

**IFRS versus LUX GAAP**  
*A comprehensive comparison*





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## Welcome to this edition of “IFRS versus LUX GAAP – A comprehensive comparison”

The objective of this brochure is to provide you with a summary and a clear and practical oversight of the key differences between the requirements of IFRS and LUX GAAP. This summary does not attempt to capture all of the differences that exist or that may be material to a particular entity’s financial statements. Our focus is on differences that are commonly found in practice.

The significance of these differences – and others not included in this list – will vary with respect to individual entities depending on such factors as the nature of the entity’s operations, the industry in which it operates, and the accounting policy choices it has made. Reference to the underlying accounting standards and any relevant national regulations is essential in understanding the specific differences.

As IFRS and LUX GAAP are developing over time, we recommend you to approach your advisor in case you want to make an analysis of the differences between IFRS and LUX GAAP specific for your company. Although great care has been given to the publication Deloitte S.A. and the authors will take no responsibility for any omissions.

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Audit Partner  
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# Abbreviations

<b>CESR</b>	Committee of European Securities Regulators
<b>EC</b>	European Commission
<b>EEA</b>	European Economic Area (EU 27 + 3 countries)
<b>EFRAG</b>	European Financial Reporting Advisory Group
<b>EU</b>	European Union (27 countries)
<b>FASB</b>	Financial Accounting Standards Board (US)
<b>GAAP</b>	Generally Accepted Accounting Principle(s)
<b>IAS(s)</b>	International Accounting Standard(s)
<b>IASB</b>	International Accounting Standards Board
<b>IASC</b>	International Accounting Standards Committee (predecessor to the IASB)
<b>IASCF</b>	IASC Foundation (parent body of the IASB)
<b>IFRIC</b>	International Financial Reporting Interpretations Committee of the IASB, and Interpretations issued by that committee
<b>IFRS(s)</b>	International Financial Reporting Standard(s)
<b>LUX GAAP</b>	Law of 10 August 1915 on commercial companies, as amended and Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings
<b>SEC</b>	Securities and Exchange Commission (US)
<b>SIC</b>	Standing Interpretations Committee of the IASC, and Interpretations issued by that committee

# A short history of convergence

## Harmonising global accounting standards

From its inception in 1973, the former International Accounting Standards Committee (IASC) worked towards harmonising global accounting standards by developing standards that could serve as a model on which national standard setters could base their own requirements. The IASC was replaced by the International Accounting Standards Board (IASB) effective in 2001. Its mission became one of convergence of global accounting standards – development of a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions.

## IFRS-US GAAP convergence

### The Norwalk Agreement

In October 2002, the FASB and the IASB formalised their commitment to the convergence of US GAAP and IFRS by issuing a memorandum of understanding (commonly referred to as the 'Norwalk Agreement'). The two boards pledged to use their best efforts to:

- make their existing financial reporting standards fully compatible as soon as is practicable;
- coordinate their future work programmes to ensure that, once achieved, compatibility is maintained.

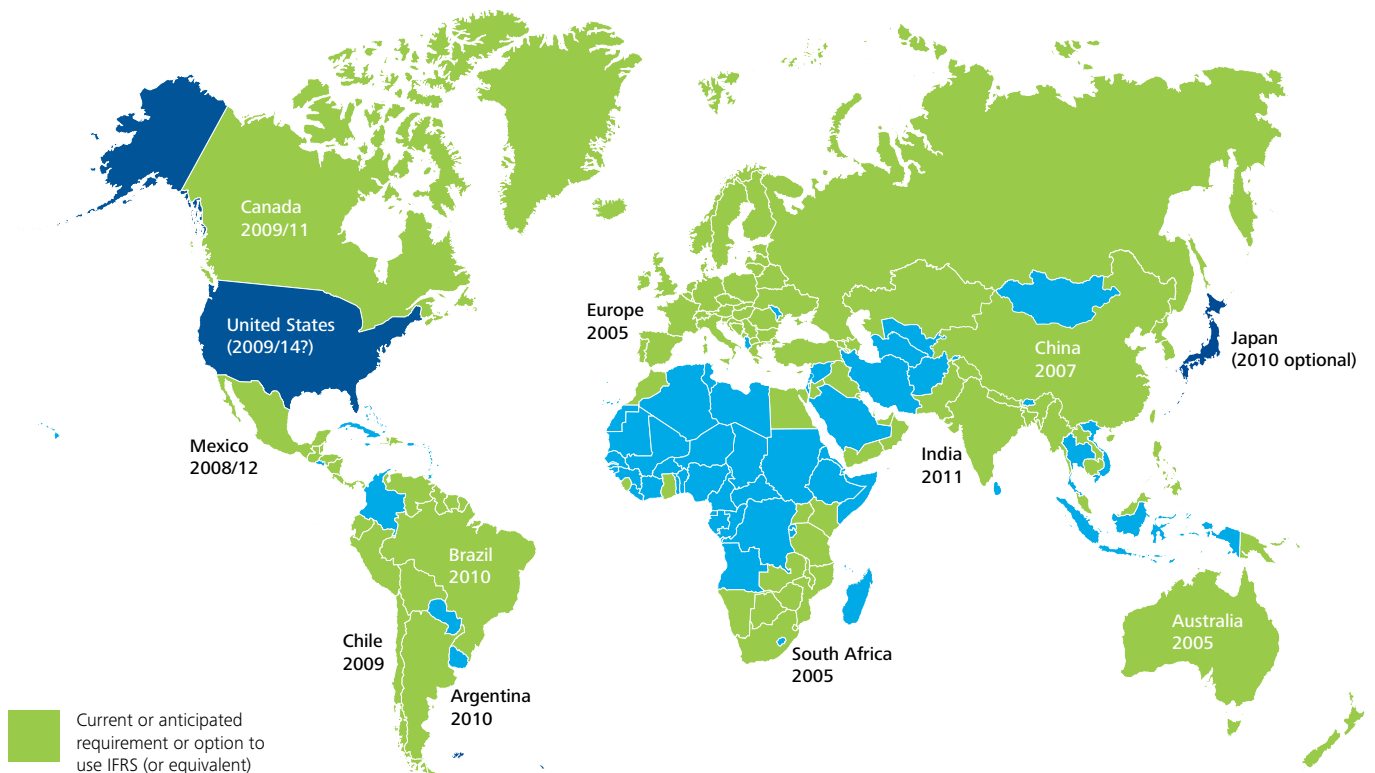
'Compatible' does not mean word-for-word identical standards, but rather that there are no significant differences between the two sets of standards.

### Memorandum of Understanding 2006-2008

In February 2006, the FASB and the IASB released a Memorandum of Understanding (MOU) that identified short- and long-term convergence projects with steps and milestones toward achieving convergence. The MOU was updated in 2008.



## The Global Move Towards IFRS



### Use of IFRS in Europe

#### European Accounting Regulation effective from 2005

- **Listed companies**

To implement a 'financial reporting strategy' adopted by the European Commission (EC) in June 2000, the European Union (EU) in 2002 approved an Accounting Regulation requiring all EU companies listed on a regulated market (approximately 8,000 companies in total) to follow IFRS in their consolidated financial statements starting from 2005. The IFRS requirement applies not only in the 27 EU countries but also in the three European Economic Area (EEA) countries. Most large companies in Switzerland (not an EU or EEA member) also apply IFRS.

For the purpose of filings by non-EU companies listed on an EU regulated market, in December 2008, the EC designated the GAAP of the United States, Japan, China, Canada, South Korea and India to be equivalent to IFRS as adopted by the EU. (The status of China, Canada, South Korea and India will be re-examined by 31 December 2011). Companies from other countries must use either IFRS as adopted by the EU or IFRS starting 2009.

- **Unlisted companies and separate company statements**

EU Member States may extend the IFRS requirement to non-listed companies and to separate company statements. Nearly all Member States permit some or all non-listed companies to use IFRS in their consolidated statements, and the majority permit it in separate statements.

### Endorsement of IFRS for use in Europe

Under the EU Accounting Regulation, IFRS must be individually endorsed for use in Europe. The endorsement process involves the following steps:

- EU translates the IFRS into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) gives its views to the EC;
- the EC's Standards Advice Review Group (SARG) gives its views to the EC on EFRAG's recommendations;
- the EC's Accounting Regulatory Committee makes an endorsement recommendation;
- the EC submits the endorsement proposal to the European Parliament's Regulatory Procedure with Scrutiny Committee and to the 27-member Council of the EU. Both must approve endorsement or the proposal is sent back to the EC for further consideration.

### Enforcement of IFRS in Europe

European securities markets are regulated by individual member states, subject to certain regulations adopted at the EU level. EU-wide regulations include standards adopted by the Committee of European Securities Regulators (CESR), a consortium of national regulators. Standard No. 1 Enforcement of Standards on Financial Information in Europe sets out 21 high level principles that EU member states should adopt in enforcing IFRS. Standard No. 2 Coordination of Enforcement Activities adopts guidelines for implementing Standard No. 1

In February 2009, the European Commission approved a plan to provide €5 million of funding to the IASB annually from 2011 through 2013.

### Use of IFRS in Luxembourg

Due to the regulation of the European Union, as already explained before, listed companies shall follow IFRS in their consolidated financial statements starting from 2005.

It is anticipated that IFRS will be introduced into the local Luxembourg commercial law as an alternative to the current Luxembourg accounting principles. IFRS have already been included as an accounting option for credit institutions, insurance and re-insurance companies.

The Luxembourg authorities have issued the draft law 5976, beginning of 2009, introducing IFRS for commercial companies, which will give the option to use IFRS for statutory accounts, to any limited liability company registered in Luxembourg.

Where the Luxembourg commercial law does not require or specify an accounting principle, guidance is taken from the best practices used in foreign accounting GAAP, including IFRS.

# Current use of IFRS in Luxembourg

Requirement	Luxembourg
<b>Non-Listed Company Reporting</b>	<ul style="list-style-type: none"><li>• LUX GAAP is required for separate and consolidated financial statements</li><li>• IFRS as adopted by the EU is permitted, subject to approval by competent authorities</li></ul>
<b>Listed Company Reporting</b>	<ul style="list-style-type: none"><li>• IFRS as adopted by the EU is required for consolidated financial statements, and permitted for separate financial statements, subject to approval by competent authorities</li><li>• Rules are similar for subsidiaries of foreign companies and foreign companies listed on the Luxembourg Stock Exchange</li></ul>
<b>Other Considerations</b>	<p><b>Plans for converging</b></p> <ul style="list-style-type: none"><li>• Currently, credit institutions, insurance and re-insurance companies can choose between IFRS as adopted by the EU and LUX GAAP. Other companies would need to obtain the approval of the Ministry of Justice to use IFRS as adopted by the EU. The Ministry of Justice grants the derogation on the reasoned opinion of the CNC (Commission des Normes Comptables)</li><li>• It is anticipated that all companies may be allowed to choose between IFRS or LUX GAAP in the future</li></ul> <p><b>Tax considerations</b></p> <ul style="list-style-type: none"><li>• As Luxembourg has a dependent regime, the adoption of IFRS could significantly impact the tax position. A draft tax law proposes to spread the impact over a 2 to 5 year period</li></ul>





# Comparison of IFRS and LUX GAAP

## Principles/Policies

### Qualitative characteristics of financial statements



IAS/IFRS	IFRS	LUX GAAP
IAS 8	<b><i>Selection of accounting policies:</i></b> If the issue is specifically addressed, the accounting policy or policies applied to that item shall be determined by applying the IFRS	<b><i>Selection of accounting policies:</i></b> No guidance is given but the annual accounts shall give a true and fair view of the undertaking's assets, liabilities, financial position and results
IAS 8	<b><i>Selection of accounting policies:</i></b> If it is not specifically addressed, management shall use its judgment in developing and applying an accounting policy	In line with IFRS
IAS 8	<b><i>Selection of accounting policies:</i></b> Management shall refer to, and consider: <ul style="list-style-type: none"> <li>• the requirements and guidance in IFRS dealing with similar and related issues</li> <li>• the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework</li> </ul>	In line with IFRS
IAS 8	<b><i>Selection of accounting policies:</i></b> Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 8	<p><b>Changes in accounting policy:</b></p> <ul style="list-style-type: none"> <li>• if required by an IFRS, an entity shall account for a change resulting from the initial application of an IFRS in accordance with the specific transitional provisions, if any, and</li> <li>• when an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions, or changes an accounting policy voluntarily, it shall apply the change retrospectively</li> </ul>	<p><b>Changes in accounting policy:</b></p> <p>Retrospective application is not allowed. Any change in accounting policy must be disclosed in the notes, including an assessment of its effect on the financial position and the <b>profit or loss</b> of the current year</p>
IAS 8	<p><b>Changes in accounting policy:</b></p> <p>Voluntary changes must result in the financial statements providing reliable and more relevant information. Such changes shall be applied retrospectively (unless it is impracticable)</p>	<p><b>Changes in accounting policy:</b></p> <p>Retrospective application is not allowed. Any change in accounting policy must be disclosed in the notes, including an assessment of its effect on the financial position and the <b>profit or loss</b> of the current year</p>
IAS 8	<p><b>Changes in accounting estimates:</b></p> <p>Prospectively by including in the profit or loss</p>	<p><b>Changes in accounting estimates:</b></p> <p>In line with IFRS</p>
IAS 8	<p><b>Correction of prior period errors:</b></p> <p>Accounts shall be restated unless impracticable</p>	<p><b>Correction of prior period errors:</b></p> <p>In the extraordinary profit or loss of the current year (restatement is generally forbidden)</p>

## Presentation of Financial Statements

IAS/IFRS	IFRS	LUX GAAP
IAS 1	Financial statements shall present fairly the <b><i>financial position, financial performance and cash flows</i></b> of an entity	The annual accounts shall give a true and fair view of the undertaking's assets, liabilities, <b><i>financial position and results</i></b>
IAS 1	Complete set has 5 elements: <ul style="list-style-type: none"> <li>• statement of financial position</li> <li>• statement of comprehensive income</li> <li>• statement of changes in equity</li> <li>• statement of cash flows</li> <li>• notes</li> </ul>	Complete set has 3 elements: <ul style="list-style-type: none"> <li>• balance sheet</li> <li>• profit and loss account</li> <li>• notes</li> <li>• (+1) Management report, if criteria are met</li> </ul>
IAS 1	<b><i>Statement of financial position:</i></b> Not fixed format, but minimum requirements which shall be presented on the face of the statement of financial position	<b><i>Balance sheet:</i></b> Fixed format as required by and included in LUX GAAP
IAS 1	<b><i>Statement of financial position:</i></b> Current/non-current classification, but liquidity order is permitted as well if reliable and more relevant	<b><i>Balance sheet:</i></b> Fixed format, which is split by current/non-current, not by order of liquidity
IAS 1	<b><i>Statement of comprehensive income:</i></b> Includes income, expenses and OCI (other comprehensive income) of the entity	<b><i>Profit and loss account:</i></b> Includes income and charges of the entity
IAS 1	<b><i>Statement of comprehensive income:</i></b> An entity shall present all items of income and expense recognised in a period: <ul style="list-style-type: none"> <li>• in a single statement of comprehensive income, or</li> <li>• in two statements: <ul style="list-style-type: none"> <li>- a statement displaying components of profit or loss (separate income statement)</li> <li>- a second of other comprehensive income (statement of comprehensive income)</li> </ul> </li> </ul>	<b><i>Profit and loss account:</i></b> Not addressed
IAS 1	<b><i>Statement of comprehensive income:</i></b> Not fixed format, but minimum requirements which shall be presented on the face of the statement of comprehensive income	<b><i>Profit and loss account:</i></b> Fixed format as required by and included in LUX GAAP

IAS/IFRS	IFRS	LUX GAAP
IAS 1	<b>Statement of comprehensive income:</b> Expenses presented either by nature or by function	<b>Profit and loss account:</b> Expenses presented by nature
IAS 1	<b>Statement of comprehensive income:</b> An entity <b>shall not present</b> any items of income or expense as extraordinary items, in the statement of comprehensive income, the separate income statement (if presented), or in the notes	<b>Profit and loss account:</b> Income and charges that arise otherwise than in the course of the company's ordinary activities <b>must be shown under</b> "Extraordinary income" or "Extraordinary charges"
IAS 1	<b>Statement of changes in equity:</b> Compulsory, unless specified conditions are met	<b>Statements of changes in equity:</b> Not required, not addressed
IAS 1	<b>Statement of cash flows:</b> Cash flows from operating activities are presented either by direct or by indirect method	<b>Statement of cash flows:</b> Not required, not addressed
IAS 1	<b>Notes to the accounts:</b> <ul style="list-style-type: none"> <li>• accounting policies</li> <li>• information about judgements</li> <li>• information about key sources of estimation uncertainty</li> <li>• others required by specific pronouncements</li> </ul>	<b>Notes to the accounts:</b> Accounting policies as well as other notes required by LUX GAAP, but less detailed than IFRS
IAS 1	An entity shall <b>disclose</b> information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital	Not required, not addressed

IAS/IFRS	IFRS	LUX GAAP
IFRS 8	<p><b>Scope:</b></p> <p>The standard shall be applied by an entity:</p> <ul style="list-style-type: none"> <li>• whose ordinary shares are traded in a public market</li> <li>• that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation to issue ordinary shares in a public market</li> </ul>	Not required, not addressed
IFRS 8	An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates	Not required, not addressed
IFRS 8	<p>An entity shall <b>disclose</b>:</p> <ul style="list-style-type: none"> <li>• factors used to identify the entity's reportable segments, including the basis of organisation and</li> <li>• types of products and services from which each reportable segment derives its revenues</li> </ul>	Not required, not addressed
IFRS 8	An entity shall report a measure of profit or loss and total assets for each reportable segment	The notes to the accounts must provide net turnover broken out by categories of activity and into geographical sectors if such categories and sectors differ substantially from one another

## IAS 33 Earnings per Share

### Not addressed in LUX GAAP

- Scope** The standard shall be applied by an entity:
- whose ordinary shares are traded in a public market
  - that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation to issue ordinary shares in a public market

- Summary** An entity shall present basic and diluted earnings per share in the statement of comprehensive income for:
- profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and
  - for profit or loss attributable to the ordinary equity holders of the parent entity

**Basic earnings per share** shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period

For the purpose of calculating **diluted earnings per share**, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares



## IAS 7 Statement of Cash Flows

### Not addressed in LUX GAAP

<b>Objective</b>	Information about the cash flows of an entity is useful in providing users of financial statements with a basis to assess the ability of the entity <b>to generate cash and cash equivalents</b> and the needs of the entity to use those cash flows
<b>Scope</b>	An entity shall prepare a statement of cash flows in accordance with the requirements of this Standard and shall present it as <b>an integral part of its financial statements</b> for each period for which financial statements are presented
<b>Summary</b>	<ul style="list-style-type: none"><li>• <b>Cash</b> comprises cash on hand and demand deposits <b>Cash equivalents</b> are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value</li><li>• The statement of cash flows shall report cash flows during the period classified by <b>operating, investing and financing activities</b> (a single transaction may include cash flows that are classified differently)</li><li>• An entity shall report cash flows from operating activities using either:<ul style="list-style-type: none"><li>(a) <b>the direct method</b>, whereby major classes of gross cash receipts and gross cash payments are disclosed; or</li><li>(b) <b>the indirect method</b>, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows</li></ul></li><li>• An entity shall <b>report separately major classes</b> of gross cash receipts and gross cash payments arising from investing and financing activities</li><li>• Cash flows from <b>interest and dividends</b> received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities</li><li>• Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities</li><li>• An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group</li></ul>

## Interim Financial Reporting

IAS 34	Interim Financial Reporting	Not addressed in LUX GAAP
<b>Objective</b>	To prescribe the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period	
<b>Scope</b>	<p>The standard specifies the content of an interim financial report that is described as conforming to IFRS. However, it does not mandate:</p> <ul style="list-style-type: none"> <li>• which enterprises should publish interim financial reports</li> <li>• how frequently, or</li> <li>• how soon after the end of an interim period</li> </ul>	
<b>Summary</b>	<ul style="list-style-type: none"> <li>• Minimum components: <ul style="list-style-type: none"> <li>- a condensed statement of financial position</li> <li>- a condensed statement of comprehensive income</li> <li>- a condensed statement of changes in equity</li> <li>- a condensed statement of cash flows</li> <li>- selected explanatory notes</li> </ul> </li> <li>• If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of IAS 1 for a complete set of financial statements</li> <li>• Periods to be covered: <ul style="list-style-type: none"> <li>- statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year</li> <li>- statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year</li> <li>- statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year</li> <li>- statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year</li> </ul> </li> <li>• For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful</li> </ul>	



IAS 34	Interim Financial Reporting	Not addressed in LUX GAAP
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**Summary**

- An entity shall include the following information, as a minimum, in the notes to its financial report:
  - explanatory comments about the seasonality or cyclicity of interim operations the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence
  - material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period
  - the effect of changes in the composition of the entity during the interim period, including business combinations (to disclose the information required by IFRS 3 Business Combinations), obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations
- An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements
- Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year
- Costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year
- The measurement procedures shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. The preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports

## Consolidation

IAS/IFRS	IFRS	LUX GAAP
IAS 27 (2008)	A parent entity shall present consolidated financial statements, unless it is a subsidiary of another entity, and the ultimate parent prepares consolidated financial statements in compliance with IFRS	Exemption is given on quantified criteria, based on balance sheet total (EUR 12,5 million), net turnover (EUR 25 million), average number of employees (250 persons), as well as on qualitative criteria
IAS 27 (2008)	Consolidated financial statements shall include all subsidiaries of the parent, other than those which on acquisition date meet then criteria to be classified as held for sale	The following exemptions apply: <ul style="list-style-type: none"> <li>• severe long-term restrictions on control</li> <li>• information cost/benefits or undue delay</li> <li>• shares held exclusively with a view to their subsequent resale</li> </ul>
IAS 27 (2008)	A subsidiary of an entity that is controlled by the parent, where control is the <b>power to govern</b> the financial and operating policies of an entity so as to <b>obtain benefits</b> from its activities	Control is derived from: <ul style="list-style-type: none"> <li>• voting rights</li> <li>• right to appoint the members of the boards</li> <li>• agreement with the other shareholders</li> </ul>
IAS 27 (2008)	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity	Potential voting rights are not considered when assessing control
IAS 27 (2008)	Non-controlling interest has to be presented within the shareholders' equity	Minority interest is not presented within shareholders' equity
IAS 27 (2008)	The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the <b>same reporting date</b> unless it is <b>impracticable</b>	Consolidated financial statements must be prepared as of the same date, if the reporting date of a consolidated entity differs by <b>more than three months</b> , it shall be consolidated based on <b>interim financial statements</b>
IAS 27 (2008)	Consolidated financial statements shall be prepared using <b>uniform accounting policies</b> . If a member uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements	Assets and liabilities to be included in consolidated accounts shall be valued according to <b>uniform methods</b> . However, other methods of valuation <b>complying with LUX GAAP</b> may be used in consolidated accounts
IAS 27 (2008)	The nature and extent of any <b>significant restrictions</b> on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans shall be disclosed	Not required

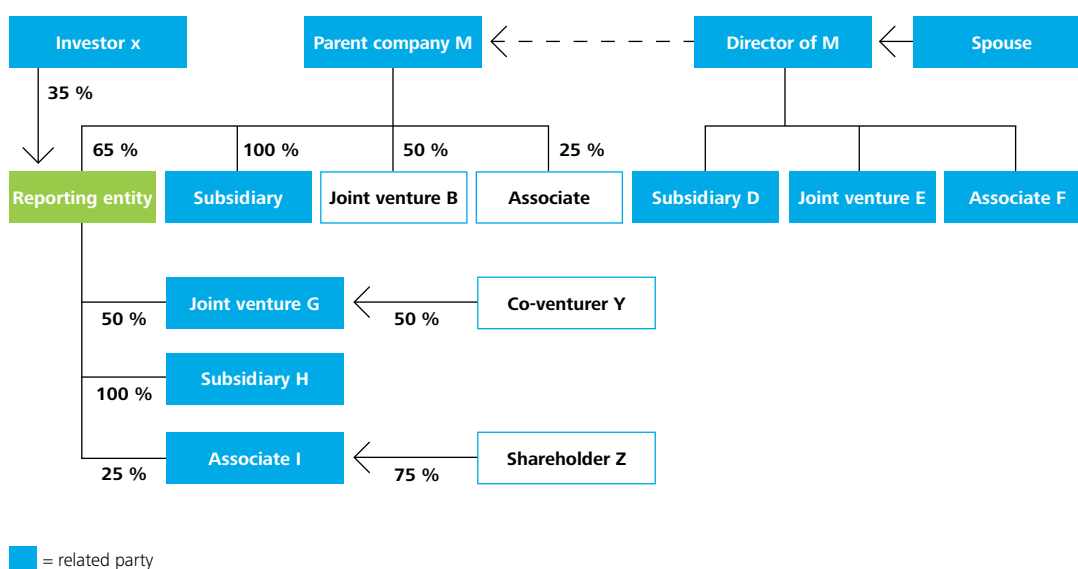
IAS/IFRS	IFRS	LUX GAAP
SIC 12	SPE (special purpose entities) created by the entity shall be consolidated when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by the entity	Not addressed
IAS 28	An investment in an associate shall be accounted for using the equity method, exemptions apply	Investments in associates shall be accounted for by the equity method in the consolidated financial statements
IAS 28	Equity method – reporting date: When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, financial statements as of the same date as the financial statements of the investor unless it is impracticable	Equity method – reporting date: If the difference in the reporting dates is more than three months, the associate has to draw up interim accounts
IAS 28	Equity method – accounting policy: If an associate uses accounting policies other than those of the investor, adjustments shall be made to conform the associate's accounting policies to those of the investor	Equity method – accounting policy: Where an associate's assets or liabilities have been valued by methods other than those used for consolidation, they may be revalued by the methods used for consolidation
IAS 31	Types of joint ventures: <ul style="list-style-type: none"> <li>• jointly controlled operations</li> <li>• jointly controlled assets</li> <li>• jointly controlled entities</li> </ul>	Not addressed
IAS 31	A venturer shall recognise its interest in a jointly controlled entity using either proportionate consolidation, or the equity method, exemptions apply	Investments in jointly controlled entities shall be accounted for in proportion to the rights in its capital held by the investor (proportionate consolidation), or by equity method

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 (2008)	<p>Goodwill is <b>the excess of</b> the aggregate of:</p> <ul style="list-style-type: none"> <li>• the consideration transferred</li> <li>• the amount of any non-controlling interest in the acquiree</li> <li>• in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest</li> </ul> <p><b>over</b> the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS</p>	<p>Goodwill is calculated as the <b>difference between</b> the book value of shares <b>and</b> proportion of capital and reserves:</p> <ul style="list-style-type: none"> <li>• either on the basis of book values</li> <li>• or on the basis of values of identifiable assets and liabilities</li> </ul>
IFRS 3 (2008)	<p>The acquirer shall measure any non-controlling interest in the acquiree either at <b>fair value</b> or at the non-controlling interest's <b>proportionate share</b> of the acquiree's identifiable net assets</p>	<p>Minority interest is recorded based on proportion of book values</p>
IFRS 3 (2008)	<p>Goodwill is not amortised systematically, but tested for impairment at least annually</p>	<p>Goodwill must be written off within a <b>maximum period of five years</b>, however, it may be written off over a period exceeding five years provided that this period does not exceed the useful economic life of the asset</p>
IFRS 3 (2008)	<p>Negative goodwill shall be recognised immediately in profit or loss</p>	<p>Negative goodwill shall be deducted from equity or amortised in the profit and loss account</p>

## Related Party Disclosures

IAS/IFRS	IFRS	LUX GAAP
IAS 24	Requires an entity to disclose whether its financial position and profit or loss <b>have been affected by the existence of related parties</b> and by transactions and outstanding balances with such parties	<b>Much less information</b> , however on the face of the financial statements more information is disclosed
IAS 24	The related party is a person or entity that is related to the reporting entity, including the member of the key management personnel of the entity or of a parent of the entity, or a <b>close member of that member's family</b>	The parties concerned are <b>limited</b>
IAS 24	To <b>disclose key management personnel compensation</b> in total for each categories: <ul style="list-style-type: none"> <li>• short-term employee benefits</li> <li>• post-employment benefits</li> <li>• other long-term benefits</li> <li>• termination benefits</li> <li>• share-based payment</li> </ul>	To disclose the <b>amount of compensation granted</b> to members of the administrative, managerial and supervisory bodies of the parent, and commitments to provide retirement pensions for current or former members of those bodies, with an indication of the total for each category

### Illustration of definition



## Financial instruments<sup>1</sup>

IAS/IFRS	IFRS	LUX GAAP
IAS 32	<b>Principle:</b> substance over form	<b>Principle:</b> form over substance
IAS 32	<p>A <b>financial asset</b> is any asset that is:</p> <ul style="list-style-type: none"> <li>• cash</li> <li>• an equity instrument of another entity</li> <li>• a contractual right <ul style="list-style-type: none"> <li>- to receive cash or another financial asset from another entity; or</li> <li>- to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity</li> </ul> </li> <li>• a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> <li>- a non-derivative to receive a variable number of shares; or</li> <li>- a derivative that will or may be settled other than by the exchange of a fixed amount for a fixed number of shares</li> </ul> </li> </ul>	Not addressed
IAS 32	<p>A <b>financial liability</b> is any liability that is:</p> <ul style="list-style-type: none"> <li>• a contractual obligation: <ul style="list-style-type: none"> <li>- to deliver cash or another financial asset to another entity; or</li> <li>- to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the entity</li> </ul> </li> <li>• a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> <li>- a non-derivative to deliver a variable number of shares; or</li> <li>- a derivative that will or may be settled other than by the exchange of a fixed amount for a fixed number of shares</li> </ul> </li> </ul>	Not addressed
IAS 32	An <b>equity instrument</b> is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities	Not addressed

<sup>1</sup> On 12 November 2009 IASB issued IFRS 9 Financial Instruments as the first step to replace IAS 39. IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted. IFRS 9 is not a subject of this document.

IAS/IFRS	IFRS	LUX GAAP
IAS 32	A <b>preference share</b> providing for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability	Classification based on the legal form
IAS 32	A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a ' <b>puttable instrument</b> ') is a financial liability, except if specific criteria are met	Classification based on the legal form
IAS 32	The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such <b>components</b> shall be classified separately as financial liabilities, financial assets or equity instruments	Classification based on the legal form
IAS 32	When the initial carrying amount of a <b>compound financial instrument</b> is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability	Classify convertible debt as a liability at cost, or if the total amount repayable on any debt exceeds the amount received, the difference may be capitalised
IAS 32	If an entity reacquires its own equity instruments, those instruments (' <b>treasury shares</b> ') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments	An entity may recognise treasury shares within financial assets, but in that case an undistributable reserve shall be created within equity for the carrying amount
IAS 39	Financial assets are classified as: i) fair value through profit or loss (FVTPL) ii) held-to-maturity (HTM) iii) loans and receivables (LAR) iv) available-for-sale (AFS)	Not addressed
IAS 39	Financial liabilities are classified as: i) fair value through profit or loss (FVTPL) ii) other financial liabilities	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 39	Derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) are classified as FVTPL	Derivative financial instruments are generally not recognised, but disclosed as off-balance sheet items
IAS 39	Recognition and derecognition is based on the substance of the transaction Financial instruments shall be recognised when, and only when, the entity becomes a party to the contractual provision of it	Recognition and derecognition, as well, is based on the legal ownership of the instrument
IAS 39	When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value	When a financial asset or financial liability is recognised initially, an entity shall measure it at the price paid, although where the total amount repayable on any debt exceeds the amount received, the difference may be capitalised
IAS 39	Transaction costs that are directly attributable to the acquisition or issue of any financial asset or financial liability shall be recognised in the initial measurement of those financial instruments, unless they are classified at FVTPL	The purchase price of assets shall be calculated by adding expenses incidental to the purchase to the price paid
IAS 39	After initial recognition, an entity shall measure the financial assets classified in the category of <b>FVTPL</b> at fair value through profit and loss	An entity shall measure financial assets at cost less impairment such that financial assets are stated at the lower of cost or market value, valuation above cost is prohibited
IAS 39	After initial recognition, an entity shall measure the financial assets classified in the category of <b>HTM</b> at amortised cost using the effective interest rate method	An entity shall measure financial assets at cost less impairment such that financial assets are stated at the lower of cost or market value, valuation above cost is prohibited. Effective interest rate method can be used
IAS 39	After initial recognition, an entity shall measure the financial assets classified in the category of <b>LAR</b> at amortised cost using the effective interest rate method	An entity shall measure financial assets at cost less impairment such that financial assets are stated at the lower of cost or market value, valuation above cost is prohibited. Effective interest rate method can be used
IAS 39	After initial recognition, an entity shall measure the financial assets classified in the category of <b>AFS</b> at fair value recognised in other comprehensive income, except for impairment losses	An entity shall measure financial assets at cost less impairment such that financial assets are stated at the lower of cost or market value, valuation above cost is prohibited



IAS/IFRS	IFRS	LUX GAAP
IAS 39	After initial recognition, an entity shall measure the financial liabilities classified in the category of <b>FVTPL</b> at fair value through profit and loss	Where the total amount repayable on any debt exceeds the amount received, the difference may be capitalised. The amount of this difference must be written off in annual instalments of a reasonable amount and must be fully written off no later than the time of repayment of the debt
IAS 39	After initial recognition, an entity shall measure the financial liabilities classified in the category of <b>other financial liabilities</b> at amortised cost using the effective interest rate method	In line with IFRS. Effective interest rate method can be used
IAS 39	The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price, unless there are offsetting positions, when mid-market prices may be used too	Mid-market prices are generally used for market valuation
IAS 39	If specified criteria are met, an entity may designate a hedge relationship in such a way to qualify for <b>hedge accounting</b> (permitting offset of gain or losses on the hedged item and on the hedging instrument)	Similar accounting entries exist to reduce accounting mismatch
IFRS 7	IFRS 7 requires an entity to provide disclosures in its financial statements that enable users to evaluate: <ul style="list-style-type: none"> <li>• the significance of financial instruments for the entity's financial position and performance</li> <li>• the nature and extent of risks arising from financial instruments</li> </ul>	Much more information is required on the face of the balance sheet of the financial statements, but much less in the notes



## Inventories

IAS/IFRS	IFRS	LUX GAAP
IAS 2	An entity shall measure inventories at the lower of cost and net realisable value, where net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, but exception applies	<b>Inventories</b> must be valued at purchase price or production cost. They shall be subject to value adjustment in order to state them at the lower of cost or market value
IAS 2	Commodity broker-traders measure their inventories at fair value less costs to sell	Valuation above cost is not allowed
IAS 2	An entity shall measure the cost of inventories using specific identification of individual cost, or if the inventory is interchangeable: <ul style="list-style-type: none"> <li>• weighted average cost formula</li> <li>• first-in, first-out (FIFO) cost formula</li> </ul>	Inventory of the same category may be measured using the weighted average prices method, the first-in, first-out (FIFO) method, the last-in, first-out (LIFO) method, or a similar method
IAS 41	A <b>biological asset</b> shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably	No such differentiation is made. Valuation above costs is not allowed
IAS 41	In the case where the fair value cannot be measured reliably, the biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses	Not addressed
IAS 41	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard	No such differentiation is made. Valuation above costs is not allowed

## Tangible Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 16	The <b>cost</b> of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located	Not addressed
IAS 16	The cost of <b>regular major inspections</b> for faults shall be recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied	Provision has to be accrued for those costs, in profit and loss account
IAS 16	If <b>payment</b> is <b>deferred</b> beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised	Not addressed, such discounting is not required
IAS 16	An entity shall choose either the cost <b>model</b> or the <b>revaluation model</b> as its accounting policy and shall apply that policy to an entire class of property, plant and equipment	Revaluation model is not permitted
IAS 16	<b>Cost model:</b> After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses	In line with IFRS
IAS 16	<b>Revaluation model:</b> After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Revaluation model is not permitted
IAS 16	Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be <b>depreciated separately</b>	Not addressed, no distinction foreseen

IAS/IFRS	IFRS	LUX GAAP
IAS 16	The <b>residual value</b> of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life	No provision concerning residual value but in practice, the residual value is assumed to be nil
IAS 16	The <b>depreciation method</b> applied to an asset shall be <b>reviewed</b> at least annually and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern	Not permitted
IAS 40	Investment property is property held by the owner (or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: <ul style="list-style-type: none"> <li>• use in the production or supply of goods or services or for administrative purposes; or</li> <li>• sale in the ordinary course of business</li> </ul>	Not addressed
IAS 40	An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement	Not addressed
IAS 40	An entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property	Valuation above costs is not allowed
IAS 40	<b>Fair value model:</b> After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value	Valuation above costs is not allowed
IAS 40	<b>Fair value model:</b> A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 40	<p><b>Cost model:</b> After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale with IFRS 5</p>	Not addressed
IAS 23	An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset	Interest on capital borrowed to finance the production of fixed assets may be included in the production costs
IAS 23	Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds	Only interest is included in the definition of borrowing costs
IFRS 5	An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use	In line with IFRS
IFRS 5	An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell	They shall be subject to value adjustment in order to state them at market value, when market value is lower than purchase price or production cost
IFRS 5	Assets that meet the criteria to be classified as held for sale shall be presented separately in the statement of financial position	In line with IFRS
IAS 20	<p><b>Grants related to assets</b> are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets</p> <p><b>Grants related to income</b> are government grants other than those related to assets</p>	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 20	Government grants shall not be recognised until there is <b>reasonable assurance</b> that: <ul style="list-style-type: none"> <li>• the entity will comply with the conditions attaching to them, and</li> <li>• the grants will be received</li> </ul>	In line with IFRS
IAS 20	Government grants shall be recognised as income over the periods necessary to match them with the <b>related costs</b> which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' equity	Not addressed



## Intangible Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 38	No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred	Research and development costs can be capitalised. They must be written off within a maximum period of five years. However they may be written off over a period exceeding 5 years where the results of the research and development work may be used beyond that period
IAS 38	An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if and only if, an entity can demonstrate all the criteria mentioned in the standard	Research and Development costs can be capitalised. They must be written off within a maximum period of five years. However they may be written off over a period exceeding five years where the results of the research and development work may be used beyond that period
IAS 38	<b>Start-up costs</b> shall be expensed as incurred	Formation expenses may be capitalised, and must be written off within a maximum period of five years
IAS 38	After initial recognition, an intangible asset can be carried at a <b>revalued amount</b> , which is defined as its fair value at the date of the revaluation less any subsequent accumulated amortisation and impairment losses. Fair value shall be determined by reference to an active market	The revaluation model is prohibited
IAS 38	The residual value of an intangible with a finite useful life shall be assumed to be zero unless there is a <b>commitment</b> by a third party to purchase the asset at the end of its useful life, or there is an <b>active market</b> for the asset and residual value can be determined by reference to that market	Residual value is not addressed
IAS 38	The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed annually. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly	Once a depreciation rate is defined for an asset, it may not be changed during the life of the asset

## Impairment of Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 36	The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use	Not addressed
IAS 36	An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset	Value adjustment is assessed once a year
IAS 36	Irrespective of whether there is any indication of impairment, an entity shall test an intangible asset with an <i>indefinite useful life</i> or not yet available for use and <i>goodwill</i> acquired in a business combination for impairment annually, by comparing its carrying amount with its recoverable amount	Value adjustment is assessed once a year
IAS 36	If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs	Not addressed
IAS 36	For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units	Not addressed
IAS 36	An impairment loss recognised for goodwill shall not be reversed in a subsequent period	Not prohibited. Valuation adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply



## Leases

IAS 17	Leases	Not addressed in LUX GAAP
<b>Objective</b>	To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures for finance and operating leases.	
<b>Summary</b>	<ul style="list-style-type: none"> <li>• A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership</li> <li>• Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract</li> <li>• Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:               <ul style="list-style-type: none"> <li>- the lease transfers ownership of the asset to the lessee by the end of the lease term</li> <li>- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised</li> <li>- the lease term is for the major part of the economic life of the asset even if title is not transferred</li> <li>- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset</li> <li>- the leased assets are of such a specialised nature that only the lessee can use them without major modifications</li> </ul> </li> <li>• Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:               <ul style="list-style-type: none"> <li>- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee</li> <li>- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)</li> <li>- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent</li> </ul> </li> <li>• Finance leases – Lessee's Accounting:               <ul style="list-style-type: none"> <li>- asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset</li> <li>- depreciation policy is as for owned assets</li> <li>- finance lease payments are apportioned between interest expense and reduction in liability</li> </ul> </li> <li>• Finance leases – Lessor's Accounting:               <ul style="list-style-type: none"> <li>- receivable is recognised at an amount equal to the net investment in the lease</li> <li>- finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment</li> <li>- manufacturer or dealer lessors recognise selling profit or loss consistent with the policy for outright sales</li> </ul> </li> </ul>	

**IAS 17****Leases****Not addressed in LUX GAAP****Summary**

- Operating leases – Lessee’s Accounting:
  - lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit
- Operating leases – Lessor’s Accounting:
  - assets held for operating leases are presented in the lessor’s statement of financial position according to the nature of the asset and are depreciated in accordance with the lessor’s depreciation policy for similar assets
  - lease income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit
- Lessors add initial direct costs to the carrying amount of the leased asset and spread them over the lease term (immediate expensing prohibited).
- Accounting for sale and leaseback transactions depends on whether these are essentially finance or operating leases.

**Under LUX GAAP, all lease costs are expensed on a timely basis**



## Revenue Recognition

IAS/IFRS	IFRS	LUX GAAP
IAS 18	An entity shall measure revenue at the fair value of the consideration received or receivable	In line with IFRS
IAS 18	When the inflow of cash or cash equivalents is <i>deferred</i> , and the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest	Not addressed, discounting is not required
IFRIC 13	An entity shall account for award credits as a separately identifiable component of the sales transaction in which they are granted. The fair value of the consideration received or receivable shall be allocated between the award credits and the other components	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 18	<p><b>Sale of goods:</b> Revenue from the sale of goods shall be recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods</p>	In line with IFRS
IAS 18	<p><b>Rendering of services:</b></p> <ul style="list-style-type: none"> <li>• when the outcome of a transaction involving rendering of services <b>can be</b> estimated reliably, revenue associated with the transaction shall be recognised by reference to the <b>stage of completion</b> of the transaction at the end of the reporting period</li> <li>• when the outcome of a transaction involving rendering of services <b>cannot be</b> estimated, revenue shall be recognised only to the extent of the expenses recognised that are <b>recoverable</b></li> </ul>	Not addressed
IAS 11	<p><b>Construction Contracts:</b></p> <ul style="list-style-type: none"> <li>• when the outcome of a construction contract <b>can be</b> estimated reliably contract revenue and contract costs shall be recognised as revenue and expenses respectively by reference to the <b>stage of completion</b> of the contract activity at the end of the reporting period</li> <li>• when the outcome of a construction contract <b>cannot be</b> estimated reliably revenue shall be recognised only to the extent of contract costs incurred that it is probable will be <b>recoverable</b> and contract costs shall be recognised as an expense in the period</li> </ul>	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IFRIC 15	Determining whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 depends on the terms of the agreement and all the surrounding facts and circumstances. This requires <b>judgment</b> with respect to each agreement.	Not addressed
IAS 18	<b>Interest:</b> Shall be recognised using the effective interest rate method	Effective interest rate method can be used
IAS 18	<b>Royalties:</b> Shall be recognised on an accrual basis in accordance with the substance of the relevant agreement	In line with IFRS
IAS 18	<b>Dividends:</b> Shall be recognised when the shareholder's right to receive payment is established	In line with IFRS



### The Effects of Changes in Foreign Exchange Rates

IAS/IFRS	IFRS	LUX GAAP
IAS 21	In preparing financial statements, each entity determines its functional currency. An entity's functional currency is the currency of the primary economic environment in which the entity operates	The entity must use the currency of its subscribed capital
IAS 21	The primary economic environment in which an entity operates is normally the one in which <b>it primarily generates and expends cash</b> . Entities consider the factors mentioned in the standard to determine the functional currency	Not addressed
IAS 21	Once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions	Not addressed
IAS 21	At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate, even if it implies unrealised gains	As only profits realised at the balance sheet date may be recognised, unrealised gains cannot be recognised
IAS 21	The entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency	The published annual accounts may be expressed in Euros as well as in the currency or unit of account in which they were drawn up, using the rate of translation as at the accounting reference date

## Income Taxes

IAS/IFRS	IFRS	LUX GAAP
IAS 12	An entity is required to recognise the <b>current and future tax consequences</b> of transactions and other events that have been recognised in the financial statements	All foreseeable liabilities which have arisen during the course of <b>the financial year concerned</b> or of a <b>previous financial year</b> must be recognised
IAS 12	Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of <b>current tax</b> and <b>deferred tax</b>	Any <b>difference arising on consolidation</b> between the tax chargeable for the current and preceding financial year and the amount of tax paid/payable in respect of those years shall be recognised
IAS 12	Current tax is the amount of income taxes payable (recoverable) in respect of the <b>taxable profit (tax loss)</b> for a period	Not addressed
IAS 12	Deferred tax is tax payable or recoverable <b>in future periods</b> , generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amount, and the tax effect of the carryforward of currently unused tax losses and tax credits	Not addressed
IAS 12	Deferred tax assets and deferred tax liabilities arising from the <b>temporary differences, unused tax losses</b> and <b>unused tax credits</b> shall be recognised	Not applicable for statutory accounts. Similar to IFRS for consolidated accounts
IAS 12	<b>Temporary differences</b> are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base	Not applicable for statutory accounts. Similar to IFRS for consolidated accounts
IAS 12	Deferred tax assets and liabilities shall be measured at the <b>tax rates</b> that are expected to apply to the period when <b>the asset is realised or the liability is settled</b> , based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period	Not addressed
IAS 12	The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period	Not addressed

IAS/IFRS	IFRS	LUX GAAP
IAS 12	Deferred tax assets and liabilities shall not be discounted	Not addressed
IAS 12	Deferred tax assets (liabilities) shall not be classified as current assets (liabilities)	Not addressed
IAS 12	An entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously	In general, any set-off between asset and liability headings or between income and expenditure headings is prohibited
IAS 12	Thorough disclosure requirement	Not required





## Provisions, Contingent Liabilities and Contingent Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 37	<p>A provision shall be recognised when:</p> <ul style="list-style-type: none"> <li>• the entity has a present obligation (legal or constructive) as a result of a past event</li> <li>• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation</li> <li>• a reliable estimate can be made</li> </ul>	All <b>foreseeable liabilities</b> and <b>potential losses</b> which have arisen in the course of the financial year concerned or of a previous financial year must be recognised
IAS 37	The amount recognised as a provision shall be the <b>best estimate</b> of the expenditure required to settle the present obligation at the end of the reporting period	Provisions for liabilities and charges may not exceed the amount necessary to settle such liabilities and charges
IAS 37	Where the effect of the <b>time value of money</b> is <b>material</b> , the amount of a provision shall be the present value of the amount of expenditures expected to be required to settle the obligation	Not addressed
IAS 37	Provisions shall not be recognised for future operating losses	All foreseeable liabilities and <b>potential losses</b> which have arisen in the course of the financial year concerned or of a previous financial year must be recognised

### Events after the Reporting Period

IAS/IFRS	IFRS	LUX GAAP
IAS 10	Events after the end of the reporting period are those events, that occur between the end of the reporting period and the date when the <b><i>financial statements are authorised for issue</i></b>	Not defined
IAS 10	Two types of events can be identified: <ul style="list-style-type: none"> <li>• those that provide evidence of conditions that existed at the end of the reporting period (adjusting events)</li> <li>• those that are indicative of conditions that arose after the reporting period (non-adjusting events)</li> </ul>	All foreseeable liabilities and potential losses must be recognised, including where such liabilities or losses become apparent between the date of the balance sheet <b><i>and the date on which it is drawn up</i></b>
IAS 10	If an entity declares <b><i>dividends</i></b> to holders of equity instruments after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period	In line with IFRS
IAS 10	An entity shall disclose the date when the financial statements were <b><i>authorised for issue</i></b> and who gave that authorisation	Not required

## Employee Benefits

IAS/IFRS	IFRS	LUX GAAP
IAS 19	Post-employment benefit plans are classified as either <b>defined contribution plans</b> or <b>defined benefit plans</b>	Not addressed
IAS 19	<b>Defined contribution plans</b> are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have <b>no legal or constructive obligation to pay further contributions</b> or to make direct benefit payments to employees	Not addressed
IAS 19	<b>Defined benefit plans</b> are post employment benefit plans other than defined contribution plans. Under defined benefit plans, the entity's obligation is to <b>provide the agreed benefits</b> to current and former employees	Not addressed
IAS 19	<b>Defined contribution plans:</b> A contribution payable for the period shall be recognised as a liability after deducting any amount already paid	In line with IFRS
IAS 19	<b>Defined benefit plan:</b> An entity shall recognise: <ul style="list-style-type: none"> <li>• a liability for its obligations under defined benefit plans net of plan assets — its defined benefit liability</li> <li>• the net change in that liability during the period as the cost of its defined benefit plans during the period</li> </ul>	Not addressed. Provision usually provided, if significantly unfunded
IAS 19	An obligation under a <b>defined benefit plan</b> is calculated as the difference of: <ul style="list-style-type: none"> <li>• <b>the present value of its obligations</b> under defined benefit plans at the reporting date</li> <li>• and the <b>fair value</b> at the reporting date of <b>plan assets</b> out of which the obligations are to be settled directly</li> </ul>	Plan assets shall be valued at lower of cost or market
IAS 19	The entity shall determine the rate used to discount the future payments by reference to <b>market yields</b> at the reporting date on <b>high quality corporate bonds</b>	Risk-free rate is not required, higher rate may be used

IAS/IFRS	IFRS	LUX GAAP
IAS 19	An entity shall: <ul style="list-style-type: none"> <li>• recognise all actuarial gains and losses <i>in profit or loss</i> or</li> <li>• recognise all actuarial gains and losses <i>in other comprehensive income</i> as an accounting policy election</li> </ul>	Not addressed
IAS 19	Thorough disclosure requirement	The average number of staff employed during the financial year, broken down by category shall be disclosed



## Share-based Payment

IFRS 2	Share-based Payment	Not addressed in LUX GAAP
<b>Summary</b>	<p>An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in:</p> <ul style="list-style-type: none"> <li>• equity if the goods or services were received in an <b>equity-settled share-based payment transaction</b> or</li> <li>• a liability if the goods or services were acquired in a <b>cash-settled share-based payment transaction</b></li> <li>• For <b>equity-settled</b> share-based payment transactions, an entity shall measure the goods or services received, and the corresponding increase in equity, at the <b>fair value of the goods or services received</b>, unless that fair value cannot be estimated reliably. If the fair value cannot be estimated reliably, the entity shall measure their value, indirectly, by reference to the fair value of the equity instruments granted</li> <li>• For <b>cash-settled</b> share-based payment transactions, an entity shall measure the goods or services acquired and the liability incurred at the <b>fair value of the liability</b>. Until the liability is settled, the entity shall remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period</li> </ul>	

In practice, under LUX GAAP, provision if cash settlement

## First-time Adoption of IFRS

IFRS 1	First-time Adoption of IFRS	Not addressed in LUX GAAP
<b>Scope</b>	<p>An entity shall apply this IFRS in:</p> <ul style="list-style-type: none"> <li>its <b>first IFRS financial statements</b>; and</li> <li><b>each interim financial report</b>, if any, that it presents in accordance <b>with IAS 34 Interim Financial Reporting</b> for part of the period covered by its first IFRS financial statements</li> </ul>	
<b>Summary</b>	<ul style="list-style-type: none"> <li>An entity's <b>first IFRS financial statements</b> are the first annual financial statements in which the entity adopts IFRSs, by an <b>explicit and unreserved statement</b> in those financial statements of compliance with IFRSs</li> <li>An entity shall use the <b>same accounting policies</b> in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements</li> <li>An entity shall <b>explain</b> how <b>the transition</b> from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows</li> <li>An entity's first IFRS financial statements shall include: <ul style="list-style-type: none"> <li>reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with IFRSs for both of the following dates: <ul style="list-style-type: none"> <li>date of transition to IFRSs; and</li> <li>the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP</li> </ul> </li> </ul> </li> <li>An entity's first IFRS financial statements shall include, as well: <ul style="list-style-type: none"> <li>a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements</li> </ul> </li> <li>An entity's <b>date of transition</b> to IFRSs is the beginning of the earliest period for which the entity presents full comparative information in accordance with IFRSs in its first financial statements that conform to IFRSs</li> <li>An entity may elect to use exemptions when preparing its first financial statements that conform to IFRSs</li> <li>This IFRS <b>prohibits retrospective application</b> of some aspects of other IFRSs</li> </ul>	

# Deloitte IFRS resources

In addition to this publication, Deloitte has a range of tools and publications to assist in implementing and reporting under IFRS.

These include:

**[www.iasplus.com](http://www.iasplus.com)**

Updated daily, [iasplus.com](http://www.iasplus.com) is your one-stop shop for information related to IFRS.

**Deloitte's IFRS  
e-Learning modules**

e-Learning IFRS training materials, one module for each IAS and IFRS and the Framework, with self-tests, available without charge at [www.iasplus.com](http://www.iasplus.com).

**IAS Plus newsletter**

Quarterly newsletter on recent developments in IFRS and accounting updates for individual countries. Special editions for important developments. To subscribe, visit [www.iasplus.com](http://www.iasplus.com).

**Presentation and  
disclosure checklist**

Checklist incorporating all of the presentation and disclosure requirements of Standards.

**Model financial  
statements**

Model financial statements illustrating the presentation and disclosure requirements of IFRS.



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