shareholder will also be required to draw up consolidated financial statements in the situation in which the other shares are divided among multiple shareholders, and if other criteria have been met. This is referred to as de facto control: the situation in which control, or potential control, is not based on contractual rights, but on actual circumstances. For example, if a shareholder holds 45% of the shares, with the remaining 55% being divided among multiple shareholders, this may, and often will, result in the 45% shareholder actually having a dominant position in the general meeting of shareholders and effectively setting the investee's policy as a result.

Dutch laws and regulations do not specifically address de facto control, but if control is exercised it may also be concluded in specific circumstances that a consolidation obligation applies to a shareholder who does not have more than half of the voting rights.

1.2 Consolidation of specific parts

IFRS 10 acknowledges the possibility that control is exercised over a specific part of an entity. If specific assets and liabilities are recognised separately from the rest of the entity, the control of such specific assets and liabilities is assessed separately. This will then result in consolidation (or subsequent deconsolidation) of those specific assets and liabilities, rather than consolidation of the entity as a whole. Dutch laws and regulations do not include any such provisions. Although there are no specific rules under Dutch laws and regulations, it might also be concluded in specific circumstances that a consolidation obligation applies to part of an entity.

1.3 Consolidation by intermediate holding company

Under IFRS, there is no explicit requirement relating to intermediate holding companies such as contained in Section 2:406 (2) of the Dutch Civil Code, in which a consolidation requirement for an intermediate holding company is provided for separately. Under IFRS, the main rule that consolidation is required if control can be exercised also applies to intermediate holding companies (IFRS 10.4).

1.4 Consolidation obligation for personal holding companies

A personal holding is defined as follows in DAS 217.103: "A personal holding is defined (...) as a legal entity all of whose shares are held directly by a natural person (and possibly other natural persons who are in a close family or other relationship with that natural person), which safeguards and structures the private interests of this natural person." Such a personal holding that owns the majority of the shares in another company will, on the basis of that shareholding, often have the majority of the voting rights in the general meeting of shareholders of this company and the majority of the economic benefits of this company (DAS 217.209). However, this does not necessarily mean that the personal holding will therefore be head of the group. Personal holdings are also subject to the rule that a consolidation obligation applies to them if they are to be qualified as the head of a group. If the personal holding does not head the group, it is exempt from the consolidation obligation. A number of indicators for assessing whether an entity was a personal holding and therefore eligible for an exemption from consolidation were set out in the annual edition 2006 of the DAS. These indicators were deleted in the annual edition 2007 of the DAS but can still be useful for an initial assessment.

An exemption from consolidation can only apply under Dutch laws and regulations. Under IFRS, a consolidation requirement will always apply to a personal holding able to exercise control.

1.5 Exemption from sub-consolidation

The exemption from sub-consolidation is included both in Dutch law (Section 408 of Book 2 of the Dutch Civil Code) and in IFRS 10.4, except for entities whose securities are traded on a regulated or equivalent market (both under Dutch laws and regulations and under IFRS). IFRS additionally stipulates that entities that are in the process of issuing any class of instruments in a public market cannot use the exemption under IFRS 10.4; DAS do not contain this rule.

One of the conditions set out in Section 408 for this exemption to apply is that an entity has not been notified in writing by at least one-tenth of its members or by holders of at least one-tenth of its issued share capital of an objection to the exemption within six months after the commencement of its financial year. An additional condition is that the financial information which the entity would have to consolidate is included in the consolidated financial statements of the ultimate parent or any other intermediate parent. Consolidating financial information proportionally in the ultimate parent's or any other intermediate parent's consolidated financial statements does not satisfy this condition (DAS 217.214). Also, the ultimate parent's or any other intermediate parent's consolidated financial statements must be prepared in accordance with the requirements set out in the EU Directive on financial statements or in an equivalent manner (of which US GAAP is an example).

The exemption under IFRS 10.4 applies to all intermediate holding companies that are subsidiaries of other companies, irrespective of the shareholding of the ultimate holding company concerned. Non-controlling interest shareholders need to be informed of and explicitly approve the application of the exemption. If the exemption is used, the consolidated financial statements of the ultimate or any other intermediate parent must comply with IFRS. Thus it is not possible to apply IFRS 10.4 if the consolidated financial statements have been drawn up according to US GAAP. In addition, there is no requirement under IFRS to add an auditor's report to the consolidated financial statements of the upstream consolidating company.

1.6 Exemptions from consolidation due to size or disproportionate expense

Under Dutch laws and regulations, the following subsidiaries need not be included in the consolidation (Section 407 (1) and 407 (2) of Book 2 of the Dutch Civil Code, DAS 217.217 and DAS 217.304):

- Subsidiaries the combined significance of which is not material to the group as a whole.
- Subsidiaries the required information of which can only be obtained at disproportionate expense or with great delay.
- Exemption from consolidation as a result of the size of the group ("small" group).

IFRS 10 does not contain such specific exemptions. However, IFRS include the general materiality principle (see Conceptual Framework, Section 2.11).

1.7 Consolidation of subsidiaries acquired with a view to their disposal in the near future

Section 407 (1c) of Book 2 of the Dutch Civil Code stipulates that subsidiaries may be exempt from consolidation if they are held only with a view to their disposal.

This can occur if, on the acquisition of a group or part of a group, the intention exists to reorganise this group and sell certain parts within the foreseeable future (DAS 217.304). It should be noted that this exemption only applies in the situation that the intention to sell in the near future already existed at the time of acquisition.

Consolidated entities that, after some time, are intended to be sold in due course, are generally included in the consolidation until they are actually sold.

IFRS 10 does not make this exception as such. Under IFRS 5.6, such companies are regarded as held for sale, which means that they are consolidated, but only presented as assets and/or liabilities held for sale in the statement of financial position and, where relevant, under IFRS 5.32, as discontinued operations in the statement of profit or loss (see also Chapter 32). This applies irrespective of whether the subsidiary was acquired with a view to its disposal, or whether an existing subsidiary is to be sold.

If an entity acquires an entity with the sole intention of disposing it at a later stage, the interest is classified as held solely with a view to its disposal at the date of acquisition only if its disposal is likely to be within one year and the following requirements are met at the date of acquisition, or shortly afterwards (DAS 217.305) (similar under IFRS):

- The entity is available for immediate disposal in its present condition.
- A decision to dispose of has been taken and a disposal plan prepared.
- An active programme to complete the plan has been initiated.
- The price asked is reasonable in relation to the fair value.
- It is unlikely that significant changes will be made to the disposal plan or that it will be withdrawn.

These indicators are usually met within three months of the date of acquisition. Interests satisfying the above conditions are recognised under current assets. If the sale takes longer than one year, due to facts or circumstances beyond the entity's control and there is sufficient evidence that the entity will comply with the sale plan, the interest will continue to be classified as held solely with a view to its disposal (DAS 217.306).

If an interest ceases to meet the held solely with a view to its disposal requirements, the financial data of the interest will be consolidated in the financial statements of the participating entity (DAS 217.307).

1.8 Venture capital companies and investment entities

DAS 217.308 addresses the provision of Section 407 (1) of Book 2 of the Dutch Civil Code with respect to venture capital companies and investment entities, stating that information on an entity the interest in which is held exclusively with a view to its disposal need not be consolidated in the consolidated financial statements.

This provision may be applied to controlling interests held by venture capital companies and investment entities, provided that, from the time of acquisition, a specific exit strategy has been defined with respect to these participating interests/investments, such that it is clear that these participating interests/investments are held only with a view to their disposal at a time set out in the exit strategy. In general, a term between five and ten years is deemed acceptable; a term up to five years is not subject to any debate.

Under IFRS 10, venture capital companies and investment entities are not allowed to consolidate their investments if a number of conditions are met. In that case, investments must be stated at fair value with changes in value in profit or loss in line with IFRS 9.

A venture capital entity/investment entity is an entity that meets all of the following three criteria:

- It obtains funds from one or more investors for the purpose of providing professional investment management services to these investors.
- It undertakes, vis-à-vis the investors, to generate increases in value or dividends, or both, from the investments.
- It measures investment performance and reviews such performance based on the fair value of the investments.

When determining whether an entity meets the definition of a venture capital entity/investment entity, the following features are considered.

- The venture capital entity/investment entity has multiple investments so as to spread investors' risks and maximise returns.
- The venture capital entity/investment entity has *multiple investors*, who pool their funds to maximise *investment returns*.
- Investors are not related parties of the venture capital entity/investment entity.
- The venture capital entity/investment entity has investments in the form of equity interests or similar interests.

Under IFRS, this exemption does not apply to the investment entity's parent, unless the latter also meets the investment entity's criteria. This means that the parent must include the investments held by the subsidiary investment entity in consolidated financial statements.

DAS does not contain any specific provisions on this matter, which means that the exemption also applies to the parent.

1.9 Attribution of losses to non-controlling interests

Losses of subsidiaries that are attributable to the non-controlling interests are presented as such under IFRS, even if the non-controlling interests are not liable for the losses incurred (IFRS 10.B94).

Non-controlling interests can have a deficit balance as a result. Under DAS 217.508, such losses are attributed to the majority shareholder, unless and to the extent that the minority shareholder is obliged, and is able, to make up those losses. See also the detailed discussion in Chapter 11b.

1.10 Accounting for acquisition of minority interest

The carrying amount of the majority interest and the minority interest ('non-controlling interest') are required to be adjusted to present the changed ownership in the participating interest.

In a situation where control is already held, IFRS 10 requires accounting for purchases of shares in a company's own capital or a purchase of a non-controlling interest via equity (IFRS 10.23).

DAS offer two options for accounting for the acquisition of a minority interest:

- Via goodwill
- Or
- Via equity

1.11 Proportional consolidation

In the case of a joint venture under DAS (which is subject to specific conditions) proportional consolidation can be opted for under DAS. Under IFRS proportional consolidation does not apply. For a more detailed discussion of joint ventures see Chapter 21.

1.12 Uniform accounting policies

Notwithstanding the consolidation method used, the consolidated financial statements should be prepared using uniform accounting policies (IFRS 10.19, DAS 217.504). Under DAS 217.504, different accounting policies may only be used based on valid reasons, to be disclosed in the notes. IFRS 10 do not allow this specific exception.

If the financial information of companies to be consolidated is prepared on the basis of accounting policies other than those adopted in the consolidated financial statements, and this would have a significant overall impact on the consolidated statement of financial position and statement of profit or loss, adjustments have to be made to this information in preparing the consolidated financial statements (DAS 217.504). Under IFRS 10.B87, appropriate adjustments have to be made at all times in such cases.

2 Presentation

There are no differences between Dutch laws and regulations and IFRS.

3 Disclosure

3.1 Differences in equity/profit between separate and consolidated financial statements

If the equity and profit or loss for the year according to the separate financial statements are not the same as the equity and profit or loss for the year according to the consolidated financial statements, the differences are disclosed in the notes to the separate financial statements in accordance with Section 389 (10) of Book 2 of the Dutch Civil Code (DAS 217.401). IFRS 10 does not contain any such requirement, but this additional disclosure is mandatory under Dutch laws and regulations, even if the entity applies IFRS.

3.2 Disclosure requirements

IFRS 12 addresses disclosure requirements applicable to group companies, associates, joint arrangements and structured entities.

One of the general principles of IFRS 12 is that companies must disclose significant assumptions and estimates made in assessing as to whether control, joint control or significant influence is exercised over another entity. IFRS 12 also requires that companies disclose the manner in which, for example, potential voting rights were considered in order to make the assessment.

IFRS 12 also contains detailed disclosure requirements on subsidiaries with significant non-controlling interests, and on joint arrangements and associates which are individually material.

Disclosure requirements for structured entities (SEs) are also more extensive. An entity is required to disclose the nature and scope of the changes in risks relating to its interests in consolidated and non-consolidated SEs. For example, an entity is required to disclose the terms and conditions of an agreement on the basis of which the entity could be required to provide financial support.

Accounting standards

Relevant accounting standards:

- DAS 214 Financial Fixed Assets
- DAS 217 Consolidation
- DAS 260 Accounting for Intercompany Gains and Losses in Separate and Consolidated Financial Statements
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

20 Business combinations (incl. goodwill)

	Dutch laws and regulations	IFRS	Conclusion
1 Scope			
1.1 Distinction between acquisitions and pooling of interests	Distinguish between acquisitions and pooling of interests.	Only identifies business combinations.	IFRS stricter
1.2 Which financial statements?	Apply equally to the acquirer's consolidated and separate financial statements.	Only applies to the acquirer's consolidated financial statements.	Dutch laws and regulations stricter
2 Recognition and measurement			
2.1 Accounting for acquisitions	Depending on the actual circumstances, use of acquisition method or pooling of interests method to merge interests.	Only acquisition method is allowed.	Conflicting
2.2 Accounting for acquisitions – IFRS 3 contains more detailed requirements	No specific rules, but deemed to be correspondingly applicable.	Specific rules for newly incorporated entity, assessment of consideration, classification and designation of identifiable assets and liabilities, and recognition of reacquired rights and leases in which acquiree is lessee.	IFRS stricter
2.3 Accounting for mergers and acquisitions – Foundations and associations	Clarifications.	No clarifications.	Dutch laws and regulations stricter
2.4 Determining cost of business combination – Acquisition-related costs	To be recognised as part of the cost of the business combination.	Immediately in statement of profit or loss.	Conflicting
2.5 Determining cost of business combination – Contingent consideration	To be taken into account if it is likely and can be reliably measured. To be measured at present value, with subsequent changes being recognised in goodwill.	To be measured at fair value. If classified as a receivable or liability, subsequent changes are recognised in statement of profit or loss. If classified as an equity instrument, subsequent changes are not recognised.	Conflicting
2.6 Determining cost of business combination – Subsequent changes in consideration	Leads to a change in share premium on original share issue.	Recognition pursuant to regular standards IAS 32 and IFRS 9.	Conflicting

20 Business combinations (incl. goodwill)

	Dutch laws and regulations	IFRS	Conclusion
2.7 Identifiable assets and liabilities – Recognition and measurement (of intangible assets)	Probability requirement is criterion for recognition. Measurement at fair value.	Probability requirement is part of measurement, at fair value.	Conflicting
2.8 Recognition - indemnifications and related liabilities	Several accounting treatments possible.	Recognition and measurement of indemnification asset at same amount as liability, subject to a valuation allowance for uncollectible amounts.	IFRS stricter
2.9 Recognition of acquirer's deferred tax assets	To be charged to goodwill.	To be recognised in statement of profit or loss.	Conflicting
2.10 Recognition of provision for restructuring costs due to the business combination	Provision for restructuring costs must be recognised if strict conditions are met.	Provision for restructuring costs should not be recognised unless liability exists at the acquisition date.	Conflicting
2.11 Recognition of contingent liabilities	Not recognised.	Certain contingent liabilities to be recognised and measured at fair value.	Conflicting
2.12 Measurement of the fair value of acquired assets and liabilities	Limited guidance in DAS 216.	IFRS 13 contains detailed rules.	IFRS stricter
2.13 Measurement of intangible assets	Amount to be capitalised should not result in negative goodwill or an increase in negative goodwill.	The amount to be capitalised is not limited.	Conflicting
2.14 Measurement of non-controlling interests	Instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, to be initially measured at proportionate share in fair value of identifiable assets and liabilities.	For each business combination, instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation to be initially measured at either proportionate share in fair value of identifiable assets and liabilities, or at fair value.	Dutch laws and regulations stricter
2.15 Accounting for positive goodwill	Law and DAS 216: To be capitalised and amortised systematically, with an impairment test where necessary.	To be capitalised, not amortised, with an impairment test to be carried out annually.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
2.16 Accounting for positive goodwill in the (partial) sale of a participating interest	Partial reversal of goodwill charged to result.	Not applicable.	Conflicting
2.17 Accounting for negative goodwill	Under liabilities, with specific requirements for the release of such goodwill to statement of profit or loss.	Immediately in statement of profit or loss.	Conflicting
2.18 Goodwill denominated in foreign currency	To be regarded as an acquiree's item to be translated at closing rate or as acquirer's item to be translated at historical rate.	To be regarded as an acquiree's item.	IFRS stricter
2.19 Preliminary accounting for acquisition	Definitively accounted for before the end of the financial year following the acquisition date, without comparative figures being restated.	Definitively accounted for within one year of the business combination, with the comparative figures being restated.	IFRS stricter
2.20 Reversal of provision for restructuring costs	No time limit is applied; subsequent adjustment of goodwill.	No exceptions; current requirements apply.	Conflicting
2.21 Acquiree's unrecognised deferred tax assets	To be recognised in statement of profit or loss, with simultaneous goodwill impairment charged to statement of income.	Generally to be recognised in statement of income.	Conflicting
2.22 Accounting for step acquisitions – Determining goodwill	Goodwill is the difference between the sum of the acquisition prices of separate transactions and any non-controlling interests, and the sum of the fair value of underlying assets and liabilities of the separate transactions.	Goodwill is the difference between the sum of the following three elements – acquisition price, any non-controlling interests, and the acquisition-date fair value of previously held equity interests – and the acquisition-date fair value of underlying assets and liabilities.	Conflicting

20 Business combinations (incl. goodwill)

	Dutch laws and regulations	IFRS	Conclusion
2.22 Accounting for step acquisitions – Determining goodwill (continue)	Underlying assets and liabilities excluding goodwill of previously held equity interests may be remeasured. Remeasurement to be taken to the revaluation reserve.	Previously held equity interests (including goodwill) must be remeasured, with the gain or loss, if any, to be recognised in profit or loss (with revaluation reserve to be formed in separate financial statements); in addition, reserves related to previously held equity interests are reclassified to profit or loss, or transferred to other reserves.	
2.23 Pooling of interests	Required in specific cases.	Not allowed.	Conflicting
2.24 Initial recognition of participating interests in separate financial statements	At net asset value, on the basis of recognition of the underlying assets and liabilities in the consolidated financial statements. At cost if Section 2:408 of the Dutch Civil Code is applied.	Initial measurement at cost. Subsequent measurement at fair value, cost, or equity method.	IFRS stricter
3 Presentation of goodwill			
3.1 Statement of financial position – consolidated financial statements	Visibly or not visibly disclosed under intangible assets.	Visibly or not visibly disclosed under intangible assets or separately.	Dutch laws and regulations stricter
3.1 Statement of financial position – separate financial statements	If participating interests are carried at net asset value, goodwill to be presented separately. Not to be presented separately but included in the value of the associate if latter is valued using equity method when Combination 3 is applied or at cost if Section 2:408 of the Dutch Civil Code is applied.	Goodwill not presented separately, but included in the value of the associate.	Conflicting
3.2 Statement of profit or loss	Presentation requirements.	No presentation requirements.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
4 Disclosure			
4.1 Disclosure requirements	Detailed.	More detailed.	IFRS requires more disclosure

General

Accounting for mergers and acquisitions is described in DAS 216 'Mergers and acquisitions', DAS 214 'Financial Fixed Assets' and IFRS 3 'Business Combinations'.

In practice, the term 'mergers and acquisitions' refers to the combination of separate entities (and/or activities) in a single economic entity (DAS 216.101). In an international context, this is often referred to as business combinations.

An important underlying principle of the IFRS is the approach based on which the reporting entity is considered from the perspective of the group as a whole rather than from the perspective of the parent entity. This approach is known as the economic entity concept, as opposed to the parent entity extension concept. This is reflected in IFRS 3, in particular, in the option of measuring non-controlling interests at fair value and recognising acquisition-related costs immediately in profit or loss.

1 Scope

1.1 Distinction between acquisitions and pooling of interests

DAS 216 distinguishes between acquisitions and pooling of interests in accounting for mergers and acquisitions (DAS 216.0). IFRS 3 only identifies the term business combination (IFRS 3, Appendix A).

1.2 Which financial statements?

The rules for accounting for acquisitions and pooling of interests under DAS 216 and DAS 214 apply equally to the acquirer's consolidated and separate financial statements. (DAS 214.301, 214.305, 214.309, 214.327, 214.333, 214.333a, 214.336, 214.342, and 216.103. IFRS 3 only contains rules for the recognition of and acquisition in the acquirer's consolidated financial statements.

2 Recognition and measurement

2.1 Accounting for acquisitions

IFRS 3.4 stipulates that every business combination be accounted for using the acquisition method. Under DAS 216, only acquisitions are to be accounted for using the acquisition method, which is referred to as the purchase accounting method under DAS 216.201. In the event of a merger, i.e. if a pooling of interests is involved, under DAS 206 this is recognised based on the pooling of interests method (DAS 216.112).

2.2 Accounting for acquisitions – IFRS 3 contains more detailed requirements

IFRS 3 contains more detailed requirements for accounting for acquisitions than DAS. Although DAS 216 contains no or only partially specific requirements with regard to:

- A newly incorporated entity, when determining the acquirer
- Assessment of the consideration, when determining cost of business combination
- The classification and designation of identifiable assets and liabilities;
- Recognition of reacquired rights; and
- Leases in which the acquiree is the lessee

in our opinion, the requirements of IFRS 3 also apply correspondingly under DAS 216.

2.3 Accounting for mergers and acquisitions – Foundations and associations

DAS 216 provides clarification on the recognition of acquisitions and pooling of foundations and associations, both commercial and otherwise (DAS 216.601-608). IFRS 3 provides no such clarification.

2.4 Determining cost of business combination – Acquisition-related costs

Under DAS 216, the cost of the business combination partly includes the costs directly attributable to the business combination. (DAS 216.207). IFRS 3.53 stipulates that acquisition-related costs are recognised immediately in profit or loss.

2.5 Determining cost of business combination – Contingent consideration

DAS 216 stipulates that such consideration should be taken into account when determining the cost of the business combination, if the adjustment of the cost of the business combination is likely as at the acquisition date, and the amount involved can be reliably measured (DAS 216.239 and 216.242). The adjustments are accounted for in the year (or years) in which the adjusted estimates are implemented and/or the actual payments were received or made, respectively. The comparative figures are not restated. The adjustment to cost has an impact on the amount of the goodwill.

The goodwill is adjusted in line with the adjustment to the contingent cost of the business combination at the time of the adjustment, with the adjusted goodwill being subsequently amortised prospectively (DAS 216.242).

Under IFRS 3, the contingent consideration is measured at fair value (IFRS 3.39). If the contingent consideration is a financial instrument and is classified as equity, subsequent changes in the fair value are not recognised. If the contingent consideration is a financial instrument and is classified as a financial liability or is not a financial instrument, subsequent changes in the fair value are recognised in the statement of profit or loss (IFRS 3.40, IAS 32.11, IFRS 3.58).

Under IFRS, subsequent changes in the fair value of the conditional consideration are thus not recognised in the acquisition cost and the goodwill.

2.6 Determining cost of business combination – Subsequent changes in consideration

It is possible that the value of the consideration changes following the acquisition date. Under DAS 216, the issue of additional shares is not considered to be an increase in the acquisition cost, but an adjustment to the share premium in respect of the original share issue (DAS 216.243). IFRS 3 contains no specific guidance on this matter.

If arrangements are made in this respect, they should be recognised on the basis of the current applicable standards, including IAS 32 Financial instruments: Presentation and IFRS 9 Financial Instruments. The classification of a contingent consideration can play a role in this regard.

2.7 Identifiable assets and liabilities – Recognition and measurement (of intangible assets)

The general criteria for recognition for an acquisition under DAS 216 (DAS 216.208) differ from those under IFRS 3 (IFRS 3.11 and 3.12). The first criterion for recognition under DAS 216, the probability of an inflow of economic benefits, is not a criterion for recognition under IFRS 3. The degree of probability of economic benefits is accounted for in the measurement of an asset (or a liability).

As a result of this probability requirement – a criterion for recognition under DAS 216 (and IAS 38), and part of the measurement process under IFRS 3 – assets and liabilities may be identified under IFRS 3 that are not identified under DAS 216.

Intangible assets are an example of this. Under DAS 216 and IFRS 3, the same requirement applies to separate intangible assets from goodwill as much as possible. IFRS 3 states that an intangible asset is identifiable if it is separable or is a contractual right (IFRS 3.B31-34). The asset can then by definition be recognised and measured. However, as a consequence of the probability requirement referred to earlier – a criterion for recognition under DAS 216, and a part of measurement under IFRS – and the reliability requirement under DAS 216, intangible assets may not be identified that would, by contrast, be identified under IFRS 3.

In addition, DAS 216 and IFRS 3 comprise exemptions for specific assets and liabilities from these general criteria for recognition and measurement. These are discussed in Sections 2.8 to 2.11.

2.8 Recognition – Indemnifications and related liabilities

Under IFRS 3, the indemnification is recognised and measured, subject to the need for a valuation allowance for uncollectible amounts (IFRS 3.27-28), at the same amount as the liability. A limited impact is expected on accounting for the acquisition on goodwill and a limited impact is expected on profit or loss, both as a consequence of the extent to which the indemnification is uncollectible.

No specific or further requirements are included in DAS 216 for accounting for indemnifications. Various accounting treatments are possible, which differ from IFRS 3.

- The indemnification is considered to be a contract to be measured, and is accounted for as part of the acquisition and in the 'purchase price allocation' (PPA). As the indemnification asset is recognised and measured at the same amount as the liability, subject to the need for a valuation allowance for uncollectible amounts, there is possibly only a limited impact on goodwill and subsequently possibly only a limited impact on profit or loss when accounting for the acquisition, both as a consequence of the extent to which the indemnification is uncollectible.

- The liability and the indemnification asset are recognised, but not as part of the acquisition, and the PPA. There is no impact on goodwill. Because the indemnification is recognised as an asset and is accounted for at the same amount as the liability, subject to the need for a valuation allowance for uncollectible amounts, there is possibly only a limited impact on profit or loss at the date of acquisition and subsequently. The indemnification is treated as an adjustment to cost, and changes in the indemnification are accounted for in cost and goodwill. Changes in the liability can be accounted for, up to a maximum of one year after the year of the acquisition, in goodwill (the measurement period), provided these changes derive from additional information on the situation as at the date of acquisition. Thereafter, changes in the liability are accounted for in the statement of profit or loss.

In our view, the most logical and consistent option is to account for the indemnification as a contractual asset in the PPA, since:

- Both the liability and the indemnification are items of the acquiree. The acquiree can be held liable for the liability, and will then recover it from the transferor. Therefore, it is in our opinion conceptually more correct to account for the liability and indemnification in the PPA.
- The liability and the indemnification will then not lead to a gain or loss at the acquirer, apart from the impact of uncollectible amounts.
- Accounting as a contractual asset complies with IFRS 3.

Although it does not conflict with DAS 216, and is therefore also considered to be justifiable by us, it would appear to be less logical and consistent to account for the indemnification as an adjustment to cost. At some point that would eliminate the neutrality with regard to profit or loss because changes in the indemnification are accounted for through cost and goodwill and changes in the liability are accounted for in the statement of profit or loss. That will also give rise to a difference compared with IFRS 3.

2.9 Recognition of acquirer's deferred tax assets

There may be situations in which, as a result of a business combination, an acquirer may consider it probable that it will recover its own deferred tax asset that was not recognised before the business combination. Under DAS 272 Income Taxes, this deferred tax asset is charged to goodwill (DAS 216.505). Under IAS 12 Income Taxes, this deferred tax asset is recognised in profit or loss (IAS 12.68). Under IFRS, therefore, recognition of such a deferred tax asset has no effect on goodwill.

2.10 Recognition of provision for restructuring costs due to the business combination

Under IFRS 3, restructuring costs the acquirer expects but for which it has not recognised a liability at the acquisition date cannot be recognised when accounting for the acquisition (IFRS 3.11).

DAS 216.212 offers more scope for forming a provision for restructuring if the acquirer intends to restructure the activities of the acquiree, so that a liability arises as a direct result of the acquisition. However, such an increase in scope is subject to strict conditions.

2.11 Recognition of contingent liabilities

IFRS 3 requires contingent liabilities to be identified and to be measured at fair value only if these are existing liabilities for which the outflow of resources is not yet probable, and whose fair value can be reliably estimated (IFRS 3.23). Under DAS 216, such liabilities that influence the amount of goodwill are not recognised.

2.12 Measurement of the fair value of acquired assets and liabilities

DAS 216.214 provides specific guidance on determining the fair value of identifiable assets and liabilities, which conflicts with IFRS 3 and IFRS 13 Fair Value Measurement, respectively, in a number of areas.

IFRS include a specific standard IFRS 13 with requirements for determining the fair value. IFRS 3 lists a number of identifiable assets and liabilities in respect of which an exception is made to the rule that they should be measured at fair value: deferred tax assets and liabilities (IFRS 3.24), assets and liabilities relating to pensions (IFRS 3.26), receivables arising from indemnifications (IFRS 3.27-28), reacquired rights (IFRS 3.29), share-based payments (IFRS 3.30), and assets classified as held for sale (IFRS 3.31).

2.13 Measurement of intangible assets

DAS 216.215 stipulates that if the fair value of an intangible asset cannot be determined by reference to an active market, the amount to be capitalised should be limited to an amount not resulting in negative goodwill or an increase in negative goodwill. IFRS 3 does not contain such a restriction.

2.14 Measurement of non-controlling interests

IFRS 3 comprises more specific descriptions of non-controlling interests and identifies two types (IFRS 3.19). Instruments entitling their holders to present ownership interests in the acquired entity and to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the proportionate share in the fair value of the acquiree's identifiable assets and liabilities, or at fair value. The choice of accounting policy can be made separately for each business combination. DAS 216 only allows non-controlling interests to be measured at the proportionate share in the fair value of the acquiree's identifiable assets and liabilities (DAS 216.213).

2.15 Accounting for positive goodwill

The law and DAS 216 stipulate that goodwill is capitalised and systematically amortised based on the useful life (Section 2:389 (7) of the Dutch Civil Code; DAS 216.218 and 216.221). IFRS 3 stipulates that goodwill is capitalised, that no amortisation is applied and that an impairment test is conducted at least once a year (IFRS 3.32).

2.16 Accounting for positive goodwill in the (partial) sale of a participating interest

If an acquirer carried positive goodwill directly to equity when recognising an acquisition in the past, prior to the change of accounting policy arising from the amendments in Part 9 of Book 2 of the Dutch Civil Code that are mandatory for financial statements for 2016, the positive goodwill attributed, or the proportionate portion thereof, must be reversed upon a full or partial sale of the acquisition and recognised as part of the result on sales. DAS 214 uses an average daily balance method to indicate the amount of the goodwill, or the proportionate portion thereof, written down from equity that must be reversed (DAS 214.341):

- If the sale takes place within a year of the acquisition, 100% of the goodwill write-off.
- If the sale takes place within two years of the acquisition, at least 80% of the goodwill write-off.
- If the sale takes place within three years of the acquisition, at least 60% of the goodwill write-off, et cetera.

Since there is no mention of positive goodwill charged to equity in IFRS 3, by contrast to DAS 214, there is also no mention of goodwill reversal when an acquiree is sold.

2.17 Accounting for negative goodwill

DAS 216.235 requires negative goodwill that relates to expected future losses/liabilities to be recognised when these are incurred. Other negative goodwill should be credited consistently to profit or loss if the goodwill does not exceed the fair value of the identified non-monetary assets.

The portion of the negative goodwill exceeding the fair value of the identified non-monetary assets is recognised immediately in profit or loss (DAS 216.235).

Under IFRS 3, negative goodwill is always recognised immediately in profit or loss (IFRS 3.34).

2.18 Goodwill denominated in foreign currency

DAS 122 Valuation Principles for Foreign Currencies contains two methods of accounting for goodwill in foreign currencies (DAS 122.310). The first method regards the goodwill as an item of the acquiree denominated in the acquiree's functional currency, to be translated at the closing rate. The second method regards the goodwill as an acquirer's item denominated in the acquirer's functional currency, to be fixed at the historical rate prevailing on the acquisition date. IAS 21 The Effects of Changes in Foreign Exchange Rates only allows the first method (IAS 21.47).

2.19 Preliminary accounting for acquisition

Under IFRS 3.45, a business combination can be definitively measured up to a maximum period of one year following the acquisition date. Under DAS 216.244, this can be done until the end of the financial year following the year in which the acquisition is made. This is referred to as the measurement period. In connection with this, under IFRS 3.49, any adjustments and the resulting effects are recognised retrospectively, with the comparative figures being restated. Under DAS 216, adjustments and the resulting effects are recognised in the year in which the amendments are made (DAS 216.247). IFRS 3 and DAS 216 stipulate that after the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error (IFRS 3.50, DAS 216.244).

2.20 Reversal of provision for restructuring costs

Under DAS 216, the valuation period does not apply to the reversal of a provision for restructuring costs. Such a reversal must at all times result in an adjustment to goodwill, rather than a direct change in profit or loss (DAS 216.248). IFRS 3 does not include such an exception.

2.21 Acquiree's unrecognised deferred tax assets

It is possible that an acquirer recognises a deferred tax asset of the acquiree not recognised at the acquisition date at a later date. Under DAS 272 Income Taxes, such a deferred tax asset is recognised as a tax gain in profit or loss, with goodwill impairment being simultaneously accounted for in profit or loss (DAS 272.505a). Under IAS 12 Income Taxes, such a deferred tax asset is charged to goodwill only if it is recognised in the measurement period, based on new information on the actual situation as at the acquisition date. In all other cases, the deferred tax asset is recognised as a tax gain in profit or loss, unless IAS 12 requires recognition outside profit or loss (IAS 12.68).

2.22 Accounting for step acquisitions – Determining goodwill

A step acquisition is involved if the acquirer has a previously held an equity interest in the acquiree and obtains control at the acquisition date.

Under DAS 216, the acquisition price and fair values of the underlying assets and liabilities at the acquisition date are therefore calculated by aggregating the acquisition prices of equity interests acquired previously and the fair values of the underlying assets and liabilities on the dates of the individual transactions. Goodwill is calculated and measured as the difference between these two amounts, taking account of any non-controlling interests (DAS 216.204).

Under IFRS 3, the total acquisition price is equal to the additional interest acquired that provides control. Goodwill is calculated and measured as the positive difference between the sum of the following three elements – the acquisition price, any non-controlling interests, and the acquisition-date fair value of previously held equity interests – and the acquisition-date fair value of the acquired identifiable assets and liabilities (IFRS 3.32).

The calculation of goodwill under DAS 216 differs from that under IFRS 3 because under DAS 216:

- The acquisition price is determined differently than under IFRS 3
- Any non-controlling interest can be measured differently than under IFRS 3; and
- The fair values of the underlying assets and liabilities can be determined differently than under IFRS 3

Therefore, in the case of a step acquisition, IFRS 3 requires revaluation of previously held equity interests. This revaluation is recognised in profit or loss or in other comprehensive income, depending on the classification of the equity interest (IFRS 3.42).

A legal reserve will often have to be formed in the separate financial statements if these are prepared on the basis of Dutch laws and regulations, with IFRS accounting policies used in the IFRS consolidated financial statements having been applied – Combination 3) for the unrealised revaluation on the previously held interest (DAS 214.312. DAS 240.227c).

A revaluation on the acquisition date of the underlying assets and liabilities of previously held equity interests, directly in a revaluation reserve, is permitted but not mandatory under DAS 216 (Section 2:390 of the Dutch Civil Code, DAS 216.204).

2.23 Pooling of interests

As indicated in Section 2.1, recognition of a pooling of interests is only required in specific cases under DAS (Section 3 of DAS 216). IFRS 3 makes no mention of pooling of interests. Under IFRS, the pooling of interests method is only used in acquisitions under common control.

2.24 Initial recognition of participating interests in separate financial statements

Accounting for business combinations, in this case acquired participating interests, in the separate financial statements under DAS 214 'Financial Fixed Assets' generally differs from that under IAS 27 'Separate Financial Statements'.

Under DAS 214, consolidated participating interests are recognised at net asset value or based on the equity method when Combination 3 is applied (DAS 100.107).

Upon acquisition, initial measurement is at net asset value as the underlying assets and liabilities are recognised in the consolidated financial statements. Under IAS 27, they are initially recognised in the separate financial statements at cost and subsequently at fair value or cost or based on the equity method (IAS 27.10).

3 Presentation of goodwill

3.1 Statement of financial position

Under Dutch laws and regulations, positive goodwill relating to consolidated subsidiaries can be recognised, visibly disclosed or not visibly disclosed, in the consolidated financial statements under intangible assets (Section 365 (1d) of Book 2 of the Dutch Civil Code). No specific presentation requirements are apparent from IFRS 3, other than those from IAS 1 'Presentation of Financial Statements'. Positive goodwill relating to consolidated subsidiaries as a result of a business combination (acquisition) can be recognised, visibly disclosed or not visibly disclosed, in the consolidated financial statements under intangible assets (IAS 1.54(c)), or be separately presented (IAS 1.55). If participating interests are measured at net asset value, purchased positive goodwill is presented separately in the separate financial statements under intangible assets pursuant to DAS. This goodwill is not presented separately but is included in the value of the participating interest if participating interests are measured on the basis of the equity method, applying Combination 3, or at cost, applying Section 2:408 of the Dutch Civil Code, under DAS, as well as under IFRS (IAS 27.10).

3.2 Statement of profit or loss

The Dutch Annual Accounts Formats Decree prescribes the required presentation of amortisation and impairment of capitalised positive goodwill in the statement of profit or loss. No specific presentation rules are apparent under IFRS 3 and IAS 1 (IAS 1.102). In practice, the presentation of amortisation and impairment will be comparable to that under Dutch laws and regulations.

4 Disclosure

4.1 Disclosure requirements

IFRS 3 generally contains similar disclosure requirements as DAS, but in IFRS 3 additional disclosure requirements are included.(IFRS 3.B64-67). These additional disclosure requirements relate to the primary reasons for the business combination, the acquisition-date fair value of the total (components of) consideration transferred, the amounts recognised for major classes of assets acquired and liabilities assumed, the non-controlling interest, the business combination achieved in stages, the positive goodwill and the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods.

Accounting standards

Relevant accounting standards:

- DAS 100 Introduction
- DAS 121 Impairment of Assets
- DAS 122 Valuation Principles for Foreign Currencies
- DAS 214 Financial Fixed Assets
- DAS 216 Mergers and Acquisitions
- DAS 240 Shareholders' Equity
- DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position

- DAS 272 Income Taxes
- IFRS 2 Shared-based Payment
- IFRS 3 Business Combinations
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements
- IAS 12 Income Taxes
- IAS 19 Employee Benefits
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 27 Separate Financial Statements
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets

21 Joint ventures

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Definition of joint control	Less specifically defined.	More specifically defined.	IFRS stricter
1.2 Measurement of joint ventures/joint arrangements	<p>With respect to joint ventures in the form of an entity:</p> <ul style="list-style-type: none"> In consolidated financial statements: proportionate consolidation or carried at net asset value In separate financial statements: measurement at net asset value; if there are valid reasons, then at cost or at fair value Other joint ventures: assets and liabilities recognised directly in consolidated and separate financial statements 	<p>With respect to joint ventures (based on IFRS definition):</p> <ul style="list-style-type: none"> In consolidated financial statements: equity method, unless held for sale In separate financial statements: measurement at cost, on the basis of the equity method or in accordance with IFRS 9, unless held for sale Joint operations: assets and liabilities recognised directly in consolidated and separate financial statements 	Conflict may arise due to difference between joint operation and joint venture
1.3 Initial measurement of contributed assets and liabilities	Initial measurement of assets and liabilities contributed by participants at fair value in joint venture's financial statements.	General rules for initial recognition of assets and liabilities apply.	Conflicting
1.4 Participations and investments of investment entities	At cost or fair value. Changes in value through profit or loss or equity.	Fair value through profit or loss or equity method.	Options differ
1.5 Recognition of gains or losses if contributed assets are comparable in nature, use and fair value	Recognition of gain or loss is not allowed.	Recognition of gain or loss is required unless the transaction lacks commercial substance.	Dutch laws and regulations stricter
1.6 Measurement of joint ventures held for sale	At net asset value.	At the lower of the last-known carrying amount using the equity method and net realisable value less costs to sell.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Presentation of joint ventures held for sale	Under financial assets.	As a separate item below current assets.	Conflicting
3 Disclosure			
3.1 Judgments on level of control	No guidance.	Information on judgments.	IFRS requires more disclosure
3.2 Detailed information	No detailed information.	Detailed information.	IFRS requires more disclosure

General

Dutch laws and regulations distinguish between three types of joint ventures.

A joint venture can be in the form of:

- An entity
- Joint activities
- Joint assets

Generally speaking, the DAS concept of joint venture resembles the IFRS concept of joint arrangement.

IFRS 11 uses this general term joint arrangements, classifying them into joint operations and joint ventures. A detailed explanation of the equity method, which is prescribed for joint ventures, is included in the revised IAS 28. Disclosure requirements are included in IFRS 12.

A joint arrangement is every contractual agreement in which parties have joint control. Joint control is more clearly defined in IFRS than in DAS. Hence what could be understood as a joint venture under DAS may not fit the IFRS definition. One example is a situation where a party has joint control with a changing group of other parties, while IFRS demand that there always must be a fixed group of other parties.

In joint operations the parties have rights to the assets and liabilities, while in joint ventures rights exist to the net assets.

IFRS 11 requires a joint venture to be structured through a separate vehicle. However, a separate vehicle can still involve joint operations. Collaborative ventures in the form of joint activities and joint assets are always joint operations.

1 Recognition and measurement

1.1 Definition of joint control

The term 'joint control' is more specifically defined under IFRS than under DAS. This may mean that joint arrangements are referred to as joint venture under DAS, whereas that does not match the specific definition of IFRS. An example is the situation where a party has joint control with a changing group of other parties, while IFRS demand that there always must be a fixed group of other parties.

1.2 Measurement of joint ventures/joint arrangements

1.2.1 Joint ventures

Under IFRS 11, a joint venture (as defined under IFRS) is consolidated or measured exclusively in accordance with the equity method, unless the joint venture is classified as held for sale. In such cases, the joint venture is carried in accordance with IFRS 5 (see Chapter 32).

Under Dutch laws and regulations, such joint ventures, which are always in the form of an entity, are either consolidated proportionately or measured at net asset value.

In the separate financial statements, under Section 389 of Book 2 of the Dutch Civil Code and DAS 215, joint ventures must be measured at net asset value; if there are valid reasons, they are measured at cost or fair value.

With respect to the measurement of joint ventures in the separate financial statements of the venturer, IFRS 11.26 explicitly refers to IAS 27.10, which stipulates that measurement is at cost or in accordance with IFRS 9 or with the equity method, unless the joint venture is classified as held for sale (see Section 1.7).

1.2.2 Joint operations

Joint operations in the form of joint activities and assets are measured in a similar manner under Dutch laws and regulations and IFRS, with assets and liabilities being recognised directly in the consolidated and separate financial statements. Under IFRS, the same method is applied with respect to joint operations in the form of jointly controlled entities; under Dutch laws and regulations, the provisions with respect to joint ventures apply in such cases (see above).

1.3 Initial measurement of contributed assets and liabilities

DAS 215.210 prescribes that the assets and liabilities contributed by participants are initially measured at fair value at the contribution date in the joint venture's financial statements. IFRS 11 does not contain any specific rules on the own financial statements of the joint venture, which means that the general provisions concerning initial recognition of assets and liabilities apply.

1.4 Participations and investments of investment entities

Under DAS, participations and investments of investment entities are measured in accordance with shares: at cost of acquisition or fair value, with changes in value recognised in profit or loss or in equity. DAS prefer measurement at fair value through profit or loss for investments of investment entities.

In IFRS, these participations and investments are referred to as investments held by venture capital companies, unit trusts and similar organisations. Participations and investments under joint control are measured at fair value through profit or loss, or in accordance with the equity method. IFRS therefore does not permit applying the basis of cost, nor the basis of measurement at fair value through equity. The equity-method (or measurement at net asset value) is not allowed under DAS.

1.5 Recognition of gains or losses if contributed assets are comparable in nature, use and fair value

A situation may arise in which the non-monetary assets contributed by various venturers are comparable in nature, use (in the same business activity) and fair value. The question then arises whether a gain or loss should be recognised on the contribution transaction. DAS 215.208 does not allow this. IAS 28.30 stipulates that a gain or loss may be recognised, provided that the transaction has sufficient commercial substance, i.e. the contribution serving a business purpose and not just a construction intended to justify profit. DAS is therefore more restrictive on this point.

1.6 Measurement of joint ventures held for sale

If a joint venture satisfies the held for sale criteria, it must be measured at the lower of the last-known carrying amount using the equity method and net realisable value less costs to sell (IFRS 5; see also Chapter 32). Dutch laws and regulations do not contain any specific rules for joint ventures held for sale and therefore conflict with IFRS on this point.

2 Presentation

2.1 Presentation of joint ventures held for sale

If a joint venture satisfies the held for sale criteria, it must be presented below current assets (as Non-current assets held for sale, see Chapter 32). Dutch laws and regulations do not allow this, requiring the standard presentation, i.e. proportionate consolidation or as a participating interest.

3 Disclosure

Disclosure requirements for joint arrangements are included in IFRS 12.

3.1 Judgments on level of control

IFRS 12.7 stipulates that an entity shall disclose information about significant judgments and assumptions it has made in determining that it exercises control, joint control or significant influence. IFRS 12.9 requires more disclosure on specific situations.

DAS does not contain such requirements.

3.2 Detailed information

With regard to associates and joint ventures which are considered material on an individual basis, IFRS 12 requires detailed disclosure. Moreover, IFRS 12 explicitly states that information must be provided on 100% basis, rather than based on the equity interest in the joint ventures.

This differs from the information provision requirements for associates and joint ventures that are not material on an individual basis; only the equity interest in the associates and joint ventures is disclosed, with all non-material associates and joint ventures being aggregated.

Required disclosures relating to risks must contain, at a minimum, (i) contractual liabilities incurred for joint ventures, to be disclosed separately from other contractual liabilities, and (ii) contingent liabilities relating to joint ventures, to be disclosed separately from other contingent liabilities.

DAS 215 does not contain any such requirements.

Accounting standards

Relevant accounting standards:

- DAS 214 Financial Fixed assets
- DAS 215 Joint Ventures
- DAS 217 Consolidation
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 9 Financial Instruments
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

22 Foreign currencies

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Accounting for forward exchange contracts	Measurement at fair value or cost.	Measurement at fair value.	IFRS stricter
1.2 Accounting for exchange differences relating to qualifying receivables if the participating interest is measured at cost	Accounted for in reserve for translation differences.	Accounted for in statement of profit and loss.	Conflicting
1.3 Goodwill on acquisition of foreign entity	Accounted for either as assets of the foreign entity or as assets of the reporting entity.	Accounted for as assets of the foreign entity.	IFRS stricter
1.4 Accounting for cumulative translation differences on partial disposal of a foreign entity	Proportionate reclassification of translation differences based on partial disposal, irrespective of the extent of control, or whether or not control is lost.	If control is lost, with part of the interest being retained, cumulative translation differences to be reclassified in full to the statement of profit or loss.	Conflicting
1.5 Scope of disposal of a foreign entity	Scope is limited to sale of interest.	Scope is wider: sale, repayment of share capital, et cetera.	IFRS stricter
1.6 Definition of hyperinflation	Hyperinflation exists if aggregate inflation over a three-year period amounts to 100% or more.	No definition of hyperinflation; indicators provided.	Dutch laws and regulations stricter
1.7 First-time application of hyperinflation	Policy choice for first restatement of non-monetary items: full retrospective application or starting from the first period in which criteria for hyperinflation were met.	Financial statements including comparative figures to be restated to reflect the effect of inflation.	IFRS stricter
1.8 First-time hyperinflation impact on deferred tax items	No specific guidance.	Deferred tax items to be restated as a result of the translation of the underlying assets and liabilities to reflect hyperinflation.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Foreign currency translation differences recognised directly in equity	As cumulative translation differences reserve or as part of a reserve for retained profits of participating interests as a separate item within equity.	As cumulative translation differences reserve as a separate item within equity.	IFRS stricter
2.2 Selecting presentation currency	Opting for foreign currency if the activities of the entity or the group's international network justify so.	Free choice.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Reporting currency different from local currency	Explanation of reasons for use.	No specific disclosure requirements.	Dutch laws and regulations require more disclosure
3.2 Accounting policies for translation of goodwill and fair value adjustments on acquisition of foreign entity	Disclosure of accounting policies applied.	No specific disclosure requirements.	Dutch laws and regulations require more disclosure
3.3 Effect of changes in exchange rates occurring after the reporting date	To be disclosed if a proper evaluation or decision-making by users of the financial statements depends on information concerning this development.	No specific disclosure requirements.	Dutch laws and regulations require more disclosure
3.4 Disclosure requirements for financial statements in a hyperinflation currency	No specific disclosure requirements.	Certain specific disclosure requirements.	Dutch laws and regulations require more disclosure

General

IAS 29, Financial Reporting in Hyperinflationary Economies, is a specific standard on hyperinflation included in IFRS. This standard also contains guidance on how to restate the financial statements of companies located in countries with a hyperinflationary economy to reflect the loss of purchasing power. DAS does not contain any such guidance since the Netherlands does not have a hyperinflationary economy. The hyperinflation indicators included in IAS 29 also apply to the translation of foreign associates located in countries with hyperinflation. The summary below only includes this aspect of IAS 29.

1 Recognition and measurement

1.1 Accounting for forward exchange contracts

DAS 122 and IAS 21 do not deal with the treatment of forward contracts. In common with all other financial instruments, these are dealt with under DAS 290 Financial instruments and IFRS 9 Financial Instruments. Accordingly, reference is made here to Chapter 23 Financial Instruments.

Forward exchange contracts are unlisted derivative financial instruments that may be measured at cost or fair value (DAS 290.513). IFRS 9.4.1.4 stipulates that all derivative financial instruments are measured at fair value through profit and loss.

1.2 Accounting for exchange differences relating to qualifying receivables if the participating interest is measured at cost

DAS 122.211 does not differentiate between situations in which the participating interest is or is not measured at cost. The exchange differences arising on translation of a receivable that is part of the net investment is therefore recognised in the reserve for translation differences. By contrast, IAS 21.32/33 does differentiate between those situations, and therefore the exchange differences are required to be recognised in profit or loss under IFRS if the investment is measured at cost.

1.3 Goodwill on acquisition of foreign entity

Under DAS 122.310, goodwill arising on the acquisition of a foreign operation is recognised:

- As an asset or liability (in the case of negative goodwill) of the foreign operation and translated at the closing rates ruling at the reporting date; hence, the goodwill is effectively fixed in foreign currencies; This foreign currency item should be translated each year at the closing rates ruling at the reporting date; or
- As an asset and liability of the reporting entity denominated in the reporting entity's functional currency, or classified as non-monetary asset denominated in foreign currencies and measured using the rate ruling at the time of the transaction.

IAS 21.47 only allows the first method.

1.4 Accounting for cumulative translation differences on partial disposal of a foreign entity

Under DAS 122.302 (c) and IAS 21.39, translation differences arising on foreign entities should be accounted for as a separate item within equity. On the complete sale of the foreign entity, the cumulative exchange adjustments recognised in other comprehensive income and accounted for as a separate item within equity must be reclassified from equity to profit or loss (IAS 21.48, DAS 122.311).

IAS 21.48A explicitly stipulates that if control of a subsidiary is lost, with only part of the interest being disposed, the cumulative translation differences be recognised in full in the statement of profit or loss. The same guidance applies in the event of loss of significant influence over an associate or loss of joint control over a joint venture. DAS provide for proportionate reclassification of translation differences based on partial disposal, irrespective of the extent of control, or whether or not control is lost. Such proportionate reclassification applies to subsidiaries, associates and joint ventures alike.

In addition, IAS 21.48B stipulates that on disposal of a foreign subsidiary involving a non-controlling shareholder, the cumulative translation differences attributable to the non-controlling interests be reclassified from the cumulative translation differences, not to the statement of profit or loss but, to another component of equity. Dutch laws and regulations do not specifically address this issue.

If the parent entity loses control of a subsidiary in which it holds an interest of less than 100% (with a non-controlling interest in equity as a result), and in which it continues to hold an interest after the transaction, IAS 21.48C stipulates that the entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences.

Likewise, with respect to a subsidiary in which less than 100% of the shares are held, IAS 21.48C stipulates that, in the event of a change to an equity interest, without control being lost, the entity proportionally re-attributes the cumulative amount of the exchange differences between other comprehensive income and the non-controlling interests in that foreign operation.

1.5 Scope of disposal of a foreign entity

IAS 21.49 defines a wider scope for the disposal of a foreign entity. An entity may dispose of its interest in a foreign entity through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. In the case of a partial disposal, only the proportionate share of the related cumulative translation differences should be reclassified to profit or loss. A dividend distribution qualifies as a partial disposal if it concerns the repayment of invested capital. Under DAS 122.311, the scope is limited to the sale of a foreign entity. In terms of content, no express difference appears to be intended between IFRS and DAS.

1.6 Definition of hyperinflation

Specific guidance applies to the translation of foreign associates in countries with a hyperinflationary economy. IAS 29 sets out a number of characteristics that indicate hyperinflation. This list is not exhaustive (IAS 29.3).

- The local population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts received in local currency are immediately invested to maintain purchasing power.
- The local population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in the foreign currency.
- Sales and purchases on credit are made at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching or exceeds 100%.

Under DAS, hyperinflation is always considered to exist if the aggregate inflation over a period of three years amounts to 100% or more (DAS 122.312).

IAS 29 and DAS 122 do not provide a conclusive definition of hyperinflation, but allow room for assessment, with DAS 122 providing a minimum condition.

1.7 First-time application of hyperinflation

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the issue of how the financial statements should be restated if the economy in which the entity (or its subsidiary) operates becomes hyperinflationary, and how deferred tax items should be recognised and translated on the basis of hyperinflation accounting.

In the year in which the entity identifies the existence of hyperinflation in an economy, the financial statements, including the comparative figures for the previous year, should be restated to reflect the effect of inflation. The entity should apply IAS 29 as if the economy had always been hyperinflationary.

This is done by restating the relevant assets and liabilities to reflect the effect of inflation from the date the assets were acquired (or subsequently revalued) and/or the liabilities were assumed. This therefore also includes periods in which no hyperinflation existed.

DAS does not address the situation in which hyperinflation arises in the country of the reporting entity, which is due to the fact that there is no hyperinflation in the Netherlands. However, DAS 122.312a addresses the situation in which hyperinflation arises in the country of a foreign operation. It stipulates that first-time translation of assets and liabilities can be effected in two ways:

- Translation of non-monetary items at the beginning of the financial year to reflect hyperinflation as from the dates the assets are acquired and the liabilities assumed (with full retrospective effect).
- Translation of non-monetary items at the beginning of the financial year to reflect hyperinflation as from the beginning of the financial year in which the criteria for hyperinflation are satisfied for the first time (i.e. a 100% starting index at the beginning of the financial year).

DAS are significantly less detailed compared to IFRIC 7. Moreover, unlike under IFRIC 7, the comparative figures need not be restated, and two accounting policy choices are provided.

1.8 First-time hyperinflation impact on deferred tax items

Under IFRIC 7, all restatements to reflect the effect of inflation need to be processed, thereafter determining the difference between the carrying restated amounts and their tax bases resulting in the calculation of deferred tax. Subsequently, the deferred tax items for the previous year (and the opening balance) should be restated to reflect the effect of inflation since the beginning of that year until the current financial year's reporting date.

DAS does not contain any such guidance.

2 Presentation

2.1 Foreign currency translation differences recognised directly in equity

Under DAS 122.404, foreign currency translation differences recognised directly in equity should be presented as follows:

- Translation differences related to profits of participating interests and direct value increases as defined in Section 389 (6) of Book 2 of the Dutch Civil Code: as a cumulative translation differences reserve as defined in Section 389 (8) of Book 2 of the Dutch Civil Code, or as part of a reserve for retained profits of participating interests as defined in Section 389 (6) of Book 2 of the Dutch Civil Code.
- Other translation differences: as a cumulative translation differences reserve as defined in Section 389 (8) of Book 2 of the Dutch Civil Code.

The accounting policies with regard to the method of translation and of the accounting for translation differences have to be disclosed (DAS 122.404 and 502).

IAS 21 does not contain any presentation requirements, with the exception of the cumulative translation differences to be presented as a separate item within equity (IAS 21.32/39).

Both the reserve for retained profits of participating interests as referred to in Section 389 (6) of Book 2 of the Dutch Civil Code and the cumulative translation differences reserve as referred to in Section 389 (8) of Book 2 of the Dutch Civil Code are legal reserves and are therefore not freely distributable (DAS 122.402).

2.2 Selecting presentation currency

The presentation currency is the currency in which the entity's financial statements are presented (IAS 21.8 and DAS 122.104). Under Section 362 (7) of Book 2 of the Dutch Civil Code, the financial statements, or only the consolidated financial statements, may be prepared in a foreign currency if the activities of the entity or the group's international network justify so. In this context, foreign currency is a currency other than the euro. IFRS does not contain any such requirements and allow free choice of presentation currency.

3 Disclosure

3.1 Reporting currency different from local currency

DAS 122.504 stipulates that the reasons for using a reporting currency other than the local currency have to be disclosed. IFRS does not require any such disclosure.

3.2 Accounting policies for translation of goodwill and fair value adjustments on acquisition of foreign entity

DAS 122.502 requires disclosure of the accounting policies applied for the translation of goodwill and adjustments to fair value on the acquisition of a foreign entity. This does not apply under IAS 21.

3.3 Effect of changes in exchange rates occurring after the reporting date

The effect of a change in the exchange rates after the reporting date on monetary assets denominated in foreign currencies or on the financial statements of a foreign operation should be disclosed, if a proper evaluation or decision-making by users of the financial statements depends on information concerning this development (DAS 122.508). IAS 21 does not include any such disclosure requirement.

3.4 Disclosure requirements for financial statements in a hyperinflation currency

IAS 29.39 also contains certain disclosure requirements for financial statements presented in a currency that is a hyperinflation currency:

- The fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency.
- Whether the financial statements are based on a historical cost approach or a current value approach.
- The identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.

DAS 122 does not contain any such disclosure requirements.

Accounting standards

Relevant accounting standards:

- DAS 122 Measurement Principles for Foreign Currencies
- DAS 290 Financial Instruments
- IFRS 9 Financial Instruments
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 7 Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies

23 Financial instruments

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Scope	More exceptions.	Specific exceptions.	Dutch laws and regulations stricter
1.2 Derecognition	On the transfer of risks and rewards to third parties.	If substantially all the risks and rewards of ownership are transferred, the financial asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity still has control of the asset. If this is the case, it should continue to recognise that part of the asset for which it is exposed to risks. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires.	IFRS stricter
1.3 Measurement of equity instruments (assets)	Listed: fair value through profit or loss or through the revaluation reserve. Unlisted: cost, or fair value through profit or loss or through the revaluation reserve (option).	Fair value through profit or loss or directly in equity (without recycling).	Conflicting
1.4 Measurement of derivatives with underlying securities other than listed shares	At cost or current value.	At fair value through profit and loss.	IFRS stricter
1.5 Measurement and income recognition of debt instruments	Specific items may be carried at fair value with changes in value recognised in profit or loss, or in equity (OCI).	Specific categories are distinguished which determine whether measurement is at amortised cost, at fair value with changes in value recognised in profit or loss, or at fair value with changes in value recognised in equity (OCI) (with recycling).	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
1.5 Measurement and income recognition of debt instruments (continue)	<p>No specific general fair value option, but fair value with changes in value recognised in profit or loss is allowed for all financial assets, with the exception of loans granted and receivables.</p> <p>Other financial liabilities (no trading portfolio, no derivatives) are required to be measured at amortised cost.</p>	Fair value with changes in value recognised in profit or loss (fair value option) is allowed if specific conditions are met. Changes in value due to the so-called own credit risk related to financial liabilities are generally recognised in equity (OCI).	
1.6 Reclassification between categories	Reclassification is allowed under certain circumstances. Reclassification cannot result in a gain or a loss.	Reclassifications are only allowed under specific exceptional circumstances if the business model has changed. These are recognised prospectively.	IFRS stricter
1.7 Negative revaluation reserve	Decreases in value below cost should be recognised in profit or loss (no negative revaluation reserve).	Decreases in value are recognised in the statement of profit or loss, or in equity (OCI) depending on the category. A negative revaluation reserve is allowed.	Conflicting
1.8 Recognition of gains and losses in the event of measurement at fair value	In most cases, choice between recognition in profit or loss and equity (revaluation reserve).	Through the statement of profit or loss or equity (OCI), depending on the category. Choice is more limited.	IFRS stricter
1.9 Amortised cost	Based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method), or, if only minor differences result, based on the straight-line method of amortisation.	Based on the annuity method of amortisation of premiums, discounts and transaction costs (= effective interest method).	IFRS stricter
1.10 Fair value	DAS 290 provides no specific rules and could therefore be deemed to allow the current bid price, the current asking price as well as the use of mid-market prices in determining the fair value.	IFRS 13 states that if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask range that is most representative of fair value in the circumstances should be used.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.10 Fair value (continue)	DAS 290 provides no specific rules on an entity's own credit risk. Taking this into consideration is justifiable, but not mandatory.	IFRS 13 requires an entity's own credit risk to be taken into account when measuring financial liabilities at fair value.	IFRS stricter
1.11 Recognition of embedded derivatives	Separating derivatives may be required for both financial assets and financial liabilities and non-financial instruments.	Separating derivatives may be required for financial liabilities and non-financial instruments. Embedded derivatives in financial assets are not separated, but the instrument in its entirety must in most cases be measured at fair value through profit or loss.	Conflicting
	Separated derivatives may be measured at fair value or at the lower of cost and market value.	Embedded derivatives may not be measured at cost.	IFRS stricter
1.12 Impairment of assets measured at amortised cost	Based on cash flows discounted at the original effective interest rate (incurred loss model), or value adjustment to lower fair value. No impairment for expected losses. Option of (only) applying the impairment rules of IFRS 9 (in full).	Based on a combination of expected credit losses (expected credit loss model) and cash flows discounted at the original effective interest rate.	IFRS stricter
1.13 Reversal of impairment losses	Reversal of impairment on equity instruments allowed.	On equity instruments, except those held for trading, there is a choice for any changes in value (including impairments) to be recognised either in profit or loss, or in equity (OCI) (option, if not held for trading purposes). Reversal of impairment does not apply, therefore.	Conflicting
	Reversal of impairment on debt instruments allowed, but on the basis of the incurred loss model.	Reversal of impairment on debt instruments allowed, but only on the basis of the expected loss model.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
1.14 Separating derivatives	DAS permit separating of derivatives, subject to certain conditions being met, allowing hedge accounting to be applied to individual components.	If only the intrinsic value of the spot element is regarded in the hedging relationship, the changes in the fair value of the time value or the term points are included in equity (OCI) instead of profit or loss. This also applies to the foreign currencies basis spread.	IFRS stricter
1.15 Cost hedge accounting	Cost hedge accounting is allowed.	Cost hedge accounting is not addressed.	IFRS stricter
1.16 Conditions for hedge accounting	Fewer conditions, and expressed in more general terms.	IFRS contain more conditions.	IFRS stricter
1.17 Documentation on hedge accounting	Documentation of generic or individual hedging relationships.	Documentation of individual hedging relationships.	IFRS stricter
1.18 Hedge effectiveness	Effectiveness of hedge accounting relationships to be tested retrospectively as at the reporting date on the basis of critical characteristics.	To be tested on such matters as the basis of hedge effectiveness objective and the economic relationship between the hedged item and hedge instrument. Hedging relationships no longer sufficiently effective can be rebalanced.	Dutch laws and regulations stricter
1.19 Discontinuing hedge accounting	Voluntary discontinuation of hedge accounting allowed.	Voluntary discontinuation of hedge accounting not allowed.	IFRS stricter
2 Presentation			
2.1 Classification of financial instruments as equity or liability in the separate financial statements	Choice between presentation as equity or liability on the basis of the legal form of the instrument or on the basis of the economic reality (substance) of the instrument.	Substance over form principle (based on economic reality) (as equity if unconditional right or discretionary authority to prevent payment).	IFRS stricter
2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit	To be presented as equity or as a liability.	To be presented as a liability.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
3 Disclosure			
3.1 Additional information	Specific disclosure requirements.	Specific disclosure requirements.	IFRS requires more disclosure

General

Financial instruments include primary instruments such as receivables, payables and shares, as well as derivative financial instruments, including financial options, forward contracts, interest rate swaps and currency swaps. This chapter deals with primary financial instruments.

The measurement, recognition and disclosure of primary financial instruments are also discussed more specifically in:

- Chapter 5 Other Financial Assets
- Chapter 8 Current Assets: Receivables
- Chapter 9 Current Assets: Securities
- Chapter 15 Liabilities & accrued liabilities and deferred income

In DAS, the measurement, recognition and disclosure of financial instruments are primarily discussed in DAS 290.

IFRS includes the following three standards on financial instruments:

- IAS 32 Financial Instruments: Presentation
- IFRS 9 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures

IFRS 9 is mandatory as from financial years beginning on or after 1 January 2018. Exceptions apply for entities that issue insurance contracts (particularly insurance companies). They have specific transitional provisions; see Chapter 38 Insurance companies.

Transition to alternative interest rate benchmarks: IBOR reform

The use of interest rate benchmarks is diverse and affects many aspects of the operations of institutions. Frequently used interest rate benchmarks for interbank rates are Euribor, EONIA and LIBOR. These, as well as other interest rate benchmarks, are also used in financial products and contracts. One of the recommendations following the financial crisis was to reform the interbank rates (IBOR). Those benchmarks index trillions of euros in a broad range of financial products, but their long-term viability was called into question. As a result, a worldwide transition to alternative interest rate benchmarks is currently under way. In the European Union, a legal framework for interest rate benchmarks has been laid down in 'Regulation (EU) no. 2016/1011 of the European Parliament and Council of 8 June 2016 concerning indices that are used as benchmarks for financial instruments and financial agreements or to measure the performance of investment funds' ('BMR'). Among other things, this means that, as from 1 January 2022, crucial interest rate benchmarks can only be used for new transactions if they are managed by a manager who satisfies the requirements under the BMR.

The IASB has followed these developments and, on 26 September 2019, the IASB published amendments in a number of standards as a first phase: Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments are intended to mitigate the effects of the reforms on financial reporting, especially with regard to hedge accounting, in the period until a new, reformed interest rate benchmark is included contracts. In essence, these amendments mean that institutions are required to assume that the interest rate benchmark for hedge accounting remains unchanged until the time when the change to an alternative benchmark has taken place. Hedge accounting relationships are thereby maintained. Ineffectiveness resulting from IBOR reform must still be recognised in conformity with the applicable requirements under IFRS.

While the first phase addressed issues concerning financial reporting with regard to the period prior to the replacement of an existing interest rate benchmark by an alternative risk-free interest rate, in the second phase, the IASB focused on matters that affect financial reporting when an existing interest rate benchmark is actually replaced by an alternative interest rate benchmark. The IASB has included various practical expedients in IFRS 9 and IAS 39 (and IFRS 4 and IFRS 16) that limit, as much as possible, the effect on financial reporting of changes in financial contracts due to the IBOR transition. The principal practical expedients address accounting for changes in financial contracts. For example, how are changes in a contract for an existing loan accounted for, in which the reference to EONIA has been changed to ESTR and the interest rate spread has been adjusted? It will be necessary to assess whether the change in a contract needs to be considered to be an extinguishment, which requires derecognition of the financial instrument, or a modification, which requires recognition of the associated impact in profit or loss. Owing to the practical expedients, it is permitted to account for the changes in benchmark rates in loan contracts as a result of the IBOR transition in the same way as a change in a variable interest rate, which does not involve derecognition or modification, respectively. In addition, the practical expedients provide for hedge relationships to be continued that otherwise might have to be terminated. The amendments also state that other changes – i.e. changes in contracts that are not entailed by the IBOR reform – are required to be accounted for in accordance with the existing rules. Examples might include changes that are not a direct consequence of the IBOR transition, but are made at the same time, for instance in the term, nominal amount or change of a specific credit spread in an interest rate. Such changes may then still lead to derecognition of positions or have an impact on profit or loss.

Via DAS Authoritative Statement 2019-17: 'Considerations on the influence of the IBOR reform on hedge accounting' ('Overwegingen bij de invloed van de IBOR-reform op hedge-accounting') of 2 December 2019, the DASB gave its views on the above and supported the amendments in IFRS. In addition, the DASB analysed the amendments in IFRS for the potential impact on DAS and concluded that the rules for hedge accounting in DAS are already more principle-based in nature than the rules in IFRS. Accordingly, there is no need to also incorporate the amendments made in IFRS in DAS to address a possible undesirable impact of the IBOR reform on hedge relationships. In the Authoritative Statement, the DASB stated that if specific developments, for instance due to phase 2 of the IASB's IBOR reform project, prompt additional considerations regarding possible consequences of IBOR reform for the financial statements, the DASB will specifically communicate this. In DAS Authoritative Statement 2021-2: 'No amendments in DAS due to the IBOR reform' ('Geen wijzigingen in de Richtlijnen uit hoofde van de IBOR-reform'), the DASB confirmed that, for the same reason as stated above, there was still no need to amend DAS even in response to phase 2 of the IASB's IBOR reform project. Under DAS, ineffectiveness resulting from IBOR reform is likewise a point requiring attention; it must be recognised in conformity with the applicable rules in DAS 290.

Core of IFRS 9 classification

IFRS 9 applies a single approach for the classification of all financial assets, including the assets that contain an embedded derivative. This means that financial assets are classified in their entirety and that embedded derivatives are not separated. A distinction is applied between debt instruments and equity investments.

All financial assets must be initially measured at fair value. Subsequent measurement depends on the nature of the instrument and specific criteria.

All financial assets are initially measured at fair value. Related transaction costs are included if subsequent measurement is not at fair value through profit or loss. With respect to subsequent measurement of financial assets, there are three options, i.e.:

1. At amortised cost: for debt instruments meeting two criteria.
2. At fair value through OCI (in equity) for:
 - a. Debt instruments meeting two criteria.
 - b. Equity instruments not held for trading.
3. At fair value through profit or loss: for all derivatives, receivables and equity instruments not qualifying for either 1 or 2, or included voluntarily (fair value option).

Under IFRS 9, financial liabilities are measured at fair value if they are part of the trading portfolio, or if the fair value option is used.

If the fair value option is used, the gain resulting from the lower creditworthiness (and loss resulting from the higher creditworthiness) is not presented in profit or loss, but under other comprehensive income (OCI) under IFRS 9.

Applicability of IAS 39 Financial Instruments: Recognition and Measurement and hedge accounting

The IASB had not yet addressed the subject of macrohedge accounting upon completion of IFRS 9.

The IASB decided not to include this subject within the scope of general hedge accounting and defined it as a separate project. The present IFRS 9 standard facilitates the possibility when transitioning to IFRS 9 – as a choice of policy – to continue to apply the hedge-accounting requirements of IAS 39 and not the hedge-accounting requirements of IFRS 9. This is possible until the IASB has completed its macro-hedging project.

In addition, the insurance sector in particular was concerned about differing effective dates of two important standards: IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts'. These standards have effective dates of respectively 1 January 2018 and 1 January 2023. In that connection it is possible for entities that issue insurance contracts to modify the adoption of IFRS 9 by applying one of the following two options:

- Entities whose activities are largely related to insurance (generally insurers) can utilise a temporary exemption from the application of IFRS 9 by continuing to apply IAS 39 up to 2023

Or

- With regard to certain financial assets, not to recognise certain securities in profit or loss as under IFRS 9 but to account for them in other comprehensive income ('OCI'), as a result of which the profit or loss for those specific financial assets at the end of the financial year is equal to that if the insurer had applied IAS 39 to these specific financial assets.

1 Recognition and measurement

1.1 Scope

IFRS 9 contains various exceptions for financial instruments that are not accounted for under IFRS 9 (IFRS 9.2.1). DAS 290.202 contains similar exceptions, and additional exceptions, such as for:

- Contracts relating to financial guarantees.
- Contracts requiring a determination that is based on climatological, geological or other physical variables.
- Obligations for payment of a contingent consideration by an acquirer in a merger or acquisition; and
- Certain obligations to provide loans.

1.2 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer to a third party of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IFRS 9 addresses the derecognition of financial instruments in much greater detail than DAS. IFRS 9 applies a separation between *risks and rewards* and *control*. IFRS 9 states that the evaluation of a transfer of 'risks and rewards' precedes the evaluation of a transfer of 'control'.

First, the need is assessed to consolidate the investee or an SPE (*special purpose entity*). If a financial asset is transferred to an entity that is required to be consolidated, the financial asset will in fact continue to be recognised in the consolidated statement of financial position and further analysis is not relevant for the consolidated financial statements. If that is not the case, further analysis will take place.

IFRS 9 states that on the transfer of financial assets, it should be determined whether derecognition rules are to be applied to the whole or part of the financial asset. It should then be determined whether substantially all the risks and rewards (economic benefits) of ownership are retained. If this is the case, the asset should continue to be included in the statement of financial position. If substantially all the risks and rewards of ownership are transferred, the asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity has transferred control. If this is the case, the asset should be derecognised. If the entity still has control of the asset, the asset should continue to be recognised to the extent that the entity remains exposed to the impact of changes in the value of the asset (IFRS 9, Chapter 3.2.6. IFRS 9 also contains rules with regard to pass-through arrangements, in which the transferor still collects the cash flows on behalf of the acquiring party, if the contractual rights have not been transferred. An asset can only be derecognised if the collected cash flows are transferred immediately and not, even if only temporarily, used for the entity's own benefit. Any interest received in the brief period in which the cash is held by the entity must also be transferred.

A financial liability should be derecognised when it is extinguished – that is, when the entity has fulfilled its obligation specified in the contract, or when the obligation is cancelled or expires (IFRS 9.3.3.1). This may be the case not only when a debt is waived or a loan repaid, but also when a loan is transferred, provided no guarantee, repurchase commitment or repurchase right is agreed upon, other than at the current market value, and the creditor waives the liability for the entity.

IFRS also contains provisions on how account for substitution of one liability by another (IFRS 9.3.3.2). An example occurs if a loan is re-concluded on other terms (for example, interest, maturity, security). Assessment is required in that case of whether to continue to recognise the financial liability, or to derecognise it and recognise a new liability (the difference between the carrying amount of the old loan and the initial measurement of the new loan is taken through profit or loss, IFRS 9.3.3.3). Under IFRS, the liability is no longer required to be recognised if the terms of the new liability are substantially different. IFRS considers the liabilities to be substantially different if the present value of the new cash flows including fees differs, applying the original effective interest rate, by at least 10% from the present value of the cash flows under the original liability (IFRS 9.B3.3.6). If the terms are substantially different, the related (transaction) costs are accounted for in the statement of profit or loss. If the terms are not substantially different, the present value of the cash flows of the original liability is compared with the recalculated present value of the new cash flows and revision income or expense is recognised in profit or loss.

The present value of the new cash flows is required to be recalculated as the present value of the renegotiated or revised contractual cash flows, discounted at the original effective interest rate of the liability (IFRS 9.5.4.3 and IFRS 9.BC4.253).

DAS contain the general requirement that the accounting treatment should follow the economic reality. An asset or liability should continue to be recognised if a transaction does not lead to a significant change in the economic reality relating to this asset or liability item. Such transactions do not lead to the recognition of gains or losses. This situation may for instance occur if the transactions needs to be considered, from the perspective of economic reality, as a (re)financing of an existing asset (DAS 115.109). DAS does not contain 10% threshold as included in IFRS 9.

IFRS 9 also contains highly specific application guidance dealing with various types of situations (IFRS 9 Appendix B 3.2 and 3.3).

1.3 Measurement of equity instruments (assets)

The classification of a financial asset is important for its measurement. DAS 290.407 distinguishes five categories of financial instruments, each category being subdivided into subcategories. The following difference applies with regard to equity instruments.

Investments in equity instruments, often investments in shares, that are not part of a trading portfolio, are part of one of the following subcategories (DAS 290.520):

- a. Listed
- b. Unlisted

a. Investments in listed equity instruments

Investments in listed equity instruments are measured at fair value. The entity will need to decide for each (sub)category whether to recognise the gains and losses arising from changes in fair value of these instruments (DAS 290.521):

1. Directly in profit or loss
Or
2. Via the revaluation reserve and in profit or loss when realised. Only cumulative positive revaluations can be recognised directly in equity. Forming a negative revaluation reserve is not allowed

b. Investments in unlisted equity instruments

An entity needs to decide for each (sub)category of investments in unlisted equity instruments whether to account for these in the statement of financial position at cost or at fair value. If the entity opts for accounting at fair value, the entity will need to decide whether to account for the gains and losses arising from changes in fair value of these instruments (DAS 290.522):

1. Directly in profit or loss
Or
2. Via the revaluation reserve and in profit or loss when realised. Only cumulative positive revaluations can be recognised directly in equity. Forming a negative revaluation reserve is not allowed

IFRS 9 has no listed or unlisted equity instruments category: they are always measured at fair value. Under IFRS 9, an instrument is an equity instrument if it meets the definition of equity under IAS 32. Changes in value can be recognised in profit or loss, or in equity through other comprehensive income (OCI). In both cases, the change in value is part of comprehensive income.

If changes in value are recognised in equity, dividend received is recognised in profit or loss (unless it relates to repayment of the cost of acquisition). Changes in value recognised in equity and comprehensive income may not be recognised at a later point in profit or loss (no recycling). This means that no interim impairment takes place and that changes in value as the result of a sale are not recognised in the statement of profit or loss. Recognition of changes in value in profit or loss is mandatory in one case: if the equity instruments are held for trading. This also includes derivatives relating to equity instruments. A free choice is offered in all other cases. This choice is made for each instrument and cannot be subsequently changed.

1.4 Measurement of derivatives with underlying securities other than listed shares

Under DAS 290.513, derivatives with underlying securities other than listed shares can be consistently carried either at cost or at fair value through profit or loss. IFRS 9 requires all derivatives to be measured at fair value with changes in value being recognised in profit or loss.

1.5 Measurement and income recognition on debt instruments

Under IFRS 9, debt instruments are subsequently measured at:

- Amortised cost
- Fair value with changes in value through other comprehensive income (OCI) in equity (with recycling)
Or
- Fair value through profit or loss

Measurement at amortised cost is only allowed if both of the following conditions are met.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model used to manage financial assets may be determined by the manner in which the entity is managed and its performance reviewed, which is not on the basis of a single factor, but with all relevant indications being considered. These include the way performance is reported to management, managers are remunerated (for example, based on fair value of the assets under their management) and frequency, timing and volume of sales made in previous periods, among other things.

With respect to the contractual terms of the financial asset, the economic relationship between the principal and the compensation for the time value of money and the credit risk ensuing from such a principal has changed slightly. It has to be assessed whether such a change is significant in relation to the interest typically charged on such a loan.

Debt instruments are measured at fair value with changes in fair value recognised in equity through other comprehensive income (OCI), provided that they meet the condition that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. However, debt instruments may also be held within the business model to manage the assets in order to collect contractual cash flows (interest and principal payments) as well as selling the instruments, in that way realising cash flows.

Accordingly, the category fair value through other comprehensive income ('OCI') in equity applies to these debt instruments. The interest income, foreign currency gains or losses and impairments (credit loss) arising from these debt instruments are recognised in profit or loss. The same also applies to the cumulative gain or loss in equity, which is transferred to profit or loss if the debt instrument concerned is derecognised; for example following a sale (*recycling*).

All other debt instruments are measured at fair value with changes in value being recognised in the statement of profit or loss.

Even if the above conditions are met, the fair value option is still available, provided this results in the elimination or significant reduction of an accounting mismatch. If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.

DAS 290 does not contain a fair value option as such. However, it does allow the measurement of financial assets at fair value through profit or loss, although application is more restricted.

For example, if an entity has purchased a bond, DAS 290.518 allows the entity to carry it at fair value with changes in value recognised in the statement of profit or loss. Unlike under IFRS 13, this option is not subject to any criteria being met. However, under DAS 290, such a choice should be made for the category or subcategory as a whole, whereas in some cases the fair value option under IAS 39 can be applied to an individual financial instrument (provided the criteria are met).

DAS 290 only allows financial liabilities to be carried at fair value if they relate to trading portfolio items. This will particularly be the case in the financial sector, for example with regard to so-called short positions. Other financial liabilities may not be carried at fair value under DAS or Section 10 (2) of the Current Value Decree.

1.6 Reclassification between categories

Under DAS 290.502, financial assets and liabilities should be allocated to (sub)categories on an item-by-item basis or at portfolio level. Reclassification often represents a change in accounting policies. DAS 290.532 also stipulates that reclassification from one (sub)category to another cannot result in a gain or loss at the time of reclassification. Under IFRS 9, only a change in the business model, which will occur only rarely, can result in reclassification, which is recognised prospectively.

1.7 Negative revaluation reserve

With regard to (i) purchased loans and bonds; or (ii) investments in equity instruments – that are not part of the trading portfolio – entities can opt for measurement at fair value with recognition of unrealised value changes in the revaluation reserve. In that case, the revaluation reserves, measured per financial asset, may not be negative (DAS 290.518 (b), 290.521 (b) and 290.522 (b)).

Under IFRS 9, equity instruments are classified in the category fair value through profit or loss or through other comprehensive income (OCI) in equity (with no recycling). Changes in value for the latter category are recognised directly in equity. No impairment is recognised in profit or loss and under IFRS 9 this may also result in a negative component of equity.

IFRS 9 also includes a Fair value through other comprehensive income (OCI) in equity category for debt instruments. Fair value decreases arising from this category of debt instruments are recognised in profit or loss and charged to equity through other comprehensive income (OCI). Again, this may result in a negative revaluation reserve under IFRS.

1.8 Recognition of gains and losses in the event of measurement at fair value

With regard to (i) purchased loans and bonds; or (ii) investments in (unlisted) equity instruments – that are not part of the trading portfolio –, entities can opt for measurement at fair value. In that case, they can choose between recognising the gains or losses directly in profit or loss and recognising them in other comprehensive income until the time they are realised (DAS 290.518, 290.521 and 290.522).

Under IFRS 9, changes in fair value are always recognised in profit or loss, except for:

- Investments in equity instruments, if an entity chooses to recognise changes in value in other comprehensive income.
- Investments in debt instruments with changes in value being recognised in other comprehensive income.
- Changes in the fair value of financial liabilities as a result of changes in own creditworthiness, unless the financial liabilities are part of the trading portfolio.

1.9 Amortised cost

The amortised cost is the balance of the amount upon initial recognition in the statement of financial position and the unamortised portion of the premiums and discounts, repayment premiums and transaction costs, taking into account principal repayments (IFRS 9 Appendix A, DAS 292.0). Under DAS and IFRS, the amortised cost of a financial asset or financial liability is calculated using the effective interest method.

DAS stipulates that straight-line amortisation (instead of application of the effective interest rate method) is allowed as an alternative, provided it does not result in substantial differences compared with the effective interest rate method (DAS 273.201 and DAS 292.0). IFRS does not contain this exception.

1.10 Fair value

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction (DAS 292.0). IFRS 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 (IAS 39.9). If a financial instrument is carried at fair value, the fair value will have to be remeasured for every reporting period.

IFRS 13 states that if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask range that is most representative of fair value in the circumstances should be used.

IFRS 13 requires an entity's own credit risk to be taken into account when measuring financial liabilities, particularly derivatives. DAS 290 provides no specific rules on this matter, with the definition of fair value being in line with that used in IAS 39 prior to the introduction of IFRS. IAS 39 provided various options of recognising an entity's own credit risk when measuring financial liabilities, as fair value could also be regarded as a settlement price under IAS 39. This would seem to suggest that taking credit risk into consideration is justifiable, but not mandatory, under DAS 290 when measuring financial liabilities at fair value.

1.11 Recognition of embedded derivatives

DAS (DAS 290.825) and IFRS 9 (IFRS 9.4.3.1) stipulate that other contracts can also contain derivatives (known as Embedded derivatives). However, under IFRS 9 embedded derivatives related to a financial asset representing a host contract falling within the scope of IFRS 9 are not separated from the host contract: the financial instrument is considered for classification and recognition in its entirety. However, IFRS 9 does require embedded derivatives to be separated in some cases, for example in the event the host contract is a financial liability or if the host contract it is not a financial instrument. DAS 290 does not apply a separate accounting treatment for embedded derivatives with regard to financial assets.

1.12 Impairment of assets measured at amortised cost

IFRS 9 contains specific requirements for recognising impairments related to debt instruments that are measured at amortised cost or fair value with changes in value in equity (OCI). The requirements demand that a credit loss is immediately taken for such financial assets (such as a loan) based on an expected credit loss which will occur in the coming twelve months or – after a significant decrease in credit quality or when the simplified model can be used – based on the entire remaining loan term.

This may result in recognition – at an earlier date – of credit losses which no longer only include losses already incurred (incurred loss), as provided under DAS 290.

Under DAS 290, financial assets measured at amortised cost are written down to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. DAS 290 also allows financial assets to be written down to market value/fair value. Losses expected as a result of future events, no matter how likely, are not recognised.

However, DAS 290 also allows (full) application of the requirements of IFRS 9 in the financial statements with regard to impairments (only). This also includes the associated disclosure requirements under IFRS 7.

1.13 Reversal of impairment losses

Impairment losses on equity instruments are not presented separately under IFRS and therefore they are not reversed either. Rather, impairments as well as subsequent increases in value of equity instruments measured at fair value through profit or loss or through equity (OCI) are recognised in the statement of profit or loss or equity, respectively.

Impairment losses relating to debt instruments measured at amortised cost or at fair value through OCI are charged to the statement of profit or loss, and are reversed if the impairment no longer exists.

These impairment losses are reviewed regularly. Under the general credit loss model of IFRS 9 this means that if the credit quality of the loan improves – and such to the extent that there is no longer a significant deterioration of the loan's credit risk since the first inclusion instead of an expected loss for the entire loan term – a new provision is calculated based on an expected credit loss expected to be incurred in the next twelve months. If the credit quality has not improved or when the simplified model is used, recalculation takes place based on the new estimate of the expected losses for the entire duration of the remaining loan term. Movements are recognised in the statement of profit or loss.

Dutch laws and regulations apply the requirement pursuant to Section 387 (4) of Book 2 of the Dutch Civil Code that impairments of equity as well as debt instruments should be reversed and credited to the statement of profit or loss if the impairment no longer exists.

1.14 Separating derivatives

IFRS 9 does not allow separating of a compound derivatives contract, in that way preventing hedge accounting being applied to an individual underlying derivative.

Under IFRS 9, items can be combined and be qualified in combination as single hedged position. These combined items can comprise the hedged position (in accordance with IFRS 9.6.3.1) and a derivative (IFRS 9.6.3.4). The IFRS 9 hedge model also contains specific requirements if only the intrinsic value or the spot element is designated in the hedge relationship. The mutations in the fair value of the time value or the term points are first included in equity (OCI) instead of the statement of profit or loss. The subsequent recognition in the statement of profit or loss depends on the nature of the hedged position. IFRS 9 has a similar treatment for the so-called basis spread in foreign currency contracts.

DAS 290 does not contain such the more explicit restriction of IFRS 9, which means that, in our opinion, some parts of a compound derivatives contract qualify for hedge accounting. It is important that the initial separating is effected reliably during the term to maturity.

1.15 Cost hedge accounting

If the legal entity wishes to apply hedge accounting and measures the derivatives at cost or if hedge accounting is applied to a hedging relationship where the hedging instrument is a monetary item denominated in foreign currencies, cost hedge accounting is required to be applied (DAS 290.603). IFRS 9 does not include this type of hedge accounting, since it specifies that derivatives must be carried at fair value rather than at cost. Cost hedging refers to the hedging of the risk arising from changes in fair value or variability in cash flows, while the derivative, just as the hedged item, is carried at cost.

1.16 Conditions for hedge accounting

DAS 290.610 stipulates that specific conditions for hedge accounting must be met. To qualify as a hedged item, the hedged item in a hedge accounting relationship should be able to affect profit or loss if no such relationship would exist. Such an impact on profit or loss is required, as hedge accounting is an exception to the usual measurement income determination on derivatives. Absent any risk that may affect profit or loss, there is no need to make such exception.

DAS 290.613 also stipulates that application of hedge accounting, if so desired, must be based on documentation of generic hedging relationships or documentation of individual hedging relationships (see Section 1.17 below).

IFRS 9 requirements relating to hedge accounting align hedge accounting more closely with the risk management activities of an entity. Like DAS 290, IFRS 9 applies rules based more on principles, but does comprise several specific rules that are not included in DAS 290. These specific rules relate, among other things, to:

- The conditions for hedge accounting
- Hedging instruments to be recognised
- Hedged positions to be recognised
- Hedging of groups of items and net positions
- Rebalancing of the hedging relationship
- Discontinuation of hedge accounting
- Costs of hedging; and
- The option of treating commodity contracts concluded for the supply of goods as derivatives

1.17 Documentation on hedge accounting

Documentation of hedging relationships is required for all types of hedge accounting. In connection with this, DAS 290 lists two alternatives (DAS 290.613). Application of hedge accounting based on:

- Generic documentation
- Or
- Documentation of individual hedging relationships

Hedging documentation describes how the hedging strategy and hedging relationship fit within the risk management objectives and includes an expectation of the effectiveness of the hedging strategy and hedging relationship, respectively. It also sets out the hedging instruments and hedged positions involved in the hedging relationship concerned.

IFRS 9 only allows documentation of individual hedging relationships.

1.18 Hedge effectiveness

An effectiveness test is required before hedge accounting can be applied. The test assesses whether the hedge is expected to be effective and whether the hedging relationship has been sufficiently effective to apply hedge accounting.

DAS 290 stipulates that this effectiveness can be tested by, for example:

- Comparing the change in the fair value of a hedging instrument with that of a hedged position in any given period, or the cumulative change in fair value since the inception of the hedging relationship (dollar-offset method)
 - Performing a regression analysis of the changes in fair value of the hedging instrument and the hedged item
- Or
- Comparing the critical characteristics of a hedging instrument with those of a hedged position. The extent to which the critical characteristics are identical in both components of a hedging relationship may be an indication of the effectiveness

DAS also allow application of cost hedge accounting. In the case of cost hedge accounting, ineffectiveness is recognised in profit or loss only if and to the extent a (cumulative) loss is involved. Quantitative ineffectiveness testing is required only if it turns out that the critical characteristics of the hedging instrument and hedged position are not, or have not been, identical, which means that a hedge is not fully effective (DAS 290.634). Critical characteristics include, among others, the amount, term, hedged risk and method of settlement of the hedging instrument and hedged position.

Under IFRS 9, a hedge is deemed to be effective if, from the inception of and throughout the term of the hedge, changes in the fair value and cash flows of the hedged item are expected to be offset against changes in the fair value and cash flows of the hedging instrument.

A prospective effectiveness test should be carried out to establish whether the following effectiveness requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. No imbalance should arise as a result.

IFRS 9 requires a retrospective assessment as to whether the risk management objectives with respect to the hedge have changed. This could result in hedge accounting being discontinued, which could also be the case if the economic relationship between the hedged item and the hedging instrument has ceased to exist. Absent such circumstances, however, hedge accounting must be continued and an assessment made as to whether the hedge ratio (reflecting the expected changes to the hedged item and hedging instrument) should be adjusted.

Adjustment will be effected by designating new hedged items or hedging instruments, or removing existing items or instruments from the hedging relationship.

Under IFRS 9, any hedge effectiveness is measured retrospectively and recognised in the statement of profit or loss.

1.19 Discontinuing hedge accounting

DAS 290 allows the voluntary discontinuation of hedge accounting at any time. As set out in Section 1.17, under IFRS 9 hedge accounting cannot be discontinued if the circumstances relating to the risk management objectives or the economic relationship between the hedged item and the hedging instrument continue to exist. In that case, hedge accounting must be continued for the entire or the remaining part of the hedging relationship.

2 Presentation

2.1 Classification of financial instruments as equity or liability in the separate financial statements

Based on DAS 240.207 and DAS240.208, an entity can choose in the separate financial statements between classification of financial instruments on the basis of the legal form or on the basis of the economic reality of the instrument. IAS 32.15 requires presentation based on the economic reality (substance) of the instrument. See also Chapter 11a, Section 2.2.

IFRS is stricter, as it requires classification based on economic reality (substance) while DAS also allows opting for legal reality in the separate financial statements.

2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit

Under DAS 290, preference shares on which the dividend is determined annually on the basis of the entity's profit for the year concerned only may be recognised as equity or as a financial liability.

Under IAS 32, such a preference share qualifies as a financial liability.

3 Disclosure

3.1 Additional information

IFRS 7 requires disclosure similar to DAS 290 for a number of subjects but, overall, contains a much larger number of disclosure requirements than DAS 290.

- **Quantitative information about exposure to risks arising from financial instruments**
 In connection with this, IFRS 7 emphasises that an entity should disclose information that enables users to assess the significance of financial instruments for the entity. IFRS 7 also states that information should be provided on how management assesses risks. In addition to specified minimum disclosures, quantitative disclosures on risks must be based on information provided to key management personnel. DAS 290 does not contain such a requirement.
- **Credit risk disclosure**
 DAS 290 and IFRS 7 require information about maximum exposure to credit risk and significant concentrations of risk. Unlike DAS 290, IFRS 7 contains an additional requirement: it requires quantitative disclosure for each type of risk arising from financial instruments based on information provided to key management personnel. With regard to credit risk, IFRS 7.35A–N requires specific information on the credit risk management of the business in relation to the recognition and measurement of the expected credit losses, including the methods, assumptions and information used to determine these losses. The business must also disclose quantitative and qualitative information which enable users of the financial statements to evaluate the amounts of the credit provisions, including any movements therein and the reasons for these. The business must also provide specific information about its credit risks. Finally, IFRS 7.13A–F also contain specific disclosure requirements for offsetting applied under netting arrangements.
- **Liquidity risk disclosure**
 DAS 290 requires disclosure of interest-rate, cash-flow and liquidity risk disclosure through information on contractual interest rate reset or repayment dates and effective interest rates, also taking into account the impact of hedging instruments. IFRS 7 requires quantitative disclosure: an entity should disclose a maturity analysis for non-derivative financial liabilities, reflecting all future cash flows, including interest payments (a non-discounted analysis). This repayment analysis should include financial guarantee contracts at guaranteed maximum amounts. A statement of cash flows for derivative financial liabilities must only be disclosed if it is essential for an understanding of the timing of the cash flows (for example, for interest rate swaps in cash flow hedges, or for loans granted but not yet paid). Furthermore, an entity should provide a description of how it manages the liquidity risk. IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.
- **Market risk disclosure**
 DAS 290 requires qualitative disclosure of market risk. IFRS 7 requires quantitative disclosure: an entity should disclose a sensitivity analysis for each type of market risk, showing how profit or loss and equity would be affected by changes in the relevant risk variables. In addition, the methods and assumptions used should be disclosed (IFRS 7.40). IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.
- **Fair value disclosure**
 Under DAS 290 and IFRS 7, an entity should disclose information about the fair value for each class of financial asset and financial liability, whether or not recognised in the statement of financial position (DAS 290.937, IFRS 7.25). IFRS 7 uses fair value as defined in IFRS 13.

The latter requires additional disclosure concerning fair values. IFRS 13.93, for example, requires that for every category of financial instruments measured at fair value the information disclosed should include:

- The level or levels in the fair value hierarchy (Level 1, 2 or 3) on the basis of which the instruments are measured.
- Any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers.
- For fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing total gains or losses for the period recognised in profit or loss, total gains or losses recognised in other comprehensive income, purchases, sales, issues and settlements, transfers into or out of Level 3 and the reasons for those transfers.
- Disclosure of financial assets whose carrying amounts exceed their fair value under DAS 290, if an entity has carried one or more financial assets at a carrying amount that exceeds the fair value, the entity must disclose the following information (DAS 290.943):
 - The carrying amounts and fair values of the individual assets, or relevant groups of individual assets.
 - The reasons for not reducing the carrying amount, including information on the basis of which management is convinced that the carrying amount can be realised.
 - IFRS 7 does not contain such a disclosure requirement.
- Although DAS does not contain any specific disclosure requirements with respect to financial assets or liabilities measured at fair value with changes in value recognised in the statement of profit or loss, they do include recommendations on this point. IFRS 7 contains specific requirements, including disclosure of maximum exposure to credit risk and changes in the fair value of the instrument.
- IAS 1 requires specific disclosures on capital management. DAS contain no such similar disclosure requirement for all entities. DAS does however contain specific disclosure requirements for capital management of banks, insurers and pension funds, for example.

Accounting standards

Relevant accounting standards:

- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement

24 Leasing

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Full application of IFRS 16 under DAS	Application of IFRS 16 is allowed, provided it is applied consistently and in full.	No alternative accounting methods allowed.	IFRS stricter
1.2 Reassessment of whether a contract contains a lease	As under IFRS, and also in more situations.	Only if the contract changes.	IFRS stricter
1.3 Combining contracts	Specific conditions for combining contracts.	Other specific conditions for combining contracts.	Conflicting
1.4 Distinction between finance and operating lease for the lessee	Distinction between finance and operating leases.	No distinction between finance and operating leases.	Conflicting
1.5 Criteria for distinction between finance and operating leases	Quantitative as well as qualitative factors.	Only qualitative factors (only for lessors).	Dutch laws and regulations stricter
1.6 Classification of subleases for the lessor	Classification on the basis of underlying asset.	Classification on basis of right of use.	Conflicting
1.7 Exemption for short-term leases	No exemption.	Option for exemption for leases with a lease term of up to twelve months.	Dutch laws and regulations stricter
1.8 Exemption for leases of low-value assets	No exemption.	Option for exemption for leases of low-value assets.	Dutch laws and regulations stricter
1.9 Separation of lease and non-lease elements	On basis of relative fair values.	On basis of relative stand-alone selling prices.	Conflicting
1.10 Exemption for lessee from separation between lease and non-lease elements	Exemption for lessees if reliable separation is impracticable.	Generic exemption for lessees from separation of lease and non-lease elements (only for lessee if practical expedient is elected).	Dutch laws and regulations stricter
1.11 Separation of lease elements	Rules on land and buildings.	Broader rules for identifying lease elements.	IFRS stricter
1.12 Remeasure lease obligation on change of indices	No specific requirements.	Change in lease liabilities if payments change.	IFRS stricter
1.13 Contract modifications (lessee and lessor)	No rules on modifications in lease contracts.	Detailed rules on modifications in lease contracts.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.14 Contract modifications by lessor due to coronavirus crisis	Exception for accounting for lower receipts in period concerned.	No exception – accounting on straight-line basis over the lease term.	IFRS stricter
1.15 Specific rules for SPEs	Economic risks borne in another capacity are also taken into account.	No explicit requirement.	Dutch laws and regulations stricter
1.16 Definition of initial direct costs	The marginal costs that are directly attributable to negotiating and arranging the contract.	Incremental costs for obtaining a lease that would not have occurred if the lease had not been obtained.	IFRS stricter
1.17 Accounting for initial direct costs of a lease at the lessee	In carrying amount of the asset for finance lease. No rules concerning initial direct costs for an operating lease.	Recognition in carrying amount of right to use the asset.	IFRS stricter
1.18 Accounting for initial direct costs of a finance lease at the lessor	Capitalisation and amortisation or recognise in profit or loss directly.	Recognise in carrying amount of lease receivable.	IFRS stricter
1.19 Accounting for initial direct costs of an operating lease at the lessor	Allocation over the lease period versus lease income or directly charged to profit or loss.	Recognition in the carrying amount of the asset under operating lease and allocate over the lease period on the same basis as lease income.	IFRS stricter
1.20 Does the sale-and-leaseback satisfy conditions for revenue recognition	No relationship with DAS 270 on revenue recognition.	Analysis of whether a performance obligation under IFRS 15 is satisfied.	Conflicting
1.21 Recognition of income from sale-and-leaseback	If fair value exceeds the carrying amount, a gain is realised for the difference, in principle.	Income is proportionally recognised for the portion that is not leased back.	Conflicting
2 Presentation			
2.1 Separate presentation of assets	Assets leased under a finance lease are presented as assets that are owned.	Rights of use are either presented separately or in the same category as assets that are owned.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Disclosures by the lessee	Detailed disclosure.	The information required to be disclosed in the notes is more extensive than required under DAS.	IFRS requires more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.2 Disclosures by the lessor	Detailed disclosure.	The information required to be disclosed in the notes is more extensive than required under DAS.	IFRS requires more disclosure

General

IFRS 16 'Leases' was developed to address the principal points of criticism of the model in the former standards, which to a large extent correspond to DAS 292 'Leasing', which are that:

- Economically equivalent lease contracts are accounted for in different ways; and
- Assets and liabilities under operating leases are not recognised in the statement of financial position of lessees.

A conceptually significant difference is that the reporting under DAS 292 depends on which party bears the economic risks and rewards of the asset itself whereas IFRS 16 emphasises control over the use of the asset.

1 Recognition and measurement

1.1 Full application of IFRS 16 under DAS

DAS allows the provisions of IFRS 16 to be applied instead of DAS 292 when preparing the financial statements, provided they are applied in full and consistently. This choice is required to be disclosed in the notes (DAS 292.101). No alternative accounting method is allowed under IFRS 16.

1.2 Reassessment of whether a contract contains a lease

Under IFRS 16, re-evaluation of a contract to determine whether it contains a lease is performed only if the terms and conditions of the contract are changed (IFRS 16.11). DAS defines more situations in which contracts are reassessed (DAS 292.111)

1.3 Combining contracts

DAS 190.4 contains rules for compound transactions. Transactions are compound transactions if the transactions all derive from a single mutual agreement of intent, which can manifest itself in one or more contracts between parties. The separate assets and/or liabilities that are involved in compound transactions are required to be measured at their fair value.

IFRS 16 stipulates that two or more contracts with the same counterparty that are concluded at or near the same time are accounted for as a single contract if one of the following criteria applies:

- The contracts are negotiated as a package with an overall commercial objective that cannot be understood without considering the contracts together
 - The amount of consideration to be paid in one contract depends on the price or performance of the other contract
- Or
- The rights to use underlying assets conveyed in the contracts form a single lease component

1.4 Distinction between finance and operating lease for the lessee

The accounting for leases in the financial statements of the lessee under DAS is preceded by the question whether the lease concerned is a finance lease or an operating lease. In general, the method of accounting (or disclosure) in the financial statements will depend on the answer to that question. DAS 292.120 states that economic reality rather than legal form is decisive for the distinction between finance and operating leases. A finance lease is a lease under which substantially all the risks and rewards incidental to ownership of an asset are borne by the lessee; legal ownership may, but does not need to, be eventually transferred by the lessor to the lessee (DAS 292.0). A finance lease is in effect a form of financing. An operating lease is a lease that does not qualify as a finance lease (DAS 292.0).

By contrast to DAS, IFRS 16 does not apply any lease classification for the lessee.

1.5 Criteria for distinction between finance and operating leases

The criteria used in DAS and under IFRS (for lessors) for classifying a lease as either finance or operating are essentially the same. The lease classification depends on the economic reality (substance) of the transaction and not the legal form. The classification of the lease should be determined based on the entire contract (DAS 292.120, IFRS 16.63).

A difference is, however, that in addition to the qualitative factors which IFRS 16.63 refers to, DAS 292.120 also sets out quantitative criteria. Quantitative factors are for example the 75% rule (the lease period covers at least 75% of the useful life) and the 90% rule (the present value of the minimum lease payments is equal to or more than 90% of the (fair) value of the leased asset). The quantitative criteria are explicitly intended as additional examples for illustrating the application of the main rule. IFRS 16.63 refers only to qualitative criteria, such as the major part of the economic life of the asset, and substantially all of the fair value of the leased asset. In practice, in situations in which IFRS is applied, the 75% and 90% rules are also often used to provide an indication of whether a lease is an operating lease or finance lease.

1.6 Classification of subleases for the lessor

Subleases are leases in which an entity leases an asset (as lessee) and subleases it (as lessor). Classification under IFRS 16 takes place on the basis of the right of use of the asset. The customary classification under DAS is based on the underlying asset.

1.7 Exemption for short-term leases

It is possible under IFRS 16 not to recognise a lease obligation (and therefore no right of use) for leases with a lease term of twelve months or less. This choice is made per class of underlying assets. There is no exemption for short-term leases under DAS 292. Often, these leases will qualify as operating lease due to their short terms. Therefore, accounting for them will in practice often be the same for short-term leases.

1.8 Exemption for leases of low-value assets

'Low-value assets' is a term that is not defined by the IASB. It is clear from the application guidance and basis for conclusions that this is intended to refer to assets with a cost of USD 5,000 or less when new. In many cases, these are laptops, telephones, printers, computers et cetera. Many assets are thereby excluded that are in any case not expected by the IASB to be material for the financial statements as a whole. Under IFRS 16, an entity is explicitly not required to carry out a materiality assessment for these leases. It is possible under IFRS 16 not to recognise a lease obligation (and therefore no right of use) for leases of low value. This choice can be made per lease. There is no exemption for leases of low-value assets under DAS 292. Often, these leases will qualify as operating lease. Therefore, accounting for them will in practice often be the same for leases of low-value assets.

1.9 Separation of lease and non-lease elements

IFRS 16 requires each lease component to be accounted for separately. To that end, allocation to lease components and non-lease components is applied by the lessee on the basis of relative stand-alone selling prices. Allocation between several separate lease components is applied in the same way (IFRS 16.12 and 13). Lessors apply IFRS 15 to the allocation of lease components and non-lease components.

DAS 292.114 stipulates that the payments and other considerations under the contract need to be subclassified into payments that relate to the lease and payments that relate to the other elements of the contract on the basis of relative fair values. In practice, this will often lead to similar outcomes.

1.10 Exemption for lessee from separation between lease and non-lease elements

As a practical expedient, lessees are permitted to make an accounting policy choice, per category of underlying assets, to combine lease components and non-lease components as lease components (IFRS 16.15). Under DAS 292.116 this is only possible if it is impracticable to reliably separate the payments.

1.11 Separation of lease elements

If a lease contains both land and buildings, DAS requires separate classification of these components, in accordance with the general requirements for classification.

Under IFRS 16, lease components are separate lease components if both of the following criteria are met:

- The lessee can benefit from use of an underlying asset either on its own or together with other resources that are readily available to the lessee. Readily available resources are goods or services that are sold or leased separately or resources that the lessee has already obtained.
- The underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

The rules under IFRS therefore apply on a broader basis and are hence stricter.

1.12 Remeasure lease obligation on change of indices

Under IFRS 16, the lease liability is required to be adjusted in the case of reassessments or lease modifications. Reassessments take place in the following situations:

- There is a change in the lease term, for instance if termination or extension options are exercised or estimated differently than before.
- There is a change in the estimate that a purchase option will be exercised.
- There is a change in the expected amount payable under a residual value guarantee.
- There is a change in the amount of lease payments that depend on an index or rate.

In the first two cases, the discount rate is also changed on remeasurement date, because the lease term changes.

DAS 292 contains no rules when the lease liability changes (if there is a change in a finance lease). In practice, it is not customary to change the lease liability if there are changes in contingent lease payments (fourth item above) but it would also be justifiable, in our opinion. The other factors occur only infrequently in the case of finance leases.

1.13 Contract modifications (lessee and lessor)

IFRS 16 contains specific rules on whether a contract modification needs to be regarded as a separate new lease or as a modification of an existing lease. In the case of a modification of an existing lease, IFRS 16 contains detailed rules on accounting for the change. DAS 292 contains no comparable rules.

1.14 Contract modifications by lessor due to coronavirus crisis

Owing to the unfavourable economic developments as a result of the coronavirus crisis, lessors may sometimes provide a concession to lessees by temporarily reducing the amount of rent or granting a deferment of payment. If lease payments for leases that have already commenced are reduced during a specific period due to the impact of COVID-19, this effect is permitted to be allocated to the period to which the reduction or exemption relates and does not have to be allocated on a straight-line basis. This option does not apply if only a deferment of payment is granted (DAS 292.313a). IFRS 16 has not been amended for lessors as a result of the coronavirus crisis, and therefore under IFRS 16 lease modifications are required to be allocated to the remaining term of the lease on a straight-line basis.

1.15 Specific rules for SPEs

DAS 292.130 states that the economic risk borne by the lessee, or a group company of the lessee, acting in a capacity other than as lessee should be taken into account when assessing whether a finance lease exists in terms of the contract provisions. This provision explicitly concerns a Special Purpose Entity (SPE) or Special Purpose Company (SPC) carrying out lease activities; a lease contract is concluded with an entity that has been specifically incorporated for this purpose (SPE) to act as the lessor.

Apart from its role as a lessee, the lessee, or a group company of the lessee, can also act in another capacity, such as shareholder, partner or limited partner, financier or guarantor, and – on the basis of that other capacity – also bear some of the economic risks relating to the leased asset, for example for the full or partial loss of the capital contributed by the lessee to the SPE, as a result of the impairment of the leased asset, or for the damage suffered due to the fact that the lessor invokes a guarantee issued by a group company of the lessee.

There is no particular focus in IFRS 16 on a situation in which an SPE-lessor is engaged. In principle, IFRS focuses only on the question whether the SPE is to be consolidated. Account does however have to be taken of the basic principle of which party bears the principal risks and rewards incidental to economic ownership.

1.16 Definition of initial direct costs

Initial direct costs are defined under IFRS 16 as the incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease (IFRS 16, Appendix A). This definition is consistent with IFRS 15.

Under DAS 292, initial direct costs are defined as the incremental costs that are directly attributable to negotiating and arranging a lease (DAS 292.0).

1.17 Accounting for initial direct costs of a lease at the lessee

Under IFRS 16, initial direct costs of the lessee are recognised in the initial carrying amount of the right of use. Subsequently, this carrying amount is allocated, in principle, to the useful life through depreciation.

DAS 292 contains no explicit requirements on lessees' accounting for initial direct costs for an operating lease. Based on the general principle of charging lease payments to profit or loss over the lease term, in our opinion this can also be applied to initial direct costs. In the case of a finance lease, the costs are included in the initial carrying amount of the asset.

1.18 Accounting for initial direct costs of a finance lease at the lessor

Initial direct costs of the lessor when entering into a lease are required to be included in the carrying amount of the lease receivable and written off (IFRS 16.69), except in the case of a manufacturer/dealer. Dutch laws and regulations offer a choice between capitalisation or expensing (DAS 292.303). IFRS is therefore stricter.

1.19 Accounting for initial direct costs of an operating lease at the lessor

Under DAS, initial direct costs under an operating lease are either attributed by the lessor to the lease term in proportion to the lease income, or charged directly to profit or loss (DAS 292.315). IFRS 16.83 does not provide this choice. Initial direct costs for the lessor are recognised in the carrying amount of the asset under an operating lease and allocated over the lease term on the same basis as the lease income.

1.20 Does the sale-and-leaseback satisfy conditions for revenue recognition

IFRS 16 has rules for sale-and-leaseback. A transaction is only accounted for under these rules if it complies with the requirements in IFRS 15 on satisfying a performance obligation. If that is not the case, the transaction is accounted for as a financing arrangement.

For example, the transaction will not satisfy the criteria for revenue recognition if the seller-lessee has a buy-back right that has substance, as no control has been transferred in that case. The leaseback in itself is not enough to conclude that the criteria for revenue recognition are not met.

It is important in this regard to differentiate between 'control' over the asset (relevant for IFRS 15) and 'control' over the right of use for the asset (relevant for IFRS 16).

Under DAS 292, it is not relevant to determine whether the requirements for revenue recognition under DAS 270 are met. Under DAS 292, it is important whether the leaseback is classified as an operating or finance lease.

1.21 Recognition of income from sale-and-leaseback

If the fair value of the asset sold exceeds the carrying amount and there is an operating leaseback, the difference is in principle accounted for as income under DAS. Under IFRS 16, the income is recognised proportionately. The income is recognised only insofar as the asset is not leased back. To that end, the present value of the lease liability (after excluding any prepayments or additional financing) can be compared with the fair value of the asset. As a result, the income recognised directly under IFRS 16 is lower in most cases than under DAS 292.

2 Presentation

2.1 Separate presentation of assets

The right of use asset under IFRS 16 can be presented separately from other assets in the statement of financial position. Alternatively, it is possible to combine rights of use assets with assets that are owned (for example, leased properties with properties that are owned), with separate presentation in the notes (IFRS 16.47).

Under DAS, assets under a finance lease are presented combined with assets that are owned. In the notes, the lessee is required to state, if applicable, that it has economic ownership of but not legal title to the leased item (Section 2:366 (2) of the Dutch Civil Code), together with the carrying amount of these assets (DAS 292.208).

3 Disclosure

3.1 Disclosures by the lessee

IFRS 16 contains more extensive disclosure requirements than DAS 292, which are largely attributable to a different method of accounting under IFRS 16.

DAS 292 requires disclosure pursuant to Section 2:366 (2) of the Dutch Civil Code that the lessee holds no legal title to the leased item.

3.2 Disclosures by the lessor

The lessor disclosure requirements in IFRS 16 are more extensive than those in DAS 292.

Accounting standards

Relevant accounting standards:

- DAS 292 Leasing
- IFRS 16 Leases

25 Changes in accounting policies, changes in accounting estimates and correction of errors

25 Changes in accounting policies, changes in accounting estimates and correction of errors

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Change from cost to fair value of tangible or intangible assets	Retrospective recognition and disclosure as change in accounting policy.	Rules regarding recognition and disclosure regarding change in accounting policy irrelevant. Prospective recognition.	Conflicting
1.2 Accounting for change in accounting policy, if cumulative effect cannot be reasonably determined	Application of the prospective method under which the carrying amount at the start of the financial year concerned, based on the previous accounting policy, is taken as a basis for applying the new accounting policy.	The carrying amounts at the start of the earliest possible financial year are required to be taken as a basis.	IFRS stricter
1.3 Errors leading to a serious failure to provide a true and fair view	Legal requirement: Management notification addressed to the Commercial Register. Listed companies: filing with Netherlands Authority for the Financial Markets (AFM).	IFRS has no such requirement.	Dutch laws and regulations stricter
2 Presentation			
2.1 Change in accounting policies and correction of errors	Comparative figures to be restated and differences to be disclosed No requirement for 'extra' opening statement of financial position.	Presentation of an 'extra' opening statement of financial position (third statement of financial position), unless no material impact.	IFRS stricter
3 Disclosure			
3.1 Change in accounting policies	Less explicit disclosure requirements.	More explicit disclosure requirements.	IFRS requires more disclosure
3.2 Change in accounting policies – effect on subsequent financial years	Quantified indication of the effect.	No specific rules.	Dutch laws and regulations require more disclosure
3.3 Disclosure of nature of future change in accounting policies	No specific rules.	Specific disclosure requirements.	IFRS requires more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.4 Correction of errors	Specific disclosure requirements.	Specific disclosure requirements.	Disclosure requirements differ slightly

General

A change in accounting policies may be the result of the introduction of or amendment to a specific standard. In that case, a new or revised standard may contain specific rules concerning the transition to the new accounting standards (for example, retrospectively or prospectively). These transitional provisions may result in differences between Dutch laws and regulations and IFRS. The impact of transitional provisions that may apply is not covered in this chapter.

1 Recognition and measurement

1.1 Change from cost to fair value of tangible or intangible assets

A change in accounting policy from the cost price model to the fair value model regarding the measurement of tangible and intangible non-current assets is not processed according to IAS 8, but as a remeasurement in line with IAS 38 and IAS 16 respectively (IAS 8.17). This entails prospective recognition, that is, not adjusting the comparative figures. In addition, the IAS 8 requirements are not applicable (IAS 8.18).

DAS does not have such a specific requirement; therefore the change to the fair value model must be recognised (retrospective application) and disclosed as a change in accounting policy (DAS 140.208).

1.2 Accounting for change in accounting policy, if cumulative effect cannot be reasonably determined

A difference may occur if the cumulative effect cannot be reasonably determined. Under DAS, the prospective method is then applied using the carrying amounts at the start of the financial year concerned, based on the previous accounting policy, as the basis when applying the new accounting policy (DAS 140.209). Under IFRS, the carrying amounts at the start of the earliest possible financial year are required to be used as a basis (IAS 8.24).

1.3 Errors leading to a serious failure to provide a true and fair view

Dutch law refers to such an error in financial statements established after their adoption by members or shareholders, as the financial statements being seriously lacking with regard to providing the legally required true and fair view (formerly referred to as a fundamental error). In the event of such an error, Section 262 (6) of Book 2 of the Dutch Civil Code applies. This section requires that management inform members or shareholders regarding the serious failure to provide a true and fair view, and also notify the Commercial Register. This notification must include an audit opinion if the financial statements were audited. Listed companies are required to send a notification to the Netherlands Authority for the Financial Markets (Section 5:25m (5) of the Financial Supervision Act).

25 Changes in accounting policies, changes in accounting estimates and correction of errors

Listed companies are thereby deemed to have complied with the requirement to file the notification with the Commercial Register (Section 2:362 (6) of the Dutch Civil Code).

IFRS does not contain a similar requirement. However, each entity that is subject to Title 9 Book 2 of the Dutch Civil Code that applies IFRS voluntarily is subject to this requirement.

2 Presentation

2.1 Change in accounting policies and correction of errors

In the event of retrospective restatement or reclassification, IFRS requires three statements of financial position to be drawn up: at the end of the current period; at the end of the previous period; and at the beginning of the earliest comparative period (IAS 1.40A). However, if the retrospective restatement or reclassification has no material impact on the information in the statement of financial position at the beginning of the earliest comparative period, it is not mandatory to prepare this additional statement of financial position. No requirement for providing an 'extra' opening statement of financial position (third statement of financial position) applies under DAS.

3 Disclosure

3.1 Change in accounting policies

DAS 140.213-214 prescribe the following disclosures:

- An explanation of the differences between the old and the new policies
- The reasons for changing the policies
- The way in which the effects of the policy change have been accounted for
- The effect of the policy change on equity and result
- The effect of the policy change on individual items
- An indicative analysis of any significant quantitative effect on subsequent years (see Section 3.2 below)
- If a reliable calculation or estimate of the impact on equity and results, or an indicative analysis of the effect on subsequent years cannot be made, this should be disclosed in the notes

With respect to disclosure requirements, IFRS distinguishes between changes in accounting policies resulting from the application of a new Standard or Interpretation and voluntary changes in accounting policies (IAS 8.19). DAS do not apply this distinction for the disclosure of changes in accounting policies.

In the case of a change in accounting policies resulting from the application of a new Standard or Interpretation which has a material effect on the current, prior or subsequent periods, IAS 8.28 requires that the following information be disclosed:

- The title of the Standard or Interpretation
- If applicable, that the change in accounting policies is made in accordance with the transitional provisions of the Standard or Interpretation concerned
- The nature of the change in accounting policies
- If applicable, a description of the transitional provisions
- If applicable, the transitional provisions that might have an impact on future periods
- For the current period and each prior period, the amount of the adjustment
- The amount of the adjustment relating to periods before those included in the comparative figures

- If retrospective application is wholly or partly impracticable for prior periods, the circumstances that led to this and a description of how and from when the change in accounting policies has been applied

If a voluntary change in accounting policies has an effect on the current, prior or subsequent periods, IAS 8.29 requires that the following information be disclosed:

- The nature of the change in accounting policies
- The reasons why applying the new accounting policy provides reliable and more relevant information
- For the current period and each prior period, the amount of the adjustment
- The amount of the adjustment relating to periods before those included in the comparative figures
- If retrospective application is wholly or partly impracticable for prior periods, the circumstances that led to this and a description of how and from when the change in accounting policies has been applied

As is clear from the above, the disclosure requirements are described more explicitly in IFRS. However, under DAS the disclosure needed to meet the legal requirement to provide a true and fair view (as referred to in Section 362 (1) of Book 2 of the Dutch Civil Code) will not differ from IFRS, with the exception of the differences that are described in Sections 3.2 and 3.3.

3.2 Change in accounting policies – effect on subsequent financial years

DAS stipulates that if a change in accounting policies is expected to have a significant effect on one or more subsequent financial years, a quantitative indicative analysis of such effect should be disclosed. If this information cannot be given, this should be stated in the notes (DAS 140.216). IFRS does not contain regulation regarding this matter.

3.3 Disclosure of nature of future change in accounting policies

If an entity has not yet applied a new Standard or Interpretation that has been issued but is not yet effective, the entity should disclose this fact and disclose the following information (IAS 8.30/31):

- The title of the Standard or Interpretation
- The nature of the impending change or changes in accounting policies
- The date on which application of the Standard or Interpretation becomes compulsory
- The date on which it plans to apply the Standard or Interpretation initially
- A discussion of the impact of the change in accounting policies, or, if that impact is not known or cannot be reasonably estimated, a statement to that effect

DAS does not include such requirements.

3.4 Correction of errors

Under DAS, the following information is included in the disclosure regarding correcting a material error (IAS 8.49, DAS 150.204–205):

- The fact that there is correction of a material error
- The effect of error correction
- The nature of the error
- The size of the error, if applicable
- The differences between the adjusted comparative figures and the original comparative figures (Section 363 (5) of Book 2 of the Dutch Civil Code)

25 Changes in accounting policies, changes in accounting estimates and correction of errors

- If it is impractical to adjust the comparative figures, the reason why they are not adjusted and the nature of the adjustment if it were to take place (DAS 150.205)
- The fact that adjustment of previous years in multi-year summaries is impossible, should this be the case (DAS 150.206)
- Adjusted regular and diluted profit per share for comparative financial years, where applicable (DAS 340.301)

IFRS requires similar information in the notes to that in DAS. IFRS requires disclosure of the following (IAS 8.49):

- The nature of the error
- For every comparative financial year for as far as practical
- The size of the correction of every item influenced by this
- The adjusted regular and diluted profit per share for as far as applicable
- The size of the correction of the initial equity of the earliest period presented
- If the adjustment of a comparative period is impossible, the circumstances that led to this and a description of how and from when the error has been corrected

Although the disclosure requirements are more explicitly described in IFRS, the disclosure required under DAS to comply with the 'required true and fair view' (referred to in Section 2:362 (1) of the Dutch Civil Code) will not differ significantly from IFRS. No requirement for providing a third statement of financial position applies under DAS (see Section 2.1).

It is clear from the above that, if restatement of the comparative figures is impracticable, DAS additionally require, by comparison with IFRS, disclosure of the nature of the restatement of the comparative figures if it had taken place.

Accounting standards

Relevant accounting standards:

- DAS 140 Changes in Accounting Policies
- DAS 145 Changes in Accounting Estimates
- DAS 150 Correction of Errors
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

26 Segment information

	Dutch laws and regulations	IFRS	Conclusion
1 Scope			
	Disclosure of segment information concerning net turnover and employees is mandatory for large and medium-sized entities, respectively. DAS 350.3 on supplementary segment information is recommended for large and medium-sized entities.	Mandatory for listed companies and companies engaged in obtaining a listing; no segmentation requirements in IFRS for unlisted entities and no segment information concerning employees required although a Dutch legal entity applying IFRS is required to include separate segment information on employees pursuant to Dutch laws.	IFRS stricter
2 Presentation (recommended under DAS; mandatory under IFRS)			
2.1 Definition of operating segment	Definition of operating segment is based on internal reporting to management.	Definition of operating segment is based on internal reporting to chief operating decision maker.	IFRS stricter
2.2 Quantitative criteria	Net turnover is the criterion.	Revenue is the criterion.	Dutch laws and regulations stricter
2.3 Number of reportable segments	No guidance.	Practical limit of ten reportable segments	IFRS stricter
2.4 Changes to reportable segments due to quantitative criteria	No specific requirements.	Specific requirements for the presentation of segments that meet the quantitative criteria for the first time, or no longer meet the quantitative criteria.	IFRS stricter
3 Disclosure (recommended under DAS; mandatory under IFRS)			
3.1 Profit or loss per reportable segment	Profit or loss to be disclosed for each segment, depending on internal reporting.	Profit or loss to be disclosed for each segment at any time.	IFRS requires more disclosure
3.2 Other items per segment	Brief list of items that segment information may comprise.	Detailed list of other items to be disclosed for each segment.	IFRS requires more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.3 Reconciliation of segment information	Reconciliation of net turnover, profit or loss, assets and liabilities with financial statements totals.	Reconciliation of segment information on specifically designated items and other material items with the financial statements.	IFRS requires more disclosure
3.4 Disclosure of accounting policies	Less detailed.	More detailed.	IFRS requires more disclosure
3.5 Entity-wide disclosures	Under the law, large legal entities are required to present segmented information for each industry segment and geographical region. No supplementary rules set by the DASB.	Detailed disclosure of products, services, customers and geographical information.	IFRS requires more disclosure
3.6 Changes to structure of organisation	If the comparative figures cannot be restated, only disclosure thereof.	If the comparative figures cannot be restated, segment information to be disclosed on the basis of old as well as new segmentation.	IFRS requires more disclosure
3.7 Information on aggregation of segments	Less detailed.	More detailed as to the application of the aggregation criteria.	IFRS requires more disclosure
3.8 Disaggregation of revenue	No specific rules.	Disaggregation of revenue (IFRS 15) and how this relates to the segment information on revenue.	IFRS requires more disclosure

1 Scope

Dutch law requires large and medium-sized entities to which Part 9 of Book 2 of the Dutch Civil Code applies to disclose segment information concerning employees. In addition, disclosure of segment information concerning net turnover is mandatory for large entities.

Under Section 380 of Book 2 of the Dutch Civil Code, large and medium-sized entities must break down segment information on net turnover by sector (paragraph 1) and geographical area (paragraph 2). DAS 350.2 contains additional provisions concerning such information on net turnover.

Under Section 382 of Book 2 of the Dutch Civil Code, all entities, irrespective of size, must disclose segment information concerning employees, both in the consolidated and separate financial statements. Specifically, they must disclose the average number of employees during the financial year, broken down according to the structure of the entity, with common practice being a breakdown by sector and/or geographical area. The number of employees stationed outside the Netherlands should also be disclosed. Small entities applying DAS (and not IFRS) will only have to disclose the average number of employees during the financial year and are exempt from the requirement to provide segmented information about this (Section 396 (5) of Book 2 of the Dutch Civil Code).

However, if a small legal entity voluntarily prepares consolidated financial statements, Section 2:410 (5) of the Dutch Civil Code will apply and the small legal entity will be required to disclose segment information at the consolidated level on the number of employees. Micro-entities are entirely exempt from providing personnel data (Section 395a (6) of Book 2 of the Dutch Civil Code). Under IFRS, there are no personnel disclosure requirements, although a Dutch entity applying IFRS should provide segmented information on personnel data at the separate level pursuant to Dutch law (Section 362 (9) of Book 2 of the Dutch Civil Code).

DAS 350.3 makes recommendations for large and medium-sized entities that voluntarily provide supplementary segment information in addition to the above information required by law (DAS 350.103). IFRS 8 is mandatory only for listed companies and companies in the process of obtaining a listing, regardless of the type of financial instruments (shares, bonds, et cetera (IFRS 8.2)). Moreover, the recommendations for large and medium-sized entities under DAS 350.3 are largely based on IFRS 8. As a result, IFRS 8 and DAS 350.3 are partly the same, with the differences pertaining to terminology in particular. However, IFRS requires more detailed segment information.

The differences between DAS 350.3 and IFRS 8 are listed in Sections 2 and 3 below.

2 Presentation (recommended under DAS; mandatory under IFRS)

2.1 Definition of operating segment

The definition of an operating segment under DAS 350.3 differs gradually from that under IFRS 8, with internal reporting to the management being the decisive factor under DAS 350.304, and information to the chief operating decision maker leading in identifying an operating segment under IFRS 8 (IFRS 8.5). Although DAS 350.3 does not explain the term management in further detail, the introduction to the 2009 edition of DAS and DAS 350.301 indicate that the term management does not refer to the board of directors under the Articles of Association, but management in a wider sense, being the body managing the operations and being provided with management information thereon. In our view, this difference in terminology will not usually lead to differences between DAS 350.3 and IFRS 8 in practice.

2.2 Quantitative criteria

An operating segment or aggregate segment is disclosed separately if it meets the quantitative criteria (DAS 350.301, IFRS 8.11). The three quantitative criteria for determining the reportable segments under DAS 350.3 match those under IFRS 8, except one. Under DAS 350.3, net turnover is the criterion, as opposed to revenue under IFRS. Revenue has a wider scope than net turnover.

2.3 Number of reportable segments

IFRS 8 sets a practical limit to the number of reportable segments that an entity separately discloses, with ten serving as a guideline (IFRS 8.19). DAS 350.3 does not contain any such guideline.

2.4 Changes to reportable segments due to quantitative criteria

IFRS 8 provides rules for accounting for changes to reportable segments compared with the previous year that meet the quantitative criteria for the first time or no longer meet the quantitative criteria, respectively:

- If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability (IFRS 8.17).
- If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the necessary information is not available and the cost to develop it would be excessive (IFRS 8.18).

DAS 350.3 does not provide these rules.

3 Disclosure (recommended under DAS; mandatory under IFRS)

3.1 Profit or loss per reportable segment

Under both IFRS 8 and DAS 350.3, the information to be disclosed for each reportable segment depends on the management reporting. However, unlike IFRS 8.23, disclosure of the segment profit or loss under DAS 350.3 is relevant only if such information is included in the management information made available (DAS 350.314).

3.2 Other items per segment

DAS 350.3 provides a list of possible information to be disclosed for each reportable segment (DAS 350.314). The list is less detailed than under IFRS 8.23-24. For example, IFRS requires disclosure of interest income and expense and income tax. In addition, IFRS requires segment information on the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method. IFRS goes one step further by requiring segment information on material items from the statement of profit or loss and non-cash items, whereas DAS 350.3 only refers to exceptional items. However, disclosure of such segment information under DAS 350.3 as well as under IFRS depends on whether and to what extent it is included in management reporting.

3.3 Reconciliation of segment information

Under IFRS 8.28, the total of the segments' revenue and profit or loss has to be reconciled with revenue and profit or loss presented in the statement of profit or loss. In addition, the total of the segments' assets and liabilities, on condition that they are regularly provided to the chief operating decision maker, has to be reconciled with the total amounts for the entity. Such reconciliation is also to be effected for every other material segment item disclosed. DAS 350.3 only requires reconciliation for net turnover, profit or loss, assets and the total of provisions and current and non-current liabilities (DAS 350.316), but not for other significant items. Moreover, unlike DAS 350.3, IFRS 8 requires all sources of revenues included in the all other segments category to be disclosed in the notes.

3.4 Disclosure of accounting policies

Since the accounting policies regarding segment information may differ from those used for the financial statements, they should be disclosed. Elements required to be disclosed under DAS 350.3 are largely the same as under IFRS, although disclosure requirements under IFRS are more detailed. IFRS 8 requires more disclosure on the effect of any changes in the accounting policies on the results compared with the previous year and on the nature and effect of any asymmetrical allocations to reportable segments (IFRS 8.27).

3.5 Entity-wide disclosures

IFRS 8.31-34 requires an entity, including an entity with a single reportable segment, to disclose information for the entity as a whole about its products and services, geographical areas and major customers. Under Section 380 of Book 2 of the Dutch Civil Code, large entities must break down segment information on net turnover by sector (paragraph 1) and geographical area (paragraph 2).

DAS 350.3 includes no further entity-wide disclosure requirements.

3.6 Changes to structure of organisation

If an entity changes the structure of its organisation, resulting in changes to the composition of the reportable segments, DAS 350.3 requires disclosure of the impact of the changes on the segment information and of whether and how the comparative figures have been restated accordingly (DAS 350.317). The comparative figures are subsequently restated under both DAS 350.3 and IFRS to reflect the new organisational structure, unless the necessary information is not available and the cost to develop it would be excessive (DAS 350.317, IFRS 8.29-30). Should the latter situation occur, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation (IFRS 8.29-30). DAS 350.3 does not include any such additional disclosure requirement.

3.7 Information on aggregation of segments

IFRS 8 requires the following disclosures on the assessment performed by management in aggregating segments (IFRS 8.22 (aa)):

- A brief description of the aggregated operating segments.
- A description of the economic indicators assessed by management in determining whether economic characteristics are equal. For example, profit margin differences and turnover growth expectations.

This disclosure requirement has not been included in DAS. DAS do however require, like IFRS, disclosure of the factors used to determine the reportable segments, such as whether operational segments have been aggregated (DAS 350.313, IFRS 8.22 a)).

3.8 Disaggregation of revenue

In addition to segment information, IFRS 15 requires disclosure of disaggregated information on revenue. This information is disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors (IFRS 15.114). Details on selecting those categories are provided in IFRS 15.B87-89. In addition IFRS 15 requires disclosure of information clarifying the relationship between this disaggregated information on revenue and revenue per segment (IFRS 15.115).

This disclosure requirement is not included in DAS.

Accounting standards

Relevant accounting standards:

- DAS 350 Segment Information
- IFRS 8 Operating Segments
- IFRS 15 Revenue from Contracts with Customers

27 Commitments and assets not included in the statement of financial position

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Assets not included in the statement of financial position	Assets not recognised: existing assets whose cost or value cannot be reliably measured or for which it is not probable that economic benefits will flow to the legal entity in future.	No specific rules for assets not recognised	Dutch laws and regulations stricter
2 Presentation			
	–	–	–
3 Disclosure			
3.1 Disclosure under Dutch law	Disclosure of liability required under Section 403 of Book 2 of the Dutch Civil Code, guarantees to executive or supervisory directors, and security, if any, for commitments not shown in the statement of financial position.	No specific rules.	Dutch laws and regulations require more disclosure
3.2 Sequential liability of contractors and parties hiring personnel	The liability should be disclosed.	No specific rules.	Dutch laws and regulations require more disclosure
3.3 Consequences of being a partner in a general partnership or a general partner in a limited partnership	The liability should be disclosed.	No specific rules.	Dutch laws and regulations require more disclosure
3.4 Long-term commitments	Information should be included on major long-term financial commitments of the entity including total amounts falling due after one and five years.	No specific rules.	Dutch laws and regulations require more disclosure

27 Commitments and assets not included in the statement of financial position

	Dutch laws and regulations	IFRS	Conclusion
3.5 Commitments relating to inventories	Disclosure should be made of total commitments under purchase and sale contracts if the purchase or delivery obligations are abnormally large compared with normal business volumes.	No specific rules.	Dutch laws and regulations require more disclosure
3.6 Forming part of a fiscal unit and commitments to group companies	Disclosure should be made of the fact that the enterprise forms part of a fiscal unit for corporate income tax and/or VAT purposes together with other group companies.	No specific rules.	Dutch laws and regulations require more disclosure
3.7 Exemption from disclosure of liabilities if seriously prejudicial	In exceptional cases; disclosure of the general nature of the dispute.	In exceptional cases; disclosure of the general nature of the dispute together with the fact that, and reason why, the information has not been disclosed.	IFRS requires more disclosure

General

Under DAS, long-term financial commitments are classified under commitments not shown in the statement of financial position. These are not distinguished as a separate category under IAS 37, but further detailed in the standards concerned, such as IFRS 16 Leases.

1 Recognition and measurement

1.1 Assets not included in the statement of financial position

The scope of assets not included in the statement of financial position is wider under DAS than under IFRS. Under DAS, these assets also include assets not recognised (DAS 252.0): they are existing assets arising on events taking place up to and including the reporting date, which are not accounted for in the statement of financial position since the cost or value of these assets cannot be sufficiently reliably estimated or it is not probable that economic benefits associated with these assets will flow to the legal entity in the future. IAS 37 does not specifically refer to this category.

2 Presentation

There are no differences between Dutch laws and regulations and IFRS.

3 Disclosure

3.1 Disclosure under Dutch law

The following specifically Dutch aspects, which are referred to in the legislation, should be disclosed:

- Joint and several liability undertaking, which is a precondition for the exemption of a group company from the legal requirements relating to the presentation and issue of the financial statements (Section 403 (1) of Book 2 of the Dutch Civil Code).
- Guarantees issued on behalf of the entity's executive directors, in total and individually, on behalf of the entity's supervisory directors, in total, by the entity, its subsidiaries and the companies included in its consolidated financial statements (Section 383 (2) of Book 2 of the Dutch Civil Code).
- Commitments not included in the statement of financial position, the liabilities for which security has been provided and the form of this security. Also, the liabilities in respect of which the entity has undertaken to encumber or not to encumber its property, either conditionally or unconditionally, to the extent required to provide the view referred to in Section 362 (1) of Book 2 of the Dutch Civil Code (Section 375 (3) of Book 2 of the Dutch Civil Code).

Although not specifically mentioned in IAS 37, these aspects fall under the general disclosure requirements relating to contingent liabilities under IAS 37.

3.2 Sequential liability of contractors and parties hiring personnel

Sequential liability is a guarantee commitment of contractors and parties hiring personnel to be disclosed as an obligation not shown in the statement of financial position in the notes (DAS 252.109). Although IAS 37 does not include any specific rules on sequential liability, this comes under the general disclosure requirements relating to contingent liabilities under IAS 37.

3.3 Consequences of being a partner in a general partnership or a general partner in a limited partnership

Every partner in a general partnership or the managing partner in a limited partnership has unlimited liability for all debts of the general or limited partnership. Such unlimited liability should be disclosed in the notes to the extent required to provide the necessary view (DAS 252.206 and DAS 214.617).

Although not specifically mentioned in IAS 37, these aspects fall under the general disclosure requirements relating to contingent liabilities under IAS 37.

3.4 Long-term commitments

Major long-term financial commitments not included in the statement of financial position and entered into by the entity must be disclosed in the notes (Section 381 of Book 2 of the Dutch Civil Code).

Furthermore, separate disclosure is to be made of the total amounts falling due after one year and after five years. If individual commitments are of special significance by virtue of the term and/or amount for which they have been made, additional information (on the nature, amount and term of the commitment) should be disclosed (DAS 252.514). IAS 37 does not include any specific rules on this matter, but similar provisions are included in other relevant standards, for example, concerning leasing under IFRS 16.51. For further details of lease commitments, see Chapter 24 Leasing.

3.5 Commitments relating to inventories

The notes to the financial statements should disclose the total amount of commitments under purchase and sale contracts for inventories, if the purchase or delivery obligations are abnormally large compared with normal business volumes (DAS 252.516). IFRS does not include any specific rules on this point.

3.6 Forming part of a fiscal unit and commitments to group companies

IFRS does not recognise the concept of a fiscal unit. With respect to commitments to group companies, DAS 252.517 requires separate disclosure of the fact that – if this is the case – the entity forms part of a fiscal unit for corporate income tax and/or VAT purposes together with other group companies. For further information, see Chapter 14 Provisions for deferred taxation.

3.7 Exemption from disclosure of liabilities if seriously prejudicial

In extremely rare cases, disclosure of some of the required information may seriously prejudice the position of the entity in a dispute. In such cases, an entity need not disclose the information, but will disclose the general nature of the dispute (DAS 252.520). IFRS requires disclosure of the fact that, and reason why, the information, which generally should be disclosed, has not been disclosed (IAS 37.92).

Accounting standards

Relevant accounting standards:

- DAS 252 Provisions, Commitments and Rights Not Included in the Statement of Financial Position
- IFRS 16 Leases
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

28 Government grants, emission rights, service concessions and levies

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Loan facilities	To be classified as operating grant or investment grant at the time the credit no longer need to be repaid.	To be recognised as grant if there is reasonable assurance that terms for forgiveness will be met.	Dutch laws and regulations stricter
1.2 Development loans	If repayment of a development loan depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs. Repayment of the loan principal and interest must be recognised in cost of sales.	No specific rules for development loans; general rules for loan facilities apply.	Conflicting
1.3 Deducting investment grant from capital investment – residual value	Possible refund to be taken into account.	No specific rules.	Dutch laws and regulations stricter
1.4 Investment scheme as tax facility	The right to this is to be recognised directly or over a number of years in profit or loss in the year from which a value can be allocated to it for the first time.	No specific rules; general rules for tax facilities and grants apply.	Dutch laws and regulations stricter
1.5 Grants in the form of other economic benefits	No specific rules in place, only the general rule of fair value measurement is applied.	Asset and government grant to be carried at fair value or nominal amount.	Dutch laws and regulations stricter
1.6 Repayment of government grants	No specific rules except for repayment of development loan. General rule for accounting if change in accounting estimate applies.	Repayment to be accounted for as a change in accounting estimate.	IFRS stricter; Conflicting for development loan
1.7 Government grants related to biological assets	No specific rules.	Specific rules.	IFRS stricter
1.8 Emission rights	Specific rules.	No specific rules.	Dutch laws and regulations stricter

28 Government grants, emission rights, service concessions and levies

	Dutch laws and regulations	IFRS	Conclusion
1.9 Levies	To be accounted for when all conditions of the government levy have been met; Or To be accounted for in the period to which the government levy relates.	To be accounted for when all conditions of the government levy have been met.	IFRS stricter
2 Presentation			
2.1 Operating grant – presentation in statement of profit or loss	No specific rules.	To be presented separately or under other income or as a deduction from the expense.	IFRS stricter
3 Disclosure			
3.1 Disclosure in the notes of the nature and amount of grants	The amount of the grants needs to be explained in the notes only if this contributes to the legally required true and fair view.	The amount of grants should always be disclosed.	IFRS requires more disclosure
3.2 Disclosure of unfulfilled conditions	No specific rules. Disclosure required for contingent financial liabilities relating to development loan already received.	Required for unfulfilled conditions and other contingencies attaching to government assistance recognised in the financial statements.	IFRS requires more disclosure
3.3 Disclosure of grants for expenses from previous years	General disclosure requirements.	Specific disclosure requirements.	IFRS requires more disclosure

General

This chapter addresses the financial relationships between the government and the enterprise, other than corporate income tax, for which reference is made to the Chapter Income taxes, except for investment schemes in the form of tax facilities (see Section 1.4).

The DASB and/or IASB have issued specific standards for these other financial relationships, because the other standards insufficiently clarify how these financial relationships should be accounted for in the financial statements. These financial relationships are:

- Government grants and other forms of government assistance
- Emission rights obtained and acquired for no consideration (see Section 1.8)
- Services under concession agreements, which are not specifically addressed as the DAS and IFRS do not differ on this point
- Levies (see Section 1.9)

IAS 20 and DAS 274 address government assistance. Government grants are a subset of government assistance (IAS 20.3, DAS 274.0). IAS 20 also makes a distinction between grants related to assets (comparable to investment grants under DAS 274), grants related to income (comparable to operating grants under DAS 274) and forgivable loans (comparable to loan facilities under DAS 274). The basic premise for accounting for grants under IAS 20 is therefore in line with that applied under DAS.

1 Recognition and measurement

1.1 Loan facilities

A credit-related forgiveness of a debt if certain conditions are met is not taken into account for the purpose of accounting for the receipt of the credit. The amount of the credit should be carried in the statement of financial position under liabilities. When it transpires that the credit need no longer be repaid, an assessment is made whether the amount to be released qualifies as an operating grant or an investment grant (DAS 274.109).

The accounting treatment under IAS 20 is more or less the same as that prescribed by DAS. However, IAS 20.10 specifically states that a forgivable loan from government must be treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

1.2 Development loans

A development loan is a loan facility granted to finance development costs. If the development is unsuccessful, the loan is forgiven after a certain period of time. If successful, repayment of both the principal and interest is required (DAS 274.0). If repayment of a development loan depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs (DAS 274.111). The repayment of the loan principal and interest should be included in cost of sales (DAS 274.111). If repayment of a development loan does not depend on revenue or profit realised, the general rules for loan facilities (see Section 1.1 above) will apply.

IFRS does not distinguish between loan facilities and development loans. As a result, the general rules for loan facilities under IAS 20.10 (see Section 1.1 above) apply. This means that, under IFRS, the time of recognition of forgivable loans as government grants, including related income, may be different from that under DAS, potentially leading to a different outcome.

1.3 Deducting investment grant from capital investment – residual value

DAS stipulate that, if the investment grant is deducted from the capital investment, any grants to be refunded in the event the property is likely to be disposed upon reaching its residual value should be taken into account when measuring the residual value (DAS 274.116). IFRS does not contain any specific rules on this matter. However, a similar accounting treatment can be established on the basis of the general rule under IAS 20.7, stating that government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. In other words, no major differences exist between Dutch laws and regulations and IFRS in practice.

1.4 Investment scheme as tax facility

Under DAS, if a grant awarded under an investment scheme is treated as a tax facility, the right to this should be recognised immediately – if that is more conducive to providing the required true and fair view, or over a number of years, in profit or loss (under taxes on profit/loss from ordinary activities) in the year in which a value can be allocated to it for the first time (DAS 274.117). Under IFRS, investment tax credits are excluded from the scope of both IAS 12 and IAS 20 (IAS 12.4 and IAS 20.2(b)). As a result, there are no specific rules for the classification as government grant or as tax facility. If obtaining the benefit depends on achieving sufficient taxable profit, IAS 12 will generally be applied, if obtaining the benefit does not depend on this but is only received via tax as a means to proceed to payment, IAS 20 will be applied.

1.5 Grants in the form of other economic benefits

Government assistance includes other economic benefits in addition to financial contributions (DAS 940, IAS 20.3). This form of government grant consists of transfer of non-monetary assets and government assistance.

Under IFRS, in the case of a transfer of a non-monetary asset, such as land or other resources for the use of the entity, the fair value of the non-monetary asset should be measured, and both the asset and government grant should be carried at fair value (IAS 20.23). An alternative treatment is to recognise both the asset and grant at their nominal amounts, which in effect amounts to not recognising and instead only disclosing the government grant (IAS 20.23). Dutch laws and regulations do not address the measurement of this form of government assistance. In our view, such a transaction should in principle be recognised at fair value under DAS.

1.6 Repayment of government grants

IAS 20.32 stipulates that repayment of a government grant should be treated as a change in accounting estimate. DAS 274 does not contain any rules on the repayment of government grants, with the exception of specific rules for the repayment of a contingent development loan (see Section 1.2 above). However, based on the general definition of a change in accounting estimate in accordance with DAS 145, repayment of a government grant is generally treated as a change in accounting estimate and therefore this will not lead to a difference in practice.

1.7 Government grants related to biological assets

IAS 41.34-38 contain specific rules for accounting for government grants related to biological assets that differ from IAS 20. Under IAS 41, government grants related to biological assets are not included in the measurement of the asset (except in the exceptional situation in which the latter is measured at cost), but are recognised as income:

- When, and only when, the government grant becomes receivable in the case of an unconditional grant
- When, and only when, all conditions attaching to the grant have been met, in the case of a conditional grant (IAS 41.34-38)

DAS contain no specific rules for government grants related to biological assets.

1.8 Emission rights

With effect from 1 January 2005, certain companies have been faced with the EU directive on the trade in emission rights relating to greenhouse gases. The directive stipulates that designated companies be granted emission rights by the government at the beginning of every calendar year allowing a specific CO₂ emission level.

The Appendix to DAS 274 considers the recognition of purchased emission rights and emission rights obtained free of charge. Part 9 of Book 2 of the Dutch Civil Code and DAS allow for two variants for the recognition and measurement of emission rights and the resulting liabilities.

The first option is recognition and measurement on a gross basis, with the emission rights granted free of charge being initially carried at fair value and the government grant presented under liabilities, with a provision formed for the actual emission. The second option is recognition and measurement on a net basis, with the emission rights granted free of charge being initially carried at cost and a provision formed to the extent that the actual emission exceeds the emission rights granted. IFRS contains no specific rules on the recognition of emission rights, since the IASB decided to abolish IFRIC Interpretation 3 Emission Rights, which was issued in 2004. The IASB decided to do so following objections from the European Union stating that the method of recognition did not meet the true and fair view requirements. It is therefore questionable whether European companies would be allowed to apply IFRIC 3, as this interpretation would possibly not have been approved in Europe. One of the disadvantages of IFRIC 3, according to DAS, is that certain accounting mismatches may arise. As a result, IFRIC 3 does not generally lead to acceptable financial reporting according to DAS (DAS 274, Appendix 3.3). In our opinion, application of either variant as included in DAS 274, Appendix 1 is acceptable under IFRS until the IASB has issued specific rules in this matter.

1.9 Levies

Under IFRS, the levy can only be accounted for when all conditions for the government levy have been met. Under DAS, it is in addition also possible to account for government levies in the period to which they relate. Therefore, IFRS is stricter with regard to accounting for levies, permitting only one accounting treatment, unlike DAS, which offers a choice between two accounting treatments.

2 Presentation

2.1 Operating grant – presentation in statement of profit or loss

Under IAS 20.29, grants related to income should be presented in the statement of profit or loss separately or under other income, or as a deduction from the related expense.

DAS does not contain any specific rules on the recognition of operating grants. Based on the general principles, both methods of presentation included in IAS 20 can be applied.

3 Disclosure

3.1 Disclosure in the notes of the nature and amount of grants

Under DAS, the amount of grants and similar facilities accounted for in the year under review needs to be disclosed only if required to provide a true and fair view (DAS 274.121). Under IAS 20, the amount of the grants should be disclosed in all cases (IAS 20.39).

3.2 Disclosure of unfulfilled conditions

Under IAS 20, unfulfilled conditions and other contingencies attaching to the grant presented in the financial statements should be disclosed (IAS 20.39). DAS does not require this. However, as under IFRS, contingent financial liabilities relating to development loans received should be disclosed.

3.3 Disclosure concerning grants for expenses from previous years

IAS 20.22 requires grants recognised for expenses from previous years to be disclosed. The DASB does not require this; however, the nature and – if this is necessary for the legally required true and fair view – the amount of the grant must be disclosed.

Accounting standards

Relevant accounting standards:

- DAS 274 Government Grants and Other Forms of Government Support
- DAS 390.1 Information on Services Provided Under a Service Concession
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IFRIC 12 Service Concession Arrangements
- SIC 10 Government Assistance – No Specific Relation to Operating Activities
- SIC 29 Service Concession Arrangements: Disclosures

29 Earnings per share and other ratios, key figures and multi-year summaries

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Basic earnings per share – adjustments for preference shares (to the extent classified as equity)	Definition under DAS is more concise.	IFRS is more explicit on adjustments to be made.	IFRS stricter
1.2 Number of ordinary shares – acquisition and pooling of interests	A distinction is made.	No distinction is made.	Conflicting
1.3 Reverse share split	No specific rule.	Reduction in the number of shares is accounted for at the time the special dividend is recognised.	IFRS stricter
1.4 Determining whether potential ordinary shares lead to dilution	Based on the effect on earnings per share from ordinary activities.	Based on the effect on earnings per share from continuing operations.	Conflicting
1.5 Settlement of contracts in ordinary shares or cash	No distinction is made.	A distinction is made – different methods of treatment.	Conflicting
1.6 Employee share options with fixed or determinable terms and non-vested shares	No specific rule.	To be treated as options from the grant date.	IFRS stricter
1.7 Options held on own shares	No specific rule	Not to be included in the calculation of diluted earnings per share.	IFRS stricter
1.8 Contracts requiring the entity to repurchase its own shares	No specific rule	To be included in the calculation of diluted earnings per share.	IFRS stricter
1.9 Different classes of shares	No specific rule.	Profit for the period to be allocated to the different classes of shares, taking into account any conversion rights.	IFRS stricter
1.10 Potential shares of group companies	No specific rule.	If potential shares have a dilutive effect on the basic earnings per share, they are included in the calculation of diluted earnings per share.	IFRS stricter

29 Earnings per share and other ratios, key figures and multi-year summaries

	Dutch laws and regulations	IFRS	Conclusion
2 Presentation			
2.1 Distinction between continuing and discontinued operations	Distinction not mandatory.	Distinction mandatory.	IFRS stricter
2.2 Earnings per share – separate financial statements	No specific rule.	Disclosure of earnings per share based on separate financial information is only allowed in the separate financial statements' statement of profit or loss.	IFRS stricter
2.3 Use of key figures in statement of profit or loss	Key figures are not permitted in the statement of profit or loss; they can only be included in the notes.	No specific rules.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Instruments with potentially diluting effect on future basic earnings per share	No specific rule.	Disclosure of any potential effects.	IFRS requires more disclosure
3.2 Disclosure of share transactions taking place after the reporting date	Disclosure is mandatory if this is required to enable users of the financial statements to make proper evaluations and decisions.	These transactions must always be disclosed.	IFRS requires more disclosure

General

Entities whose ordinary shares, or potential ordinary shares, are listed, or are in the process of being listed are required to present earnings per share. Since DAS 340 Earnings per Share is based on IAS 33 Earnings per Share, no major differences exist between the two standards.

In contrast to DAS, IFRS does not specifically address key figures, ratios and multi-year summaries. IAS 1 'Presentation of Financial Statements' does however contain several relevant presentation requirements.

On the basis of IAS 1, the entity has a choice under IFRS between presenting a single statement of total income ('statement of profit and loss and other comprehensive income') or presenting the same information in two statements, a statement of 'profit and loss' and a 'statement of other comprehensive income'. The choice in the manner of presentation in one or two statements has no impact on the calculation of basic and diluted earnings because IAS 33.9 and 33.12/13 state that the basic earnings before adding or deducting the movements in 'other comprehensive income' are to be used as a basis. It is not relevant in this connection whether a complete statement of comprehensive income is presented or two partial statements. In both cases, net profit or loss after tax (but before movements in 'other comprehensive income') will form the starting point for the calculation of basic and diluted earnings.

Definition of basic earnings

The definition of basic earnings, intended for the calculation of earnings per share, is the same under IFRS and DAS. This is the profit that is attributable to the shareholders of the reporting (parent) company. This is the amount of net profit or loss in Dutch GAAP financial statements (i.e. group profit or loss less share of non-controlling interests; DAS 217.501). In IFRS financial statements, this is the reported net profit or loss reduced (increased) by the share attributable to non-controlling interest in the profit (or increased by the share attributable to non-controlling interests in the loss) (IAS 33.A1).

1 Recognition and measurement

1.1 Basic earnings per share – adjustments for preference shares (to the extent classified as equity)

For the purpose of calculating basic earnings per share, IFRS is more explicit on adjustments to be made for preference shares – to the extent they are classified as equity – than DAS. For the purpose of calculating basic earnings per share, the profit or loss attributable to the parent entity is adjusted for the after-tax amounts of preference dividends, profits or losses arising on the settlement of preference shares, and other similar effects of preference shares classified as equity (IAS 33.12). The required adjustments are discussed in detail in Sections 14-18 of IAS 33. The definition used in DAS is more concise, which means that the profits or losses arising on the settlement of preference shares and other similar effects of preference shares are not explicitly stated. In practice, as appropriate, these matters will also need to be taken into account under Dutch laws and regulations.

This adjustment does not apply to preference shares classified as debt, as the preference dividends will have been recognised as finance costs and deducted from profit or loss accordingly.

1.2 Number of ordinary shares – acquisition and pooling of interests

Under DAS 340, if ordinary shares are issued in connection with a merger or acquisition, the calculation of earnings per share in the event of an acquisition differs from calculation of earnings per share in the event of a pooling of interests. IFRS does not apply this distinction and accounts for any business combination as an acquisition, so the calculation of earnings per share will differ if the transaction qualifies as a pooling of interests under DAS.

Under DAS, ordinary shares issued as part of a combination of legal entities that can be classified as a pooling of interests (and that is accounted for on the basis of the pooling of interests method) are included in the weighted average number of shares for all financial years presented, since the financial statements of the combined legal entities are drawn up as if the combined entity had always been in existence. When calculating the earnings per share, the total of the weighted average number of shares of the combined legal entities is converted into the equivalent in shares of the legal entity whose shares are outstanding after the pooling (DAS 340.206).

Ordinary shares issued in connection with the acquisition of a participating interest that is classified as an acquisition are included in the weighted average number of shares as from the acquisition date, since the acquiree's profits and losses are recognised as from that same date (IAS 33.22 and DAS 340.206).

There is no such requirement under IAS 33, as IFRS 3 'Business Combinations' does not distinguish between an acquisition and a pooling of interests; in all cases, an acquirer and an acquiree must be identified.

1.3 Reverse share split

If a reverse share split effectively represents a share repurchase, for example if at the same time a corresponding special dividend is distributed that is virtually equal to the fair value of the repurchased shares, the reduction in the number of ordinary shares should be accounted for at the time the special dividend is recognised (IAS 33.29). DAS does not contain such a requirement.

1.4 Determining whether potential ordinary shares lead to dilution

This is only relevant if discontinued operations are involved at the same time.

Diluted earnings per share are required to be calculated for both the total of continuing operations and discontinued operations, as well as specifically for the continuing operations' (IAS 33.30).

Potential ordinary shares are only included in the calculation of diluted earnings per share if conversion into ordinary shares would reduce earnings per share from continuing operations, or increase the loss per share from continuing operations (IAS 33.41). This means that if a potential ordinary share does not lead to dilution of earnings per share from continuing operations, this potential ordinary share is not included when determining diluted earnings per share from continuing and discontinued operations, even if it is dilutive in respect of discontinued operations (IAS 33.42-43).

DAS (evidently) do not require such separate presentation because the separation into continuing and discontinued operations required under IFRS is not mandatory in the Dutch situation.

1.5 Settlement of contracts in ordinary shares or cash

When calculating the diluted earnings per share for contracts that can be settled in ordinary shares or cash, DAS do not distinguish for the purpose of recognition between the issuer of the instrument making this choice and the holder of the contract doing this, whereas IFRS do make this distinction.

IFRS provide as follows with respect to the settlement of contracts in ordinary shares or cash:

- If an entity has issued a contract that may be settled in ordinary shares or cash at the entity's option, the entity should assume that the contract will be settled in ordinary shares, and include the resulting potential ordinary shares when calculating the diluted earnings per share if the effect is dilutive (IAS 33.58).
- For contracts that may be settled in ordinary shares or cash at the holder's option, the more dilutive of cash settlement and share settlement should be assumed by the issuer when calculating diluted earnings per share (IAS 33.60).

In contrast to IFRS, DAS state that, in the case of a financial instrument or other contract that may be settled in ordinary shares or otherwise (for example, in cash) at the issuing entity's or holder's option, the maximum number of shares to be issued should, irrespective of the designated option, be regarded as potential ordinary shares when calculating the diluted earnings per share (DAS 340.216a).

1.6 Employee share options with fixed or determinable terms and non-vested shares

Under IFRS, employee share options with fixed or determinable terms and non-vested ordinary shares should be treated as options and should be included as from the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time (IAS 33.48). Although DAS do not include such a requirement, corresponding application would be natural.

1.7 Options held on own shares

Contracts such as purchased put options and purchased call options, i.e. options held by the entity on its own shares, are not included in the calculation of diluted earnings per share because it is assumed that if exercised, they would not have a dilutive effect (IAS 33.62). This is because a put option will only be exercised if the exercise price ('selling price') is higher than the market price and a call option will only be exercised if the exercise price ('buying price') is lower than the market price. DAS does not include any specific rules.

1.8 Contracts requiring the entity to repurchase its own shares

Contracts that require the entity to repurchase its own shares, such as written put options, are taken into account for the calculation of diluted earnings per share if the potential effect of repurchase is dilutive. If these contracts are 'in the money' during the reporting period (i.e. the exercise price exceeds the average price during the period concerned), the potential dilutive effect is required to be calculated (IAS 33.63). DAS does not include any specific rules.

1.9 Different classes of shares

If the capital of a legal entity is subdivided into various categories, it will first be necessary to determine whether there are shares that can be converted into ordinary shares. If that is the case and the conversion effect is dilutive, conversion is assumed to have taken place for the measurement of diluted earnings per share only.

If the shares are not convertible, both basic earnings per share and diluted earnings per share must be adjusted for the effect of the profit or loss that can be attributed to the different classes of shares (IAS 33.A14).

DAS does not include any specific rules.

1.10 Potential shares of group companies

A group company, joint venture or entity over which the parent entity can exercise significant influence (associate) could issue potential ordinary shares that are convertible into either ordinary shares of the group company, joint venture or associate, or ordinary shares of the parent. If these potential ordinary shares have a dilutive effect on the basic earnings per share, they are included in the calculation of diluted earnings per share (IAS 33.40).

Potential ordinary shares issued by a group company, joint venture or associate that give entitlement to shares in the group company, joint venture or associate are taken into account for the purpose of calculating the diluted earnings per share of the parent, by first calculating the diluted earnings per share of the relevant group company, joint venture or associate.

These are then, based on the number of shares held, added to the diluted earnings per share of the parent, excluding the result of the relevant group company, joint venture or associate. Potential ordinary shares issued by a group company, joint venture or associate that give entitlement to shares of the parent company are accounted for in the same way as potential ordinary shares issued by the parent company (IAS 33.A11).

DAS does not include any specific rules.

2 Presentation

2.1 Distinction between continuing and discontinued operations

In addition to basic and diluted earnings per share based on the net profit or loss attributable to the shareholders of the reporting (parent) company, under IFRS these figures must also, if applicable, be presented on the basis of profit or loss from continuing operations. DAS (naturally) do not prescribe such a distinction, because in the Dutch situation, the distinction between continuing and discontinued mandated under IFRS is not a requirement.

Depending on the entity's choice to include only a statement of comprehensive income or two sub-statements, the entity is required to account for the basic and diluted earnings per share as part of the statement of comprehensive income or the statement of profit or loss (IAS 33.66 and IAS 33.67A). If applicable, the basic and diluted earnings per share from discontinued operations must be presented on the page of the statement of comprehensive income, the statement of profit or loss or in the notes (IAS 33.68 and IAS 33.68A).

2.2 Earnings per share – separate financial statements

Under IFRS, an entity that chooses to disclose earnings per share based on the separate information, disclosure of that information is permitted only in the separate financial statements' statement of profit or loss. An entity must not present earnings per share on the basis of separate information in the consolidated financial statements (IAS 33.4). DAS does not contain provisions on the disclosure of earnings per share based on the separate financial statements.

2.3 Use of key figures in the statement of profit or loss

IFRS do not apply any fixed formats for the statement of profit or loss and do not contain provisions on the use of terms such as EBITDA and similar terms in the statement of profit or loss. IAS 1 does, however, contain a number of relevant (general) presentation rules. IAS 1.85-85A permits including additional line items and subtotals in the statement of profit or loss. Those subtotals may only be comprised of amounts measured in accordance with IFRS. In addition, the subtotals must be i) presented in a way that is clear and understandable, ii) be consistently applied and iii) not be displayed with more prominence than the totals and subtotals required in IFRS. Within the framework of IAS 1, an entity can, for instance, opt to include an EBITDA subtotal.

The DASB has expressed an opinion on the use of terms such as EBITA and EBITDA in the statement of profit or loss, as this cannot be reconciled with the Annual Accounts Formats Decree (BMJ, Besluit Modellen Jaarrekening), and states that this information can only be included in the notes (DAS 270.509).

3 Disclosure

3.1 Instruments with potentially diluting effect on future basic earnings per share

An entity should disclose the instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but which were not included in the calculation of diluted earnings per share because they were not diluted for the period(s) presented (IAS 33.70 (c)). DAS does not require such disclosure.

3.2 Disclosure of share transactions taking place after the reporting date

Under DAS 340.303, ordinary share transactions or potential ordinary share transactions that occur after the reporting date should be disclosed if this is required to provide a true and fair view. IAS 33.70 (d) requires such disclosure without considering the users' interests. Disclosure is therefore always required.

Accounting standards

Relevant accounting standards:

- DAS 340 Earnings per Share
- IAS 33 Earnings per Share

30 Events after the reporting period

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Events after the reporting period providing more information of the situation at the reporting date after the financial statements have been drawn up (combination 1 and 2)	To be presented in the financial statements if this is essential to provide a true and fair view.	IFRS does not recognise this specific period, which means that any events taking place after the preparation of the financial statements (authorised for issue) are not presented in the financial statements.	Conflicting
1.2 Proposed dividend	Recognition as a liability is allowed (statement of financial position after profit appropriation).	Proposed dividend declared after the reporting date not to be recognised as a liability.	IFRS stricter
1.3 Dividend on preference shares	Preference dividend for distribution to be recognised as a liability if sufficient freely distributable equity is available.	Treatment depends on classification of preference shares in the statement of financial position.	Conflicting
2 Presentation			
2.1 Dividend on preference shares	Presentation does not depend on the classification of preference shares in the statement of financial position.	Depends on classification of preference shares in the statement of financial position.	Conflicting
3 Disclosure			
3.1 Disclosure of the power to amend the financial statements after their preparation	No specific rules.	To be disclosed if applicable.	IFRS requires more disclosure
3.2 Events after the reporting date that provide no additional information about the actual situation at the reporting date	Disclosure in the notes and the directors' report.	Disclosure in the notes	Dutch laws and regulations stricter

General

DAS 160.202a distinguishes between events after the reporting period, based on the accounting framework selected by the entity.

Potential combinations of allowable accounting regulations are set out below:

	Consolidated financial statements	Separate financial statements
1	Part 9 of Dutch Civil Code	Part 9 of Dutch Civil Code
2	IFRS	Part 9 of Dutch Civil Code, not based on IFRS-based accounting principles
3	IFRS	Part 9 of Dutch Civil Code, based on IFRS-based accounting principles
4	IFRS	IFRS

In the case of 3 or 4, DAS 160.202a stipulates that events after the reporting period should be treated in accordance with the provisions of IAS 10, i.e. until the financial statements have been authorised for issue (or until the date when the financial statements are signed by management for (formal) preparation). Events occurring after the financial statements have been prepared are in those cases not included in the financial statements any more. The following situations can be distinguished:

1. Information becomes available after the date of preparation but before the adoption of the financial statements, for example, a large claim against the entity is rejected by a court. An entity preparing the financial statements on the basis of Dutch laws and regulations can include such information in the financial statements if this is essential for providing the required view. An entity preparing the financial statements on the basis of IFRS will not include such information.
2. Information becomes available after the date of preparation but before the adoption of the financial statements, for example the entity discovers an error in the financial statements that results in the financial statements being seriously defective in providing the true and fair view required by law. An entity preparing the financial statements on the basis of Dutch laws and regulations will include such information in the financial statements because this is essential for providing the required true and fair view. The law does not provide specific rules in such cases for entities preparing the financial statements on the basis of IFRS. It seems evident in this situation that the general meeting of shareholders will not adopt the IFRS financial statements containing this error, but instead will either adopt the financial statements after they have been amended or instruct the management to prepare the financial statements again without this error. It seems unlikely in this case that the general meeting of shareholders will adopt the IFRS financial statements without change and that the management will then follow the procedure as described in Section 362 (6) of Book 2 of the Dutch Civil Code (notification of the general meeting accompanied by audit opinion).
3. If it becomes apparent after the adoption of the financial statements that the financial statements are seriously defective in providing the true and fair view required by law – as referred to in Section 362 (1) of Book 2 of the Dutch Civil Code – the same rules will apply for an entity preparing the financial statements on the basis of Dutch laws and regulations and an entity preparing the financial statements on the basis of IFRS (Section 362 (6) of Book 2 of the Dutch Civil Code. In this situation, the management is required to inform the general meeting of shareholders and to file a notification with the commercial register. This procedure is mandatory in the same manner for Dutch legal entities that apply IFRS in the financial statements (Section 362 (9) of Book 2 of the Dutch Civil Code).

In addition, the provisions of the Financial Supervision Act also apply to Dutch listed companies (particularly Sections 5:25c (7) and (9) of the Financial Supervision Act).

In the case of 1 or 2, the treatment of information in the financial statements depends on when the information becomes known during the process of preparing, adopting and publishing the financial statements.

1 Recognition and measurement

1.1 Events after the reporting period providing more information of the situation at the reporting date after the financial statements have been drawn up (Combination 1 and 2)

Under Section 362 (6) of Book 2 of the Dutch Civil Code, adjusting events (events providing additional information on the situation at the reporting date) that become known between the preparation of the financial statements and the date on which the financial statements are adopted by the general meeting should be presented in the financial statements if this is essential to provide a true and fair view (DAS 160.202). IFRS does not distinguish this period, which means that events occurring after the date when the financial statements are authorised for issue, cannot result in adjustments being made to the financial statements (IAS 10.3, 5 and 6). Therefore application of Section 2:362 (6) of the Dutch Civil Code is only required with regard to Combination 1 and 2.

1.2 Proposed dividend

Under Dutch laws and regulations, the statement of financial position can be drawn up ignoring profit appropriation (preferred treatment) or allowing for profit appropriation, notwithstanding the fact that the proposed dividend distribution will not be final until after the reporting date (Section 373 (1) of Book 2 of the Dutch Civil Code, DAS 160.208). In the latter case, the proposed dividend can be presented separately under equity or under liabilities.

IAS 10.12 does not allow a dividend distribution that is adopted by the body authorised to do so after the reporting date to be recognised as a liability in the statement of financial position. IAS 10.13 and IAS 1.137 require the intended dividend distribution to be disclosed in the notes to the financial statements.

1.3 Dividend on preference shares

DAS 160 contains specific provisions about the treatment and presentation of preference dividend (DAS 160.209).

The preference dividend to be distributed is to be recognised as a liability as at the reporting date, provided that the freely distributable part of equity disclosed in the statement of financial position is sufficient.

This applies irrespective of whether the statement of financial position is drawn up before or after the appropriation of profit, and irrespective of the classification of preference share capital as equity or liability. If the statement of financial position is drawn up before appropriation of profit, the amount to be distributed as a preference dividend will be recognised as a separate negative item under equity and is charged to net profit or loss for the financial year concerned, with the balance being referred to as unappropriated profit. This must be done visibly on the face of the statement of financial position.

IFRS does not distinguish between a statement of financial position before and after profit appropriation. The profit or loss for the financial year is always recognised as a separate component of equity, which corresponds to a statement of financial position before profit appropriation under Dutch law and regulations. IFRS does not contain any specific provisions on the distribution of preference dividend. The same provisions applicable to dividends and liabilities apply to the distribution of preference dividend. Under IFRS, recognition of the preference dividend to be distributed depends on the classification of the preference share capital as a component of equity or as liability. If they classify as a liability and the entity has a constructive obligation to distribute a preference dividend, the preference dividend must be recognised as a liability. If they classify as a component of equity, the preference dividend is treated the same as dividend.

2 Presentation

2.1 Dividend on preference shares

Under Dutch laws and regulations, the presentation of the preference dividend to be distributed is independent of the classification of the preference shares. If IFRS is applied, the classification of the preference dividend to be distributed is in line with the classification of the preference shares (for more details see section 1.3).

3 Disclosure

3.1 Disclosure of the power to amend the financial statements after their preparation

IAS 10.17 requires disclosure of whether the shareholders have the power to amend the financial statements after their preparation.

The Dutch Civil Code or DAS does not contain this requirement. In the case of Dutch entities, the board of management prepares the financial statements, but the general meeting adopts these, and, as such, has the power, in theory, to determine the content of the items in the financial statements and adjust them if necessary.

3.2 Events after the reporting date that provide no additional information about the actual situation at the reporting date

Under IFRS, disclosures concerning events after the reporting date that provide no additional information about the actual situation at the reporting date should always be included in the notes (IAS 10.21).

31 Interim reports

	Dutch laws and regulations	IFRS	Conclusion
1	Laws and regulations		
	Listed entities are required by law to prepare interim financial reports in accordance with the Financial Supervision Act (FSA). Unlisted entities are not required or advised to prepare interim reports (DAS 394).	Listed entities are advised to prepare interim reports.	Dutch law and regulations stricter
2	Interim directors' report		
2.1	Application and contents in outline		
	Listed entities are required by law to prepare interim directors' report (FSA). Unlisted entities are not required or advised to prepare interim reports. If any interim report is drawn up, an interim directors' report is recommended (DAS 394).	No rules.	Dutch laws and regulations stricter
	For listed entities, minimum requirements concerning contents of the interim directors' report (FSA).	No rules.	Dutch laws and regulations stricter
	For unlisted entities, limited recommendations concerning minimum content of interim directors' report (DAS 394).	No rules.	Dutch laws and regulations stricter
2.2	Content - specific requirements		
2.2.1	Information to be included		
	Information to be included in interim report need not exceed the extent required under other standards.	No rules.	Dutch laws and regulations stricter
2.2.2	Forward-looking statements		
	It is recommended to make forward-looking statements.	No rules.	Dutch laws and regulations stricter
2.2.3	Audit or review		
	If interim report has not been reviewed or audited by independent auditor, this should be disclosed in the directors' report.	No rules.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
3 Interim financial statements			
3.1 Application	Listed entities are required by law to prepare interim financial statements based on IFRS (FSA).	Listed entities are advised to prepare interim financial statements.	Dutch laws and regulations stricter
	Unlisted entities are not required or advised to prepare interim financial statements (DAS 394).	No rules.	Dutch laws and regulations stricter
	For listed entities, limited minimum requirements exist for interim financial statements (FSA). In addition, minimum requirements exist for all forms of interim reports (IAS 34), not specifically for interim financial statements, as FSA requires application of IFRS.	Minimum requirements for interim reports.	Dutch laws and regulations stricter
	For unlisted entities, minimum requirements exist for interim reports (DAS 394).	No rules.	Dutch laws and regulations stricter
3.2 Content			
3.2.1 Compliance with regulations	No rules.	Disclosure of compliance with IAS 34 or IFRS.	IFRS stricter
3.2.2 Information to be included	Information to be included in interim report need not exceed the extent required under other standards.	No rules.	Dutch laws and regulations stricter
3.2.3 Third statement of financial position in the event of accounting standards changes, correction of errors or reclassification	No rules.	To be included if full interim financial statements have been prepared. Not to be included if condensed financial statements have been prepared.	IFRS stricter
3.2.4 Special requirements for (reversal of) goodwill impairments	No specific requirements.	Specific requirements.	IFRS stricter
3.2.5 Disclosure in other statements	Not allowed.	Allowed subject to specific conditions.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
3.2.6 Disclosure of segment information	Disclosure required.	Additional disclosure required.	IFRS requires more disclosure
3.2.7 Disclosure of business combinations	Disclosure required.	Additional disclosure required.	IFRS requires more disclosure
3.2.8 Disclosure of fair value of financial instruments	Disclosure required.	Additional disclosure required.	IFRS requires more disclosure
3.2.9 Disclosure of disaggregated revenue	No rules.	Disclosure required.	IFRS requires more disclosure
3.2.10 Disclosure of changes to the status of an investment entity	No rules.	Disclosure required.	IFRS requires more disclosure
4 Responsibility statement			
	Listed entities are required by law to prepare responsibility statement (FSA). FSA contains specific requirement concerning content of responsibility statement	No rules.	Dutch laws and regulations stricter
5 Key figures			
	Recommended.	No rules.	Dutch laws and regulations recommend more information

1 Laws and regulations

Listed entities are required to publish interim financial reports, including the interim financial statements, interim directors' report and interim responsibility statement in accordance with the Financial Supervision Act (FSA) (Section 5:25d (1)).

The requirements concerning interim financial reporting are set out Section 5.1a of the FSA and in the Decree on Implementation of the Directive for Issuer Transparency under the FSA. Listed legal entities are described more specifically as issuing institutions with the Netherlands as member state of origin and the securities (shares and/or bonds) of which have been admitted to trading in a regulated market in the European Union (Section 5.25b (1) of the FSA). Interim financial reports (interim financial statements) must be drawn up in accordance with IFRS, in particular IAS 34.

Unlisted entities are free, but not obliged, to apply DAS 394 or IAS 34.

IAS 34 recommends that listed entities apply the regulations on interim reporting. DAS 394 contains no requirement or recommendation for preparing interim reports.

2 Interim directors' report

2.1 Application and contents in outline

Listed entities are required to prepare interim financial reports in accordance with the FSA (Section 5:25d (2b)). Unlisted entities are free to apply DAS 394 or IAS 34. DAS 394 contains no requirement or recommendation for preparing interim reports, nor, therefore, for a directors' report. If an interim report is drawn up, DAS 394 recommends including a directors' report as well (DAS 394.301). The FSA contains specific provisions for the interim directors' report for listed entities (Section 5:25d (8-10)). There are no requirements regarding directors' reports in IAS 34.

2.2 Content – specific requirements

2.2.1 Information to be included

Information to be included in interim reports of entities need not exceed the extent of information other standards require to be included in the annual directors' report (DAS 394.101). IAS 34 contains no such requirement.

2.2.2 Forward-looking statements

DAS 394 only contains recommendations on the content of the directors' report. DAS 394 recommends that forward-looking statements be made relating to the current financial year, partly given the forecasts announced in this respect in the most recent annual directors' report (DAS 394.305).

There are no requirements regarding directors' reports in IAS 34.

2.2.3 Audit or review

The FSA and DAS 394 require that if the interim financial reporting has not been audited or reviewed by an independent auditor, this should be disclosed (Section 5:25d (4) of FSA and DAS 394.303). The FSA requires disclosure in the interim directors' report. DAS 394 provides no further guidance as to the place of disclosure. IAS 34 contains no such requirement.

3 Interim financial statements

3.1 Application

Listed entities are required to prepare interim financial statements in accordance with the FSA (Section 5:25d (2a)). The consolidated interim financial statements must be drawn up in accordance with IFRS (Section 5:25d (5a) and 5:25d (6a) of FSA). IAS 34.1 recommends that listed entities apply the regulations on interim reporting.

Unlisted entities are free to apply DAS 394 or IAS 34. DAS 394 contains no requirement or recommendation for preparing interim reports.

3.2 Content

The FSA contains limited minimum requirements relating to interim financial statements of listed entities (Section 5:25d (5) and 5:25d (6)). DAS 394 and IAS 34 contains minimum requirements for all forms of interim reporting, not specifically for the interim financial statements. The FSA does state that the consolidated interim financial statements are required to be prepared on the basis of IFRS (in particular IAS 34). Unlisted entities are free to apply DAS 394 or IAS 34.

3.2.1 Compliance with regulations

IAS 34.19 stipulates that if an interim report is prepared in accordance with IAS 34 or IFRS, this fact should be disclosed. DAS 394 contains no such requirement.

3.2.2 Information to be included

Information to be included in interim reports of entities need not exceed the extent of information other standards require to be included in the directors' report (DAS 394.101). IAS 34 contains no such requirement.

3.2.3 Third statement of financial position in the event of accounting standards changes, correction of errors or reclassification

Under IAS 34, in case of a change in accounting policies, correction of errors or a reclassification with a material effect on the statement of financial position at the beginning of the comparative period (the third statement of financial position), such statement of financial position need not be included if the entity presents condensed interim financial statements (IAS 1.BC33 and IAS 34.8). If an entity prepares complete interim financial statements, it *is* required to include such a third statement of financial position (IAS 34.5 (f)). DAS 394 contains no such requirement.

3.2.4 Special requirements for (reversal of) goodwill impairments

Two approaches can be distinguished when measuring the assets and liabilities or the results for an interim period, i.e. the discreet approach and the integrated approach. Under the discreet approach, reporting on any interim period is regarded as stand-alone reporting, with the same requirements for period closings being applied as for full-year reporting. Under the integrated approach, however, the interim period is regarded as part of a full financial year, with amounts being allocated to the interim period from a full-year perspective. DAS 394 Interim Reports as well as IAS 34 Interim Financial Reporting assume the discreet approach, but with a few exceptions being made. Exceptions are the recognition of income tax expense and impairment reversals.

The basic premise is that the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. The entire period between the most recent financial statements and the interim period's reporting date should be taken into account for that purpose. In other words, measurements for interim reporting purposes should be made on a year-to-date basis (DAS 394.401 and IAS 34.28).

Among other things, this means that estimates made during an interim period can be or are adjusted during a subsequent interim period in the same financial year (DAS 394.401, IAS 34.29). Amounts reported in prior interim reports are not therefore adjusted retrospectively (IAS 34.35 and 36).

IFRIC 10 Interim Financial Reporting and Impairment contains specific regulations that depart from the above guidance. IFRIC 10 clarifies the relationship between IAS 34 and IAS 36 Impairment of Assets.

IFRIC 10 stipulates that impairments of goodwill which were recognised in a previous interim period should not be reversed in a subsequent period in the same financial year (IAS 36.124).

IFRIC 10 stipulates that this prohibition clause takes precedence over the basic premise stating that the frequency of an entity's reporting should not affect the measurement of its annual results. This is clear proof of the fact that, in the case of impairment, the discreet approach is used as a basis for preparing interim reports. This means that the annual result of an entity publishing quarterly reviews can differ in some cases from the annual result of an entity drawing up half-year or directors' reports instead.

Due to the statutory application of IFRS by listed entities, DAS are primarily intended for unlisted entities. The number of unlisted entities drawing up interim reports on the basis of DAS is limited. As a result, impairments of goodwill are less likely to occur, since goodwill is amortised. It should be noted that DAS also provide that an impairment of goodwill must not be reversed (DAS 121.613)

In addition, the requirements of DAS 394 relating to recognition and measurement are largely in line with those of IAS 34. IAS 34 also includes the following examples:

- IAS 34 Appendix B includes examples of applying the recognition and measurement principles
- IAS 34 Appendix C includes examples of applying estimates

Although DAS 394 does not include any such examples, it considers them to be applicable accordingly.

3.2.5 Disclosure in other statements

DAS 394 requires specific information to be included in the notes to the interim report (DAS 394.303). IAS 34 also permits inclusion of this information in other statements in the interim financial reporting, provided these are explicitly referred to in the interim financial statements and the other statements explicitly refer back to the interim financial statements, and provided these statements have been published on the same terms and at the same time as the interim financial statements (IAS 34.16A).

3.2.6 Disclosure of segment information

IAS 34 requires more segment information to be included than DAS 394. The following additional segment information is required under IAS 34.16A (g):

- A breakdown of revenue into revenues from external customers and intersegment revenues to the extent this is reported to the chief operating decision maker.
- A measure of segment profit or loss.
- The aggregate amount of assets and liabilities for each segment, to the extent it has been reported regularly to the chief operating decision maker and for which there has been a material change from the aggregate amounts disclosed in the financial statements.
- A description of differences from the financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.
- A reconciliation of segment profit or loss with the entity's profit or loss before taxation and discontinued.

3.2.7 Disclosure of business combinations

IAS 34 requires more disclosure on business combinations than DAS 394. IAS 34.16A (i) stipulates that, in the case of business combinations, the entity disclose the information required by IFRS 3 *Business Combinations*.

3.2.8 Disclosure of fair value of financial instruments

IAS 34 requires more disclosure on the fair value of financial instruments than DAS 394. IAS 34.16A (j) stipulates that certain disclosures required by IFRS 7 and IFRS 13 should be included.

3.2.9 Disclosure of disaggregated revenue

IAS 34 requires separate presentation of the revenue from contracts with customers as included in IFRS 15.114/115 (IAS 34.16A(l)).

3.2.10 Disclosure of changes to the status of an investment entity

IAS 34 requires entities becoming, or ceasing to be, investment entities to disclose the impact on the financial statements of changes to the status of an investment entity (IAS 34.16A (k) and IFRS 12.9B). DAS 394 contains no such requirement.

4 Responsibility statement

Listed entities are required to prepare responsibility statements in accordance with the FSA (Section 5:25d (2c)).

The FSA contains specific rules relating to the content of responsibility statements (Section 5:25d (2c)). IFRS contains no such requirement for drawing up a responsibility statement.

5 Key figures

DAS 394 recommends inclusion of a summary of key figures in the interim report (DAS 394.301). IAS 34 contains no such recommendation.

Accounting standards

Relevant accounting standards:

- DAS 394 Interim Reports
- IAS 34 Interim Financial Reporting
- IFRIC 10 Interim Financial Reporting and Impairment

32 Assets held for sale and discontinued operations

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Classification of certain assets as held for sale/distribution	No specific rules.	If certain conditions are met.	IFRS stricter
1.2 Measurement of assets and disposal groups held for sale/distribution	No specific rules.	Measurement at the lower of the carrying amount and fair value less cost to sell or distribute; impairment losses are recognised in the statement of profit or loss. If the assets are no longer held for sale/distribution: retrospective adjustment of carrying amount.	IFRS stricter
1.3 Depreciation	Depreciation is charged up to the time of actual disposal.	Depreciation is no longer recognised as from the time the asset is classified as held for sale.	Conflicting
1.4 Recognition as discontinued operation	If an agreement to sell has been concluded or a formal plan to discontinue exists. Discontinuation may also include liquidation or discontinuation of operations.	Only if held for sale or upon disposal, and if certain criteria are met.	IFRS stricter
2 Presentation			
2.1 Separate presentation of assets held for sale/distribution and disposal groups	Normal presentation requirements apply. Assets not used in the production process must be presented under property, plant and equipment (tangible fixed assets).	Separate presentation in the statement of financial position and of related reserves is mandatory.	Conflicting
2.2 Presentation of results of discontinued operations	In the notes or in the statement of profit or loss, with a breakdown by item in the statement of profit or loss according to the Annual Accounts Formats Decree.	Separate presentation of results after tax in the statement of profit or loss and restatement of comparative figures.	IFRS stricter

32 Assets held for sale and discontinued operations

	Dutch laws and regulations	IFRS	Conclusion
3 Disclosure			
3.1 Disclosure of assets held for sale/ distribution or disposal groups	No specific regulations.	Detailed disclosure requirements.	IFRS requires more disclosure
3.2 Presentation and disclosure of discontinued operations	Disclosure required.	Other disclosure requirements.	Dutch laws and regulations and IFRS differ
3.3 Disclosure of discontinued operations that are no longer classified as discontinued operations	No specific regulations.	Disclosure required.	IFRS requires more disclosure

General

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations deals with the treatment in the financial statements of non-current assets and operations that have been or will be disposed of.

The following terms are defined (IFRS 5 Appendix A):

- A non-current asset held for sale, i.e. an individual non-current asset held for the purpose of being sold.
- A disposal group held for sale, i.e. a group of non-current assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in one single transaction.
- An asset/disposable group held for distribution, i.e. an asset or group of assets being held for distribution to the owners (shareholders) of the entity.
- A discontinued operation, i.e. a component of an entity that either has been disposed of or is held for sale and (a) represents a major line of business or geographical area of operations, or (b) is part of a single coordinated plan to dispose of a major line of business or geographical area, or (c) is a subsidiary acquired exclusively with a view to its resale.

The IFRS 5 provisions regarding classification, presentation, measurement and disclosure also apply to non-current assets/disposal groups that can be qualified as held for distribution in accordance with IFRIC 17 Distributions of Non-cash Assets to Owners (IFRS 5.5A).

Assets not falling within the scope of IFRS 5 in terms of measurement and recognition include (IFRS 5.5):

- Deferred tax assets arising from the application of IAS 12 Income Taxes.
- Assets arising from the application of IAS 19 Employee Benefits.
- Financial assets that fall under the scope of IFRS 9 Financial Instruments.
- Investment property accounted for in accordance with the fair value model of IAS 40 Investment Property.
- Biological assets carried at fair value less costs to sell in accordance with IAS 41 Agriculture.
- Contractual rights under insurance contracts (IFRS 4 Insurance Contracts).

It should be noted that the above scope only applies to measurement; classification and presentation should be in accordance with IFRS 5.

DAS 345 Discontinuing Operations contains provisions concerning information on discontinued operations to be included in the financial statements. These provisions only relate to information to be disclosed in the notes concerning a component of the entity that is classified as an operation to be discontinued. An operation is deemed to be discontinued if the entity sells, liquidates or discontinues the component of the entity concerned entirely or almost entirely in one go or in stages according to a pre-set plan (DAS 345.201).

Unlike DAS 345, IFRS 5 not only provides guidance on disclosures, but also on measurement and recognition.

1 Recognition and measurement

1.1 Classification of certain assets as held for sale/distribution

Under IFRS 5.8, a non-current asset or disposal group qualifies as held for sale in the financial statements for the financial year in which, at any time, it meets all the following criteria:

- Management has decided to sell the asset or disposal group and has prepared a sale plan. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance (IFRS 5.10);
- The asset or disposal group is available for immediate sale.
- An active programme to complete the plan has been initiated.
- The sale is highly probable and is expected to be completed within one year.
- The asking price is reasonable in relation to the fair value of the asset or disposal group, the other sales terms and conditions also being common practice in the case of the sale of such an asset or disposal group.
- It is unlikely that significant changes will be made to the disposal plan or that the plan will be withdrawn.

IFRS 5 provides details of possible situations in which the sale could take longer than one year to complete and the asset or disposal group should still be classified as held for sale, and of the situation in which a non-current asset or disposal group is acquired with a view to its subsequent disposal (IFRS 5.9-5.11 and IFRS 5 Appendix B).

If the criteria are met after the reporting date but before the financial statements are prepared, the asset or disposal group cannot be classified as held for sale in the financial statements. However, the entity should disclose the information in the notes (IFRS 5.12).

A non-current asset/disposal group meets the qualification held for distribution if:

- Management has decided to distribute to the owners (shareholders).
- The asset/disposal group is suitable for immediate distribution.
- Implementation of the distribution decision has begun.
- The distribution is highly likely to take place within a year.
- Fundamental changes to or a retraction of the distribution decision are not to be expected.

The above analysis implicitly considers that the approval of the distribution decision by the meeting of shareholders is highly probable (IFRS 5.12A).

The term Non-current assets held for sale/distribution used in IFRS has no equivalent under DAS. Under DAS, the regular rules for measurement and presentation continue to apply. Depreciation only ceases upon retirement, the intention to sell is not decisive in this regard. However, the classification of non-current assets as held for sale/distribution is subject to strict conditions under IFRS 5.7-8.

1.2 Measurement of assets and disposal groups held for sale/distribution

If, under IFRS, an asset or disposal group has to be classified as held for sale/distribution, it is measured at the lower of its carrying amount and fair value less costs to sell/distribute (IFRS 5.1). Detailed rules have been drawn up for determining the fair value and for recognition of measurement differences (IFRS 5.18-24). This paragraph sets out the principal accounting principles, which apply to:

- Held-for-sale assets falling within the scope of IFRS 5 in terms of measurement.
- The disposal group as a whole (portfolio approach: IFRS 5.4).

In addition, this paragraph addresses standards for allocating the measurement of the disposal group to the individual assets/liabilities.

Under DAS, the regular rules for measurement and presentation continue to apply. Depreciation only ceases upon retirement, the intention to sell is not decisive in this regard.

1.2.1 Basis for measurement of assets held for sale/distribution

The principal basis for applying the rules is the measurement, immediately before the initial classification as held for sale, of the asset or disposal group in accordance with the applicable IFRS. If an impairment test needs to be carried out, this will result in the recoverable amount being determined.

If the recoverable amount is lower than the carrying amount, an impairment loss is recognised (IFRS 5.18). This amount subsequently is the basis for the measurement of the asset/disposal group held for sale/distribution. In our view, classification as held for sale/distribution is almost always an indication of an impairment that first needs to be tested on the basis of IAS 36 Impairments.

1.2.2 Measurement and impairment of assets/disposal groups held for sale/distribution

The following applies on initial as well as subsequent measurement of the asset/disposal group held for sale/distribution:

- Just before reclassification as held for sale/distribution, the asset/disposal group is measured (or remeasured) pursuant to IFRS 5.18, taking impairment into account (IAS 36); in other words, until the moment of reclassification, the asset/disposal group remains valued in the same way and on the same basis (see preceding paragraph Basis for measurement of assets held for sale/distribution).
- In the case of a disposal group, for example one or more cash-flow generating units, the items that do not fall under the scope of IFRS 5 (e.g., deferred tax and pension items) are measured based on the relevant standards (in this case IAS 12 and 19), also for subsequent measurement (IFRS 5.19).

- The asset/disposal group is then measured at the lower of the carrying amount and fair value less costs to sell/distribute (IFRS 5.15/15A). In the exceptional situation (IFRS 5 Appendix B1) that the sale takes longer than one year, its present value is recognised, with any increase in present value as a result of the passage of time being accounted for in profit or loss (IFRS 5.17).
- If the fair value of the entire disposal group (including the once again determined carrying amount of the items not subject to the scope of the measurement provisions of IFRS 5) less costs to sell/distribute is lower than the carrying amount of the asset/disposal group, an (additional) impairment loss is recognised (IFRS 5.20).
- Pursuant to IFRS 5.25, no depreciation of the asset or assets of a disposal group takes place. Interest expenses relating to the liabilities of a disposal group are recognised.
- If the fair value less costs to sell increases on subsequent measurement of an asset/disposal group held for sale, a gain is recognised. However, such gain may not exceed the cumulative impairment loss that has been recognised either in accordance with IFRS 5 or previously in accordance with IAS 36 (IFRS 5.21/22).

1.2.3 Allocation of measurement of disposal group to individual assets/liabilities

An impairment loss is allocated to all assets and liabilities forming part of the disposal group, as follows:

- The impairment loss is recognised to the extent that no impairment loss has been accounted for in accordance with other IFRS standards. As is stated above, when determining an impairment loss, the assets that with regard to measurement do not fall within the scope of IFRS 5, but are measured in accordance with the other relevant (own) standards, are included in the carrying amount of the disposal group, based on the again determined carrying amount, including any impairment (IFRS 5.19/20).
- The (remainder of the) impairment loss is initially allocated to the goodwill forming part of a disposal group (if the goodwill has been acquired in a business combination and the disposal group is regarded as a cash-generating unit to which the goodwill has been allocated in accordance with IAS 36).
- The (remainder of the) impairment loss is subsequently allocated to the non-current assets that would be measured separately within the scope of IFRS 5. The loss is allocated pro rata on the basis of the carrying amounts of the non-current assets (IFRS 5.23).

The allocation method referred to under the last two points is based on the allocation method used in IAS 36 Impairment of Assets, except that, under IFRS 5, the carrying amount of an individual non-current asset may drop below its recoverable amount.

A gain or loss that has not previously been recognised by the date of sale will still be recognised. In that connection, IFRS refers to the standards on disposals of IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' (IFRS 5.24).

Reversal of an impairment loss on a disposal group is allocated to individual assets and liabilities in the same way as an impairment loss (IFRS 5.23, see above). However, such a gain is only recognised to the extent that no gain arising from the reversal of an impairment loss has been recognised in accordance with other IFRS standards (IFRS 5.19/22).

1.2.4 Held-for-sale/distribution qualification no longer applies (change to disposal plan)

If an asset/disposal group no longer meets the held-for-sale/distribution conditions, the asset or assets of the disposal group must be measured at the lower of (IFRS 5.26–28):

- The carrying amount of the asset prior to being qualified as held for sale/distribution, with due observance of any and all of the changes in value (depreciation, amortisation and remeasurement) it would have been subject to had it not been qualified as held for sale ;or
- The recoverable amount of the asset when it no longer meets the held-for-sale/distribution qualification.

This entails retrospective restatement of the carrying amount of the asset/disposal group. This also applies to subsidiaries, joint operations, joint ventures (or any parts thereof) and associates that cease to be classified as held for sale/distribution. For joint ventures (or any parts thereof) and associates, this means that their measurement is restated retrospectively, using the equity method, as if they had never been held for sale/distribution. During the held-for-sale/distribution period, the equity value was frozen, as it were (IFRS 5.28).

The presentation in the statement of financial position and the statement of profit or loss is not retrospectively restated, except for subsidiaries, joint operations, joint ventures (or any parts thereof) and associates that cease to be classified as held for sale/distribution. The statement of financial position and the statement of profit or loss are retrospectively restated as if the subsidiaries, joint operations, joint ventures (or any parts thereof) and associates had never been held for sale/distribution (IFRS 5.28).

If carried at cost, changes in value of an asset are recognised in the statement of profit or loss as the result of continuing operations (IFRS 5.28). If the asset had been remeasured before being classified as held for sale on the basis of IAS 16 or IAS 38, the adjustment is accounted for as a revaluation.

There is the following exception to the above rules. If a change takes place in the manner of disposal of an asset/disposal group, from held for distribution to held for sale or vice versa, the measurement accounting policies of IFRS 5 remain in place (held for disposal accounting), while the ending of the classification held for sale/distribution does not apply. This means that the one-year period in which the assets must be sold, respectively transferred, is not extended.

DAS does not contain any detailed guidance on the measurement of assets held for sale/distribution. DAS 345 also does not contain any rules on the measurement of assets and liabilities forming part of the disposal group, nor does it lay down any rules for determining gains and losses arising from the component of the entity. Logically, DAS neither contain any rules on no longer meeting the held-for-sale/distribution qualification. The regular rules for measurement and determination of results set out in other DAS apply to the component of the entity (DAS 345.101).

1.3 Depreciation

Under IFRS 5.25, assets held for sale/distribution are not depreciated. Under DAS, assets are depreciated up to the time of their actual disposal, unless the assets have (also) been retired from active use. The intention to sell is not decisive in this regard.

1.4 Recognition as discontinued operation

IFRS criteria for qualifying as discontinued operations (IFRS 5.32; see the General section above) are stricter than the criteria used under DAS for operations that are discontinued. Under the latter standards, an operation is deemed to be discontinued if the entity sells, liquidates or discontinues the component of the entity concerned entirely or almost entirely in one go or in stages according to a pre-set plan (DAS 345.201). Under IFRS, the sale or disposal must meet the specific criteria set. The term Discontinued operation therefore has a wider scope under DAS 345 than under IFRS.

Under DAS, information is disclosed only after the occurrence of an initial event. Under DAS 345.301, an initial event occurs when:

- The entity enters into an agreement to sell all or almost all the assets associated with the activity in question
Or
- The authorised bodies of the entity have approved and communicated a formal and detailed plan for the discontinuation of an activity

Under IFRS, information on a discontinued operation is disclosed if it satisfies the definition of a discontinued operation (IFRS 5.31-32), which means that it is held for sale or has been disposed of, and the other strict criteria have been met.

2 Presentation

2.1 Separate presentation of assets held for sale/distribution and disposal groups

The asset or the assets belonging to a disposal group should be presented separately following current assets as non-current assets held for sale/distribution. This means that the liabilities relating to a disposal group should likewise be presented separately below current liabilities. The assets and liabilities to be presented separately may not be netted off. In addition, the reserves concerning cumulative income and expense deriving from 'other comprehensive income' relating to the 'held for sale/distribution' assets and disposal groups are required to be presented separately within equity.

The main asset and liability categories should be disclosed in the notes (IFRS 5.38). The comparative figures are not restated.

Dutch law and regulations do not contain any rules on this point. This means that non-current assets held for sale continue to be classified under non-current assets, rather than being presented as a separate item in the statement of financial position. Assets that are retired from active use are presented separately under property, plant and equipment (tangible fixed assets). It should be noted that under DAS, 'tangible fixed assets not used in the production process' are presented as a separate category under property, plant and equipment (tangible fixed assets) (Section 2: 366 (1) (e) of the Dutch Civil Code), but this category is only used for assets that are actually not used in the production process (any more), such as tangible fixed assets that were formerly used in business operations but whose use has ceased (DAS 212.603).

2.2 Presentation of results of discontinued operations

Under IFRS 5, the results of discontinued operations should be presented separately in the statement of profit or loss (IFRS 5.33). The comparative figures are restated (IFRS 5.34).

DAS stipulate that the gain or loss on discontinuation or disposal should in any case be disclosed separately in the notes (DAS 345.401). However, under DAS, discontinued operations are disclosed separately in the statement of profit or loss in accordance with the standard model from the Annual Accounts Formats Decree, with the amount from discontinued operations being presented separately for each item in the model. The presentation in the statement of profit or loss used under DAS therefore differs from that under IFRS.

3 Disclosure

3.1 Disclosure of assets held for sale/distribution or disposal groups

If an asset or disposal group is classified as held for sale/distribution or is disposed of during the financial year, IFRS 5.41 requires the following information to be disclosed in the notes:

- The major classes of assets and liabilities classified as held for sale/distribution are separately disclosed either in the statement of financial position or in the notes (IFRS 5.38), except if the disposal group is a newly acquired subsidiary, which is immediately classified as held for sale (IFRS 5.39).
- A description of the non-current asset (or disposal group).
- A description of the facts and circumstances leading to the expected sale/distribution, and the expected manner and timing of the sale/distribution. This includes the expected progress of the sale/distribution.
- The gain or loss recognised on the measurement of the non-current asset or disposal group to fair value less disposal costs and, if not separately presented in the statement of profit or loss, the item in the statement of profit or loss that includes the gain or loss.

The reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 Operating Segments (IFRS 5.41).

DAS requires no specific disclosures for assets 'held for sale/distribution'. However, a separate category for retired assets is required within intangible and tangible non-current assets.

3.2 Presentation and disclosure of discontinued operations

DAS 345.304 requires disclosure in the notes to the financial statements of certain information on the discontinued operation in the financial year in which the initial event occurs. The following must be disclosed:

- A description of the operation to be discontinued.
- The operational segment in which this operation is presented in line with DAS 350 Segment Information.
- The time and the nature of the initial event.
- The date on which or the period in which the discontinuation will be completed, if known or can be established.

- The carrying amounts at the reporting date of the total assets and the total liabilities that are to be disposed of/liquidated.
- The income, expenses and profit/loss before taxation of this operation and the related tax (in line with DAS 272.713).
- The cash flows from operating activities, investing activities and financing activities of the discontinued operations for the reporting period.

DAS recommend that the latter two be disclosed in the primary statements (i.e. the statement of profit or loss and statement of cash flows, respectively) (DAS 345.402). However, the presentation in the statement of profit or loss used under DAS differs from that under IFRS (see Section 2.2 above).

The information provided should subsequently be updated in the financial statements for the financial years following the period in which the initial event occurred up to and including the financial year in which the discontinuation was completed, i.e. the plan has been completed in full or almost in full, or has been discontinued. The buyer need not have made all payments (DAS 345.308).

IFRS 5 contains the general requirement that the legal entity should provide sufficient information to enable the users of the financial statements to evaluate the financial consequences of the discontinued operation.

IFRS 5 contains the following specific disclosure requirements with regard to a discontinued operation (IFRS 5.33-34):

- A single amount in the statement of comprehensive income equal to the total of:
 - The post-tax gain or loss for the year from the discontinued operations
 - The post-tax gain or loss recognised on the measurement of the discontinued operation to fair value less costs to sell
 - The post-tax gain or loss on the disposal of the discontinued operation
- A breakdown of the amount concerned (either presented in the statement of comprehensive income separately from the income and expenses from continuing operations, or in the notes) by item as set out as follows (Note: the breakdown is not required if the discontinued operation is a subsidiary acquired with the sole intention of being resold):
 - The revenue, expenses and pre-tax profit or loss of the discontinued operation and the related income tax expense.
 - The gain or loss recognised on the measurement of the discontinued operation to fair value less costs to sell, or on the disposal of the discontinued operation and the related income tax expense.
- The net cash flows attributable to the operating, investing and financing activities of the discontinued operations. This information is disclosed in the statement of cash flows or in the notes. This information is not required if the discontinued operation is a subsidiary acquired with the sole intention of being resold.
- The amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income (IFRS 5.33).
- The basic and diluted earnings per share from discontinued operations. This disclosure can be included as part of the statement of comprehensive income or in the notes (IAS 33.68-68A).

If an entity presents the components of profit or loss in a statement of income, separate from the statement of other comprehensive income, the discontinued operations are presented in the statement of income (IFRS 5.33A).

The nature and amount of adjustments in the current financial year to amounts related to the disposal of a discontinued operation in a prior financial year should be disclosed separately under discontinued operations. Examples are adjustments relating to the purchase price, product warranty obligations and the settlement of employee obligations (IFRS 5.35).

3.3 Disclosure of discontinued operations that are no longer classified as discontinued operation

If a discontinued operation can no longer be classified as held for sale or as a discontinued operation, the following information should be disclosed (IFRS 5.36 and 5.37):

- The results of operations of the component previously presented as discontinued operations should be reclassified and included in the profit or loss from continuing operations for all financial years presented (i.e. the comparative figures should be restated).
- Any gain or loss on the remeasurement of the assets in the statement of profit or loss should be included in profit or loss from continuing operations.
- The following must be disclosed (IFRS 5.42):
 - The reason for the decision to change the plan to sell
 - A description of the facts and circumstances leading to the decision
 - The impact on the results in the financial year and the comparative financial years

DAS 345 does not contain any requirements on this point.

Accounting standards

Relevant accounting standards:

- DAS 345 Discontinuing Operations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

33 Share-based payments (including employee options)

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Scope: share-based payments that are settled by a person or company that is outside the scope of consolidation	DAS 275 does not apply.	IFRS 2 does apply.	IFRS stricter
1.2 Non-identifiable goods and/or services	No specific rule.	Specific rules for measuring non-identifiable goods and/or services.	IFRS stricter
1.3 Measuring employee share options	Choice between measurement at fair value and intrinsic value.	Measurement at fair value, unless value cannot be measured (rare).	IFRS stricter
1.4 'Graded vesting'	DAS 275 applies no specific requirements for schemes under which a portion of the instruments awarded vest periodically.	IFRS 2 requires each separate instalment to be accounted for as a separate award.	IFRS stricter
1.5 Share-based payments with the counterparty deciding on settling the transaction	Choice between recognition as compound financial instrument or as a liability.	To be recognised as a compound financial instrument.	IFRS stricter
1.6 Non-vesting conditions	Only performance-related conditions and price-related conditions	Includes service-related, performance-related and price-related conditions, also non-vesting conditions.	Conflicting
1.7 Conditions for cash-settled scheme	No specific rules.	Specific rules on accounting for the conditions.	IFRS stricter
1.8 Option pricing models	No specific information.	Specific information on measuring fair value using option pricing models.	IFRS stricter
1.9 Allocation of group arrangements to entities within the group	No specific rule.	Detailed interpretation, with expenses generally being recognised by the entity receiving the service.	IFRS stricter
1.10 Management participation plan	Exemption under DAS 275, if initiated or settled by (legal) entity/person outside the scope of consolidation of the legal entity.	If management does not pay for the equity instruments or receives these with a discount, the plan is within the scope of IFRS 2.	IFRS stricter
1.11 Payroll tax	Treat as cash-settled share-based payment.	Specific exception.	Conflicting

33 Share-based payments (including employee options)

	Dutch laws and regulations	IFRS	Conclusion	
2	Presentation			
2.1	Presentation requirements	Contain requirements.	Does not contain any requirements.	Dutch laws and regulations stricter
3	Disclosure			
3.1	Disclosure requirements	Less detailed disclosure requirements. Specific requirements for open public limited liability companies.	Detailed disclosure requirements.	IFRS requires more disclosure

General

Although DAS 275 and IFRS 2 have different structures, they contain the same categories of share-based payments.

1 Recognition and measurement

1.1 Scope: share-based payments that are settled by a person or company that is outside the scope of consolidation

The scope of DAS 275 is more limited than that of IFRS 2, as DAS 275 does not apply to share-based payments initiated or settled by a person or company outside the scope of consolidation of the legal entity.

1.2 Non-identifiable goods and/or services

IFRS 2.2 states that sometimes share-based payment transactions take place whereby the entity is unable to identify some or all of the specific goods or services received. A key indicator of this is the fair value of any identifiable goods or services received being lower than the fair value of the equity instruments granted or liability incurred.

The value of non-identifiable goods or services is based on the difference between the fair value of the identifiable goods and/or services and the fair value of the share-based payment. DAS 275 contains no specific provisions for share-based payments involving goods or services received which cannot be identified, or cannot be identified in full.

1.3 Measuring employee share options

DAS 275 contains specific rules on recognising share options, allowing entities to measure employee share options at fair value or intrinsic value (DAS 275.314). IFRS 2 contains no specific rules on the recognition of share options. Under IFRS 2, all share-based payments are carried at fair value, unless the fair value of the equity instruments cannot be reliably measured, which is only considered a possibility in exceptional cases. In this case, share-based payments are measured at intrinsic value (IFRS 2.24-25).

1.4 'Graded vesting'

With regard to a share-based payment transaction, under which the instruments awarded vest in instalments (sometimes referred to as 'graded vesting'), IFRS 2 requires each separate instalment to be accounted for as a separate award. DAS 275 applies no specific requirements for schemes under which a portion of the instruments awarded vests periodically.

1.5 Share-based payments with the counterparty deciding on settling the transaction

DAS 275 allows entities to recognise share-based payments with the counterparty being able to settle the transaction and the fair value of the transaction settled in cash is lower than the fair value of the transaction settled in equity-instruments, as a compound financial instrument or liability (DAS 275.207). IFRS 2 does not contain this choice of options, requiring these share-based payments to be recognised as a compound financial instrument (IFRS 2.35).

1.6 Non-vesting conditions

DAS 275 describes price-related conditions and performance-related conditions. A performance-related condition is a condition that does not qualify as a price-related condition. Therefore, both terms comprise the full scale of possible conditions.

IFRS 2 describes service-related, performance-related and price-related conditions. In addition, there may also be conditions that are not service-related, price-related or performance-related. In practice, these conditions are referred to as non-vesting conditions; IFRS 2 applies specific requirements for accounting for them.

1.7 Conditions for cash-settled schemes

IFRS 2 applies specific requirements for the treatment of performance-related conditions and non-vesting conditions when measuring cash-settled share-based payment transactions.

Under the requirements:

- Vesting conditions, other than price-related conditions, shall not be taken into account when determining the fair value of the cash-settled share-based payment.
- The amount recognised for the goods received during the vesting period shall be based on the entity's best available estimate of the number of awards expected to vest.
- On a cumulative basis, the amount that is ultimately recognised for goods or services received as consideration for the cash-settled share-based payment is equal to the cash that is paid (IFRS 2.33A-33B, 33D).
- Price-related conditions and non-vesting conditions shall be taken into account when estimating the fair value (upon grant, periodic remeasurement and settlement) of the cash-settled, share-based payment (IFRS 2.33C).

DAS 275 applies no specific requirements for conditions relating to a cash-settled scheme.

1.8 Option pricing models

IFRS 2 discloses information on measuring the fair value of shares and share options using option pricing models. DAS 275 does not specifically address such models, but stipulates that, if the entity uses an internal measurement model for its own shares, such a model can also be used for the purpose of DAS 275.

1.9 Allocation of group arrangements to entities within the group

IFRS 2.3A contains specific rules for share-based payments made by an entity within the group other than that receiving the goods or services. Such arrangements are not included in the scope of DAS 275 (see section 1.1).

A parent can grant rights to its own equity instruments to the employees of its subsidiary, and the subsidiary can grant rights to equity instruments of its parent to its employees.

If the parent has granted an equity-settled share-based payment to the employees of its subsidiary, the subsidiary should recognise the value of the services received from its employees in line with an equity-settled share-based payment, with the corresponding recording in equity as a contribution by the parent (IFRS 2.43B).

If the subsidiary has granted rights to equity instruments of its parent to its own employees, the way in which those rights are to be accounted for depends on the nature of the rights granted, and on the rights and obligations of the subsidiary (IFRS 2.43A).

1.10 Management participation plan

The management of an entity is sometimes offered an opportunity to participate in the capital of the entity. If the management does not pay for the equity instruments granted or receives these at a discount compared with their fair value, they must be assumed to be granted in exchange for services rendered or still to be rendered and therefore this grant is within the scope of IFRS 2 (IFRS 2.B48(b)).

However, a management participation plan will often not mandatorily be within the scope of DAS 275, as an exemption applies for transactions that were initiated or settled by a person or legal entity that does not belong to the scope of consolidation of the legal entity (DAS 275.103a).

On the basis of IAS 24 *Related Party Disclosures* and/or DAS 330 *Related parties* such a participation plan is required to be disclosed in the financial statements as a related-party transaction (only mandatory under DAS 330 if not 'at arm's length').

1.11 Payroll tax

Under DAS, related payroll tax is treated as cash-settled share-based payment. Under IFRS, there is a specific exception under which payments can in some cases be treated as equity-settled share-based payments.

2 Presentation

2.1 Presentation requirements

DAS 275 contains requirements relating to the presentation of the cost and liability arising from share-based payments, or refers to the presentation requirements under DAS 240 Equity or DAS 252 Provisions, Commitments and Rights Not Included in the statement of financial position.

IFRS 2 contains no presentation requirements. Similar to DAS, the requirements under IFRS relating to provisions (IAS 37) and equity (IAS 32) apply to the presentation of share-based payments.

3 Disclosure

3.1 Disclosure requirements

IFRS 2 contains more disclosure requirements, including requirements relating to the way in which the fair value of goods and services received or equity instruments granted is determined (IFRS 2.46-48), and (the carrying amount and intrinsic value of) recognised liabilities (IFRS 2.50b).

Dutch laws and regulations contain disclosure requirements for open public limited liability companies (Section 383d (1) of Book 2 of the Dutch Civil Code). These requirements apply to individual executive directors, individual supervisory directors and employees. IFRS contain similar disclosure requirements. These disclosure requirements apply to all entities, with no distinction being made to individual executive directors, individual supervisory directors and employees (IFRS 2.45). IAS 24 requires disclosure of total share-based payments made to key management personnel.

Accounting standards

Relevant accounting standards:

- DAS 275 Share-based Payments
- IFRS 2 Share-based Payment

34 Impairment of non-current assets

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Scope	Applies to all non-current assets, with the exception of financial assets to which DAS 290 applies, assets relating to employee benefits and deferred tax assets.	In addition to Dutch laws and regulations, does not apply to investment property measured at fair value, biological assets measured at fair value, insurance contract assets, or non-current assets held for sale.	IFRS stricter
1.2 Impairment testing of goodwill or intangible assets with a useful life of more than twenty years	Regardless of whether there is any indication of impairment, annually for goodwill or intangible assets that are amortised over a period of more than twenty years, at the end of each financial year.	Useful life is not relevant for impairment testing.	Dutch laws and regulations stricter
1.3 Impairment testing for intangible assets with an indefinite useful life and goodwill	No requirement that annual impairment testing is mandatory.	Regardless of whether there is any indication of impairment, annually for intangible assets with indefinite useful lives and for goodwill acquired in a business combination.	IFRS stricter
1.4 Minority/non-controlling interest as part of impairment testing	No specific rules.	If non-controlling interest is measured at the proportionate interest in the fair value of the net assets, goodwill to be grossed up on the basis of the unit being wholly owned.	IFRS stricter
1.5 Reversal of impairment loss recognised for goodwill in an interim period	No specific rule.	Specific rule that impairment may not be reversed.	IFRS stricter
2 Presentation			
2.1 Presentation in statement of profit or loss	Mandatory recognition if costs classified by nature.	No mandatory disclosure in statement of profit or loss.	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
3 Disclosure			
3.1 Goodwill not allocated to cash-generating unit	No specific rules.	Amount and reason for not allocating goodwill to be disclosed.	IFRS requires more disclosure
3.2 Determining recoverable amount	Detailed disclosure required.	More disclosure required.	IFRS requires more disclosure

General

DAS 121 Impairment of Fixed Assets is almost an exact translation of a previous version of IAS 36 Impairment of Assets. The current text of IAS 36 differs from DAS 121 on some points. DAS 216 Mergers and acquisitions also contains a number of impairment testing provisions.

1 Recognition and measurement

1.1 Scope

DAS 121 does not apply to financial assets to which DAS 290 applies (participating interests over which no significant influence is exercised, securities – classified under Financial fixed assets – and long-term receivables), assets relating to employee benefits as referred to in DAS 271 and deferred tax assets to which DAS 272 applies. However, DAS 121 does apply to participating interests measured at net asset value and to all intangible assets and property, plant and equipment (DAS 121.102/IAS 36.2).

IAS 36 contains more exceptions; it does not apply to investment properties measured at fair value (IAS 40), biological assets measured at fair value (IAS 41), assets arising from insurance contracts (IFRS 4) and non-current assets held for sale (IFRS 5; IAS 36.2). Under IFRS 16, most leases are recognised in the statement of financial position as right-of-use assets with a corresponding lease liability. Under DAS, operating leases are not recognised in the statement of financial position. Consequently, there are assets under IFRS (right-of-use assets) that do not exist under DAS (see Chapter 24 for more information). Under IFRS, right-of-use assets can also be subject to impairment. Under DAS, there might be an onerous lease contract.

1.2 Impairment testing of goodwill or intangible assets with a useful life of more than twenty years

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired (IAS 36.9; DAS 121.202).

If goodwill or intangible assets are amortised over a period of more than twenty years, DAS 216/ DAS 210 respectively require that an estimate be made of the recoverable amount at least at the end of each financial year, even if there is no indication of impairment (DAS 216.230 and DAS 210.419). Under IFRS, useful life is not relevant for impairment testing.

1.3 Impairment testing for intangible assets with an indefinite useful life and goodwill

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired (IAS 36.9; DAS 121.202).

In contrast to DAS 121, IAS 36.10 stipulates that an impairment test must also be performed for the following assets annually (at a consistently applied fixed date), irrespective of whether there is any indication of impairment and whenever there are indicators of impairment:

- Intangible assets with indefinite useful lives (that are not amortised)
- Goodwill acquired in a business combination

1.4 Minority/non-controlling interest as part of impairment testing

Under IFRS 3, the acquirer has the option of initially measuring a non-controlling interest at:

- The net asset value disclosed in the statement of financial position, being the proportionate share of the non-controlling interest in the fair value of the assets and liabilities (partial goodwill)
Or
- Fair value, being the stand-alone fair value of the non-controlling interest (full goodwill)
(IFRS 3.19)

The amounts of goodwill depend on the option selected. The impairment test should be based on the full amount of goodwill, however if the non-controlling interest is measured at the proportionate interest in the fair value of the net assets, the carrying amount of the non-controlling interest should initially be adjusted to reflect the gross goodwill amount (IAS 36.C4). In other words, the goodwill should be grossed up.

DAS 121 provides no specific rules on this point. In our view, the accounting treatment under DAS should in principle follow the IFRS methodology in order to facilitate proper comparison of the carrying amount and the recoverable amount.

1.5 Reversal of impairment loss recognised for goodwill in an interim period

IFRIC 10 Interim Financial Reporting and Impairment stipulates that the specific rules of IAS 36 override those of IAS 34 Interim Financial Reporting. This means that an impairment loss for goodwill recognised for an interim period of any financial year may not be reversed in subsequent interim periods of the same financial year. The number of non-listed entities drawing up interim reports is limited. If such non-listed entities use DAS to draw up financial statements, goodwill impairment will be less frequent because the goodwill is depreciated (or was deducted from equity directly, prior to the changes in law that became effective as of 2016). If the above contradiction arises, IFRIC 10 could be applied analogously.

2 Presentation

2.1 Presentation in statement of profit or loss

If the classification of costs by nature is applied, impairment losses or their reversal are presented as other changes in value of tangible and intangible non-current assets (formats E and I in Annual Accounts Formats Decree). There is no requirement under IAS 1 to state (reversals of) impairments separately in the primary statement of profit or loss.

3 Disclosure

3.1 Goodwill not allocated to cash-generating unit

If part of the goodwill acquired in a business combination during the reporting period has not been allocated to a cash-generating unit (or group of units) by the reporting date, the amount of the unallocated goodwill and the reason for not allocating it should be disclosed in the notes (IAS 36.133). DAS 121 provides no rules on this point.

3.2 Determining recoverable amount

If an impairment applies, DAS 121 states that if the recoverable amount is the realisable value, the way in which this was determined should be disclosed. If the recoverable amount is based on cash flow forecasts, a description should be provided of the method and the principal assumptions used in determining the recoverable amount, including the period and the discount rate. IAS 36 requires more extensive information on impairments when the recoverable amount is based on fair value less cost of disposal.

Regardless of whether impairment applies, IAS 36 requires more extensive information on estimates used in determining the recoverable amount of cash-generating units to which goodwill or intangible non-current (fixed) assets with indefinite useful lives are allocated.

Accounting standards

Relevant accounting standards:

- DAS 121 Impairment of Fixed Assets
- IAS 36 Impairment of Assets
- IFRIC 10 Interim Financial Reporting and Impairment

Special
organisations

35 Banks

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 General banking risks	A separate fund may be formed for general banking risks. This fund should be included in the statement of financial position as a liability following the provisions. The net total of additions and charges should be recognised in profit or loss. DAS recommends that no fund be formed.	Forming of fund is not allowed.	IFRS stricter
2 Presentation			
2.1 Statement of financial position and statement of profit or loss formats	Specific formats for banks are prescribed in the Annual Accounts Formats Decree.	No specific formats.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Equity	Limited disclosure of capital requirements; disclosure of solvency ratios required.	Detailed disclosure of capital requirements; no disclosure of solvency ratios required.	IFRS requires more disclosure
3.2 Disclosure of various items	Specific banking rules.	Detailed rules, albeit not specifically for banks.	IFRS requires more disclosure

General

In most cases, the provisions described in the preceding chapters also apply to banks. This chapter deals in more detail with a few specific issues relating to banks. DAS include specific DAS for special business sectors. For banks, this is DAS 600 'Banks'. There are no specific standards for business sectors under IFRS. Therefore all standards also apply to banks, including IAS 32, IFRS 7, IFRS 9 and IFRS 13 in particular. These standards in particular can lead to differences in the treatment and disclosure of financial instruments compared to Dutch laws and regulations.

The differences addressed in Chapters 5, 8, 9, 15 and 23 also apply to banks, except that banks are subject to special accounting principles for the measurement of assets.

IFRS 9 includes not only the rules for classification and measurement and impairment, but also rules on hedge accounting.

The IASB had not yet addressed the subject of macrohedge accounting upon completion of IFRS 9. Macro-hedge accounting is a practice applied by banks in particular. The IASB decided not to include this subject within the scope of general hedge accounting and defined it as a separate project, which is not yet completed.

The present IFRS 9 standard facilitates the possibility when transitioning to IFRS 9 – as a policy choice – to continue to apply the hedge accounting requirements of IAS 39 and not the hedge accounting requirements of IFRS 9. This is possible until the IASB has completed its macro-hedging project.

1 Recognition and measurement

1.1 General banking risks

Under Dutch laws, a separate fund may be formed for general banking risks. This fund should be included in the statement of financial position as a liability, presented after the provisions. The net total of additions and charges should be recognised in profit or loss (Section 424 of Book 2 of the Dutch Civil Code), although DAS 600 recommends that no fund for general banking risks be formed.

IFRS does not allow a fund for general banking risks to be formed.

2 Presentation

2.1 Statement of financial position and statement of profit or loss formats

The Annual Accounts Formats Decree contains specific formats for the statement of financial position (format K) and the statement of profit or loss (formats L and M) of banks.

IFRS prescribe no specific formats for the statement of financial position and statement of profit or loss of banks. However, IFRS does list a number of specific items to be included in the statement of financial position (IAS 1.54) and the statement of profit or loss (IAS 1.82). However, the preparation of a statement of financial position and statement of profit or loss has become standard practice, partly based on the banks-to-supervisory authorities reporting formats developed by the European Banking Authority.

On the adoption of IFRS 9, IAS 1.82 was amended and prescribes which items are required to be explicitly presented in the profit and loss account. Thus IAS 1.82 states that, in addition to items to be disclosed on the basis of other IFRSs, the profit or loss section or the statement of profit or loss are required to include the following items, among others:

- Revenue, presenting separately interest revenue calculated using the effective interest method
- Gains and losses arising from the derecognition of financial assets measured at amortised cost
- Impairment losses (including reversals of impairment losses) determined in accordance with IFRS 9

In addition certain gains or losses arising from reclassified financial instruments are required to be presented separately.

Under IFRS 7, a substantial number of items should be presented or disclosed separately in the statement of profit or loss or the notes to the statement of profit or loss.

3 Disclosure

3.1 Equity

Under DAS 600.263, banks should disclose capital ratios in the notes to the financial statements.

These are generally calculated on the basis of the methodology of the Basel accord on capital adequacy and resulting European laws and regulations in the context of the supervision by the Dutch central bank (De Nederlandsche Bank) or the European Central Bank. The notes should at least disclose the core capital required and the core capital available, as well as the amount of the total Tier I and Tier II capital required and the total Tier I and Tier II capital available, the required and actual ratio for core capital, and the required and actual ratio for total Tier I and Tier II capital.

It is recommended that banks use the information that is aligned with reporting by regulators. This standard also recommends that insight be provided into the composition of risk-weighted items and the breakdown of the total Tier I and Tier II capital.

Under DAS 600.264, the notes are required to state whether the applicable capital requirements were complied with in the reporting period. If those capital requirements have not been complied with, the consequences of that non-compliance must be disclosed.

Under IAS 1.135, an entity being subject to externally imposed capital requirements, for example a bank, should disclose the following, among other information:

- The nature of those requirements and how those requirements are incorporated into the management of capital
- Whether during the period it complied with any externally imposed capital requirements to which it is subject
- If it has not complied with such externally imposed capital requirements, the consequences of such non-compliance

3.2 Disclosure of various items

DAS 600 contains two recommendations and one rule on impairments of loans and advances.

Information should be disclosed on the method used to determine impairments and write-downs of loans and advances, as well as the underlying criteria used for that purpose. It is also recommended that the gross amount of loans and advances for which no interest income is recognised be disclosed and a movement schedule of impairments of loans and advances be included (DAS 600.205 and 600.211).

In addition to the disclosure requirements under DAS 600 Banks, specific disclosures are required under the Banks Annual Accounts Decree – which have been largely incorporated in DAS 600 – and under DAS 290 Financial instruments.

IFRS 7 Financial Instruments: Disclosures is highly significant for banks. IFRS requires more disclosure than Dutch laws and regulations. Additional information requirements concerning financial instruments include the following:

- Carrying amounts of each class of financial instrument
- Maximum exposure to credit risk
- Mitigation of exposure to credit risk due to derivatives
- Reclassifications
- Collateral
- Allowance for credit losses

- Hedge accounting
- Fair value
- Risks (by type)

Credit risks should be disclosed on the basis of the maximum exposure to risk, with any collateral provided not being taken into account, information on collateral, the quality of financial assets that are not past due or impaired, and information on facilities that have been restructured owing to problems.

IFRS 13 also includes a range of provisions and disclosure requirements relating to the fair value of financial instruments as well as non-financial instruments.

Accounting standards

Relevant accounting standards:

- Dutch Civil Code Book 2, Part 9, Chapter 14
- The Banks Annual Accounts Decree
- DAS 290 Financial Instruments
- DAS 600 Banks
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement

36 Investment entities

	Dutch laws and regulations	IFRS	Conclusion	
1	Recognition and measurement			
1.1	Consolidation	Exemption from consolidation allowed for investment entities that apply DAS 615, provided that, from the time of acquisition, a specific exit strategy has been defined with respect to the majority interests. Measurement of majority interests at fair value with recognition of realised and unrealised changes in value through profit or loss recommended.	Consolidation not allowed for investment entities that are within the scope of the definition of investment entities in IFRS 10. A typical characteristic of the business purpose of an investment entity is that it has an exit strategy. Investments in subsidiaries are measured at fair value with recognition of changes in value in profit or loss. IFRS 12 requires disclosure concerning the classification as an investment entity.	IFRS stricter
1.2	Different categories of investment	Measurement at fair value or amortised cost, depending on the nature of the investment, but it is recommended that all investments be carried at fair value, with all changes in value recognised in profit or loss.	Measurement at fair value with recognition of changes in value in profit or loss based on the definition of an investment entity and the associated business model.	IFRS stricter
1.3	Costs charged to investors individually for issue or purchase of units	If costs have been charged to investors individually for issue or purchase, in addition to the unit price, those costs and the related income must be recognised in the statement of profit or loss.	The costs or mark-up or mark-down must be taken to the statement of profit or loss if the units are classified as financial liabilities and taken to equity if the units are presented as equity.	Conflicting
	Costs charged to investors individually for incorporation and/or issue of units	If costs have been charged to investors separately for formation and/or emission in addition to the share rate, those costs and the related income must be recognised in the statement of profit or loss.	The costs charged individually must be taken to the statement of profit or loss if the units are classified as financial liabilities and taken to equity if the units are presented as equity.	Conflicting

	Dutch laws and regulations	IFRS	Conclusion
1.4 Puttable instruments (repurchase obligation of units in an open-end investment entity)	<p>If the holder of the financial instrument has the right to resell the instrument to the issuer of the instrument, recognition as liability.</p> <p>If certain conditions are satisfied, these puttable instruments can be accounted for under equity.</p>	<p>To be accounted for under liabilities if the holder of the financial instrument is entitled to resell the instrument to the issuer.</p> <p>If certain conditions are satisfied, these puttable instruments must be accounted for as equity.</p>	IFRS stricter
1.5 Revaluation reserve for investments without frequent market listings	Revaluation reserve is mandatory for unrealised revaluations.	No obligation to form revaluation reserve.	Dutch laws and regulations stricter
1.6 Calculation of earnings per share	<p>The calculation per unit is required to be based on the number of units outstanding with third parties at the time of measurement.</p> <p>Open-end investment entities take account of the requirements with regard to accounting for the purchase and (re)issue of own units and dividend distributions.</p>	Under IAS 33.9 and IAS 33.30, a listed investment entity is required to present basic and diluted earnings per unit for each type of unit.	Conflicting
2 Presentation			
2.1 Statement of financial position and statement of profit or loss formats	<p>Specific formats for investment entities are prescribed in the Annual Accounts Formats Decree. DAS 615 contains additional requirements for the items that must be presented as a minimum in the statement of financial position and the statement of profit or loss.</p>	<p>No prescribed formats. Under or pursuant to the FSA, requirements apply for investment entities concerning the items that must be presented as a minimum in the statement of financial position and the statement of profit or loss.</p>	Dutch laws and regulations stricter
2.2 Negative investments	<p>Short positions in investments or financial instruments with a negative value are to be included under the item 'Investment' on the liability side of the statement of financial position.</p>	<p>No prescribed 'Investment' item on the liability side of the statement of financial position.</p>	Dutch laws and regulations stricter

	Dutch laws and regulations	IFRS	Conclusion
2.3 Directors' report	<p>DAS 615 requires, in part in addition to the provisions of DAS 400:</p> <ul style="list-style-type: none"> • The objectives and the investment policy conducted, at least in terms of risk and return • Statement of investment result for each unit for the last five years • Disclosure of voting policy (and stewardship policy) 	Review of financial performance and position of the entity recommended.	Dutch laws and regulations stricter
2.4 Statement of cash flows	To be subdivided into cash flow from investing and financing activities.	To be subdivided into cash flow from operating, investing and financing activities.	Conflicting
3 Disclosure			
3.1 Information on investments and segment information	<p>Breakdown of composition of investment portfolio and movements during the financial year and disclosure of investments in fund of funds.</p> <p>No further requirements then apply pursuant to DAS 350 Segment Information.</p>	<p>Less-specific requirements under IFRS for the disclosure of investments. IFRS 12 does however require disclosure of interests in other entities over which the investment entity has control, including disclosures on the fair value of the (ultimate) investments, and there are also disclosure requirements under IFRS 7 and IAS 40 concerning financial instruments and investment property.</p> <p>Under IFRS, reporting segment information is mandatory for listed entities on the basis of IFRS 8 Operating Segments. Segment information must not consist solely of reporting the investment portfolio for each segment.</p>	Dutch laws and regulations require more disclosure

	Dutch laws and regulations	IFRS	Conclusion
3.2 Disclosure of other items	Detailed disclosure requirements for costs, including the recurring costs factor and turnover ratio, transaction costs, outsourcing and related party transactions, tax status, among other items.	Besides standard disclosure requirements on financial instruments, investment property and related parties, among other things, no specific rules for investment entities.	Dutch laws and regulations require more disclosure

General

Dutch investment entities that are subject to Part 9 of Book 2 of the Dutch Civil Code pursuant to Section 2:360 of the Dutch Civil Code, as well as Dutch investment entities for which the manager is required to have a licence, are required under the Financial Supervision Act (FSA) to prepare financial statements, a directors' report and other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. DAS include a separate Standard for investment entities. Section 362 (8) of the Dutch Civil Code then offers the option of preparing the financial statements in accordance with the standards issued by the International Accounting Standards Board and endorsed by the European Commission (EU-IFRS), provided all applicable issued and endorsed standards are applied.

Investment entities offered by a manager required to have a licence are subject to the Financial Supervision Act. Related regulations, including the Decree on the Supervision of the Conduct of Financial Enterprises pursuant to the Financial Supervision Act and the Further Regulations on the Supervision of the Conduct of Financial Enterprises, also contain rules on external reporting by investment entities, as well as directly applicable European regulations with direct applicability. Such reporting requirements have largely been included in DAS 615 Investment entities, but they also apply if the investment entity draws up the financial statements in conformity with the standards ensuing from Section 368 (8) of Book 2 of the Dutch Civil Code as adopted by the IASB and endorsed by the European Commission.

The Financial Supervision Act and the aforementioned related regulations as well as directly applicable European regulations contain extensive rules on providing information to the public and disclosing information in the notes to the financial statements. The required disclosures vary for each licensing regime (investment institution or UCITS) and depend on the question as to whether the investment entities are also offered to private investors, among other factors. We do not address the specific requirements under financial supervision laws in this brochure. Please refer to the EY Financial Statements Checklist for Investment Entities for this.

If the investment entity prepares the financial statements on the basis of EU-IFRS, the annual reporting requirements under the FSA will continue to apply as well as a number of Dutch legal provisions in Part 9 of Book 2 of the Dutch Civil Code and the DAS will continue to apply, including disclosures such as those of auditor's fees and executive remuneration, the provisions concerning capital maintenance, the contents of the directors' report, the other information and publication.

IFRS does not contain a separate standard for investment entities but does contain specific provisions, such as the exclusion of consolidation for investment entities (see below). The principal rules relevant to investment entities are included in IAS 1 Presentation of Financial Statements, IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, and, for property investment entities, IAS 40 Investment Property. In addition, a number of provisions from other standards are also relevant to investment entities.

This chapter applies to all investment entities offered by a manager required to have a licence, regardless of legal structure, and might provide a blueprint for other investment entities. This chapter only deals with the departures from the general provisions for drawing up the financial statements of investment entities. Specific reference is made to the chapters concerned (3, 5, 8, 9, 15 and 23) for general provisions relating to the financial statements which apply to investment entities and other entities alike.

1 Recognition and measurement

1.1 Consolidation

DAS include an exemption from consolidation for investment entities for majority interests in investments held by investment entities applying DAS 615, if a specific exit strategy has been formulated for these majority interests from the time of acquisition, such that it is clear that these interests are held only to be sold at a time defined in accordance with the exit strategy (DAS 217.308). The application of this exemption from consolidation and the reasons for it must be disclosed (DAS 217.308).

If the investment entity applies this exemption from consolidation, the majority interests should not be classified as a participating interest, but classified as securities instead. DAS 226 Securities and DAS 290 Financial Instruments (DAS 217.308a) therefore apply to these majority interests for the purpose of measurement and determination of results as well as presentation and disclosure.

DAS 615.202a recommends that all majority interests are measured at fair value and realised and unrealised changes in value are taken through profit or loss for investment entities that apply the exemption from consolidation.

Investment entities in scope of the definition of IFRS 10 must not consolidate subsidiaries nor apply IFRS 3 when they obtain control over another entity. Instead, an investment entity must measure an investment in a subsidiary at fair value through profit or loss (IFRS 10.31). An investment entity according to the definition in IFRS 10 (IFRS 10.27 and 10.28) obtains funds from one or more investors to provide investment management services with the business purpose of achieving income from capital appreciation and/or investment income and values and evaluates the performance of substantially all its investments on the basis of fair value.

A typical characteristic of the business purpose of an investment entity is that it has an exit strategy (IFRS 10.B85F) at the level of the various types of investment that describes how it intends to achieve the capital appreciation of equity interests and (perpetual) debt investments that can be held indefinitely. An investment entity may have an investment in another investment entity that is formed in connection with the entity for legal, regulatory, tax or similar business reasons.

In this case, the investment entity investor need not have an exit strategy for that investment, provided that the investment entity investee has appropriate exit strategies for its investments (IFRS 10.B85H). This will apply in many master-feeder arrangements.

IFRS 12.19A requires an investment entity that is required to apply the exception from consolidation to disclose that fact. IFRS 12.9A further requires an investment entity to provide information about the significant judgments and assumptions applied in determining that it is an investment entity.

If the investment entity lacks one or more of the typical characteristics of an investment entity as referred to in IFRS 10.28, the reason why the entity has been concluded to be an investment entity is required to be stated. When an entity becomes an investment entity or, conversely, ceases to be an investment entity, the change in the status as investment entity and the reasons for this change in status are required to be stated.

1.2 Different categories of investment

Investments in financial assets and investment properties

Although, investment entities are generally allowed to apply the different accounting policies to the different types of investment as set out in the chapters concerned, DAS 615.201 recommends that investment entities measure investments at fair value with realised and unrealised changes in fair value directly through profit or loss (DAS 615.202). No mandatory revaluation reserve need to be recognised for investments with frequent market listings. However, Section 390 (1) of Book 2 of the Dutch Civil Code requires such a revaluation reserve to be recognised for unrealised revaluations of other investments (such as investment properties).

IFRS 9 stipulates that an entity should classify financial assets as assets that are measured at amortised cost after initial recognition, at fair value through other comprehensive income, or at fair value through profit or loss, on the basis of:

- a. The entity's business model for managing the financial assets; and
- b. the characteristics of the contractual cash flows of the financial asset.

Based on the definition of an investment entity (IFRS 10.27) and the associated business model in combination with IFRS 9 (4.1.4 and application guidance B4.1.6), an investment entity will measure its investments at fair value through profit or loss.

For a further discussion of IFRS 9, see Chapter 23. Measurement and recognition of changes in value relating to investment properties are set out in Chapter 3.

Investments in joint ventures and associates

IAS 28 offers venture capital companies, unit trusts and similar investment entities whose business is investing in financial assets with a view to profiting from their total return in the form of interest or dividends and changes in fair value the option of measuring investments in joint ventures and associates at fair value through profit or loss (IAS 28.18). This option does not exist under DAS.

1.3 Costs charged to investors individually for incorporation and/or issue of units

For open-ended investment institutions, the following two specialties apply regarding charges to investors when they join.

Costs of incorporation and/or issues charged separately to investors in addition to the unit price, as well as income arising therefrom have to be recognised in profit or loss (DAS 615.710).

If an investment entity has included, when issuing or purchasing own units, a mark-up or mark-down in the re-issue price or purchase price for the share in the transaction costs for the purchase or sale of investments by the investment entity and if the aforesaid mark-up or mark-down is separately identifiable, such a mark-up or mark-down must always be recognised in profit or loss (DAS 615.711) under other (operating) income (Explanatory Memorandum to the Decree amending the Annual Accounts Formats Decree). If the mark-up or mark-down, respectively, is not separately identifiable, it is part of the re-issue price or purchase price and is taken directly to equity (share premium) in accordance with DAS 240.403.

Under IAS 32, this is not always relevant for open-ended funds, as they do not always hold any equity (see here-after). However, the specific provisions under IAS 32 allow most open-end investment entities to present equity, with any mark-up being recognised as share premium. The same holds true for closed-end funds.

1.4 Puttable instruments (repurchase obligation of units in an open-end investment entity)

IAS 32.18b contains a provision on puttable instruments that may be very important for investment entities. A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (as is the case with open-ended investment entities) is not an equity instrument, but a liability. However, if the instrument meets all the criteria referred to in IAS 32.16A and 16B, or meets the criteria referred to in IAS 32.16C and 16D, it must be presented as equity.

DAS 290.808 also refers to puttable equity instruments that may be presented as equity, provided that certain conditions mentioned below are satisfied. DAS 240.207 also offers the option to choose in the separate financial statements to base classification of a financial instrument as equity or liability on the legal form of the instrument.

IFRS is therefore stricter as there is no choice if the criteria have been fulfilled.

In order to be allowed (DAS) or required (IFRS) to be presented as equity, the puttable instruments must have the following features:

- In the event of liquidation they must give the holder the right to a pro rata part of the net assets of the investment entity.
- The instrument belongs to the most subordinated (shares) class.
- Within this (shares) class, the instruments have identical features.
- The investment entity has no other financial instruments or contracts of which the expected cash flows are primarily based on the result of the investment entity or that can limit or fix the remaining value of the puttable instruments. Besides the buy-back obligation the instrument does not provide any other contractual rights to cash flows.

1.5 Revaluation reserve for investments without frequent market listings

In contrast to Section 401 (2) of Book 2 of the Dutch Civil Code, DAS 615.202 recommends that both realised and unrealised changes in the fair value of investments be recognised in profit or loss. Pursuant to Section 390 (1) of Book 2 of the Dutch Civil Code, an investment entity forms a revaluation reserve from the profit appropriation equal to the unrealised fair value increases of investments for which there are no frequent market listings.

IFRS does not require a (legal) revaluation reserve to be formed.

1.6 Calculation of earnings per share

DAS 340 Earnings per share also applies to investment entities (DAS 615.716). For the general requirements, see Chapter 29. The calculation of earnings per unit and the calculation of the investment result per unit are required to be based on the number of units outstanding with third parties at the time of measurement (DAS 615.717).

The rules in DAS 615 with regard to accounting for the purchase and (re)issue of own units and dividend distributions for solely 'open-end' investment entities are relevant for the calculation of earning per unit at open-end investment entities.

In practice, the required information is often provided in the multi-year summary.

Under IAS 33.9 and IAS 33.30, a listed investment entity is required to present basic and diluted earnings per unit for each type of unit.

2 Presentation

2.1 Statement of financial position and statement of profit or loss formats

Under the Annual Accounts Formats Decree, the statement of financial position of an investment entity should be drawn up in accordance with format Q or R and the statement of profit or loss in accordance with format S. The exemption provisions for small and medium-sized entities pursuant to Sections 396 and 397 of Book 2 of the Dutch Civil Code do not apply to investment entities that have obtained a licence from the supervisory authority (Section 398 (3) of Book 2 of the Dutch Civil Code).

DAS 615.302a lists the elements and underlying items which the statement of financial position must contain at a minimum. DAS 615.303 provides a similar list for the statement of profit or loss.

DAS 615.302 stipulates that the subdivision of investment-related assets into non-current and current assets is not relevant and difficult to apply, given the nature of the investment entity. However, this subdivision does apply to other assets (non-investment-related), and the distinction required by law will continue to apply.

IFRS does not include any prescribed statement of financial position formats, but only provides general instructions (IAS 1.54 and following). IAS 1.60 and following provide detailed provisions for distinguishing between current and non-current assets and liabilities.

IFRS does not include any prescribed statement of profit or loss formats, but does include some general requirements (IAS 1.81A and following).

It should be noted that requirements apply under or pursuant to the FSA for the line items that must be included as a minimum in the statement of financial position and the statement of profit or loss.

2.2 Negative investments

DAS 615.302a furthermore stipulates the following for the item Investments on the liability side of the statement of financial position: short positions in investments or financial instruments with a negative value are to be included under Investment on the liability side of the statement of financial position.

IFRS does not prescribe any Investment item under liabilities, but liabilities held for trading purposes (such as short positions and derivatives) are measured at fair value through profit or loss (IFRS 9 4.2.1(a)).

2.3 Directors' report

In addition to the provisions relating to directors' reports included in Chapter 7 of Part 9 of Book 2 of the Dutch Civil Code and DAS 400, (and in some cases in the decree on the contents of directors' reports), an investment entity should address the following matters in its directors' report (DAS 615.501):

- Its objectives and the investment policy conducted, at least in terms of risk and return.
- The investment result per unit (held by third parties) for the last five years, broken down by income, changes in value and costs.

IFRS does not contain specific requirements for the directors' report. IAS 1.13 does include a recommendation to include a report in which management describes and explains the financial results and position of the entity.

Note that an investment entity that applies IFRS-EU based on Section 362 (8) of Book 2 of the Dutch Civil Code must also draw up an directors' report in keeping with Part 7 of Title 9 of Book 2 of the Dutch Civil Code and DAS 400.

Unrelated to choosing to report based on Title 9 of Book 2 of the Dutch Civil Code or IFRS (EU), an investment entity must disclose a number of matters in the directors' report, for instance with regard to the voting policy on listed shares (and the stewardship), a so-called in control or a statement from the investment manager on the business operations and disclosure regarding the remuneration policy for the investment manager. As of 2021, this will be followed by transparency requirements for investment entities engaging in sustainable investment. For more details on the above, see the EY Financial Statements Checklist for Investment Entities.

2.4 Statement of cash flows

The statement of cash flows (DAS 360) requirement also applies to investment entities. It consists of two components (DAS 615.311): cash flows from investing activities and cash flows from financing activities.

IFRS does not include any prescribed statement of cash flows formats. However, IAS 7.10 stipulates that the statement of cash flows should report cash flows during the period classified by operating, investing and financing activities.

3 Disclosure

3.1 Information on investments and segment information

A breakdown of assets as at year-end according to standards in line with investment policies (Section 122 (1b) of the Decree on the Supervision of the Conduct of Financial Enterprises) should be disclosed in the notes. In the case of indirect investments in other investment entities, additional information is likewise required (Section 122 (1g) of the Decree on the Supervision of the Conduct of Financial Enterprises).

DAS 615.406 requires a reconciling statement of movements in investments during the financial year, with investments being distinguished by type, i.e. by type of securities and other investments, e.g., investment property and derivatives. The statement must at least contain the aggregate of the acquisitions and of the alienations, the revaluations, and the price gains and losses.

Contrary to DAS 350 Segment information, the following disclosures of segment information will suffice:

- A reconciling statement of movements in investments during the financial year, with investments being distinguished by type.
- A breakdown of assets as at year-end (DAS 615.407), broken down on the basis of criteria that best suit the investment policy.

IFRS does not require any such disclosure.

Under IFRS, reporting segment information is mandatory for listed entities on the basis of IFRS 8 Operating Segments. For more information on this standard, see Chapter 26. Segment information does not consist solely of reporting the investment portfolio for each segment.

If the investment entity applies the exemption from consolidation, the following must be disclosed for each (indirect) interest exceeding 20%: the name, domicile and share provided in the capital (DAS 217.308b) and agreements or restrictions regarding dividend or repayments and agreements or intentions to provide financial support (DAS 217.308c). DAS 615.410 requires disclosure, with a breakdown, of the investments that are participating interests in which the investment entity has significant influence. Additional disclosures are required if 85% or more is invested in another investment entity.

IFRS 12 requires information to be disclosed on the nature of the risks and the consequences for the financial position, financial performance and cash flows relating to interests in other entities over which an entity has control (IFRS 12.6(b)(ii)). This shall include, for each material unconsolidated subsidiary, joint arrangement and associate: disclosure of the name, the nature of the relationship, the principal place of business and the proportion of ownership interest held (and voting rights if different) (IFRS 12.19B and IFRS 12.21(a)).

In addition, the investment entity is required to disclose the nature and extent of any significant restrictions and commitments or intentions to provide support (IFRS 12.19D, IFRS 12.22(a) and IFRS 12.31) and if support has been provided during the reporting period without an obligation to do so: the reasons for this and the type and amount of the support (IFRS 12.19E and IFRS 12.30).

ESMA Decision (ref EECS/0119-94) concerning 'Disclosure of fair value measurement of investments by an investment entity' clarifies that, for an investment entity that invests via legal entities established for that purpose (such as subsidiaries), additional disclosures are required – by analogy with IFRS 13 – concerning the fair value of the (ultimate) investments, such as:

- The level of the fair value hierarchy (level 1, 2 or 3) per type or category.
- Qualitative information concerning the valuation processes used including, for instance, how the measurement policy and procedures were determined for assessing the accuracy and reliability of measurements, particularly if measurement information is derived from external sources of information, and how changes in measurement at fair value from period to period are analysed.
- Quantitative information concerning the valuation techniques and significant unobservable inputs (level 3) used in developing those measurements.

3.2 Disclosure of other items

Under the Standard for investment entities, the following information, among other items, should be disclosed in detail:

- Notes to equity (DAS 615.408): a comparative statement showing, for the preceding three years as at year-end, the investment entity's intrinsic value, the number of outstanding units and the net asset value for each unit.
- Insight into other significant currency positions and financial instruments not intended to hedge price or exchange rate risks (DAS 615.409).
- Responsibilities regarding outsourcing (DAS 615.412).
- Recurring costs factor (DAS 615.413).
- Turnover ratio (DAS 615.414) for non-property investment entities.
- Transaction costs, costs of incorporation, costs associated with borrowing and lending financial instruments, management and custody costs, and any and all other relevant costs (DAS 615.415 and following).
- The tax status of the investment entity (DAS 615.424 and 425).
- Repurchased own shares (DAS 615.426 and following).
- Information on securities financing transactions (DAS 615.431)

IFRS does not stipulate any such disclosure requirements. The requirements under IFRS 7 for disclosures regarding financial instruments are described in Chapter 23.

Accounting standards

Relevant accounting standards:

- DAS 213 Investment Property
- DAS 217 Consolidation
- DAS 290 Financial Instruments

- DAS 615 Investment Entities
- IFRS 7 Financial Instruments: Disclosure
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 32 Financial Instruments: Presentation
- IAS 40 Investment Property

37 Pension funds

	Dutch laws and regulations	IFRS	Conclusion
1 Recognition and measurement			
1.1 Calculation of provision for pension liabilities	Actuarial, based on pension entitlements accrued up to and including the reporting date (not taking into account projected salary increases).	Actuarial, whether or not taking into account projected salary increases.	Dutch laws and regulations stricter
1.2 Calculation of provision for pension liabilities – frequency of actuarial valuations	Annually.	Most recent valuation to be used.	Dutch laws and regulations stricter
2 Presentation			
2.1 Formats for statement of financial position and statement of profit or loss	There is a list of items that should be included at a minimum.	No rules.	Dutch laws and regulations stricter
2.2 Directors' report, statement of cash flows and other information	Detailed provisions.	Less detailed provisions.	Dutch laws and regulations stricter
3 Disclosure			
3.1 Disclosure of information	The information to be disclosed is very extensive.	Less extensive information required.	Dutch laws and regulations require more disclosures

General

DAS 610 and IAS 26 deal with reporting by pension funds. DAS 271 and IAS 19 on employee benefits only discuss the accounting for pension liabilities in the financial statements of employers. This chapter, however, only deals in detail with a few specific reporting issues relating to pension funds. IAS 26 takes a more general approach than DAS 610.

Application of IFRS is not self-evident for Dutch pension funds as Dutch laws and regulations (including the Pensions Act and the Pension Funds (Financial Assessment Framework) Decree) are closely in line with financial statements prepared on the basis of DAS.

1 Recognition and measurement

1.1 Calculation of provision for pension liabilities

The Pensions Act requires pension liabilities to be measured at market value, in connection with which it is considered to be acceptable to apply a discount rate for this on the basis of the UFR method for the interest rate structure as published by the Dutch Central Bank DNB, provided it is applied consistently. When calculating the provision, pension entitlements and rights should be measured at the level existing as at the reporting date (DAS 610.251).

IAS 26.18 stipulates that pension liabilities should be carried at actuarial present value, optionally using projected salary increases.

1.2 Calculation of provision for pension liabilities – frequency of actuarial valuations

IAS 26.17 discusses the frequency of actuarial valuations. If an actuarial valuation has not been carried out at the date of the financial statements, the most recent valuation should be used as a base.

DAS 610 does not contain any such relaxed requirements, stipulating that the calculation be made at year-end as a minimum, based on actuarial principles which are up to date at year-end.

2 Presentation

2.1 Formats for statement of financial position and statement of profit or loss

No specific formats for the statement of financial position and statement of profit or loss of pension funds are prescribed in the Annual Accounts Formats Decree. DAS stipulates which items may be presented in the statement of financial position (DAS 610.201, DAS 610.233 and Appendix 1 to DAS 610) and which items should at a minimum be presented in the statement of profit or loss (DAS 610.302 and Appendix 2 to DAS 610). DAS 610 does not allow the pension capital method.

Although IAS 26 does not explicitly deal with the statement of financial position and statement of profit or loss formats to be used, IAS 26.17 requires that the financial statements of a defined benefit plan include:

- The net assets available for benefits
 - The actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits
 - The resulting excess or deficit
- Or
- A statement of net assets available for benefits including either:
 - A note disclosing the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits
- Or
- A reference to this information in an accompanying actuarial report

2.2 Directors' report, statement of cash flows and other information

IAS 26 includes fewer detailed rules on the presentation and disclosure requirements for the directors' report and other information than DAS. A statement of cash flows is not mandatory under IFRS. Since the exemption for medium-sized and small entities does not apply to pension funds, all pension funds must meet the requirements of Title 9 of Book 2 of the Dutch Civil Code regarding the directors' report, statement of cash flows and other details.

3 Disclosure

3.1 Disclosure of information

The following are to be disclosed (IAS 26.35):

- A movement schedule of the net assets available for benefits
- A summary of significant accounting policies used
- A description of the pension plan and the effects of any changes in the plan during the reporting period

In addition, highly detailed additional information is to be disclosed (IAS 26.35-36).

DAS 610 requires similar disclosure, with the disclosure requirements being more extensive and specific.

Accounting standards

Relevant accounting standards:

- DAS 610 Pension Funds
- IAS 26 Accounting and Reporting by Retirement Benefit Plans

38 Insurance companies

	Dutch laws and regulations	IFRS	Conclusion	
1	Recognition and measurement			
1.1	Equity investments	Reversal of impairment losses is permitted.	Reversal of impairment losses is prohibited.	IFRS stricter
1.2	Property for own use	Investment property; market value, changes in value through profit or loss, or cost net of depreciation.	Revalued value or cost, both net of depreciation. Cumulative revaluations to be kept in equity upon realisation.	Conflicting
1.3	Bonds	Amortised cost, redemption value, or market value with changes recognised in equity or the statement of profit or loss.	Market value with changes recognised in equity or statement of profit and loss. Amortised cost only allowed under strict conditions.	IFRS stricter
1.4	Negative revaluation reserve	Negative amounts to be recognised directly in profit or loss.	Revaluation reserve can be negative in the case of equities and bonds classified as available for sale, unless they are impaired.	Dutch laws and regulations stricter
1.5	Premiums and discounts on purchase of fixed-interest instruments	Effective interest method as well as straight-line amortisation allowed.	Effective interest method is mandatory (also if market value is used.)	IFRS stricter
		Premium can be charged directly to profit or loss.	Discount has to be amortised over the remaining term.	
1.6	Investments for the account and risk of policyholders (ARP)	Measurement on the basis of policy conditions, mostly market value of underlying investments.	Not to be treated differently from own investments.	Dutch laws and regulations stricter
1.7	Insurance liabilities			
1.7.1	Measurement of insurance liabilities: differences between NL GAAP and IFRS	Apply current laws and DAS 605.	Any combination of 'frozen' accounting principles with subsequent changes in local accounting principles possible.	Dutch laws and regulations stricter
1.7.2	Shadow accounting and provision for profit sharing	Provision for deferred profit sharing required; shadow accounting optional.	Shadow accounting optional.	Dutch laws and regulations stricter
1.7.3	Catastrophe provision	Permitted (equalisation provision only for credit insurance companies).	Not permitted.	IFRS stricter

	Dutch laws and regulations	IFRS	Conclusion
1.7.4 Embedded minimum interest rate guarantees	For contracts classified as 'for the account of policyholders': minimum interest rate guarantees to be measured at fair value with changes in value recognised in profit or loss.	Separate measurement required under certain conditions only.	Dutch laws and regulations stricter
1.7.5 Liability adequacy test for measuring insurance liabilities	Mandatory under DAS, various conditions. Solvency II value of liabilities can be used as minimum, unless discounting is prohibited.	Mandatory. IFRS has limited specific minimum requirements for the Liability Adequacy Test, otherwise IAS 37 test to be applied.	Dutch laws and regulations stricter
1.7.6 Discounting non-life insurance provisions	Only under certain conditions.	Allowed in all cases.	Dutch laws and regulations stricter
1.8 Elimination of intragroup transactions	Full elimination not mandatory in all cases.	Full elimination mandatory.	IFRS stricter
2 Presentation			
2.1 Use of statement of financial position and statement of profit or loss formats	Detailed formats prescribed.	No prescribed formats.	Dutch laws and regulations stricter
2.2 Unbundling	Only customary at specific insurers (spaarkassen).	Optional; mandatory in some cases.	IFRS stricter
2.3 Own employees' pension liabilities	Combined presentation with provision for insurance liabilities allowed.	To be presented separately under employee benefits.	IFRS stricter
3 Disclosure			
3.1 Disclosure of life insurance sources of profit	Mandatory, no further provisions.	Not mandatory.	Dutch laws and regulations require more disclosure
3.2 Claims Development Tables (CDTs)	CDTs required depending on size of run-off results for several years. Should then show five years' development.	CDTs mandatory, covering a period of ten years at most.	IFRS requires more disclosure
3.3 Risks, assumptions and sensitivity analyses	Less extensive disclosure.	More extensive disclosure.	IFRS requires more disclosure
3.4 Solvency requirements	Disclose: <ul style="list-style-type: none"> • Statutory minimum solvency • Solvency deemed necessary by management • Actual solvency 	Management of capital and any infringements of external capital requirements to be disclosed.	Dutch laws and regulations require more disclosures

General

Insurance companies in the Netherlands are subject to specific annual reporting requirements (Chapter 15 of Part 9 of Book 2 of the Dutch Civil Code and DAS 605). These rules are also important for certain holding companies of insurance companies.

IFRS 4 does not focus on insurance companies, but on insurance contracts. In the case of the contractual transfer of significant insurance risk between two parties, the contract concerned is an insurance contract. Virtually all Dutch insurance contracts fall within the scope of the definition under IFRS.

If the transfer of insurance risk is insufficient, IFRS refer to these contracts as investment contracts which have to be measured and presented (IAS 39/IFRS 9, IFRS 7) as financial instruments. However, if discretionary participation features in investment contracts they fall within the scope of IFRS 4; virtually no such contracts have been reported in the Netherlands to date.

In this chapter financial instruments are dealt with according to the existing standard IAS 39, in part because companies that mainly enter into insurance contracts are given the opportunity¹ to postpone the introduction of IFRS 9 until the introduction of IFRS 17. The published effective date of IFRS 17 is 1 January 2023, but the IASB has decided to defer both the effective date of IFRS 17 and the date up to which postponement of IFRS 9 is possible for insurers until 1 January 2023²

Dutch laws and regulations make detailed distinctions between reinsurers, life insurers, funeral insurers providing services in kind, non-life insurers and healthcare insurers. IFRS 4 distinguishes between insurance and reinsurance contracts, but with few practical consequences.

New developments: IFRS 17

The measurement, presentation and disclosures of insurance contracts will change significantly under IFRS 17 compared with the current accounting under IFRS 4.

Measurement in outline

- Aggregation level: differentiation between portfolios (contracts that have similar risks and are managed together) and within them between groups (annual cohorts of contracts, subclassified by profitability features).
- Measurement is based on a probability-weighted, discounted current best estimate of all future cash flows that are expected from a contract, including an estimate of profit sharing payments to be made.
- The contract duration that determines which future cash flows must be included in measuring the insurance liability ends at the time when an adequate premium adjustment can be effected.
- Unrealised gains on contracts are accrued as Contractual Service Margin (CSM). This is amortised pro rata based on the total services provided over the coverage period. Services provided include insurance cover and, where applicable, investment services.

¹ See 'Interdependence with the implementation of IFRS 9'.

² Subject to endorsement by the European Union. The endorsement process of the European Union relating to IFRS 17 is expected to be completed by the end of 2021.

- If a policy proves to be onerous immediately upon inception (expected net outflow of resources), this loss is required to be recognised immediately.
- Acquisition costs are recognised as part of the cash outflows and are therefore deducted from the CSM.
- Reassessments of future cash flows (for example, as a result of increasing probability of survival) of the liabilities as well as changes in the risk premium are recognised in the CSM, which may however not become negative: in that case a separate additional liability (*'loss component'*) is recognised and updated.
- More specific provisions apply for the treatment of profit-sharing contracts. The variable fee model applies to profit-sharing contracts that meet certain criteria. In this model, the insurer's share (*'shareholder's share'*) of the investment returns is part of the CSM.
- An explicit adjustment for uncertainty is required.
- Discounting is applied at the current market interest rate, based on the (interest rate) characteristics of the portfolio(s).
- No account is taken of own creditworthiness. For each portfolio, the insurer is required to account for the effects of market interest rate movements on the insurance liability either in profit or loss or in OCI. Effects of other market value changes must also be accounted for using the same method either in profit or loss or OCI.
- The total liability will consist, insofar as applicable, of:
 - Expected cash flows
 - Risk adjustment
 - Expected future profit.
- Within the total liability, comprising the above components, a distinction is applied between the portion relating to coverage still to be provided, i.e. the liability for remaining coverage, and the portion relating to an estimate of claims still to be settled, i.e. the liability for incurred claims.
- Specific adjustments of the general measurement model apply both to certain insurance products with profit-sharing and to outwards reinsurance.
- A much simpler method applies to contracts with a coverage period of up to one year, which will include many non-life insurances and reinsurances.
- Application is retrospective, in principle. However, the transitional provisions make it possible to simplify the transition, including by omitting division of the existing portfolio into annual cohorts.
- In the event of an acquisition of a portfolio or a business combination, the acquirer will remeasure the contracts as if they had been concluded at that time.
- Initial measurement in accordance with the measurement method of IFRS17³, which does not necessarily correspond to the fair value in a business combination.

Presentation

Revenue (earned premiums) will exclude amounts that will in any instance be reimbursed to the policyholder at some point in the future (investment components) to the extent that they can be properly designated; the remaining sum is accounted for as revenue during the coverage period.

A simplified presentation will apply for short-term contracts (particularly non-life contracts) which is very similar to the current earned premium method.

³ Besides IAS 19 and IAS 12, this is a third departure for a business combination from the principle in IFRS 3 of initial measurement at fair value and can therefore in our opinion have significant consequences for goodwill.

Returns on investments will be disclosed as a separate source of returns.

Disclosure

The adoption of IFRS 17 entails a significant increase in disclosures. Besides information on risks in a more descriptive form, extensive disclosures on amounts are required, such as a breakdown and movements of items and the sensitivity to the assumptions applied, with fairly detailed requirements concerning the components that must be shown separately.

A significant additional disclosure requirement is that a detailed summary of changes of the insurance liabilities must be presented, separately showing the changes in each of the stated components of the liability. This differentiates between the effects on the liabilities of new contracts, external factors (such as market interest rates) and decisions taken by the insurer.

IFRS 17 versus the Dutch rules

The Dutch rules may be amended in the future as a consequence of this standard, but no proposals for this have been published as yet. It is expected that it will not be possible to incorporate IFRS 17 in full in the current Dutch rules as the standard conflicts in several respects with the European Insurance Directive; for instance with regard to discounting and the prescribed models. The EU endorsement of IFRS 17 is expected to be completed by the end of 2021; the manner in which that endorsement takes place is expected to be taken into account in connection with the possible consequences for Dutch reporting standards.

Interdependence with the implementation of IFRS 9

IFRS 9 *Financial Instruments* became effective in 2018. Given the importance of similar accounting for investments (IFRS 9) and insurance obligations (IFRS 17), the IASB decided to allow insurers to either recognise certain effects of the adoption of IFRS 9 on profit or loss temporarily in OCI, or to defer the adoption of IFRS 9 until – 2023. The insurer must meet certain criteria to do so.

IFRS 4 has been modified in line with this exception. The rules for first-time adoption of IFRS under IFRS 1 may mean that IAS 39 is not available for newly incorporated insurers, or insurers that are currently transitioning from Dutch accounting policies to IFRS, and that they will therefore already have to apply IFRS 9.

The great majority of insurers have opted for deferring the introduction of IFRS 9.

The information provided below is accordingly based on that assumption that IAS 39 has been applied. Companies adopting IFRS 9 should also consider Chapter 23.

1 Recognition and measurement

1.1 Equity investments

Dutch rules require investments in shares, including all units in investment funds and similar equity instruments to be carried at market value by an insurance company. Changes in value are recognised directly in profit or loss, or taken to the revaluation reserve.

IFRS (insurers: IAS 39) and Dutch rules differ with regard to the recognition of impairment losses on shares. These losses cannot under any circumstances be reversed under IFRS via the statement of profit or loss, whereas this is possible under DAS.

See also Section 1.4 on negative revaluation reserve.

Both IFRS and Dutch rules require the full gain or loss on disposal to be recognised in the statement of profit or loss.

1.2 Property for own use

Under DAS, all property for own use by an insurance company is always treated as investment property. DAS 605 refers⁴ to DAS 2013 for *all* investments in property. Measurement at cost is not customary but allowed. Measurement at current value is required to be based on market value. Depreciation is not allowed in that case, and all changes in value must be recognised in profit or loss. The balance of allocated investment income and rental charges, respectively, relating to the property in use for the entity's business included in the statement of profit or loss should be disclosed in the notes.

Under IFRS, property for the entity's own use should be carried at cost or remeasured amount, always net of depreciation. Any realised cumulative gains on the sale of the property are kept in equity (IAS 16).

A depreciation charge is always recognised under IFRS, with the recognition of allocated investment income and rental charges not being allowed.

1.3 Bonds

Under Dutch rules, interest-bearing securities may be carried at amortised cost or at fair value. As under IAS 39, changes in value can be recognised directly in profit or loss, or taken to the revaluation reserve.

In the Netherlands, the redemption value can be used as an alternative to amortised cost, in which case premiums and discounts at the time of purchase are recognised separately (DAS 605.214). See also Section 1.5 below.

IAS 39 allows bonds to be carried at amortised cost, provided the held-to-maturity criteria are met. As insurance companies in most cases are unable or unwilling to meet these strict criteria, bonds are generally classified as available for sale investments, which are measured at fair value, with changes in value taken to the revaluation reserve until realisation.

The gain or loss on the sale of bonds, whether measured at cost or fair value, must in all cases be recognised immediately in the statement of profit or loss.

Under IFRS, interest income is recognised net of amortisation of premiums and discounts in accordance with the effective interest method. It is necessary, therefore, to keep track of the amortised cost of each bond or bond loan, even if they are classified as available for sale investments. See also Section 1.5 below. The measurement basis of 'fair value through equity (OCI)', which is important for insurers, will continue to exist in the future (IFRS) as well, although its application is somewhat different (for example, for expected credit losses), see Chapter 23.

⁴ To prevent misunderstandings, DAS 605.213a explicitly states that DAS 213 also applies to property for own use.

1.4 Negative revaluation reserve

Under IFRS, the revaluation reserve for shares and bonds can be negative. Dutch rules usually⁵ do not allow this. Under the Dutch rules, a positive or negative revaluation must be established for each specific investment (not, for example, the total portfolio of Dutch treasury bonds).

1.5 Premiums and discounts on purchase of fixed-interest instruments

Under Dutch law and regulations, straight-line amortisation is allowed, provided this does not result in significant differences compared with the results of the effective interest method. Premiums paid at the time of purchase may also be charged directly to profit or loss.

Under IFRS, premiums and discounts are amortised over the term of the financial instrument using the effective interest method.

1.6 Investments for the account and risk of policyholders (ARP)

In the Netherlands, unit-linked contract investments are carried at current value. The measurement and recognition of the corresponding liabilities mirror the measurement and recognition of the investments. Based on EU regulations, both the changes in value of the investments and the effect of these on the liabilities are generally included in the statement of profit or loss.

IFRS does not distinguish ARP contracts or ARP investments. If the investments are clearly linked to the insurance contract, they can be designated as at fair value through profit or loss.

1.7 Insurance liabilities

Under DAS, the measurement of insurance liabilities (technical provisions) was traditionally often based on the original premium calculation (referred to as the tariff base). However, due to decreasing interest rates, increasing life expectancy and cost developments, many additions have proved necessary, also at the request of supervisory authorities.

Until the adoption of IFRS 17, IFRS 4 allows the continuation of the previous accounting for insurance contracts applied by Dutch insurance companies, apart from a limited number of exceptions.

Because DAS has copied a number of new options from IFRS 4, a wide variety of accounting principles has arisen.

This variety is unlikely to decrease in the near term. On the one hand, as of 2016 the link between Dutch reporting and regulatory reporting has been abandoned. This has led in particular to the rules related to the liability adequacy test becoming much less detailed and significant disclosures (such as, for instance, the source analysis) have lost much of their meaning. On the other hand, IFRS 17 is expected to become mandatory in 2023.

Given the non-retroactive effect of IFRS 4 and the number of reporting options, there are few conflicts between Dutch rules and IFRS. A number of specific issues are discussed below.

⁵ They do allow this if the consolidated financial statements have been prepared under IFRS and the separate financial statements are presented in accordance with IFRS recognition and measurement principles as allowed under Section 362(8) of Book 2 of the Dutch Civil Code, DAS Combination 3.

1.7.1 Measurement of insurance liabilities

Many Dutch insurers based the transition to IFRS on Dutch accounting principles as at 1 January 2004. IFRS allows but does not mandate adoption of changes in the Dutch accounting principles. DAS is therefore stricter, in principle, as IFRS gives insurers the option to decide whether or not to adopt subsequent changes in previous GAAP.

Current Dutch reporting rules for insurers are however limited to a number of principles.

As of 2016, the Solvency II valuation of the insurance liabilities can also be used in the financial statements. Under this valuation method, profits and losses on each insurance contract are recognised in full and at once on concluding the contract. This means that the expected profit or loss concerning future coverage periods over which the contract extends is already stated. This model accordingly differs from the principle of accrual accounting.

The Solvency II valuation principles can however also be applied under IFRS 4 (as a development in 'previous accounting') in the Netherlands.

1.7.2 Shadow accounting and provision for profit sharing

Deferred profit sharing

A provision for deferred profit sharing is required under Dutch laws and regulations. The provision is formed if policyholders are entitled to profit sharing associated with realised gains and losses on investments. Unrealised increases in value subsequently result in a deferred profit sharing liability (analogous to deferred taxation). IFRS 4 only refers in general to previous accounting. Under IFRS, shadow accounting, described below, has a more or less similar effect, but is not mandatory.

Shadow accounting is a method that recognises unrealised gains and losses on investments as if they were realised. Shadow accounting provides insight into the deferred financial obligations to policyholders. In addition, shadow accounting may also have implications for the measurement of deferred acquisition costs and/or intangible assets. The shadow adjustment of insurance liabilities or asset items referred to above is presented reversely under the same classification as unrealised gains and losses on investments: usually the AFS reserve, part of the revaluation reserves.

Discretionary Participation Features

IFRS 4 introduces virtually unlimited opportunities for measuring and presenting discretionary profit sharing. These also include profit sharing dependent on the entity's results. These DPF options under IFRS 4 have been copied by DAS, albeit subject to specific guidance provided by the DASB.

1.7.3 Catastrophe provision

DAS 605 allows a catastrophe provision to be formed. IFRS 4 does not allow the recognition of provisions for possible future claims, including catastrophe provisions.

1.7.4 Embedded minimum interest rate guarantees

To the extent that the insurance contracts containing minimum interest rate guarantees are classified as for account of the policyholder (in particular, with regard to unit-linked insurances), these guarantees should be carried at fair value with all changes in value being recognised in the statement of income (DAS 605).

DAS 605 also contains the requirement, that such guarantees should be taken into account for other types of insurance with interest rate guarantees⁶ when forming an opinion on the measurement of insurance liabilities.

IFRS requires that insurers take into consideration the effect of options and guarantees on future cash flows when measuring all insurance liabilities. However, IFRS does not require options and guarantees to be carried at fair value for any type of insurance. However, under IFRS, in some cases embedded derivatives must be separated and carried at fair value through profit or loss.

1.7.5 Liability adequacy test for measuring insurance liabilities

DAS 605 requires a liability adequacy test to be performed, which must meet a number of requirements. In this regard Solvency II measurement of the liability requirements can be chosen as starting point if desired.

DAS 605.554 also requires to disclose the level of aggregation at which the results of the test have been reviewed.

IFRS 4 allows the liability adequacy test (LAT) to be based on tests used locally (with existing rules of previous accounting being recognised), provided they meet the following specified requirements:

- They should consider current estimates of all contractual cash flows.
- Options and guarantees should be considered.

Guarantees need not be measured, therefore, and expected cash flows included in the test need not be discounted.

The DAS liability adequacy tests which are applied in the Netherlands are deemed to meet the minimum requirements of IFRS 4.15.

Overall, the DAS test is slightly stricter than the IFRS LAT.

1.7.6 Discounting non-life insurance provisions

DAS 605.530 allows discounting for non-life insurance provisions, but only under strict conditions. This is based on the 1991 European Insurance Directive. Discounting for non-life insurance provisions is therefore rarely applied, with the exception of cases relating to disability insurance. Although IFRS 4 permits discounting in all cases, but in this case previous accounting means that, even under IFRS, non-life insurance provisions are hardly ever (allowed to be) discounted in the Netherlands.

1.8 Elimination of intragroup transactions

Under Section 446 (1) of Book 2 of the Dutch Civil Code, the elimination of arm's length intragroup transactions is not compulsory if the rights arising from such transactions accrue to beneficiaries. The impact on equity and results should be disclosed.

IFRS 10 requires full elimination of all transactions within the consolidation scope.

⁶ Owing to low market interest rates, interest rate guarantees applicable to traditional products are currently also commonly in the money.

2 Presentation

2.1 Use of statement of financial position and statement of profit or loss formats

Under DAS, insurance companies must present their statement of financial position using Format N. The reinsurer's share in the technical provisions and deferred interest rate rebates must be presented in the statement of financial position as part of⁷ the gross technical provisions (Section 4:35 (3) of Book 2 of the Dutch Civil Code) and broken down in the notes.

EU-mandatory formats O and P for the statement of profit or loss are divided into a technical account (life and non-life respectively) and a non-technical account. The allocation of investment income to both accounts is of significance for an understanding of the insurance activities, which is why DAS requires changes in the allocation method to be treated as a change in accounting policy.

Unlike in the prudential statements to be provided to the DNB, reinsurance companies are allowed to use their own formats for financial statements purposes.

IFRS does not prescribe formats for the statement of financial position and statement of profit or loss⁸ of insurance companies, apart from the concise guidance provided by IAS 1.

2.2 Unbundling

IFRS 4 allows an insurance product to be divided into an insurance component and a deposit component. However, unbundling is mandatory for specific financing and other contracts only; it is hardly ever used in practice.

In the Netherlands, unbundling is not prohibited, but is only usually applied by specific insurers (spaarkassen).

2.3 Own employees' pension liabilities

According to Dutch law, life insurance companies may recognise own employees' pension liabilities under insurance liabilities. The amount of the pension liabilities must be disclosed in the notes. DAS 271 offers the *option* of applying IAS 19 (in full) within DAS as well.

If the liabilities are (to the extent possible) recognised in accordance with Solvency II, application of IAS 19 is mandatory.

Self-administered pension plans create additional complexity in terms of reporting under application of IAS 19, particularly because insurance companies often do not have plan assets within the meaning of IAS 19, as they are available to the insurance entity's own creditors, for example in bankruptcy.

⁷ The law refers to deduction, but due to the low interest rates discounts on future interest profits in excess of the valuation interest (rentestandkortingen) have become rises (rentestandopslag) that increase the provision.

⁸ A condensed separate statement of profit or loss (Section 2:402 of the Dutch Civil Code) is no longer permitted for insurers that are Public Interest Entities. Therefore, if IFRS and 'Combination 3' are applied, model O or P must be applied in the separate financial statements.

IFRS does not allow the measurement and presentation as insurance liabilities.

3 Disclosure

3.1 Disclosure of life insurance sources of profit

Under DAS 605.604, life insurance companies are required to provide a breakdown of results by source of profit until late 2015 the supervising authority required this to be broken down into interest, costs, mortality and disability, and other causes.

IFRS 4 does not contain such a breakdown, since it is uncommon under international standards.

3.2 Claims Development Tables (CDTs)

DAS requires disclosure of non-life insurance run-off schedules in most cases. These run-off schedules must separately disclose the year under review, each of the previous three years and the aggregate of the run-off amounts for all prior accident years, resulting in a statement with at least five 'run-off columns'.

IFRS 4 requires non-life insurers to provide run-off schedules of ten years. The format provided by IASB uses accumulated claims payment.

3.3 Risks, assumptions and sensitivity analyses

IFRS 4 requires insurance companies to provide insight into the sensitivity of equity and results for changes in underwriting assumptions, or by providing another analyses used internally, such as Embedded Value, Economic Capital or Solvency II.

DAS 605 also allows solely qualitative disclosures.

IFRS 4 requires disclosures of insurance liabilities that also apply to financial instruments (liabilities) (IFRS 7), with insurance companies being allowed to present the mandatory maturity schedule (liquidity risk) on the basis of realistic estimates rather than the contractual repayment dates usually required under IFRS 7.

DAS 605 also refers to the standard on financial instruments (DAS 290) for more details.

3.4 Solvency requirements

In the financial statements drawn up under DAS, the required minimum as well as available solvency should be disclosed in accordance with existing supervisory regulations (as at 2016: Solvency II).

The financial statements should also state the minimum solvency margin required by management, the method used to determine this margin and the relationship with the risks referred to in the risk management section of the directors' report.

IAS 1 requires disclosure of the policy and methodology for capital management, including those relating to external capital requirements. If the entity has failed to meet external capital requirements at any time during the reporting period, this should be disclosed. In addition, the entity should disclose quantitative information on what the board manages as capital: this can also comprise financial liabilities such as subordinated loans.

Under the supervision act, Directive insurance firms (Richtlijn verzekeraars⁹) are required to publish a Solvency and Financial Condition Report containing detailed information on solvency. Other insurers are required to disclose the key details on this in the financial statements, unless they are exempt from supervision. This also applies under IFRS.

Accounting standards

Relevant accounting standards:

- Dutch Civil Code Book 2, Part 9, Chapter 15
- DAS 213 Investment Property
- DAS 290 Financial Instruments
- DAS 605 Insurance Companies
- IFRS 4 Insurance Contracts
- IFRS 7 Financial Instruments: Disclosure
- IFRS 9 Financial Instruments
- IFRS 17 Insurance Contracts
- IAS 39 Financial Instruments: Recognition and Measurement

⁹ Large insurers are subject to the European Solvency II rules, unless they provide only funeral insurance with in-kind benefits.

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