

# IAS/IFRS ACCOUNTING STANDARDS: PROBLEMS AND SOLUTIONS.

The necessity to implement the IAS/IFRS standards results from the need to adopt clear rules at European Union level aimed at ensuring comparable and transparent financial information.

## IAS/IFRS TARGETS

The aim of international accounting standards is to increase the comparability and transparency of balance sheets drawn up by all EU companies listed on a regulated market.



### SPECIAL FOCUS

- Correct interpretation of new rules in order to benefit from the relevant different opportunities
- Simultaneous compliance with internal accounting (management) , local (civil-fiscal) and IAS/IFRS standards since 2005
- Re-processing of the 2004 balance sheets according to IAS standards
- Compliance and re-alignment of information systems according to new requirements

Therefore, since 2005, all groups of listed companies in the European Union will have to draw up their consolidated balance sheets in compliance with IAS (or IFRS) international accounting standards and the relevant interpretations.

The main change brought by IAS/IFRS standards is the information function of the balance sheet, which has no more a static nature and is turned into a dynamic tool aimed at providing a perspective assessment of the company.

Of equal importance is the introduction of fair-value instead of historical cost in assessing financial and derivative instruments.

## CONSEQUENCES FOR BUSINESSES AND THE REPLY CONSULTING SOLUTION

Using IAS/IFRS standards implies adjusting the business organizational structure, processes and Information Systems in order to get the accounting data required to draw up the records the 2005 balance sheets are composed of. The 2004 balance sheets must also be corrected later to take into account IAS/IFRS standards, since they will have to be compared with the 2005 balance sheets. The implementation of the new standards will therefore require changes to and compliance with both business processes and information systems.

The business processes mostly affected are those specially linked to drawing up balance sheets (both operating and consolidated) such as general accounting, assets accounting, treasury and controlling.

With regard to accounting information systems, it is important to remember that compliance with IAS standards concerns each company within the consolidation perimeter.

**ERP SYSTEMS** – Various solutions are envisaged in order to supervise the adjustment to IAS standards. They include:

- The implementation of special databases containing relevant IAS data;
- The use of appropriate charts of accounts;
- Company coding containing IAS sectional accounts.

All the envisaged solutions are able to meet both substantial and formal requirements.

## MY SAP-BASED REPLY CONSULTING SOLUTION

Reply Consulting has identified a solution based on MySAP consisting of:

- Identification and definition of accounting entries subject to the new assessments (to be carried out together with the auditors);
- Design and definition of correct processes and relevant accounting treatments affected by the new regulations;
- Choice of the best of the above-mentioned solutions possibly also by combining more than one of them;
- Design and implementation of new Statement of Assets and Liabilities and Profit and Loss Account Layouts, with the necessary reclassifications (in terms of kind and destination).



Reply Consulting, a company belonging to the Reply Group, is specialized in strategic, organization and process consultancy. The mission of Reply Consulting is to work alongside companies in the phases of implementation, change and management of Enterprise Information Systems, from strategic design to identifying and redefining "core" processes. Reply Consulting features can be summarized into management experience and expertise, flexible and dynamic structure, comprehension and commitment in Customer Problem Solving, global/strategic vision also in tackling details, delivery excellence.

Reply Consulting offering includes: Strategy IPO Services, Human Capital, Business Performance Management, Business & Support Process, ERP assessment, optimization and implementation.