

Implementation of International Accounting Standards (IAS) in Central and Eastern Europe

Beginning in 2005, the European Union (EU) will require all EU listed companies to produce consolidated financial statements in accordance with International Accounting Standards (IAS).

This presents a challenge to listed companies in both current EU member states and candidate countries, since at present a wide range of accounting standards are employed across Europe.

In order to better understand the impact of the EU requirement in the candidate countries, the PFS Program has conducted a survey of accounting requirements for listed companies in eight Central and Eastern European (CEE) countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia.

In each country, the accounting standards are determined by the listing rules of the respective stock exchange. Seven of the eight stock exchanges in question (Bratislava, Budapest, Ljubljana, Prague, Riga, Tallinn, Vilnius and Warsaw) have more than one market segment; the Tallinn Stock Exchange has only one market segment.

The table below presents the listing requirements at each of the eight stock exchanges.

Implementation of IAS in these eight markets may be summarized as follows:

- IAS-compliant financial statements are obligatory for listed companies in the main market in five countries: Czech Republic, Estonia, Latvia, Lithuania and Slovakia.
- In Hungary, companies may produce financial statements according to national law, IAS or US GAAP.
- In Poland, the home country of the issuer determines whether Polish Accounting Standards, IAS or US GAAP may be applied.
- In Slovenia, companies produce financial statements according to Slovene Accounting Principles, which at present are not completely IAS-compliant.

The PFS Program is cooperating with accounting and auditing self-regulatory organizations (SROs) in several CEE countries to conduct training on IAS. This training is designed to assist listed companies meet the 2005 deadline for producing IAS-compliant consolidated financial statements.

Countries	Market Segments	Accounting Requirements for Listed Companies	Source	Date of Requirement
Czech Republic	Main market	IAS	Fact Book Prague Stock Exchange	2001
	Secondary Market	IAS, if issuer compiles	Fact Book Prague Stock Exchange	2001
	New Market	not prescribed	Fact Book Prague Stock Exchange	2001
Estonia		IAS; if contradiction with accounting in Estonia, IAS is stronger; Exception can be allowed by Listing Committee of the Exchange	Requirements for Issuers - Tallinn Stock Exchange; Listing Rules - Tallinn Stock Exchange	
Hungary	Foreign & Domestic Issuers	Domestic Law, IAS or US GAAP	Regulations for listing, continued trading and disclosure	January 14, 2002
	Annual Report for securities listed in Category "A"	IAS or US GAAP	Regulations for listing, continued trading and disclosure	January 14, 2002
Latvia	Official List	IAS and issuer's registration country accounting standards at least for last year of last 3 years for annual report, exception can be made by Riga SE Mgt Board	Enforcement Note on Securities Lists	January 18, 2002
	Secondary List	accounting standards of the issuer's home country for 2 previous years for annual report, exception can be made by Riga SE Mgt Board	Enforcement Note on Securities Lists	January 18, 2002
Lithuania	Official List	IAS, auditor's opinion on GAAP, both for 3 preceding years for financial statements	Trading Rules	February 1, 1999
	Current List	accounting standards of the Republic of Lithuania with auditor's opinion also on general accounting principles	Trading Rules	February 1, 1999
	Unlisted Securities		Trading Rules	February 1, 1999
Poland	Main market-annual financial report for 3 years	Polish companies - Polish accounting standards. Foreign companies - IAS or US GAAP. Polish leasing companies-Polish accounting standards and IAS or US GAAP.	Decree of the Council of Ministers on current and periodical information provided by issuers of securities	October 16, 2001
	Parallel market-annual financial report for 2 years			
	Free market - annual financial report for 1 year			
Slovakia	Listed Main Market (Shares, Bonds, Certificates)	IAS and domestic accounting standards.; Foreign issuer's Prospectus: IAS	Stock Exchange Regulations	July 2, 2001
	Listed Parallel Market (Shares, Bonds, Certificates)	if compiles: IAS; Foreign issuer's Prospectus: IAS	Stock Exchange Regulations	July 2, 2001
	Listed New Market - Shares	if compiles: IAS; Foreign shares Prospectus: IAS	Stock Exchange Regulations	July 2, 2001
	Free Market			
Slovenia	Official Market	Slovene Accounting Principles	Rules of the Ljubljana Stock Exchange D.D.	June 2000
	Free Market	Slovene Accounting Principles	Rules of the Ljubljana Stock Exchange D.D.	June 2000
Co-operation of Baltic Stock Exchanges (Tallinn, Riga, Vilnius)	Baltic List (15 largest and most liquid companies of the region)	IAS		January 3, 2000