

Financial Reporting and Disclosure Requirements for non-PIEs experiences of Croatia

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Regulation

- Accounting Act
- Company Act
- Tax regulation

Entrepreneur classification

	Micro (if they do not exceed 2 of 3 criteria)	Small (if they do not exceed 2 of 3 criteria)	Medium (if they do not exceed 2 of 3 criteria)	Large (if they exceed 2 of 3 criteria)
Assets	2.600.000	30.000.000	150.000.000	150.000.000
Revenue	5.200.000	60.000.000	300.000.000	300.000.000
Number of employees	10	50	250	250

In HRK

1 EUR \approx 7,5 HRK

Large-sized entrepreneurs

- Banks, savings banks, housing savings banks, electronic money institutions, insurance companies, reinsurance companies, leasing companies, UCITS funds management companies, alternative investment funds management companies, UCITS funds, alternative investment funds, pension fund management companies mandatory pension funds etc.

PIE

- Listed companies
- Banks, savings banks, housing savings banks, electronic money institutions, insurance companies, reinsurance companies, leasing companies, UCITS funds management companies, alternative investment funds management companies, UCITS funds, alternative investment funds, pension fund management companies mandatory pension funds etc
- Legal entity in which government has more than 50% voting rights

Applicable standards

- Croatian Financial Reporting Standards
 - Micro, small and medium-sized entrepreneurs
 - Parent company presents consolidated financial statement by using IFRS?
 - A subsidiary can decide to present its reports by applying IFRS
- IFRS
 - Large-sized entrepreneurs and public interest entities
 - PIE

CFRS

- Adopted by Financial Reporting Standard Board
- Published in National Gazette
- Workgoup for CFRS
 - November 2006
 - First draft of CFRS – April 2007
 - Last draft – October 2007
 - In use since 2008
- Few changes
 - New version applicable from 2016

Starting points for CFRS

- Accounting Act
- EU Directives
- IFRS/IAS

CFRS

- Framework
- CFRS 1 – Financial Statements
- CFRS 2 – Consolidated Financial Statements
- CFRS 3 – Accounting Policies, Changes in Accounting Estimates and Errors
- CFRS 4 – Events after the Balance Sheet Date
- CFRS 5 – Non-current Intangible Assets
- CFRS 6 – Non-current Tangible Assets
- CFRS 7 – Investment Property
- CFRS 8 – Non-current Assets Held for Sale and Discontinued Operations

CFRS

- CFRS 9 – Financial Assets
- CFRS 10 – Inventories
- CFRS 11 – Receivables
- CFRS 12 – Equity
- CFRS 13 – Liabilities
- CFRS 14 – Prepayments and accrued income/accruals and deferred income
- CFRS 15 – Revenues
- CFRS 16 – Expenses
- CFRS 17 – Agriculture

Not regulated by CFRS

- IFRS 2
- IFRS 4
- IFRS 6
- IFRS 7
- IFRS 8
- IFRS 13
- IAS 19
- IAS 24
- IAS 26
- IAS 29
- IAS 33
- IAS 34

Framework

- Underlying assumptions
 - Going concern
 - Accrual basis
- First application of the Croatian Financial Reporting Standards

Structure of standards

- Introduction
- Definitions
- Scope
- Recognition
- Measurement
- Derecognition
- Disclosure

CFRS 1 – Financial statements

- Financial statements
 - Balance sheet*
 - Income statement*
 - Statement of changes in equity
 - Cash flow statement
 - Notes*

*micro and small companies

- Presented in accordance with schedule adopted by Minister of finance

CFRS 2 – Consolidated financial statements

- Business combination
 - Acquisition method
- Subsidiaries
- Associates
- Joint ventures

CFRS 3 – Accounting policies, changes in accounting estimates and errors

- In the absence of a CFRS that specifically applies to a transaction and other events, management shall use
 - requirements and guidance in the Croatian Financial Reporting Standards dealing with similar and related issues;
 - definitions, recognition criteria and measurement concepts for assets, liabilities, equity, income and expenses and performance in the Framework of the Croatian Financial Reporting Standards;
 - requirements and instructions contained in the International Financial Reporting Standards; and
 - other accounting literature and accepted industry practices

CFRS 10 – Inventories

- Inventories shall be measured at the lower of cost and net realizable value
- Capitalization of borrowing costs
 - Production of a qualifying assets over one year
- Methods
 - standard cost method
 - retail method
 - specific identification method
 - FIFO formula
 - weighted average cost formula

CFRS 11 - Receivables

- SCOPE - Only receivables in relation to which there are no contracted yields (i.e. interest)
- Initial measurement
 - At fair value
- Subsequent measurement
 - Receivables whose collection is expected within a period longer than one year at amortised cost using the effective interest method less the impairment loss
 - All other receivables shall be measured at initially recognised amount less collected amounts and value impairments

CFRS 12 – Equity

- Equity consists of:
 - subscribed capital,
 - capital reserves,
 - revaluation reserves,
 - fair value reserves,
 - reserves
 - retained profit or loss carried forward
 - profit or loss for the current year
- Treasury shares
 - entity shall form reserves from retained earnings in the total amount of these instruments

CFRS 14 – Prepayments and accrued income/accruals and deferred income

- Prepayments and accrued income:
 - prepayments
 - accrued income
- Accruals and deferred income :
 - accruals
 - deferred income
- Temporary differences (corporate income tax)
 - deferred tax asset
 - deferred tax liability

CFRS 17 – Agriculture

- Measurement
 - Biological asset
 - Can fair value be measured reliably?
 - YES → at its fair value less estimated point-of-sale costs
 - NO → at its cost less any accumulated depreciation and any accumulated impairment losses
 - Agricultural product
 - at the point of harvest – at its fair value less point-of-sale costs
 - after harvest - pursuant to *CFRS 10*

Disclosure requirements

- Adopted accounting policies
- Some general information about entity (address, number of employees, etc.)
- Each standard has relatively small number of information requested for disclosure

Thank you for your attention!