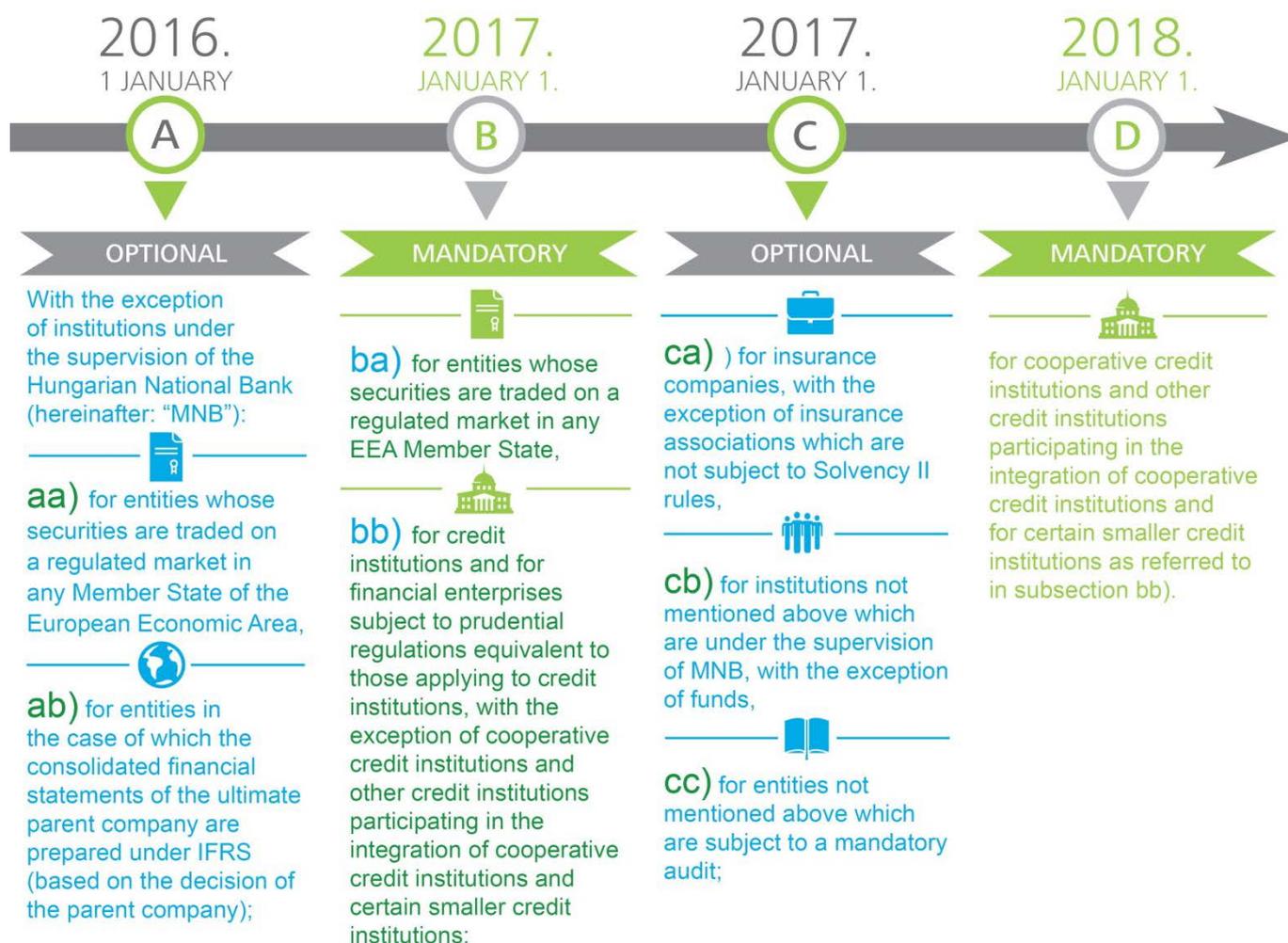


IFRS adoption

For standalone reporting

Deloitte Hungary has launched a new monthly newsletter to inform its clients about the most important developments regarding the International Financial Reporting Standards:

In its resolution no. 1387/2015 passed on 12 June 2015, the Government approved the schedule for the adoption of the International Financial Reporting Standards (IFRSs) in Hungary for standalone reporting purposes:



In certain industries the adoption of IFRS will fully replace reporting under local accounting rules. The adoption of IFRS [may result in significant cost cuts](#) for companies belonging to multinational groups, which will be reflected mainly in the reduction of the administrative burden of organisations. The [considerable reduction in administrative duties](#) results from the fact that a large percentage of these companies may spare the additional work involved in the preparation of two types of financial reporting packages since in the future [they will be allowed to present their results under IFRS only](#).

Preparing their financial statements in accordance with the international standards [greatly contributes to the competitiveness](#) of companies as this [could make them more appealing to foreign investors](#) which require internationally [comparable and transparent](#) data for their investment decisions in order to be more effective in eliminating potential business risks inherent in investments.

[For financial institutions](#), the adoption of IFRS is important because of the joint European banking supervision. The majority of banks have already adopted reporting under IFRS, which represents substantial additional work compared to the current regulatory reporting system based on Hungarian accounting rules, and the adoption of IFRS will mean that this system of dual reporting will be simplified. However, other entities in the industry and multinational enterprises should also consider adopting international standards as the entities belonging to such a foreign group (which are thereby required to report under IFRS at group level) could be relieved from the [administrative burden of preparing full transaction-level statements in Hungarian](#).

Companies considering the adoption of IFRS are advised to begin preparations as soon as possible since this simplifies the planning of the tasks, necessary measures and costs associated with adoption, including [the cost of IT development and HR-related training costs](#).

Entities reporting under IFRS will be subject to [special tax rules and special tax base adjustment items](#) will also apply, meaning that the tax liabilities for a given year may change. Furthermore, adoption may have a significant one-off impact on taxes and, therefore, reviewing the short-term and long-term effects of the changes in rules in advance is definitely necessary, and [deferred tax positions should also be identified](#) and evaluated.

The most critical pre-requisite for the successful adoption of IFRS is for business leaders and experts to be prepared for the changes in accounting rules and to [attend training and education courses](#) on the topic. In order to facilitate this, Deloitte organises complex training courses and [publishes free materials in both Hungarian and English](#) such as [IFRS in Your Pocket](#) which is available for download by clicking on the picture on the right.

Although the rules have not yet been developed to the smallest detail, [companies should prepare](#) for changes in a timely manner as [a wide range of business processes are affected](#).

Challenges are expected to arise in a number of areas such as:

- changes to the core system and the G/L system
- tax and cash flow effects of the difference in rules
- changes in rules with respect to the accounting of derivatives
- differences in consolidation rules
- transformation of the planning, controlling and incentive systems
- capital planning and sensitivity analyses
- impact on the accounting of revenues and long-term contracts and agreements



[Deloitte's professionals are among the members of the project teams](#) set up by the Ministry for National Economy with the objective of preparing for the adoption of IFRS and measuring its impact of the adoption. This allows us to [immediately inform our clients on recent changes and developments through this newsletter](#).

Should you have any questions, please do not hesitate to contact our professionals:

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