Insurance undertakings: annual and consolidated accounts and standards IAS (amend. Directives 78 /660, 83/349, 91/674/EEC)

2002/0112(COD) - 09/07/2002 - Legislative proposal

PURPOSE: To remove inconsistencies between EU Accounting legislation and the International Accounting Standard (IAS). CONTENT: A deadline of 2005 was set for the implementation of the Commission's Financial Services Action Plan following the Lisbon European Council. Within this context, the European Commission has sought to ensure that EU listed companies should be required to prepare their consolidated accounts in accordance with a single set of accounting standards, namely the International Accounting Standard (IAS) as from 2005. An EU Regulation on the implementation of the IAS is currently under negotiation. A majority of EU listed companies favour the introduction of the IAS on the grounds that it will improve marketability, cross-border mergers and acquisitions, shareholder dialogue and finance raining. Current EU legislation relies on four Accounting Directives - some dating back 23 years. They will continue to be the basis of accounting legislation for entities which do not prepare their annual or consolidated accounts in accordance with IAS provisions. Numerous studies have been prepared which indicate that, in many respects, the Accounting Directives remain consistent with current accounting theory and practice. However, in certain limited areas, their requirements are incompatible with IAS. This situation is unacceptable for two reasons. Firstly, if the Accounting Directives are to play an important role in the mechanism for adopting IAS under the proposed IAS Regulation, they must reflect current accounting developments. In this respect, the Directives should be structured so as to accommodate and to be consistent with future incremental developments within IAS. Thus, for example, it should not be necessary to consider amendment of the Directives each time a new IAS is proposed. Secondly, there must be a level playing field between companies which apply IAS and those which do not. Such a position is necessary to enable a smooth transition when companies seek a public listing. The objective of this proposal are threefold: - To remove all existing conflicts between the Accounting Directives and IAS. - To ensure that optional accounting treatments currently available under IAS are available to EU companies which continue to have the Accounting Directives as the basis of their accounting legislation. - To update the fundamental structure of the Accounting Directives so that they provide a framework for financial reporting this is both consistent with modern practice and flexible enough to allow for future developments in IAS. The proposed changes will remove all inconsistencies between the existing Accounting Directives. Since the legislation is to be in place by 2005, the Commission considers it extremely important the proposed legislation be adopted as soon as possible.