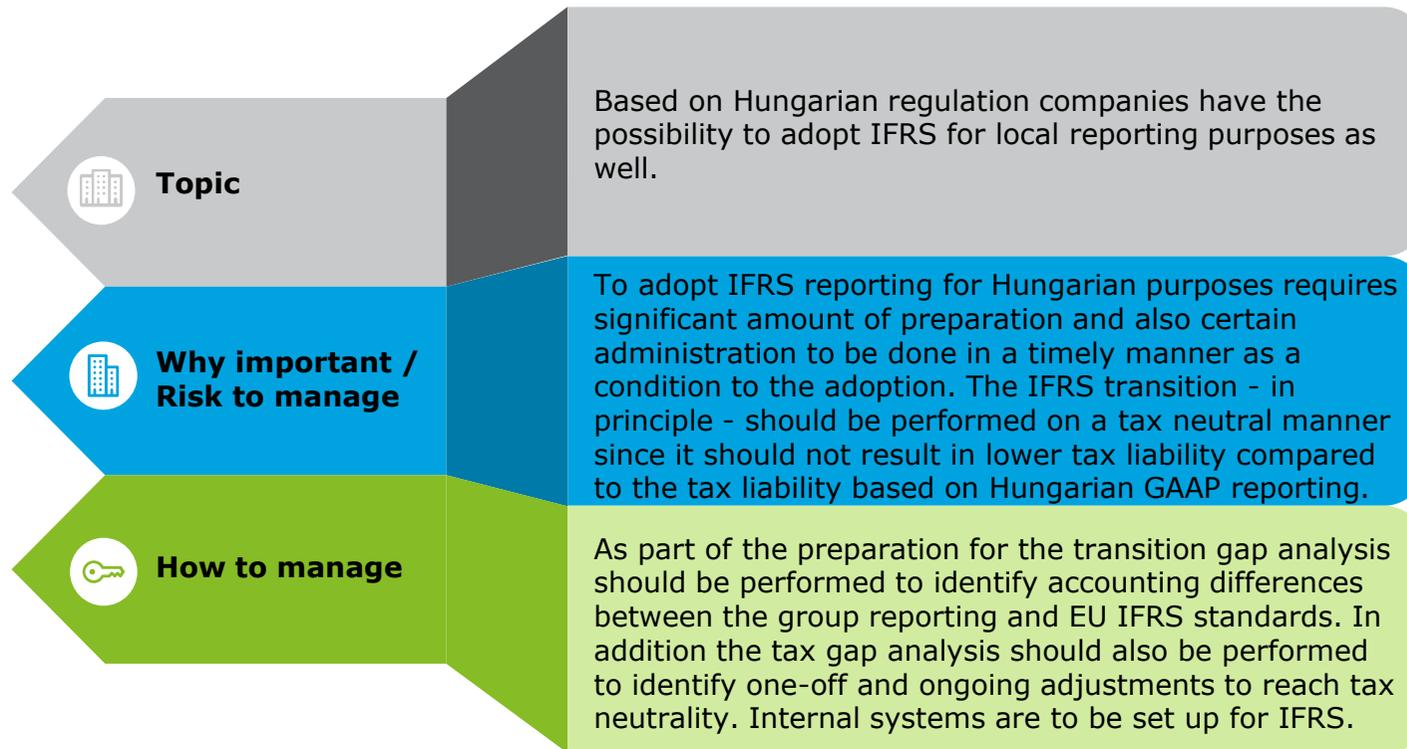




## IFRS – opportunity to simplify administration



# Introduction

## Affected companies

First time adoption of IFRS is enacted by Act 2000. C. on Accounting of Hungarian legislation.

According to paragraph of by Act 2000. C. on Accounting 9/A. § there are entities that are required to adopt IFRS and those that can choose to adopt it.



### 1. Entities require to adopt IFRS from 01 Jan 2018:

- Entities listed on any of the EU stock exchanges
- Banks and other financial institutions subject to the same prudential regulations like banks



### 2. Entities that can choose to adopt IFRS:

- Entity with a parent company that prepares its financial statements according to IFRS
- Insurance companies
- Institutions controlled by the Hungarian National Bank
- Entities whose financial statements are subject to audit
- Hungarian branch of a foreign company

## Complexity

- First time adoption of IFRS and transition to IFRS book keeping is a challenge even for entities that prepare their books both according to Hungarian rules and IFRS (eg.: Group package).
- The adoption primarily impacts accounting, however it is not only an accounting exercise as it has an impact on all areas of the entity (including business operation, risk management, legal, tax and HR).
- During the readiness test even items that look simple could have challenges.

# Introduction

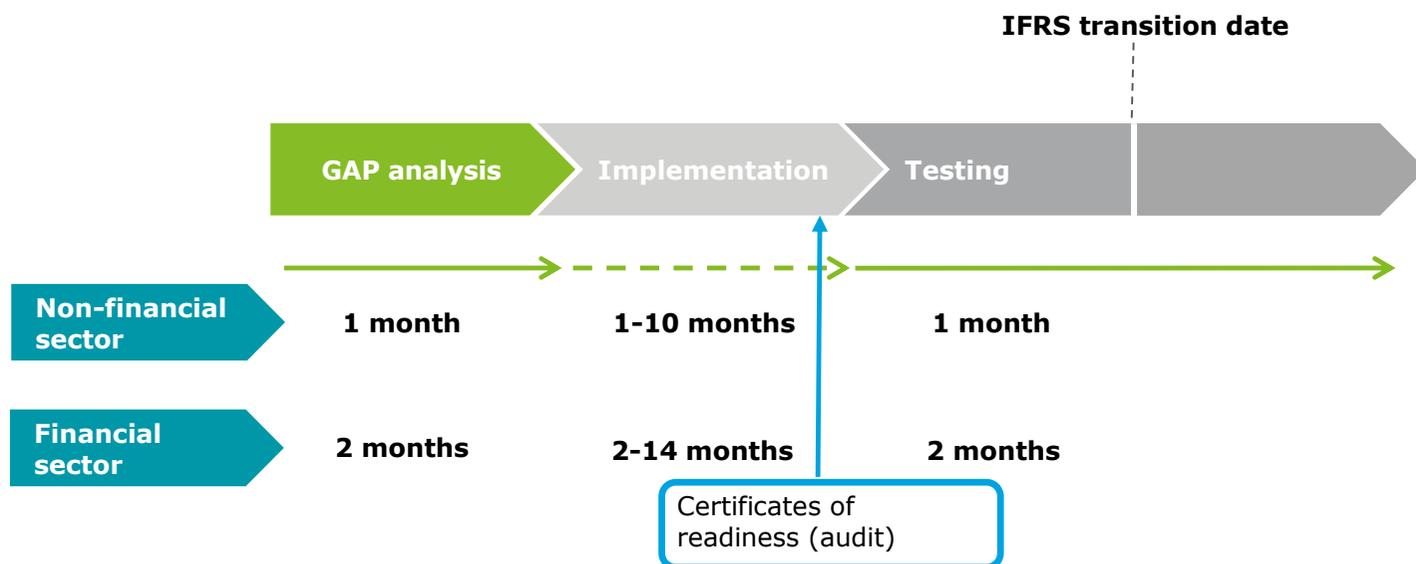
## Timing



### The main phases of IFRS implementation

IFRS implementation can be broken down into three main phases. The first section, the GAP analysis, is followed by the implementation phase and thereafter the process is closed on the transition date by testing phase.

The timing of GAP analysis and testing phase is same at a rough estimate while the implementation phase takes longer time. The last part of implementation phase includes the certificates of readiness in which the audit is highly emphasized.



# Challenges of IFRS transition

## **The following must be assessed and considered before adopting IFRS:**

Differences between IFRS and Hungarian Accounting Standards, the new disclosure obligations and those information needs linked to IFRS transition

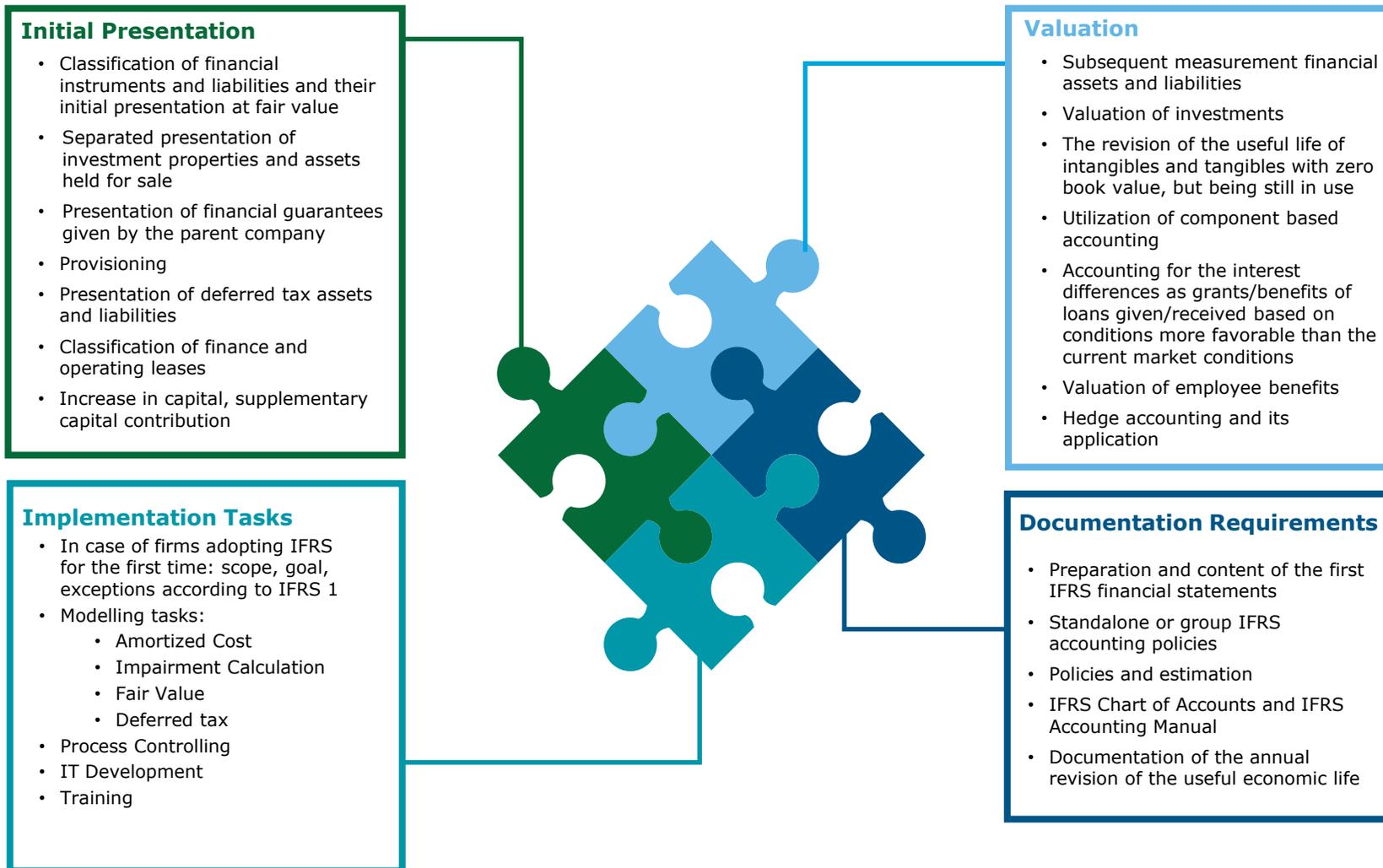
What additional course of actions required for implementation branch/industry/sector in which the entity operates, which are the special requirements during application of IFRS

The effective production of necessary information, the IT development needed to produce and store that additional information. The resources to be allocated for the additional IT requirements.

The management decision to be made in developing the IFRS accounting policies, processes.

What are single and continuous tax effects evoked by transition to IFRS

# Critical accounting areas (some examples)



# We can provide support for the whole IFRS adoption/ transition

