23 October 2015

Consistent with our commitment to provide updated information on current tax and accounting issues, we summarize below clarifications provided with the Accounting Guidance issued by the Hellenic Accounting and Auditing Oversight Board (HAASOB/ELTE) regarding the implementation of Greek Accounting Standards (Law 4308/2014).

- The Financial Statements of the entities are prepared in accordance with the principles of accrual accounting, going concern and fair presentation.
- The Financial Statements comprise the Balance Sheet, the Profit and Loss Statement, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements.
- The Financial Statements are modified depending on the classification of the entities as very small, small, medium and large.
- Entities may seek interpretative guidance from the relevant IFRS, if such Standards are consistent with the current law.
- In particular, entities may seek guidance regarding financial assets (especially, hedging items, deferred taxes, capitalization of interest, defined benefit plans relating to compensation paid to employees after retirement and on procedures for the consolidation of financial statements).
- Expenses that until now were considered intangible assets or expenses to be amortized over a period of years must now be expensed and not capitalized.
- Clarifications are provided on the accounting treatment for both lessor and lessee regarding construction of buildings on third parties' plots. The same accounting treatment also applies to leasehold improvements under operating leases.
- Special mention has been given to accounting of biological assets.
- Companies are now obliged to recognize impairment losses on assets, when impairment is considered permanent and of a significant amount.
- Clarifications are provided on the proper accounting treatment of finance lease contracts and sale and lease back agreements.
- Instructions are provided on the accounting of interest-bearing financial assets (e.g. bonds, mutual funds, derivatives or structured financial assets).
- Acquisition cost cannot be determined using the LIFO method.
- Guidance is provided on the accounting of provisions for employees' benefits, as well as indicative accounting presentation through which it is feasible to determine both the accounting and tax basis (non-deductible amount).
- Clarifications are provided on issues relating to deferred taxes and further interpretative guidance on IAS 12.

- In case the fair value model is adopted as the measurement basis of financial assets, then all of them (i.e. irrespective of their purpose) must be recorded under fair value and not only some of them.
- Fair value model may apply to own used property, investment property, biological and other assets, inventories, available for sale financial instruments, financial instruments held for trading and derivatives for hedging.
- The recognition of the effect of changes in accounting policies and correction of prior period errors is effected by using the retrospective correction of financial statements of the periods disclosed as if the new accounting policy had always been applied and the errors had never been occurred.

Chart of Accounts

- This Law introduces a new chart of accounts, which must be used as to description, extent of analysis and content of accounts.
- Alternatively, the Law allows the use of the existing Chart of Accounts (GAAP) or in the case of Groups the Chart of Accounts developed by their Group but adapting it to the new requirements.
- Practically, all entities should proceed to make changes to their accounts.

First Implementation of Greek Accounting Standards (GAS)

- The period of the first implementation of this Law is considered to be the first annual period beginning after 31 December 2014.
- The date of transition to GAS is considered to be the first day of the comparative annual period preceding the period of first implementation as described above.
- Retrospective implementation involves adoption of all the new accounting policies for all the balance sheet items at the date of transition and preparation of financial statements for the comparative period in accordance with such policies.
- The Law offers the possibility to an entity to not perform retroactive adjustments for some or all of the financial statements items when it is either impracticable or the cost required is significantly high.
- The Law offers the option for some balance sheet items which do not meet the recognition criteria of this law, but they had been recognized under the previous accounting framework (i.e. PD 1123/1980), to continue to be reported in the balance sheet until they are fully amortized.
- For own used property the Law provides the possibility of using the fair value as the deemed cost of acquisition at the date of the first implementation where the cost basis is adopted.
- When the fair value model is adopted, it is assumed that, fair values are available at the transition date and therefore the adjustment will be effected retroactively.
- Retroactive adjustment may entail the recognition of deferred tax.

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