TREUHAND KAMMER
Wirtschaftsprüfer · Steuerexperten

Stakeholder Event "IFRS in Continental Europe"

Jointly organized by the IFRS Foundation and the Swiss Institute of Certified Accountants and Tax Experts

On February 2, 2015 "IFRS in Continental Europe", a stakeholder event jointly organized by the IFRS Foundation and TREUHAND-KAMMER, the Swiss Institute of Certified Accountants and Tax Experts, took place in Zurich.

Top-class speakers and a distinguished panel had controversial views on how International accounting should develop and to what extent financial reporting frameworks should be customized to differences in the size of companies.

Opening remarks by Dominik Bürgy, President of TREUHAND-KAMMER, were followed by a keynote speech given by Hans Hoogervorst, Chairman of the International Accounting Standards Board. A subsequent panel discussion with Prof. em. Dr. Giorgio Behr (CEO & Owner Behr Bircher Cellpack BBC Group, Chairman of the Supervisory Board ZF AG), Malcolm Cheetham (Chief Accounting Officer, Novartis), Barbara A. Heller (CEO SWIPRA, Foundation for Value-based Investments), Hans Hoogervorst (Chairman, IASB) and Reto Zemp (Head Financial Reporting, SIX Swiss Exchange), was moderated by Christoph Hütten (Senior Vice-President and Chief Accounting Officer, SAP AG).

Development of the IFRS in Switzerland

Mr. Bürgy noted that Switzerland was one of the first applicants of the former International Accounting Standards, but today a certain abandonment from the IFRS can be observed. He stressed that even listed companies like Georg Fischer or the Swatch Group went back from IFRS to Swiss GAAP FER, recently. Reasons are the high complexity of IFRS in comparison to Swiss GAAP FER, especially in respect to disclosures, some of the disclosure requirements themselves, and costs in relation to adopting changes in IFRS over time.

Development of the IFRS on a global scale

In his keynote speech, Mr. Hoogervorst pointed out that a consultation by the European Commission showed that the introduction of IFRS in Europe resulted in improvements to quality and consistency of financial reporting across the European Union. Since the EU set the example of adopting IFRS, most of the rest of the world has followed suit: 114 countries require the use of IFRS for all or most publicly listed companies, while another twelve countries permit its use.

Hoogervorst indicated that he understood the concerns about increasing complexity and disclosure overload in financial reporting and promised that the IASB will have a closer look into this during 2015.

On the other hand, Hoogervorst noted that most of the complexity in financial reporting is a reflection of an increasingly complex economic reality, which we had to live with. However, the IASB Chairman emphasized that his organization took the issue very seriously and that it was ready to act where possible, but that the main goal remained reflecting economic reality, i.e. giving a true and fair view of a company's state of affairs.

Development of the IFRS and non-Financial Reporting

In the light of the opening remarks and the keynote speech the panel discussion started with a more generic look at IFRS. The panelists expressed their opinions on the importance of having international accounting standards. They agreed that IFRS ensured a good international comparability which was important to investors.

A lively debate followed with regard to the motivation of listed companies moving away from IFRS and turning towards Swiss GAAP FER. The high complexity and high degree of itemization of the IFRS in comparison to Swiss GAAP FER, particularly regarding goodwill, pension accounting and disclosures, is one reason which is often named. It was also discussed whether the mentioned individual cases of companies leaving IFRS were rather rare exceptions or if significantly more of those cases were to be expected in the future – especially, having the upcoming Leases Standard in mind. The conclusion was that this was difficult to predict.

The debate moved further to discussing how capital markets did react to the move of listed companies from IFRS to Swiss GAAP FER. No distortions had been recognized in the marketplace and stock prices remained untouched. The SIX Swiss Exchange thus also abandoned its plans to require companies listed in the top index, the Swiss Market Index (SMI), to prepare their financial statements according to IFRS, especially due to resistance noticed during public consultation.

In this context Mr. Hoogervorst stated that the IASB had once reflected on the option of allowing the IFRS for Small and Medium-Sized Entities (IFRS for SMEs) to be used by smaller listed entities. In the end the IASB had concluded that in a listing environment all companies should adhere to the full IFRS.

Again, other panelists said that one size does not fit all and therefore Swiss GAAP FER would offer an appropriate cost-benefit ratio even in situations of smaller listed entities. Reto Zemp added that although approx. 20% of listed entities moved away from IFRS, this does only amount to around less than 5% of total market capitalization. All agreed in this connection that rivaling accounting standards would lead to an ideas competition and thus the situation of various standards in Switzerland should be welcomed.

All panelists agreed that apart from managing complexity in financial reporting all financial reporting frameworks, IFRS as well as Swiss GAAP FER or US GAAP, face the challenge of meeting the ever-increasing demand for non-financial information.

For further information

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