



## Swiss GAAP FER vs. IFRS

A systematic guide to the two main true and fair view accounting standards applied in Switzerland

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# Executive Summary

The two main true and fair accounting standards applied in Switzerland are the Swiss generally accepted accounting principles, known as Swiss GAAP FER, and international financial reporting standards, IFRS. Swiss companies whose shares are listed on an international stock exchange often prepare their financial statements in accordance with IFRS, or with US GAAP. For companies whose business and investors are mainly within Switzerland, Swiss GAAP FER has become an attractive alternative to IFRS. Not only small and medium-sized companies are applying FER standards. An increasing number of listed entities have switched to Swiss GAAP FER in recent years.

The Swiss GAAP FER and IFRS are accounting standards that allow a true and fair view of the financial statements. One of the main goals of IFRS is to increase standardisation and the international comparability of financial statements and accounting and financial reporting. Swiss GAAP FER, however, mainly takes the considerations and needs of Swiss companies into account. Whereas IFRS are quite detailed and complex, the FER standards are relatively easy to understand and follow a modular structure. Under Swiss GAAP FER recommendations vary with the size of the organisation and its business activities. But companies preparing their financial statements under IFRS do not have a choice in the scope of application of the standards.

The purpose of this guide is to focus on the similarities and differences between Swiss GAAP FER and IFRS that are most commonly encountered in practice. The brochure aims to assist companies to make a good assessment of which accounting standards suit them most in terms of efficiency and applicability.

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# Introduction

Swiss GAAP FER is a success story. An increasing number of Swiss companies, both listed and private, apply the Swiss GAAP FER standards when preparing their financial statements. Both smaller, less complex companies and larger, internationally recognised listed companies prepare their financial statements in accordance with the Swiss GAAP FER standards.

While Swiss GAAP FER and IFRS are both principle-based standards accepted by the Swiss Reporting Standard of the SIX Swiss Exchange, there are some notable differences between them. The use of Swiss GAAP FER has increased in Switzerland in recent years. Familiarity with and acceptance of these standards in Switzerland make them an attractive alternative to IFRS.

The Swiss GAAP FER standards are relatively stable while IFRS are in constant evolution. Preparers of financial statements will have to weigh the stability of the Swiss GAAP FER against the IFRS and the extent of recognition of the standards, nationally and internationally, when deciding which to comply with. This choice can have a significant impact on the presentation of many aspects of the firm's business.

While there are some similarities between Swiss GAAP FER and IFRS such as applying a true and fair view principle and being a principles based accounting standard, there are differences such as IFRS targeting international focused companies, whereas Swiss GAAP FER aims at primarily Swiss oriented groups. These differences lead to some advantages for Swiss companies which are mainly aiming at national shareholders.

The adoption of Swiss GAAP FER is a **pragmatic approach**, which allows its users to prepare financial statements in accordance with a standard accepted by SIX stock exchange regulation on the domestic segment.

With Swiss GAAP FER the **disclosure information is less comprehensive**. In addition, Swiss GAAP FER does not require the presentation of another comprehensive income table.

The Swiss GAAP FER accounting standard is very **simple** in comparison to international accounting standards. By way of illustration, the English language version of the Swiss GAAP FER consists of 194 pages. By contrast the IFRS Standards – Required 1 January 2020 (Blue Book) comprises around 4,500 pages and regulates far more accounting matters and in much greater detail. In order to meet the information needs of the investor community, Swiss GAAP FER users might have to disclose additional information. But as this is not mandatory, company management can determine the level of detail. Therefore, there is greater flexibility regarding the amount of information to be disclosed.

Because Swiss GAAP FER has fewer rules and regulations there is less risk of failing to meet the accounting requirements and therefore **less risk exposure** in the public domain.

The time and costs needed for implementing and maintaining Swiss GAAP FER standards as part of an IPO are also therefore far below those for IFRS.

Deloitte regularly publishes a Swiss GAAP FER checklist, which is intended to assist both in the application of Swiss GAAP FER standards and the completeness of disclosure requirements. Based on our experience, the checklist includes the most important requirements regarding the application and disclosure of Swiss GAAP FER for individual and consolidated financial statements. In addition, the checklist contains industry-specific Swiss GAAP FER standards as well as requirements for the financial reporting of pension funds. The Swiss GAAP FER Checklist covers the latest published amendments and new standards. It can be downloaded using the following link: <https://www2.deloitte.com/ch/en/pages/audit/articles/swiss-gaap-fer.html>.

Furthermore, we would like to refer to the Swiss GAAP FER Model FS, which was published by Deloitte in November 2020. The FER Model FS illustrates the accounting and disclosure requirements according to Swiss GAAP FER for the year-end 31 December 2020 of the fictive company International FER Holding AG. The publication is based on the professional recommendations on accounting (as of January 1, 2020). It can be downloaded using the following link: <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/audit/deloitte-ch-de-fer-model-fs.pdf>

We welcome your feedback regarding any opportunities to improve this guide.

# Modular structure of Swiss GAAP FER

Swiss GAAP FER is structured in a modular way. It is based on a framework of principles that apply to all organisations, but its recommendations vary with the size of the organisation and its business activities. Companies with less than CHF 10 million in total assets and CHF 20 million in annual turnover, and fewer than 50 full-time equivalent staff, can restrict themselves to applying the six core FER recommendations. For larger organisations there are further FER recommendations, relating to specific business transactions or items in the annual financial statements.

The **core-FER** comprises the FER framework and the FER standards 1 to 6. The FER framework deals with the generally accepted standards of accounting according to Swiss GAAP FER, whereas the FER standards 1 to 6 include general requirements for all entities, regardless of their size.

The **additional Swiss GAAP FER** comprises of the requirements of FER standards 10 to 27, with the exception of the industry specific FER standards 21, 26 and 41.

Companies that are required to prepare consolidated financial statements, so-called groups, have to apply **FER 30** in addition to the core-FER and the additional FER.

For companies which have shares on a stock exchange listed in Switzerland and are applying Swiss GAAP FER, **FER 31** must be applied in addition to the core-FER and the additional FER.

**FER 31:**  
Complementary recommendation for listed entities

**FER 30:**  
Consolidated financial statements

FER 10: Intangible assets	FER 11: Income taxes	FER 13: Leases	FER 15: Related party transactions	FER 16: Pension benefit obligations
FER 41: Accounting for real estate insurers and for health insurers	<b>FER 1: Basics</b>	<b>FER 2: Valuation</b>	<b>FER 3: Presentation and format</b>	FER 17: Inventories
FER 40: Consolidated financial statements of insurance entities	Framework			FER 18: Tangible fixed assets
FER 27: Derivative financial instruments	<b>FER 4: Cash flow statement</b>	<b>FER 5: Off-balance sheet transactions</b>	<b>FER 6: Notes</b>	FER 20: Impairment
FER 26: Accounting of pension plans	FER 24: Equity and transactions with shareholders	FER 23: Provisions	FER 22: Long-term contracts	FER 21: Accounting for charitable non-profit organisations

# Conditions for a successful implementation

The implementation of a different accounting framework does not just change the valuation principles in the ERP system and modify the layout of the financial statement. It is far more than that. To support management in undergoing this comprehensive process, we have put together the most common challenges when implementing Swiss GAAP FER. We call it mastering the conditions for successful implementation.

First, **people** have to be considered when implementing Swiss GAAP FER. It is important that the Swiss GAAP FER knowledge is shared with the employees responsible. Furthermore, it has to be ensured, that sufficient resources are available.

Furthermore, the **system** has to meet the appropriate requirements in order to fulfil the implementation. Appropriate testing of IT systems and controls is recommended. Furthermore, sufficient data quality should be ensured and additional local requirements (e.g. taxable depreciation) have to be considered system wise.

As a third pillar, **project management** has to be adequately designed. Precise project management (including realistic deadlines) as well as clear definitions of project tasks and responsibilities are crucial in order to ensure a smooth implementation. Furthermore, it is important to keep track of cost budgets, set on-time project milestones and appropriately assess the financial impact of the conversion.

## Implementation Plan

The implementation of Swiss GAAP FER has two phases, which typically take seven months in order to have a complete and successful transition. In the example below we illustrate the case of a company which started its implementation at the beginning of May so as to complete the implementation process successfully by the end of the financial year, closing December 31.

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Phase 1 (May – June):	Phase 2 (July – November):
<ul style="list-style-type: none"><li>• Identification of preliminary GAAP &amp; policy differences</li><li>• Determination of final GAAP &amp; policy differences</li><li>• List of entities which are doing the transition for Phase 2</li><li>• Conversion plan &amp; budget for Phase 2</li><li>• Final plan to capture adjustments in entity ERPs</li><li>• Quantify GAAP differences by entity</li></ul>	<ul style="list-style-type: none"><li>• Draft position papers</li><li>• Updated accounting policy manuals</li><li>• Final GAAP adjustments &amp; closing instructions</li><li>• FER adjustments to the opening balance sheet</li><li>• Comparative &amp; reporting period of financial statement</li><li>• FER training</li></ul>

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### Post successful implementation (December – January of next year):

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- Starting in December, business as usual will be conducted but under Swiss GAAP FER, with Q1 reporting under Swiss GAAP FER.
  - Q2 reporting under Swiss GAAP FER
  - Q3 reporting under Swiss GAAP FER
  - Q4 reporting under Swiss GAAP FER
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# Core-FER

## (FER Framework and FER 1 – 6)

### Swiss GAAP FER – IFRS Framework


The following table compares the requirements of SWISS GAAP FER and IFRS.

Swiss GAAP FER	IFRS
 <p><b>Core-FER:</b> Framework</p> <p>The Swiss GAAP FER Framework defines the accounting principles and forms the basis for the other Swiss GAAP FER standards. Its purpose is to define the underlying accounting principles, such as providing a true and fair view and the treatment of various topics for preparing financial statements, and it is valid for all organisations that present their financial statements and/or interim report in accordance with Swiss GAAP FER.</p> <p>The framework defines the recognition and presentation of assets, liabilities and shareholders' equity, income, expenses and the net result. It sets qualitative requirements such as materiality of the information disclosed, consistency of valuation, presentation and disclosure and the comparability, reliability and clarity of the information.</p> <p>The framework defines the core principles and qualitative requirements of the financial statements.</p> <p>The allowed valuation principles according to the Swiss GAAP FER Framework are:</p> <p><b>Assets:</b> Historical cost (of acquisition or production) or actual values/fair values (Current cost, net selling price, value in use, discounted cash flow, liquidation value)</p> <p><b>Liabilities:</b> Historical cost (value of consideration received as agreed in exchange) or fair value (current cost, present value)</p> <p>For first time adopters of Swiss GAAP FER, the framework requires presentation of the prior year balance sheet and the current year balance sheet in accordance with the new standard.</p> <p>Finally a management report must be established as per the framework.</p>	<p>The IFRS Framework describes the basic concepts underlying the preparation and presentation of financial statements. It is rather intended as a framework or guide to the International Accounting Standards Board (IASB) to develop future IFRS standards in order to provide guidelines to resolve accounting issues which are not addressed directly in one of the IAS or IFRS standards or in the interpretations.</p> <p>IAS 1 "Presentation of Financial Statements" deals with basic principles and requirements for the preparer and user of financial statements.</p> <p>It prescribes the basis for presentation of the financial statements of a company. According to IAS 1, the complete set of financial statements of a company comprise the statement of financial positions at the end of the period, the statement of profit or loss and other comprehensive income for the period, a statement of changes in equity for the period, a statement of cash flows for the period and the notes.</p> <p>Furthermore a company adopting IFRSs for the first time has to disclose both its current year financial statements and prior year financial statements in compliance with the regulation [IFRS 1].</p>

## Swiss GAAP FER 1 – Basics

### Key differences:


- Application: strict under IFRS vs. flexible under Swiss GAAP FER
- Size criteria for reduced requirement under Swiss GAAP FER vs. “all or nothing” approach under IFRS
- Regular amendments under IFRS vs. stable standards under Swiss GAAP FER

	Swiss GAAP FER	IFRS
 <b>Core-FER:</b> FER 1	<p>Swiss GAAP FER 1 defines the basics underlying the reporting, in compliance with Swiss GAAP FER. Small companies that do not exceed two of the following three criteria in two consecutive years are allowed to only apply the Core-FER (FER Framework and FER 1 – 6):</p> <ul style="list-style-type: none"><li>• Balance sheet total of CHF 10 million</li><li>• Annual net sales from goods and services of CHF 20 million</li><li>• 50 fulltime employees on average per year</li></ul> <p>Groups need to apply further regulations, namely Swiss GAAP FER 30, and listed companies also have to apply Swiss GAAP FER 31.</p> <p><b>The principles of Swiss GAAP FER are:</b></p> <ul style="list-style-type: none"><li>• True and fair view</li><li>• Principle-based recommendations with generally valid framework</li><li>• Granting of options; disclosure of the applied methods</li><li>• Establishing a meaningful basis for a possible transition to international standards.</li></ul> <p>If a topic appears which is not covered by the standard, the regulation refers back to the framework and recommends to solve the open questions in line with the guidance provided by the Swiss GAAP FER Framework [FER 1/4].</p> <p>No further disclosures are specified, but it is reasonable to assume, based on the Swiss GAAP FER Framework principles, that an explanation in the notes for the topic not covered is provided.</p>	<p>Under IFRS a company does not have a choice between the scopes of application of the standards. IAS 1 requires a company whose financial statements comply with IFRS to make an explicit and unreserved statement of such compliance in the notes and the financial statements cannot be described as complying with IFRSs unless all requirements of the IFRSs (IFRS, IAS, IFRIC Interpretations, SIC Interpretations) are met [IAS 1:16].</p> <p>Therefore, independently of the size of the company, compliance with the IFRSs always means compliance with the whole set of standards without consideration of entity specific characteristics and needs.</p> <p>In extremely rare circumstances, if an IFRS requirement would be so misleading that it would conflict with the objectives of the financial statements as set out in the conceptual framework, the entity is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons and impact of the departure [IAS 1:19 – 24].</p>

## Swiss GAAP FER 2 – Valuation

### Key differences:


- Fair value and historical cost approach under IFRS vs. historical cost or actual value under Swiss GAAP FER

	Swiss GAAP FER	IFRS
 <p><b>Core-FER:</b> FER 2</p>	<p>The purpose of Swiss GAAP FER 2 is to provide guidance and requirements regarding the valuation of financial statement positions to ensure uniformity and consistency throughout the whole financial statement. Accordingly, Swiss GAAP FER 2 allows for two different valuation methods [FER 2/1-2]:</p> <ul style="list-style-type: none"> <li>• Historical cost (acquisition or production cost) or</li> <li>• Actual value.</li> </ul> <p>Even though Swiss GAAP FER 1 requires the valuation to be coherent for each balance sheet item and related financial statement positions to have a uniform valuation basis, deviations from the uniform basis are allowed and possible as long as they are objectively reasonable and disclosed in the notes [FER 2/3].</p> <p>Moreover, the valuation basis applied for the financial statements and the principles applied for the financial statement positions must be disclosed in the notes. This especially includes securities, receivables, inventories, tangible fixed assets, financial assets, intangible assets, liabilities, provisions and other material financial statement positions [FER 2/6].</p> <p>For the aforementioned balance sheet positions, FER 2/7-15 provides further specifications regarding the valuation.</p> <p>Furthermore, according to FER 2/16, all assets of the entity must be tested for impairment. The entity needs to identify the indicators of impairment, and then a test of impairment is performed by using these indicators. The difference between the carrying and recoverable amount is written off to the income statement if the value after the impairment test is below the value recorded.</p> <p>For foreign currency positions, FER 2/17 requires the entity to convert all balance sheet line items at the exchange rate as of the balance sheet date and all transactions made during the period either at the average exchange rate of the month in which the respective transaction took place or at the exchange rate on the date of the transaction. The effects of the changes in foreign currencies have to be recognised in the income statement.</p>	<p>IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements.</p> <p>The measurement and disclosure requirements of IFRS 13 do not apply to the following [IFRS 13:6]:</p> <ul style="list-style-type: none"> <li>• Shared-based payment transactions within the scope of IFRS 2</li> <li>• Leasing transactions accounted for in accordance with IFRS 16 or, for entities that have not yet adopted IFRS 16, within the scope of IAS 17</li> <li>• Measurements that have some similarities to fair value but are not fair value (e.g. net realisable value in IAS 2 or value in use in IAS 36).</li> </ul> <p>When nothing is required in the norm, the entity can use the historical cost.</p> <p>When the norm requires an entity to value its assets at fair value, the entity must take into account the characteristics of the asset or liabilities being measured by assuming an orderly transaction between two market participants under current market conditions [IFRS 13:11 and IFRS 13:15].</p> <p>Therefore IFRS 13:62 provides the following three different approaches:</p> <ul style="list-style-type: none"> <li>• Market approach (using prices and other relevant information generated by market transactions with identical or similar assets, liabilities and so on)</li> <li>• Cost approach (replacement costs of the service capacity of an asset)</li> <li>• Income approach (discounted cashflow method).</li> </ul> <p>The three approaches are either applied alone or in combination, with respect to the individual best practice for the asset or liability [IFRS 13:63].</p>

## Swiss GAAP FER 3 – Presentation and format

### Key differences:

- Extraordinary items are allowed under Swiss GAAP FER but. forbidden under IFRS
- No other comprehensive income under Swiss GAAP FER
- The structure of the income statement is specifically defined under Swiss GAAP FER vs. only the content is defined under IFRS

	Swiss GAAP FER	IFRS
 <p><b>Core-FER:</b> FER 3</p>	<p>Swiss GAAP FER 3 defines the presentation and format of financial statements. The standard provides a comprehensive list of items that must be disclosed in the balance sheet, consisting of assets, liabilities and equity and the respective subline items [FER 3/2].</p> <p>Furthermore the standard specifies subline items that must be separately disclosed in either the balance sheet or the notes, including detailed positions for “receivables”, “tangible fixed assets”, “financial assets”, “intangible assets”, “liabilities”, “provisions” and “equity” [FER 3/3].</p> <p>Similar to the balance sheet, FER 3/7 and FER 3/8 define the presentation of the income statement that must be split between income from operations, non-operating income and extraordinary income, and is based either on the period-based costing method or the activity-based costing method, with further items like “financial expense and income”, “non-operating expense and income” and “extraordinary expense and income” required to be separately disclosed in either the income statement or the notes [FER 3/9].</p> <p>Furthermore, in case of activity-based presentation the notes must include the positions “personnel expenses”, “depreciation on tangible fixed assets” and “amortisation of intangible assets” [FER 3/10].</p>	<p>For entities presenting their financial statements in compliance with IFRS, IAS 1 defines the presentation of financial statements. It requires the entity to disclose more detailed information on several accounting topics, such as:</p> <ul style="list-style-type: none"> <li>• Disclosure of other comprehensive income in a separate income statement [IAS 1:82A]</li> <li>• Disclosure of the movement of equity during the reporting period [IAS 1:106]</li> <li>• The notes to the financial statements, which must comprise statement of compliance with IFRS, summary of significant accounting policies applied, supporting information for items of the financial statement and other disclosures like contingent liabilities (IAS 37), unrecognised contractual commitments and non-financial disclosures (IFRS 7) [IAS 1:112-133]</li> <li>• Dividends [IAS 1:137]</li> <li>• Capital disclosures with detailed information required [IAS 1:134-135]</li> <li>• Puttable financial instruments [IAS 1:136A]</li> <li>• Other information [IAS 1:138].</li> </ul> <p>The presentation of extraordinary items is not allowed under IFRS [IAS 1:87].</p>

## Statement of Other Comprehensive Income

Swiss GAAP FER	IFRS
<p>Under Swiss GAAP FER 3, the concept of the statement of comprehensive income does not exist.</p>	<p>According to IAS 1:82A, an entity is required to present line items that will or will not be reclassified to profit and loss in subsequent periods. Furthermore an entity’s share of OCI of equity-accounted associates and joint ventures is presented as single line items.</p>

## Balance Sheet

Swiss GAAP FER	IFRS
<p>Swiss GAAP FER does not define a given structure of the balance sheet but requires the entity to disclose specific positions and subline items in the balance sheet [FER 3/2].</p>	<p>IAS 1 does not require a fixed structure of the balance sheet but specifies balance sheet positions that need to be disclosed separately in the balance sheet [IAS 1:54].</p>

## Income Statement

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### Swiss GAAP FER

The presentation of the income statement is specified under FER 3/7 and 3/8. The standard provides the entity with the following two methods:

- Period-based costing method
- Activity-based costing method (with further line items to be disclosed according to Swiss GAAP FER 3/10).

The structure of the respective statements is given and no deviation is allowed. Furthermore the standard specifies line items that can be either disclosed in the income statement or the notes [FER 3/9].


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### IFRS


Under IFRS, IAS 1:82 specifies the line items that must be disclosed in the income statement.

Furthermore, IAS 1 provides a recommendation on the evaluation of expenses in the profit and loss statement (either by nature or by function) [IAS 1:99] with further requirements if the entity chooses to recognise expenses by function [IAS 1:104].


## Swiss GAAP FER 4 – Cash flow statement

	Swiss GAAP FER	IFRS
 <b>Core-FER:</b> FER 4	<p>As one of the core FER, the cash flow statement is a fundamental part of the financial statements for all entities.</p> <p>According to FER 4/1, the cash flow statement reflects the changes in cash as a result of inflows and outflows from:</p> <ul style="list-style-type: none"><li>• Operating activities,</li><li>• Investing activities, and</li><li>• Financing activities.</li></ul> <p>Cash flows from operating activities can be disclosed by applying either the direct or the indirect method. In case of applying the indirect method additional disclosure information in the notes is required [FER 4/2].</p> <p>For the respective methods, FER 4/9 and 4/10 specify the structure on how cash flow statements are to be presented. Furthermore the structure and classification of investing activities and financing activities is specifically described in FER 4/11 and 4/12.</p> <p>Furthermore the entity must present the composition of its funds according to FER 4/3. The different categories of cash funds according to FER 4/4 are:</p> <ul style="list-style-type: none"><li>• Cash on hand</li><li>• Demand deposits with banks and other financial institutions</li><li>• Cash equivalents (short term (residual maturity of 90 days from balance sheet date at most [FER 4/13], highly liquid investments convertible to cash at any time).</li></ul> <p>Short-term bank overdrafts, which are repayable on demand, may be deducted from the cash and cash equivalents [FER 4/5] and non-liquidity related investing and financing activities are not allowed to be presented in the cash flow statement [FER 4/6].</p>	<p>All entities that prepare financial statements in conformity with IFRSs are required to present a statement of cash flows [IAS 7:1].</p> <p>According to the IAS 7:10 the following structure is required: the cash flows of operating, investing and financing activities [IAS 7:10] must be presented separately to explain inflows and outflows of cash and cash equivalents.</p> <p>An investment (readily convertible to a known amount of cash and subject to an insignificant risk of changes in value) normally qualifies as a cash equivalent only when it has a short maturity (e.g. 3 months or less from the date of acquisition) [IAS 7:7].</p> <p>IFRS allows the entity to choose between the direct and indirect method but encourages the direct method over the indirect one [IAS 7:18-19].</p>

## Swiss GAAP FER 5 – Off-balance sheet transactions

	Swiss GAAP FER	IFRS
 <p><b>Core-FER:</b> FER 5</p>	<p>The off-balance sheet transactions specified under Swiss GAAP FER 5 are:</p> <ul style="list-style-type: none"> <li>Contingent liabilities (including debt guarantees, guarantee obligations and liens in favour of third parties); and</li> <li>Other non-recognisable commitments (including irrevocable payments and other fixed delivery obligations and commitments) [FER 5/1-2].</li> </ul> <p>The valuation of the respective positions has to be disclosed in the notes of the financial statement and the reported amounts have to be shown separately for [FER 5/3]:</p> <ul style="list-style-type: none"> <li>debt guarantees, debt obligations and liens in favour of third parties</li> <li>other quantifiable commitments with a contingent character</li> <li>other non-recognisable commitments.</li> </ul> <p>Short-term non-recognisable obligations (duration of up to one year or can be cancelled within 12 months) are exempted from being disclosed [FER 5/3].</p> <p>Finally, all above mentioned positions have to be evaluated and if a liability leads to an outflow of funds that is probable without a simultaneous inflow of funds, a corresponding provision is required. The valuation is based on the future unilateral contributions and cost with all guaranteed considerations taken into account [FER 5/4 and 5/8].</p>	<p>For off-balance-sheet transactions, IAS 37:10 specifies contingent liabilities as a possible obligation depending on future events or present obligations where payment is not probable or the amount cannot be measured reliably. For those obligations, an entity must recognise a provision only if:</p> <ul style="list-style-type: none"> <li>the present obligation has arisen as a result of a past event</li> <li>payment is probable</li> <li>the amount can be estimated reliably [IAS 37:14].</li> </ul> <p>The measurement of provisions is specified in IAS 37:36 and should be the best estimate of the expenditure required to settle the present obligation. Based on that the following guidelines arise:</p> <ul style="list-style-type: none"> <li>Provisions for one-off events at most likely outcome [IAS 37:40]</li> <li>Provisions for large populations of events at a probability-weighted expected value [IAS 37:39].</li> </ul> <p>Both measurements are at discounted present value using a pre-tax discount rate that reflects the current market assessment [IAS 37:45 and 37:47].</p>

## Swiss GAAP FER 6 – Notes

Swiss GAAP FER	IFRS
 <p><b>Core-FER:</b> FER 6</p> <p>The notes, which form an integral part of the financial statements according to the Swiss GAAP FER Framework, are specified under Swiss GAAP FER 6. The purpose is to complement and explain the balance sheet, income statement, cash flow statement and statement of changes in equity [FER 6/1]. According to the standards, the notes must at least disclose:</p> <ul style="list-style-type: none"><li>• the applied accounting principles (including valuation guidelines with at least valuation basis, valuation principles for the individual balance sheet items and explanations for deviations, changes and errors in valuation [FER 6/6]),</li><li>• explanations of the other components of the financial statements,</li><li>• further declarations not considered in other parts of the financial statements,</li><li>• extraordinary pending deals and risks,</li><li>• events occurring after the balance sheet date [FER 6/2-3].</li></ul> <p>Furthermore FER 6/7-8 specifies minimal disclosures to the balance sheet and income statement. The order and structure of the notes is not stated in Swiss GAAP FER 6.</p>	<p>For the notes in compliance with IFRS, IAS 1 is relevant. As stated in IAS 1:112-114, the notes are recommended in a specified order, namely:</p> <ul style="list-style-type: none"><li>• Statement of compliance with IFRS</li><li>• Summary of significant accounting policies (including measurement basis and other principles relevant to an understanding of the financial statements [IAS 1:117])</li><li>• Supporting information for items presented in the financial statement, statements of profit and loss and other comprehensive income, statement of changes in equity and statement of cashflows</li><li>• Other disclosures including contingent liabilities [IAS 37], unrecognised contractual commitments, non-financial disclosures [IFRS 7], dividends [IAS 1:137], capital disclosures [IAS 1:134], puttable financial instruments [IAS 1:136A] and other information [IAS 1:138].</li></ul>



# Additional FER (FER 10 – 27)


## Swiss GAAP FER 10 – Intangible assets

### Key differences:

- Indefinite life intangible asset: amortised over 5 to 20 years under Swiss GAAP FER vs. not amortised under IFRS
- Subsequent valuation: cost or revaluation model under IFRS vs. cost model under Swiss GAAP FER
- More disclosure requirements under IFRS than under Swiss GAAP FER

Swiss GAAP FER	IFRS
<div data-bbox="98 824 177 898" data-label="Image"> </div> <p data-bbox="98 913 236 965"><b>Additional FER:</b> FER 10</p> <p data-bbox="252 824 826 987">According to Swiss GAAP FER 10, intangible assets are of non-monetary nature and without physical substance. They can be acquired or generated internally [FER 10/1]. Furthermore the standard requires the entity to break down its intangible assets using specific categories and disclose them either in the balance sheet or the notes [FER 10/2].</p> <p data-bbox="252 999 826 1216">In FER 10/3-6, the capitalisation of intangible assets is defined. If an asset is acquired it will be capitalised if it yields financial benefit for the organisation over several years. For internally generated intangible assets, the costs can be capitalised if specific requirements are met. For all the other costs that cannot be capitalised, the expense is charged to the income statement. For the valuation of intangible assets, Swiss GAAP FER 10 states the following recommendations::</p> <ul data-bbox="252 1227 826 1630" style="list-style-type: none"> <li>• Capitalised intangible assets are valued at acquisition cost respective production cost, but only if the amount does not exceed the recoverable amount (net selling price or value in use) [FER 10/7]</li> <li>• Intangible assets are amortised over the carefully estimated useful life. If the useful life cannot be determined reliably, the amortisation is performed linearly over 5 years with the option to extend to a maximum of 20 years if justifiable [FER 10/8]. The applied approach and eventual changes need to be disclosed in the notes [FER 10/9 and 10/10]</li> <li>• The carrying amount has to be reviewed at each balance sheet date and regulations to the impairment of an asset are to be applied [FER 10/11].</li> </ul> <p data-bbox="252 1641 826 1749">Furthermore the change in intangible assets needs to be disclosed in the notes and must contain specified items for each category's cost, accumulated amortisation and net carrying amount [FER 10/13].</p> <p data-bbox="252 1760 826 1787">Intangible assets that cannot be capitalised are [FER 10/19]:</p> <ul data-bbox="252 1798 826 1973" style="list-style-type: none"> <li>• Internally generated goodwill</li> <li>• Expenses for training and continuing education</li> <li>• Restructuring expenses</li> <li>• Expenses for basic and applied research</li> <li>• Expenses for incorporation and organisation</li> </ul>	<p data-bbox="845 824 1388 875">For intangible assets, IAS 38 lists the following transactions through which the assets can be acquired</p> <ul data-bbox="845 887 1388 1061" style="list-style-type: none"> <li>• by purchase</li> <li>• part of business combination</li> <li>• by a government grant</li> <li>• by exchange of assets</li> <li>• internally generated intangible assets.</li> </ul> <p data-bbox="845 1072 1388 1155">Intangible assets shall only be recognised if future economic benefit is probable and the cost of the asset can be measured reliably [IAS 38:21].</p> <p data-bbox="845 1167 1388 1357">In terms of capitalisation, IFRS does not allow research costs to be capitalised [IAS 38:54] and requires capitalisation of development costs if certain criteria are met [IAS 38:57]. The valuation of the intangible assets is initially performed at cost [IAS 38:24]. Afterwards an entity has to determine how to carry the intangible assets, either the cost model or the revaluation model [IAS 38:74-75].</p> <p data-bbox="845 1368 1388 1503">Under IFRS, the amortisation of the intangible assets is performed over the estimated useful life. The standard distinguishes between two categories: finite and indefinite useful life [IAS 38:88]. For intangibles with indefinite lives, no amortisation is performed [IAS 38:107].</p> <p data-bbox="845 1514 1388 1570">The impairment of these assets should be tested in accordance with IAS 36 at the end of each reporting period [IAS 38:111].</p> <p data-bbox="845 1581 1388 1664">Regarding disclosure requirements, IAS 38:118, IAS 38:122 and IAS 38:124 list several details that must be disclosed for each class of intangible assets.</p>

## Swiss GAAP FER 11 – Income Taxes

Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> The standard states the rules of the relevant local tax authorities as the basis for the current income tax calculation [FER 11/2]. If liabilities from the current income tax occur, they have to be classified as accrued liabilities or other short-term liabilities [FER 11/4].</p> <p>For deferred income tax, the valuation is based on a balance sheet perspective and should consider all future income tax effects for which an annual accrual is made [FER 11/6]. The calculation of these must be performed for every business period and each tax subject using the expected future tax rates or the tax rates valid at the balance sheet date. Netting of deferred tax assets and liabilities is only allowed if they relate to the same tax subject [FER 11/7-8]. Deferred tax assets are classified as financial assets and deferred tax liabilities are classified as tax provisions [FER 11/9].</p> <p>The entity records in the balance sheet the deferred taxes, calculated by comparing the carrying value in the balance sheet with the value as per the tax authorities. The temporary difference between these amounts is the amount to be recognised as deferred tax in the balance sheet.</p> <p>If changes in deferred taxes result from changes in foreign currencies, they are not part of the deferred income tax expense (income) [FER 11/25]. Furthermore for income or expenses without a fiscal impact, no deferred income tax needs to be considered [FER 11/19].</p> <p>With regards to disclosure, FER 11/11 requires that entitlement for deferred income taxes on tax losses carried forward not yet used must be disclosed in the notes.</p>	<p>IAS 12 prescribes the accounting treatment for income taxes and deals with the recognition of deferred tax assets. IAS 12:46 requires the entity to measure current tax assets and liabilities using the expected tax rates and laws that have been enacted at the balance sheet date to receive the amount that is expected to be paid or to be recovered from the tax authorities.</p> <p>For deferred tax assets, IAS 12 provides specific guidance for determining the tax bases distinguishing between:</p> <ul style="list-style-type: none"> <li>• Assets [IAS 12:7],</li> <li>• Liabilities and revenue received in advance [IAS 12:8],</li> <li>• Unrecognised items [IAS 12:9],</li> <li>• Tax bases not immediately apparent [IAS 12:10]</li> <li>• Consolidated financial statements [IAS 12:11].</li> </ul>

## Swiss GAAP FER 13 – Leases

### Key differences:


- Lessee: distinction of operating and finance lease under Swiss GAAP FER vs. no distinction under IFRS
- Sale and lease back: gain or loss recognised over the life of the leasing under IFRS vs. loss immediately in P&L under Swiss GAAP FER
- Lessor: accounting requirements specified by IFRS vs. no requirements under Swiss GAAP FER
- More detailed and required disclosures under IFRS than under Swiss GAAP FER

Swiss GAAP FER	IFRS
<div data-bbox="98 712 175 788" style="float: left; margin-right: 10px;"> </div> <p data-bbox="98 801 236 855"><b>Additional FER:</b> FER 13</p> <p data-bbox="252 712 826 766">Swiss GAAP FER 13 distinguishes between finance leases and operating leases based on economic criteria [FER 13/2].</p> <p data-bbox="252 779 459 801">Finance leases exist if:</p> <ul data-bbox="252 815 826 1093" style="list-style-type: none"> <li>• the present value of the lease payment approximates the acquisition cost or the market value of the leased asset, or</li> <li>• the expected lease term does not differ significantly from the economically useful life of the asset, or</li> <li>• the leased asset will become the property of the lessee at the end of the lease term, or</li> <li>• a possible final payment at the end of the lease term is substantially below its respective current market value [FER 13/3].</li> </ul> <p data-bbox="252 1102 826 1155">All contracts that do not fulfil the above mentioned criteria are considered as operating leases [FER 13/9].</p> <p data-bbox="252 1164 826 1272">Under FER 13/4-5, an entity has to capitalise financial leases. Operating leases are not capitalised. Both financial leases and operating leases must be disclosed in the notes if specific criteria are met.</p> <p data-bbox="252 1281 826 1469">At initial recognition on the asset side, the carrying amount of the financial lease corresponds to the lower of the acquisition cost and the market value. On the liability side, the present value of future lease payments is recognised. Then lease payments are split between interest/other costs component (charged to the result of the period) and repayment component (charged to the lease liability) [FER 13/10].</p> <p data-bbox="252 1478 826 1666">In the case of a sale and lease back transaction, where the entity sells a tangible fixed asset with a subsequent financial lease of the same asset, the profit has to be recognised as deferred income and released over the duration of the lease contract. A loss resulting from such a sale and lease back has to be immediately charged in full to the income statement [FER 13/6].</p> <p data-bbox="252 1675 826 1765">For the disclosure of the leases, at least the total amount of future lease payments and the maturity pattern must be disclosed [FER 13/11].</p>	<p data-bbox="845 712 1436 900">IFRS 16 specifies how to recognise, measure, present and disclose leases. According to this standard, there is no distinction between finance and operating leases for the lessee – all leases that are not considered as short-term leases or leases with low value underlying assets [IFRS 16:5] must be recognised in the financial statements and apply requirements as per IFRS 16:22-50</p> <p data-bbox="845 909 1436 1245">Initially, the lessee recognises a right-of-use asset and a lease liability [IFRS 16:22], respectively at cost [IFRS 16:23] and at present value of the lease payments that are not paid at that date [IFRS 16:26]. Subsequently the right-of-use asset is valued using cost model, fair value model (IAS 40 Investment Property) or revaluation model (IAS 16 Property, plant and equipment) [IFRS 16:29, 16:34-35]. On the other hand, as per IFRS 16:36, the lease liability's carrying amount is subsequently adjusted by an increase to reflect interest on the lease liability, a decrease to reflect the lease payment made and an increase/decrease to reflect any reassessment or lease modification specified by IFRS 16:39-46B.</p> <p data-bbox="845 1254 1436 1559">In case of a sale and lease back transaction where the transfer of the asset is a sale, the selling entity recognises the amount of gain or loss that relates to the rights transferred to the buyer over the life of the leasing [IFRS 16:100]. If the fair value of the sale consideration does not equal the fair value of the asset, the sales proceeds must be adjusted to fair value by accounting for prepayments or additional financing [IFRS 16:101]. As per IFRS 16:103, when the transfer of the asset is not a sale, the selling entity continues to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds (according to IFRS 9).</p> <p data-bbox="845 1568 1436 1818">On the lessor side, leases are classified as a finance lease if substantially all the risks and rewards incidental to ownership of an underlying asset are transferred – otherwise it is considered as an operating lease [IFRS 16:61-62]. Finance leases are initially measured as a receivable equal to the net investment in the lease [IFRS 16:67]. Then the lessor recognises finance income over the lease term [IFRS 16:75]. For operating leases, the lease payments are recognised as income on either straight-line or another systematic line basis [IFRS 16:81].</p>

## Swiss GAAP FER 15 – Related party transactions

### Key differences:


- Definition of a related party is more detailed under IFRS
- Required disclosures are more extensive under IFRS

	Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 15</p>	<p>Swiss GAAP FER 15 deals with transactions between related parties such as transferring assets or liabilities, rendering services, and assuming liabilities and contingent liabilities.</p> <p>FER 15/2 defines a transaction to be considered related if one party has the ability to influence or exercise control over the other party with respect to financial or operative decisions. Organisations controlled directly or indirectly by the same related parties are also related.</p> <p>If transactions are deemed to be related party transactions, FER 15/11 requires the following information to be disclosed for each of these transactions:</p> <ul style="list-style-type: none"> <li>• description of the transaction</li> <li>• volume of the transaction (normally an amount or a relative number), and</li> <li>• other significant conditions.</li> </ul>	<p>IAS 24:9 provides for a comprehensive explanation and explicitly mentions close members of a related person's family to be related under IFRS if that person has control, joint control or significant influence over the reporting entity, or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</p> <p>IAS 24:18 requires the disclosure of the nature and information about the transactions as well as any outstanding balances, including:</p> <ul style="list-style-type: none"> <li>• the amount of the transactions</li> <li>• the amount of outstanding balances, including terms and conditions and guarantees</li> <li>• provisions for doubtful debts related to the amount of outstanding balances</li> <li>• expense recognised during the period in respect of bad or doubtful debts due from related parties.</li> </ul>

## Swiss GAAP FER 16 – Pension benefit obligations

### Key differences:


- The impact of pension obligations under Swiss GAAP FER 16 is usually limited vs. a significant impact based on IAS 19
- IFRS distinguishes 4 pension benefit types vs. no distinction under Swiss GAAP FER
- IFRS distinguishes 2 types of post-employment benefit plans vs. no distinction under Swiss GAAP FER
- IFRS requires actuarial calculations in certain cases vs. not required under Swiss GAAP FER
- Extended disclosures required under IFRS vs. fewer requirements under Swiss GAAP FER

Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 16</p> <p>Pension benefit obligations are all plans, institutions and dispositions that provide benefits for retirement, death and/or disability [FER 16/1]. The impacts are either an economic benefits or economic obligations and are treated equally [FER 16/2].</p> <p>The recognition of the impact of pension institutions is performed as follows [FER 16/3]:</p> <p>If transactions are deemed to be related party transactions, FER 15/11 requires the following information to be disclosed for each of these transactions:</p> <ul style="list-style-type: none"> <li>• Contributions are recognised in the income statement as personnel expenses and the respective accrued income or accrued liabilities are recognised as assets or liabilities.</li> <li>• There are two options for accounting the pension benefit obligations: <ul style="list-style-type: none"> <li>i.) The presentation of the real economic impacts from pension benefit obligations is based on the clarification of whether, at the balance sheet date, in addition to the contribution of the organisation and the respective cut-offs already recognised, there is any further asset (economic benefit) or liability (economic obligation). This recommendation requires recognition of the result of the annually determined economic benefit or obligation in the result of the period in accordance with Swiss GAAP FER 16.</li> <li>ii.) The economic impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of each specific benefit plan, which are based on Swiss GAAP FER 26 (Swiss benefit plans). The assessment if pension benefit obligations exist is based on contracts, financial statements of pension institutions (which are prepared under Swiss GAAP FER 26 in Switzerland) and other calculations presenting the financial situation and the existing surplus and deficit for each pension institution. The difference to the respective value of the prior year is recognised as personnel expenses in the result of the period. The economic benefits are recognised as long-term assets under “assets from pension institutions” and the obligations are recognised as long-term liabilities.</li> </ul> </li> </ul> <p>Employer contribution reserves are regulated under FER 16/4 and must be recognised as long-term financial assets with the difference to the prior period being recognised as personnel expense. Furthermore, several information must be disclosed in the notes for the reserves.</p> <p>In addition, the information stated under FER 16/5 must be disclosed in the notes in a table format.</p>	<p>As per IAS 19:5, pension benefits are divided into 4 categories:</p> <ul style="list-style-type: none"> <li>• Short-term benefits</li> <li>• Post-employment benefits</li> <li>• Other long-term benefits</li> <li>• Termination benefits.</li> </ul> <p>IAS 19 distinguishes between the different types of benefit and contribution plans [IAS 19:8].</p> <p>The accounting treatment for a post-employment benefit plan depends on the economic substance of the plan and results in the plan being classified as either a defined contribution plan or a defined benefit plan:</p> <ul style="list-style-type: none"> <li>• Defined contribution plans: under a defined contribution plan, the entity pays fixed contributions into a fund but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The entity's obligation is therefore effectively limited to the amount it agrees to contribute to the fund.</li> <li>• Defined benefit plans: these are post-employment benefit plans other than defined contribution plans. These plans create an obligation to the entity to provide agreed benefits to current and past employees and effectively place actuarial and investment risk on the entity.</li> </ul> <p>IAS 19:58-59 requires that an entity should determine the net benefit liability (asset) at least yearly, using actuarial valuation technics. Furthermore each significant actuarial assumption must be tested via sensitivity analysis, the opening balance must be reconciled to the closing balance of the net defined benefit liability or asset, and the fair value of plan assets must be disaggregated into classes [IAS 19:135-147].</p> <p>In addition, IAS 26:34-36 and IAS 19:135-138 require extensive disclosures related to the pension benefit plans.</p>

## Swiss GAAP FER 17 – Inventories

### Key differences:

- The main difference between Swiss GAAP FER 17 and IFRS is that under Swiss GAAP the LIFO method is accepted, while under IFRS this method is banned

	Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 17</p>	<p>FER 17/1 defines inventories as:</p> <ul style="list-style-type: none"> <li>• Goods held for sale in the ordinary course of business including work in progress and materials or supplies that are held for production purposes, and</li> <li>• Services delivered but not billed yet.</li> </ul> <p>FER 17/3 defines the valuation method as the lower of acquisition or production cost and fair value less cost to sell.</p> <p>The acquisition or production cost of inventories comprise all direct and indirect expense required for making the inventories available at their present location and in their current condition (full cost approach) [FER 17/4]. Its determination is based on the actual cost incurred and shall be measured for each item and project individually or by simplified valuation methods such as cost formulas (based on cost or consumption), standard cost, planned cost or the retail method.</p> <p>Swiss GAAP FER allows the company to use LIFO, FIFO and the average cost method.</p> <p>Swiss GAAP FER 17/18 provides for a choice to either reduce settlement discounts from the purchase price or to recognise them as financial income. The chosen principle has to be disclosed in the notes.</p> <p>Similar items of inventories may be valued as a group.</p> <p>As per FER 17/5, the impairment of inventories to their lower fair value less cost to sell is charged to the result of the period. Impairments that are no longer necessary have to be reversed to profit and loss.</p> <p>Prepayments for inventories may be deducted from the carrying amount, but only if no right of clawback exists. Effected prepayments for the delivery of assets belonging to the inventories are either recognised as inventories or as a separate classification in the current assets [FER 17/2].</p>	<p>Under IFRS, IAS 2 defines the applicable principles related to inventories. Inventories are classified as items held for sale (finished goods), assets in the production process for sale (work in progress) and materials and supplies consumed in production (raw materials) [IAS 2:6].</p> <p>IAS 2:9 requires inventories to be stated at the lower of cost and net realisable value.</p> <p>IAS 2:10 further specifies which costs are to be included in the determination of the inventory cost, namely cost of purchase, conversion and other costs to bring the inventory to their present location and condition.</p> <p>Borrowing costs may be included in cost of inventories, if they meet the definition of a qualifying asset [IAS 2:17]. IAS 23 in connection with IAS 2 provides a clear instruction on when borrowing costs are to be recognised as inventory costs.</p> <p>In IFRS, only the average cost method and the FIFO method are accepted. The LIFO method is not allowed [IAS 2:25].</p> <p>IAS 2 further also requires the entity to write down inventories if the net realisable selling price of the inventory decreased and charge the write down to the income statement. A reversal of that impairment is also to be charged to the income statement in the period it occurs [IAS 2:34].</p> <p>The disclosure requirements are stated under IAS 2:36.</p>

## Swiss GAAP FER 18 – Tangible fixed assets

### Key differences:


- Under IFRS, subsequent measurement using a revaluation model is allowed vs. this is not existent under Swiss GAAP FER except for a specific type of asset: investment properties (FER 18/14)

Swiss GAAP FER	IFRS
<div data-bbox="98 600 175 676" data-label="Image"> </div> <p data-bbox="98 689 236 739"><b>Additional FER:</b> FER 18</p> <p data-bbox="252 600 826 792">Tangible fixed assets (also property, plant and equipment) are tangible and used for the production of goods, for rendering services or investment services and can be acquired or produced internally [FER 18/1]. The following categories are minimally disclosed in the balance sheet or the notes [FER 18/2] with the recommendation to be further broken down if necessary or significant:</p> <ul data-bbox="252 801 657 976" style="list-style-type: none"> <li>• Undeveloped property</li> <li>• Land and building</li> <li>• Machines and equipment</li> <li>• Tangible fixed assets under construction</li> <li>• Other tangible fixed assets.</li> </ul> <p data-bbox="252 985 826 1285">The expenditures for new tangible fixed assets have to be capitalised if there exists a net selling price or a value in use and if it is possible to use the tangible asset during more than one period [FER 18/3]. Internally generated tangible fixed assets have to be capitalised if the respective production cost can be recognised and measured separately and if the expected useful life exceeds one period [FER 18/4]. General costs for administration or distribution as well as profits are not to be capitalised [FER 18/4]. Furthermore it is possible to capitalise borrowing costs if specific criteria are met [FER 18/7].</p> <p data-bbox="252 1294 826 1680">Tangible fixed assets are initially recognised at acquisition or production cost [FER 18/6]. For subsequent periods, the value is calculated by subtracting accumulated depreciation and impairment from the initial value [FER 18/8]. Allowed depreciation methods are straight line, declining or proportional to performance over the useful life, and depreciation starts at the beginning of the operating use of the assets [FER 18/9]. Eventual impairments on the tangible fixed assets have to be reviewed annually [FER 18/10]. For tangible fixed assets held solely for investment purposes, the carrying amount after the initial value (acquisition or production costs) should be the actual value, which is estimated in comparison to similar objects. Any decrease must be recognised in the result of the respective period [FER 18/14].</p> <p data-bbox="252 1688 826 1939">The disclosure requirements under FER 18/15-21 specify the structure of how the statement of changes in tangible fixed assets must be presented in the notes. Furthermore a minimum amount of subline items to disclose for the valuation of the assets is required. The tangible fixed assets hold solely for investment purposes must be disclosed separately in the notes. The respective valuation methods and bases used must also be disclosed. Furthermore the depreciation methods and the useful lives need to be shown in the notes.</p>	<p data-bbox="847 600 1406 734">IAS 16 states that items of property, plant and equipment should be recognised as assets when it's probable that the future economic benefit associated with the asset will flow to the entity and the cost of the asset can be measured reliably [IAS 16:7].</p> <p data-bbox="847 743 1406 824">IAS 16:15 and IAS 16:16 require an asset to be initially measured at cost, which includes all costs related to bringing the asset to work.</p> <p data-bbox="847 833 1326 891">For subsequent measurement, IAS 16:29 allows two accounting methods:</p> <ul data-bbox="847 900 1430 1016" style="list-style-type: none"> <li>• Cost model (initial value less depreciation and impairment)</li> <li>• Revaluation model (Fair value at the date of revaluation less subsequent depreciation and impairment, if the value can be measured reliably).</li> </ul> <p data-bbox="847 1025 1430 1106">With regards to depreciation, the depreciable amount should be allocated on a systematic basis over the asset's useful life [IAS 16:50].</p> <p data-bbox="847 1115 1430 1254">IAS 16 does not provide any given depreciation methods but only states that depreciation should reflect the pattern in which the asset's value is consumed by the entity [IAS 16:60] and reviewed at least annually if the method needs to be changed [IAS 16:61].</p> <p data-bbox="847 1263 1430 1344">Furthermore, IAS 16 requires impairment testing and potential write offs to the income statement in case of an impairment [IAS 16:63-66].</p>

## Swiss GAAP FER 20 – Impairment

### Key differences:

- Under IFRS, elements to consider to determine the value in use are defined vs. no indication under Swiss GAAP FER
- Under IFRS, goodwill impairment approach is defined vs. not under Swiss GAAP FER as goodwill is subject to annual amortization
- Disclosures are more extensive under IFRS than under Swiss GAAP FER


Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 20</p> <p>Swiss GAAP FER 20 applies to all assets as far as no special rules exist in other recommendations and the assets are subject to an impairment test at each balance sheet date [FER 20/1-2], which is based on indicators reflecting a possible impairment. These indicators include, inter alia, negative development of legal or economic conditions, reduced expected economic performance of the asset, changes in the usage of an asset, significant reduction in the selling price, increased credit risk of receivables and financial assets, increase in future relevant interest rates and/or carrying amount of total equity is higher than its stock exchange value [FER 20/22].</p> <p>An impairment of an asset is necessary if its carrying amount exceeds its recoverable amount [FER 20/3].</p> <p>The recoverable amount is defined as the higher of either the net selling price, which is the price realisable in a transaction between independent third parties, or the value in use, which is the present value of expected future cash inflows and cash outflows from the assets [FER 20/4-6]. Discounting has to be performed at actual market conditions considering the specific risks of an asset [FER 20/7]. Every asset has to be evaluated individually [FER 20/8]. Group evaluation of assets is only allowed if the cash flow from an asset is dependent on other assets [FER 20/9].</p> <p>If an impairment is needed, the carrying amount of the asset must be reduced and the loss is charged to the income statement. The reasons for the impairment (incl. events or circumstances) as well as the amount must be disclosed in the income statement or the notes [FER 20/10-12 and FER 20/20].</p> <p>If an impairment from a prior period needs to be reversed the new carrying amount is the lower of a) the new recoverable amount and b) the carrying amount less depreciation without the prior impairment. The amount will be debited to the income statement. For assets determined at actual values the amount of the reversal will be debited to the revaluation reserve, but only if the prior impairment was not charged to the income statement before. Otherwise the amount is charged to the income statement as well [FER 20/16-18].</p>	<p>IAS 36:6 defines the reason for an impairment if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is defined as the higher of its fair value less costs of disposal and its value in use.</p> <p>The indicators for impairment as per IAS 36:12 are, inter alia:</p> <ul style="list-style-type: none"> <li>• Market value declines</li> <li>• Negative development in technology, markets, economy or laws</li> <li>• Increase in interest rates</li> <li>• Net assets of company higher than market capitalization etc.</li> </ul> <p>For the determination of the value in use, IAS 36:30 gives specific elements to consider e.g.:</p> <ul style="list-style-type: none"> <li>• Estimate of future cash flows</li> <li>• Time value of money</li> <li>• Price for bearing the uncertainty etc.</li> </ul> <p>The impairment loss is charged as an expense to the income statement (except for a revalued asset, where it leads to a revaluation decrease) and the depreciation is adjusted [IAS 36:59-60 and IAS 36:63].</p> <p>Furthermore the impairment of goodwill is specifically described [IAS 36:80-99].</p> <p>Regarding the impairment of an asset, the entity has to disclose information by asset and reportable segment class [IAS 36:126, IAS 36:129 and IAS 36:130].</p>




## Swiss GAAP FER 22 – Long-term contracts

### Key differences:

- Swiss GAAP FER allows two recognition models vs. one 5-step model under IFRS

Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 22</p> <p>Swiss GAAP FER 22 defines a long-term contract as establishing a specific product or performing a specific service for a third party that is rendered over an extended period and significant to the entity [FER 22/1]. The standard does not provide a minimum duration but recommends that the project duration is usually several months. Long-term contracts are agreed and signed prior to the start of the production [FER 22/9].</p> <p>The recognition method is the percentage-of-completion method (POCM), which recognises profits proportionally, as far as the realisation is sufficiently certain besides the capitalisation of the historic acquisition and production cost and further project-related expenses [FER 22/2]. If the preconditions for the POCM are not given, FER 22/3 requires the entity to apply the completed contract method (CCM) which realises profits only after transferring the delivery and performance risk to the client.</p> <p>The following preconditions all have to be met [FER 22/4]:</p> <ul style="list-style-type: none"> <li>• Contractual basis</li> <li>• High probability that contractually agreed performance can be delivered</li> <li>• Suitable project organisation</li> <li>• Reliable determination of all financial aspects of the project.</li> </ul> <p>If losses become apparent, depreciation needs to be recognised in the full amount without regard to the degree of completion, with the possible need for provisions in case of higher depreciation than the capitalised amount of the project [FER 22/5]. Prepayments received are not allowed to be charged to the income statement and must be recognised only in the balance sheet and offset by the corresponding long-term contracts, if there is no right of clawback. They further must be disclosed either in the balance sheet or the notes [FER 22/6].</p> <p>FER 22/7 allows for several projects to be treated as a single project, if they are in close connection to each other.</p> <p>The disclosure requirements for the long-term contracts include accounting principles, method to determine the degree of completion, amount of revenue recognised in the period, capitalised borrowing costs, specific financial lines related to long-term contracts and prepayments received [Swiss GAAP FER 22/8].</p>	<p>For contracts with third parties, IFRS 15 provides guidance on how to recognise revenue realised from those contracts. The core principle of the standard is that revenue is only recognised up to the amount which reflects the consideration of expected entitlement for the goods and services provided by the entity. This principle is based on a framework with five steps, which are elementary for the application of IFRS 15:</p> <ul style="list-style-type: none"> <li>• Identify the contract with the customer</li> <li>• Identify the performance obligations</li> <li>• Determine the transaction price</li> <li>• Allocate transaction price to performance obligations</li> <li>• Recognise revenue as the entity satisfies a performance obligation.</li> </ul> <p>Recognition of revenue is based on the principle that it is recognised when control of the asset has been passed to the third party [IFRS 15:31]. Furthermore IFRS 15 differentiates between two cases:</p> <ul style="list-style-type: none"> <li>• Recognise revenue over time [IFRS 15:35]</li> <li>• Recognise revenue at a point in time [IFRS 15:38]</li> </ul> <p>Contractual costs may be capitalised if they fulfil all criteria of IFRS 15:95. In principle, only costs that relate directly to the contract are capitalised.</p> <p>Prepayments of clients are to be recognised as a liability in the balance sheet and not charged to the income statement [IFRS 15:106]. For the contract assets recognised, IFRS 9 is applied with regards to impairment.</p> <p>The disclosure requirements are stated under IFRS 15:110-128.</p>

## Swiss GAAP FER 23 – Provisions

Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 23</p> <p>A provision is a probable obligation that is based on a past event and its amount and/or its due date is uncertain but can be estimated [FER 23/1].</p> <p>Furthermore expected future revenue reductions, future cost increases or liabilities that are due but not billed at the balance sheet date are not considered as provision but as accrued liabilities [FER 23/3-4].</p> <p>Swiss GAAP FER 23 requires an entity to regularly evaluate legal and factual obligations on their probability and revise existing provisions at each balance sheet date [FER 23/5 and 23/8]. The changes in provisions must be realised in the income statement (operating result or financial result) [FER 23/9].</p> <p>For the determination of provisions, FER 23/6 provides specific elements that must be taken into account for the estimation, including economic risk, time factor, etc.</p> <p>With regards to disclosure of provisions, FER 23/10 requires the following details:</p> <ul style="list-style-type: none"> <li>• Provisions for taxes</li> <li>• Provisions for benefit obligations</li> <li>• Restructuring provisions</li> <li>• Other provisions.</li> </ul> <p>Furthermore a statement of changes in provisions must be provided showing the beginning carrying amount, changes during the period (creation, utilization, release) and the final carrying amount at the balance sheet date [FER 23/11]. The entity has to also distinguish between short and long-term provisions and provide further important information in the notes [FER 23/12-13].</p> <p>Swiss GAAP FER 23 only applies to specific legal requirements that relate to the definition of provisions used for this recommendation. It is, for example, not applicable to provisions that are to be recognised by insurance companies due to contracts with insured persons.</p>	<p>The definition of a provision according to IFRS is a liability of uncertain timing or amount (IAS 37:10).</p> <p>The criteria that must be met to recognise a provision are [IAS 37:14]:</p> <ul style="list-style-type: none"> <li>• Present (legal or constructive) obligation from past event,</li> <li>• Outflow is probable, and</li> <li>• Amount can be estimated reliably.</li> </ul> <p>Furthermore an entity is also required to evaluate the existing provisions at every balance sheet date [IAS 37:59].</p> <p>For the determination the entity should use the best estimate of the expenditure, taking into account time and economic risks [IAS 37:36].</p> <p>Furthermore the disclosure requirements are stated under IFRS 37:84-92.</p>

## Swiss GAAP FER 24 – Equity and transactions with shareholders

### Key differences:


- IFRS does not have one but several standards covering the topic

	Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 24</p>	<p>The equity of an entity results from its assets less liabilities – it basically comprises capital, additional capital reserves paid in and retained earnings. Swiss GAAP FER 24 applies to:</p> <p>Recognition, valuation and presentation of all equity instruments of the company (including derivatives on own shares)</p> <ul style="list-style-type: none"> <li>• Recognition, valuation and presentation of transactions with shareholders</li> <li>• Recognition and presentation of cost of transactions related to equity</li> <li>• Presentation of carrying amounts of, and changes in, equity and its components</li> <li>• Disclosure of relevant information in the notes.</li> </ul> <p>The standard does not apply to share-based compensation of goods, labour force or services in course of business and transactions related to business combinations, joint ventures and spin-offs.</p> <p>Under FER 24/1-3, the amount of own shares by the entity is presented as a deduction from equity at the date of acquisition and recognised at cost. Subsequently no revaluation has to be performed and upon disposal, any gain or loss is not recognised in the result but in the capital reserves.</p> <p>Transactions with shareholders are recognised at net selling price, even if not performed at arm's length. Different valuation methods are allowed if the net selling price cannot be estimated reliably but this has to be disclosed in the notes. The transactions are credited or debited to the capital reserves. Cash inflows from profits are charged to retained earnings [FER 24/4]. The standard provides an exception to the above mentioned for government grants to public authority companies related to absorption of operating losses. These are charged to the income statement [FER 24/4].</p> <p>Cost of transactions are normally recognised as a reduction of capital reserves [FER 24/5]. Probable future transactions related to equity are recognised as deferred expense. Otherwise the costs are charged to the income statement [FER 24/6].</p> <p>Furthermore the standard provides a structure with specific components that must be presented separately in the balance sheet [FER 24/7]. For every component FER 24/28 requires specific elements that must be disclosed in a separate statement of changes in equity.</p> <p>With regards to disclosure, FER 24/9-11 require detailed elements that must be disclosed in the notes, including numbers and natures of the equity and transactions with shareholders.</p>	<p>IFRS does not provide a specific standard related to equity and equity transactions. The standard to apply is IAS 32 (Financial instruments presentation).</p> <p>The standard defines equity as a financial instrument only if it includes no contractual obligation to deliver cash or another financial asset to another entity and if the instrument will or may be settled in the issuer's own equity instruments [IAS 32:16].</p> <p>Furthermore, IAS 32 gives detailed requirements and guidance on how different kinds of financial instruments are to be classified, including preference shares [IAS 32:18], fixed monetary amount of equity instruments [IAS 32:20] or puttable instruments [IAS 32:16A to F].</p> <p>The cost of the reacquisition of shares is deducted from equity and gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares, but only recognised directly in equity [IAS 32:33].</p> <p>IAS 1:79 requires detailed elements of equity to be disclosed in the balance sheet of an entity and additional explanations and details in the notes.</p> <p>Furthermore IAS 1:106 requires a statement of changes in equity to be disclosed separately. Due to the fact that equity and equity transactions are treated as financial instruments, the disclosure requirements of IFRS 7 must be applied. Furthermore, IFRS 13 is applicable to an entity's own equity transactions measured at fair value [IFRS 13:4].</p>

## Swiss GAAP FER 27 – Derivative financial instruments

### Key differences:


- Disclosure requirements are more extensive under IFRS than under Swiss GAAP FER

Swiss GAAP FER	IFRS
 <p><b>Additional FER:</b> FER 27</p> <p>A derivative is a financial instrument whose value is primarily impacted by the price of one or more underlying basic values, requires a minor initial investment and is to be settled in the future [FER 27/1]. Examples of derivatives are fixed futures (e.g. forwards, futures), options (calls, puts) and products composed of various derivatives [FER 27/10]. Underlying basic values can be, for example, interest rates, foreign exchange, prices of equity instruments or raw material prices [FER 27/11].</p> <p>The instrument is to be recognised in the balance sheet as soon as it can be classified as an asset or a liability [FER 27/2]. Furthermore, the standard differentiates between fixed futures, derivatives for hedging purposes and derivatives without hedging purposes and recommends the following valuation methods:</p> <ul style="list-style-type: none"> <li>• Fixed futures: actual values. Premium of options is to be capitalised for options issued to be recognised as a liability [FER 27/3]</li> <li>• Derivatives with hedging purposes: actual value or same valuation method as underlying balance sheet item. Changes in values must be recognised in the result of the period [FER 27/4]</li> <li>• Derivatives without hedging purposes: actual values. Changes in values must be recognised in the result of the period [FER 27/5].</li> </ul> <p>Derivative instruments are derecognised as soon as the date of maturity is reached or no further claim on future payments exists. The difference between the carrying amount and the consideration received/given (transaction cost) is charged to the income statement [FER 27/7].</p> <p>Paragraph 8 of Swiss GAAP FER 27 requires from the entity specific disclosures of derivative instruments in a given structure, namely:</p> <ul style="list-style-type: none"> <li>• Interest rates</li> <li>• Foreign exchange</li> <li>• Equity instruments and respective indices, and</li> <li>• Other underlying basic values.</li> </ul> <p>For all elements the gross values recognised as assets or liabilities and the purpose of holding derivatives must be disclosed in the notes. The future cash flows which have yet not impacted the balance sheet are part of the operation that can be hedged. The amount hedged must be recorded either in the equity without impacting the income statement or disclosed in the notes (FER 27/18).</p>	<p>Under IFRS, IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities.</p> <p>In general, financial instruments and specifically derivative financial instruments must be initially measured at fair value plus or minus transaction costs [IFRS 9:5:1:1]. Value changes are recognised in the income statement.</p> <p>If an entity uses derivative instruments under IFRS, it is subject to the disclosure requirements stated in IFRS 7. These include detailed statements on the significance of financial instruments and, among other requirements, the nature and extent of exposure to risks arising from financial instruments and the transfer of financial assets.</p>

# Swiss GAAP FER 30 – Consolidated financial statements

## Key differences:

- Under IFRS, investments in associates must be consolidated vs. proportional consolidation (for joint ventures) or equity method (for joint ventures & associates) under Swiss GAAP FER
- Under IFRS, all requirements for the accounts of individual organisations also apply for the consolidated financial statements vs. Swiss GAAP FER 30 comprises additional requirements for consolidated financial statements only
- Under IFRS, goodwill is recognised as an intangible asset and not amortised vs. recognised as intangible asset and amortised or recognised in equity under Swiss GAAP FER
- Disclosure requirements are more extensive under IFRS than under Swiss GAAP FER


	Swiss GAAP FER	IFRS
 <p><b>FER 30</b></p>	<p>Under Swiss GAAP FER 30, subsidiaries are fully consolidated, but only organisations for which the entity holds more than 20% of voting rights are in scope of consolidation. Joint ventures with at least 20% of voting rights are subject either to proportional consolidation or to the equity method, and associates with at least 20% of voting rights are only subject to equity method. Those with less than 20% are considered at acquisition cost. Furthermore the standard requires joint ventures to be proportionally consolidated and recognised at equity method [FER 30/2-5].</p> <p><b>Method:</b> With regards to the consolidation method, the standard requires elimination of all intercompany assets, liabilities and profits [FER 30/7-8]. Furthermore, additional separate disclosures in the equity and income statement section with regards to minority interest in equity, share of the minority unit-holders in profit/loss and the results of associated organisations are required [FER 30/9-11 and FER 30/13].</p> <p><b>Goodwill:</b> Goodwill is to be valued at actual values. Any surplus of acquisition cost over the newly valued net assets has to be designated as goodwill [FER 30/14]. FER 30/14-18 allow for two different accounting treatments for goodwill:</p> <p>Option 1: The goodwill is recognised as intangible assets and amortised over five years with the possibility to extend the amortisation period to 20 years in justified cases [FER 30/14-15].</p> <p>Option 2: Acquired goodwill is offset with equity at the date of acquisition. This method requires additional disclosures in the notes with regards to theoretical capitalisation and impairment [FER 30/16]. In case of disposal, goodwill offset with equity must be considered at original cost and may be recognised in the statement of changes in equity [FER 30/17-18].</p> <p><b>Foreign currency:</b> In case of financial statements in foreign currency, the usual guidance regarding conversion into local currency apply (balance sheet date rate, average rate). Effects of foreign currency on intercompany loans with equity character must be recognised in equity [FER 30/19-20].</p>	<p>IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities [IFRS 10:1]. The standard requires that the parent entity must have the ability to exercise control over the sub-entity in the manner that it can affect the operational decisions of that sub-entity [IFRS 10:17].</p> <p>The accounting methods applied for the consolidated financial statements must be uniform for like transactions [IFRS 10:19].</p> <p>Under IFRS goodwill is recognised as an intangible asset with indefinite useful life. Therefore the goodwill is not amortised and is subject to yearly impairment testing [IAS 38:107 and IAS 38:111].</p> <p>In the event that the goodwill is negative, IFRS 3 requires that the result be allocated directly to the income statement. In terms of disclosure requirements, IFRS 10 refers to IFRS 12, where disclosure requirements of interests in other entities are stated.</p>

Swiss GAAP FER	IFRS
<p><b>Valuation:</b> FER 30/21 recommends consistency with regards to valuation methods for the respective financial statement items of all financial statements consolidated. Deviation from this approach is allowed. Impairment on a group of assets is first charged to goodwill and then proportionally to the other assets on the basis of their carrying amounts. In case of reversal of an impairment, it is not allocated to the goodwill, but proportionally to the assets and a remaining balance disclosed in the other assets section [FER 30/21-24].</p>	
<p><b>Income taxes:</b> Deferred income taxes are calculated by using the effective expected tax rates per business unit. It is furthermore allowed to use group-average tax rates [FER 30/28].</p>	
<p><b>Cash flow statement:</b> FER 30/29-31 presents additional disclosure requirements on the consolidated cash flow statement for investing and financing activities as well as if the indirect method is used.</p>	
<p><b>Disclosure:</b> For consolidated financial statements, additional disclosures in the notes are required by FER 30/32-43. These disclosure requirements mainly relate to additional information regarding the scope of consolidation, the principles used, the valuation principles and acquisitions and disposals of consolidated organisations.</p>	

# Swiss GAAP FER 31 – Complementary recommendation for listed companies

## Key differences:

- IFRS does not have one but several standards covering the topic, which require more detailed disclosures and application possibilities than under Swiss GAAP FER
- Comprehensive segment information to be provided under IFRS vs. possibility to waive segment disclosures under Swiss GAAP FER

Swiss GAAP FER	IFRS
 <p><b>FER 31</b></p> <p>When Swiss GAAP FER 31 is applied for the first time, figures for the present year as well as the preceding year have to be restated in order to ensure consistency of presentation and structure. This applies also for interim reporting if the requirements of Swiss GAAP FER 31 have an impact on interim reporting [FER 31/2].</p> <p>The standard provides guidance on the following topics, which are specified below:</p> <ul style="list-style-type: none"> <li>• Share-based payments [FER 31/3]</li> <li>• Discontinued operations [FER 31/4]</li> <li>• Earnings per ownership right [FER 31/5]</li> <li>• Income taxes [FER 31/6]</li> <li>• Financial liabilities [FER 31/7]</li> <li>• Segment reporting [FER 31/8]</li> <li>• Interim reporting [FER 31/9-12].</li> </ul> <p><b>Share-based payments:</b> Share-based payments are remuneration in equity instruments including derivatives on equity instruments and cash-settled instruments [FER 31/13]. The payments have to be recognised as personnel cost and as equity or liability (cash-settled instruments) over the vesting period. The general conditions of the contract, the basis of the calculation of the current cost and the expense recognised in the result of the period have to be disclosed in the notes [FER 31/3].</p> <p><b>Discontinued operations:</b> If an entity discontinues operations, it has to disclose separately the affected business areas including all concerned further effects on the business of the entity [FER 31/4].</p> <p><b>Earnings per ownership right:</b> A listed company has to present the non-diluted and diluted earnings per ownership right including the average outstanding ownership rights. Furthermore a reconciliation of the respective ownership rights must be disclosed with explanations for the diluting effects [FER 31/5].</p> <p><b>Income taxes:</b> FER 31/6 poses further disclosure requirements with regards to income taxes on the listed company, mostly</p>	<p>Under IFRS there are no specific standards that provide comprehensive guidance only for companies that are listed. Listed entities must consider the additional requirements stated in the respective standards if applicable to them. For reasons of comprehension and comparability, the following evaluation focuses only on comparing the topics mentioned in the Swiss GAAP FER 31 to the respective guidance under IFRS.</p> <p><b>Share-based payments:</b> For share-based payments, which are defined in IFRS 2, IFRS distinguishes between different kinds of payments that have to be recognised in different ways, mainly regarding the date on which the amount is to be expensed. Furthermore a broad set of measurement guidance for the different kinds of share-based payments is provided.</p> <p><b>Discontinued operations:</b> IFRS 5 requires the entity to recognise the amount of discontinued operations in a separate section in the statement of comprehensive income. Furthermore detailed disclosure is required in the notes, such as revenue, expenses, pre-tax profit or loss, related income taxes, cash flow information and adjustments made in the current period to amounts disclosed in the prior period.</p> <p><b>Earnings per ownership right:</b> The calculation of diluted and non-diluted earnings per share as well as the respective disclosure requirements are described under IAS 33.</p> <p><b>Income taxes:</b> Under IFRS, IAS 12 prescribes the accounting treatment and the disclosure requirements for income taxes.</p> <p><b>Financial liabilities:</b> For the financial liabilities recognised in compliance with IFRS, the disclosure requirements of IFRS 7 have to be applied. IFRS 7 for example requires detailed explanations of significance, nature and extent of exposure to risks and transfers of financial assets.</p> <p><b>Segment reporting:</b> IFRS 8 also mainly applies to (but is not limited to) listed companies. It states disclosure requirements for the respective operating segments of the business unit. The disclosure requirements are listed under IFRS 8:20-34. A definition of the operating segments is given under IFRS 8:5-10.</p> <p><b>Interim reporting:</b> IAS 34 does not specify which companies are required to prepare interim financial statements. The scope of</p>

Swiss GAAP FER	IFRS
<p>related to average applied tax rate and tax loss carry forwards [FER 31/6].</p> <p><b>Financial liabilities:</b> For financial liabilities, further disclosure of valuation principles and conditions must be presented in the notes, especially for liabilities comprising elements of both equity and liability [FER 31/7].</p> <p><b>Segment reporting:</b> Another addition to the disclosure is the presentation of the segment reporting used at top management level, which can be classified in geographical markets or business segments and must be reconciled to the income statement. Where it does not affect the informative value, segments can be combined and where justified (e.g. competitive disadvantage) the disclosure can be waived [FER 31/8, FER 31/14-15].</p> <p><b>Interim reporting:</b> FER 31/9-12 require a company to issue interim reports if its equity rights are listed. The interim financial statement can be described as a shortened version that must disclose all relevant information to understand the activities and the course of business of the entity but does not require as extensive reporting as the final year financial statements.</p>	<p>the interim report is described under IAS 34:1-3 and the required disclosures are stated under IAS 34:5-16A.</p>




# Industry-specific Swiss GAAP FER

## Swiss GAAP FER 40 – Accounting of insurance companies

Swiss GAAP FER 40 specifically concerns the accounting of insurance companies. FER 40 was implemented on January 1, 2021, and IFRS 17 will be implemented on January 1, 2023.

### Key differences:

- Swiss GAAP FER provides a specific standard and structure for insurance companies, with recommendations on how the balance sheet, the income statement, the cash flow statement and the statement of changes in equity have to be presented, and how the provision must be accounted for.
- IFRS does not provide a specific structure for insurance companies. However, it does provide a specific recommendation on how to record the insurance contracts as well as information that needs to be disclosed.

	Swiss GAAP FER	IFRS
 <p data-bbox="97 1048 212 1122"><b>Industry-specific FER:</b> FER 40</p>	<p data-bbox="252 965 831 1122">The standard under Swiss GAAP FER 40 provides a guide on how to perform and present the accounting of insurance companies. It presents how to evaluate capital investment and the provision related to the investment. There is also information on the disclosures in the balance sheet, income statement, notes and cash flow statement.</p> <p data-bbox="252 1137 831 1323">For the valuation of the capital investments, the standard mandates the companies to use the current values based on the market values, and all the gains/losses must be recorded in the reevaluation reserve without impacting the income statement. The reevaluation reserve will impact the income statement only when the capital investment is realised [FER 40/4].</p> <p data-bbox="252 1339 831 1608">If the market value is unavailable, FER 40/3 allows the company to evaluate the capital investment by using the cost value. Capital investments with a fixed revenue can be accounted for at the cost amortisation. The amortisation and recovery of amortisation directly impact the income statement. The valuation of capital investments for the account and risk of third parties must be evaluated at the current value, and changes in the corresponding provision must also be recognised in the income statement [FER 40/7]. The calculation method must be disclosed [FER 40/40].</p> <p data-bbox="252 1624 831 1787">For the valuation of the actuarial provision, the standard mandates that the provision must guarantee the engagement related to the insurance contracts at any time [FER 40/12]. The provisions must be re-measured each year, and the adjustment must be recorded in the income statement [FER 40/18]. The calculation method must be disclosed [FER 40/47].</p>	<p data-bbox="847 965 1436 1205">IFRS does not provide a single standard with specific requirements for insurance companies. No different structure is recommended for financial statements of insurance companies under IFRS. In terms of valuation and disclosure, the requirements of IFRS 17 apply. The purpose of IFRS 17 is to align the way insurance contracts are accounted for, evaluated and disclosed. IFRS 17 includes insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features.</p> <p data-bbox="847 1220 1436 1713">For some contracts with fixed fees, IFRS 15 could be used instead of IFRS 17 if three criteria are met [IFRS 17:8]. An insurance contract can have different components [IFRS 17:10-13], an investment component and a service component, in this case IFRS 9 will be used for the investment component and IFRS 15 will be used for the service component. IFRS 17 specifies that each portfolio of insurance contracts should be divided in three different categories [IFRS 17:16]. The initial valuation of the insurance contracts will be the total of the fulfilment cash flows and the contractual service margin [IFRS 17:32]. The subsequent valuation is the sum of the liability for remaining coverage and the liability for incurred claims at that date [IFRS 17:40]. IFRS 17 allows a more simple method to compute the amount booked in the liabilities by using the premium allocation approach for the remaining coverage period if two conditions are met [IFRS 17:53]. If any substantive modification appears in an insurance contract, the entity must derecognise the original contract and recognise the modified contract as a new contract.</p> <p data-bbox="847 1729 1436 2049">For the disclosure IFRS 17 applies. A separation between insurance contracts which are assets and insurance contracts which are liabilities (and the same for the reinsurance contracts) is required. The entity must present the gains/losses from the insurance services in the contracts issued. The entity has the choice between presenting all the insurance finance gains/losses in the income statement or separating between the income statement and OCI [IFRS 17:88-90]. In the notes the entity must disclose the amounts accounted which are related to insurance contracts, the significant judgments, changes for the application of IFRS 17, and the nature and the risks from these insurance contracts.</p>

## Swiss GAAP FER 21 – Accounting for charitable, social non-profit organisations

### Key differences:

- IFRS does not make a specific differentiation between social non-profit and profit entities.
- Under Swiss GAAP FER:
  - the equity is divided in fund capital and organisation capital
  - small non-profit organisations do not need to prepare a cash flow statement
  - specific disclosure requirements in the notes are mentioned
  - the concept of performance report is present, which mandates the entity to describe the purpose and aim of the services provided.


Swiss GAAP FER 21 is applicable to the financial statements of charitable, social non-profit organisations. The **regulations** of this recommendation (e.g. the components of the financial statements, presentation and format, consolidation) **override those of the other recommendations**.

Swiss GAAP FER 21 aims to increase the significance and comparability of the financial statements and of financial reporting (individual as well as consolidated financial statements). The special features of non-profit organisations, mainly the **raising of funds and the missing objective of earning profits**, are addressed by adding a **statement of changes in capital** and a **meaningful performance report** to the financial statements.

Charitable, social non-profit organisations according to Swiss GAAP FER 21 are organisations that regardless of their legal form:

- Provide services in the interest of the general public, in particular services of a charitable nature, independent from the claims of third parties and/or members
- Raise funds publicly from an undefined number of donors and/or receive restricted contributions from public authorities.

An important characteristic is that generally the beneficiaries of the organisation’s services differ from those who render the services (through donations, collaboration etc.). Large non-profit organisations in the sense of paragraphs 3 and 27 are organisations that attain two of the following thresholds at two consecutive balance sheet dates:


	Swiss GAAP FER	IFRS
 <p><b>Industry-specific FER:</b> FER 21</p>	<ul style="list-style-type: none"> <li>• Assets from donations must be recognised at fair value or value in use at the time of receipt [FER 21/5].</li> <li>• Liabilities and equity are divided in liabilities, fund capital and organisation capital [FER 21/7].</li> <li>• Fund capital contains restricted assets, organisation capital contains non-restricted assets [FER 21/8-9].</li> <li>• There is a given structure for the statement of operations with either the period-based costing method or the activity-based costing method [FER 21/11-12].</li> <li>• Small charitable non-profit organisations do not need to prepare a cash flow statement [FER 21/16].</li> <li>• FER 21/20-25 provide further disclosure requirements with regards to the notes.</li> <li>• The concept of a performance report is introduced [FER 21/26-28] that describes the purpose and aims of the services performed by the entity.</li> </ul>	<ul style="list-style-type: none"> <li>• Fair value concept for measurement of assets [IFRS 9].</li> <li>• No special differentiation for non-profit organisations.</li> <li>• No differentiation under IFRS.</li> <li>• Income statements with requirements of IAS 1 and application of concept of other comprehensive income [IAS 1:82-82A].</li> <li>• Statement of cash flows forms integral part of primary financial statements [IAS 7:1].</li> <li>• No specific recommendation regarding the notes for charitable non-profit organisations. The requirements of IAS 1 with all further standards must be applied.</li> <li>• The concept of a performance report does not exist under IFRS.</li> </ul>

## Swiss GAAP FER 26 – Accounting of pension plans

**Swiss GAAP FER 26 shall be applied by decision of the supreme body. The standard relates to the following types of pension plans:**

- Pension plans covering or financing mandatory and/or non-mandatory benefits (pension plans with statutory benefits, registered or non-registered, employers’ pension foundations and funds as well as collective and group pension plans);
- Other pension plans which – according to their respective purpose – serve the occupational benefit functions, like termination benefit institutions, 3a Pillar foundations, collective investment units, substitute pension plan and security fund.


### IFRS do not have equivalent standards.

	Swiss GAAP FER	IFRS
 <p><b>Industry-specific FER:</b> FER 26</p>	<p>Financial statements of pension plans should present a true and fair view of the financial situation. In particular, the financial statements should quantify information regarding fluctuations in asset value, non-committed funds or underfunding [FER 26/2].</p> <p>Assets shall be valued at current values without incorporating any smoothing factors. The reserve for fluctuations in asset values is the only balance sheet item that may have a smoothing effect on the balance sheet. Liabilities must be determined annually and may be projected, if the result is reasonably accurate [FER 26/3-4].</p> <p>FER 26/7-9 gives a detailed structure of line items for the balance sheet, income statement and explanatory notes, which should be applied to comply with the standard.</p> <p>The standard provides a complete set of requirements tailored to present an understandable picture of the complex business activities of the insurance company. Therefore the standard sets very strict and detailed guidelines to follow in order to comply with Swiss GAAP FER 26.</p>	<p>IFRS does not provide specific requirements for pension plans. The valuation and recognition principles from the respective standards apply.</p>

## Swiss GAAP FER 41 – Accounting for real estate insurers and for health insurers

Swiss GAAP FER 41 applies to financial statements of real estate insurers and of health insurers according to Article 12 of the Federal Health Insurance Act. Furthermore the Swiss GAAP FER framework and all other recommendations are to be applied. The recommendations of Swiss GAAP FER 41 override those of other recommendations. Real estate insurers and health insurers in the sense of Swiss GAAP FER 41 are insurers and or reinsurers – regardless of their legal form – which mainly render benefits as real estate insurers or health insurers.

For real estate insurers and for health insurers the superordinate convention of Swiss GAAP FER is applicable, whereby the financial statements have to give a true and fair view. This implies that actual values have to be consequently applied to investments (for fixed interest rate investments the amortised cost convention may alternatively be applied; in this case the actual values have to be disclosed). Technical provisions are calculated according to actuarial methods that are accepted by the supervisory authorities. Based on the characteristics of the accounting for real estate insurers and for health insurers, provisions for the risks in the investments as well as technical provisions for variations and for reliability are allowed.

	Swiss GAAP FER	IFRS
 <p><b>Industry-specific FER:</b> FER 41</p>	<p>FER 41/2-19 provides a specific structure and detailed line items that need to be disclosed in the balance sheet, income statement, cash flow statement and notes.</p> <p>Furthermore the standard requires investments to be valued at their current values. Changes in values must be recognised in the income statement. Historic cost as a valuation basis may only be used in rare cases [FER 41/20-21].</p> <p>A provision for risks in the investments is allowed to cover variations in actual values of the investments [FER 41/23]. These provisions have to be calculated at actuarial methods accepted by the supervisory authority [FER 41/24]. The valuation principles have to be disposed by the entity.</p>	<p>Under IFRS no specific structure for real estate and health insurers is given.</p> <p>The valuation of investments at actual values is in line with IFRS 9, which also requires financial assets to be valued at actual values and poses criteria for the cases where financial assets have to be measured at amortised cost.</p> <p>For provisions IAS 37 provides guidance on how to calculate and when to recognise provisions in the financial statements. Under IFRS, provisions are only allowed if a present obligation has arisen as result of past events, payment is probable and the amount can be estimated reliably [IAS 37:14].</p> <p>IFRS 17 (“Insurance contracts”) also applies.</p>

# Topics not covered by Swiss GAAP FER

The topics below are not mentioned in detail or at all in the Swiss GAAP FER. The purpose of this list is to give an overview of the mostly very specific standards that apply to a limited number of entities. It is for each individual entity to evaluate if guidance or requirements according to the IFRS standards are needed for their respective situation. Finally we share Deloitte's view on each standard.

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## IFRS 6 – Exploration for and Evaluation of Mineral Assets

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- Possibility to develop own accounting policy for exploration of raw materials
- Compliance with IAS 8 not needed for the recognition of this field
- Impairment test required
- Disclosures in accordance with IAS 16 or IAS 38

*Deloitte: This standard is not relevant for companies applying Swiss GAAP FER as Switzerland is not present in the mining exploration.*

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## IAS 29 Financial Reporting in Hyperinflationary Economies

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- Restatement of comparative period into same current measuring
- Separate disclosures needed
- No absolute rate provided at which hyperinflation is deemed to arise – judgement

*Deloitte: This standard is not relevant for companies applying Swiss GAAP FER as Switzerland is not a hyperinflationary economy.*

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## IAS 41 Agriculture/Biological assets

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- Fair value less cost to sell measurement
- All costs are recognised as expenses
- Agricultural land is accounted for under IAS 16
- Intangible assets are accounted for under IAS 38
- Specific disclosure requirements

*Deloitte: This standard was considered as it is specific to a particular industry.*

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### IFRS 11 Joint Arrangements

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- Accounting for determined rights and obligations of joint arrangement
- Accounting for the share of assets, liabilities, revenues and expenses related to the reporting party
- Account for investments using the equity method in accordance with IAS 28 [IFRS 11:24].
- Disclosures in accordance with IFRS 12

*Deloitte: Swiss GAAP FER 30/3 and 30/4 should be used as basis for joint arrangement accounting.*

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### IFRS 3 Business Combinations

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- Criteria for business combinations
- Application of the "Acquisition Method"
- Recognition and valuation guidance for all parts of business combination process
- Specific disclosures regarding the business combination required

*Deloitte: Swiss GAAP FER 30/14 to 30/18 (goodwill) should be used as basis for business combination accounting.*

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### IFRS 9 Financial Instruments

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- Specific guidance on complex financial instruments
- Detailed disclosure requirements for complex financial instruments under individual standard (IFRS 7)
- Covered instruments: debt instruments, equity instruments, derivatives, embedded derivatives, hedge accounting

*Deloitte: Swiss GAAP FER 27 should be used as basis for financial instrument accounting.*

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### Further topics not covered in detail by Swiss GAAP FER

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- Non-current assets held for sale (IFRS 5)

*Deloitte: Swiss GAAP FER 31 should be used as basis for non-current assets held for sale.*

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