Harmonization of Accounting Theory and Practice with the EU Acquis Communautaire

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Croatian Financial Reporting Standards Board

- The Board is an expert body authorized to analyze and monitor the development of the accounting theory and practise, adopt the CFRSs, provide interpretations of the CFRSs, prepare CFRSs for publication and publish them
- The Board translated and published the International Financial Reporting Standards until the date of the full EU membership.
- The Board is comprised of nine members with a five-year term of office
- The Board is appointed and relieved of duty by the Government of the Republic of Croatia at the proposal of the Minister of Finance
- Any citizen of the Republic of Croatia with a university degree, appropriate professional knowledge and work experience in the field of finances, accounting or audit can be appointed as member of the Board
- The Board shall file a report on its work to the Government of the Republic of Croatia on a yearly basis
Assessment of the harmonization of the legal framework of the Republic of Croatia with the EU *acquis communautaire*

- Explanatory screening – 21 June 2006
- Bilateral screening – 19 July 2006
## Situation before harmonization

<table>
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<th>EU</th>
<th>HR</th>
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<tr>
<td><strong>IFRS</strong></td>
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</table>
| - Quoted companies and companies publishing consolidated financial statements | - Large companies  
- Financial institutions  
- Quoted companies  
- Companies publishing consolidated financial statements |
| National accounting standards harmonized with the Fourth and the Seventh EU Directive | IAS " 2000 " |
| - All other companies | - Medium-sized and small companies |
Harmonization

**EU**

- Quoted companies and companies publishing consolidated financial statements

**HR**

- Large companies (EU classification)
- Financial institutions
- Quoted companies
- Companies publishing consolidated financial statements

National accounting standards harmonized with the Fourth and the Seventh EU Directive

- All other companies

New Croatian Accounting Standards
Accounting Act came into force on 1 January 2008

- Accounting Act was published in the Official Gazette (109/2007) and came into force on 1 January 2008
- The main reason for the new Act to be passed was the harmonization with the First, the Fourth and the Seventh EU Directive
The most important provisions of the Accounting Act

- Application of accounting standards IFRS - CFRS
- Obligation to prepare the new Croatian Financial Reporting Standards
- Introduction of a single form of electronic public publication of financial statements
- Introduction of a single register of all financial statements for all entrepreneurs kept by the Financial Agency
- Direct access to the public register by all commercial courts
- Setting up of the Financial Reporting Standards Board and definition of its tasks: issuing CFRS and, until the accession of the Republic of Croatia to the European Union, translation and publication of IFRS
Relevant regulations

- Accounting Act (OG 90/92, 146/05, 105/07)
- Croatian Financial Reporting Standards (OG 30/2008)
- Rulebook on the Structure and the Content of Financial Statements (OG 38/2008, 12/09)
- Decision on the Structure and the Contents of Annual Financial Statements of Leasing Companies (OG 29/08)
- Rulebook on the Structure and the Contents of Financial Statements of Insurance Companies (OG 31/08)
- Rulebook on the Structure and the Contents of Financial Statements of Pension Insurance Companies (OG 94/08)
Relevant regulations

- Decision on the Structure and the Content of Annual Financial Statements of Banks (OG 62/08)
- Decision on the Structure and the Content of Annual Financial Statements of Credit Unions (OG 32/09)
- Rulebook on the Content of Additional Data for Statistical and Other Purposes (OG 13/09)
- Rulebook on the Mode of Keeping the Annual Financial Statements Register (OG 39/08, 37/09)
- Rulebook on the Categories and the Fees to the Financial Agency for Keeping the Annual Financial Statements Register (OG 12/09)
Financial Reporting Standards

• Entrepreneurs in the Republic of Croatia are liable to prepare and present annual financial statements in accordance with Croatian Financial Reporting Standards adopted by the Croatian Financial Reporting Standards Board – which are entirely harmonized with EU Directives (the First, the Fourth and the Seventh)

• Exceptionally, large entrepreneurs and entrepreneurs whose securities are quoted or a preparation for its quotation at the stock market is taking place are liable to present their financial statements in accordance with International Financial Reporting Standards which are translated, adopted and published by the Croatian Financial Reporting Standards Board

• From the day of the accession of the Republic of Croatia to the European Union, large entrepreneurs will be subject to International Financial Reporting Standards adopted by the European Commission
CFRSB

- Board translate and published IFRS according decisions Eu Komision
Croatian Financial Reporting Standards prepared by the Board

- Every standard consists of the following sections:
  - Introduction
    - Objective, remark on the harmonization with the International Accounting Standards and EU Directive
  - Definition
  - Content
  - Recognition
  - Measurement
  - Publication
  - Date of entry into force
Croatian Financial Reporting Standards prepared by the Board

Framework for the application of Croatian Financial Reporting Standards

• HSFI 1 – Financial Statements
• HSFI 2 – Consolidated Financial Statements
• HSFI 3 – Accounting Policies, Changes in Accounting Estimates, Errors
• HSFI 4 – Events after the Balance Sheet Date
• HSFI 5 – Long-term Intangible Assets
• HSFI 6 – Long-term Tangible Assets
• HSFI 7 – Investment in Property
• HSFI 8 – Non-current Assets Held for Sale and Discontinued Operations
• HSFI 9 – Financial Assets
Croatian Financial Reporting Standards prepared by the Board

Framework for the application of Croatian Financial Reporting Standards

- HSFI 10 – Inventory
- HSFI 11 – Receivables
- HSFI 12 – Capital
- HSFI 13 – Liabilities
- HSFI 14 – Accruals
- HSFI 15 – Revenue
- HSFI 16 – Expenses
- HSFI 17 - Agriculture

- Glossary