

Switch to Swiss GAAP FER – Motives and methodology

Accounting

A number of public companies have recently decided to switch from IFRS to Swiss GAAP FER. In addition, the new accounting law has sparked new interest in Swiss GAAP FER. Public-law entities are also concerning themselves increasingly with the Swiss true and fair view accounting standard.

Which accounting standard is the right one?

The choice of accounting standard requires the carrying out of a cost/benefit analysis. Generally speaking, the financial statements should give a true and fair view of the economic situation. Only such financial statements are suitable as a management tool for the supervisory body (Board of Directors, Foundation Board) and the top management. At the same time, the costs of financial reporting should also be taken into account.

Who are the users of the financial statements?

Companies must know precisely who the users of their financial statements are as well as their specific information needs. This is the only way they be able to choose the right accounting standard.

Regarding private non-listed companies, non-executive family members also have an interest – besides the management – in transparent reporting.

Because of the introduction of HRM2, organizations belonging to public administrations need to enhance the transparency of their accounting. Regarding listed companies, the following issues are of great importance:

- Is there an international shareholder base?
- Is external financing undertaken through banks which are aware of Swiss realities?
- Which accounting standard is used by the (foreign) competition?

For some of the users concerned, Swiss GAAP FER are a user-friendly and low-cost alternative to IPSAS or IFRS, for example.

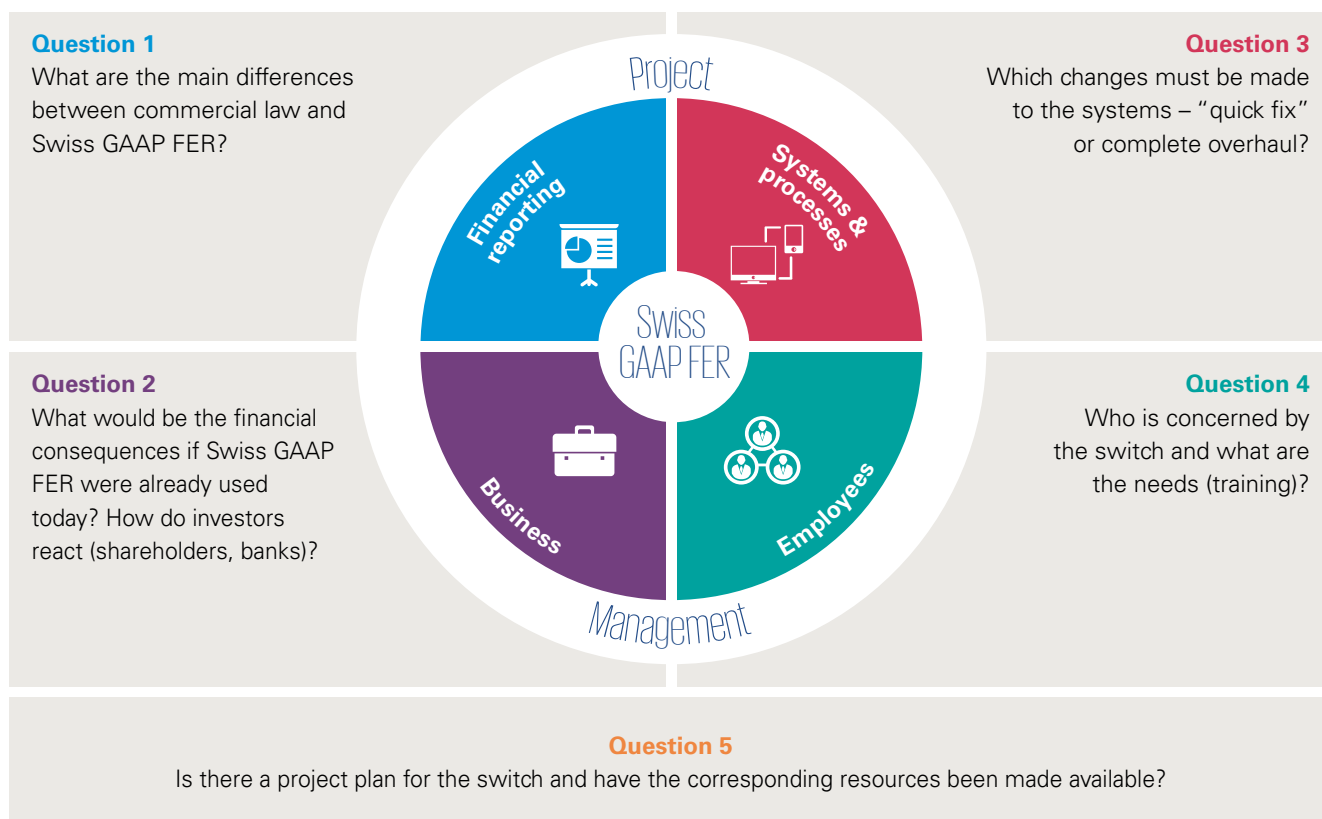
Switch to Swiss GAAP FER: how to proceed?

The successful introduction of a new accounting standard requires a project organization which enables to define material and temporal responsibilities. In this respect, there must be significant points of contact with IT or training, for example. Besides the complexity of the task, it is important to know if and which other countries are concerned. Dependent on these aspects, financial and human resources must be made available for the project.

Conclusion: estimate costs, but also benefits

Switching to new standards entails costs: in the case of Swiss GAAP FER, these are mainly one-off expenses for personnel and infrastructure (IT). For an organization, the main benefit is undoubtedly the transparent account given to the current and future users of the financial report.

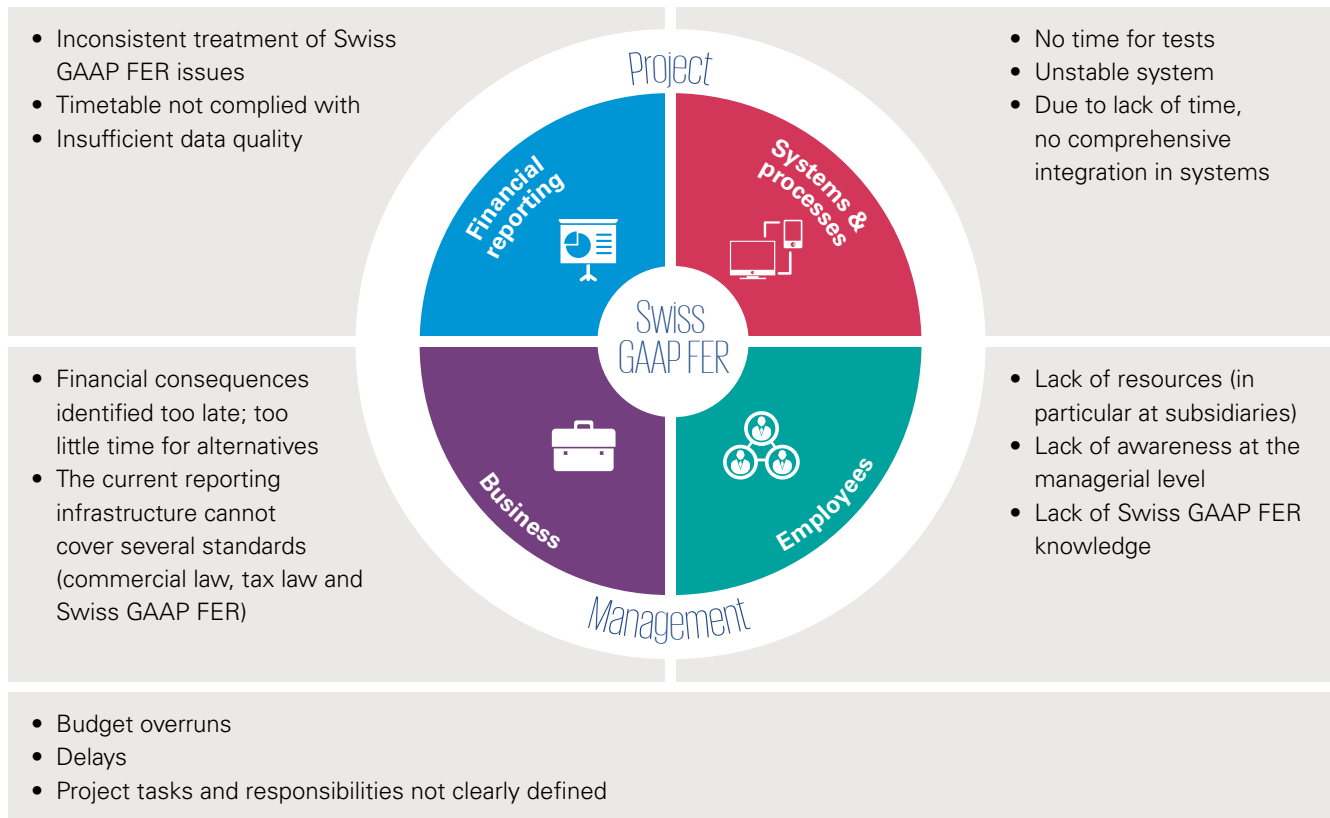
Critical issues when switching to Swiss GAAP FER



Structure of the project for the switch to Swiss GAAP FER

Phase	1. Initialization	2. Gap analysis
Project contents Accounting	<ol style="list-style-type: none"> 1. First discussion with consultant/statutory auditors 2. Prepare project management: <ul style="list-style-type: none"> • Establish project request/specifications • Determine project organization/role distribution • Determine project planning 3. Perform kick-off 	<ol style="list-style-type: none"> 1. Perform analysis of significant information and structures (effective situation) 2. Interviews/workshops to validate the effective situation 3. Compare the effective situation with the theoretical situation (FER) 4. Assess and document results (incl. impact on work processes) 5. Establish decision criteria
Project contents Other processes/IT	• ...	• ...
	Coaching/Project management (KPMG)	
Results	<ul style="list-style-type: none"> • Project management defined • Project, phases and work packages defined • Mandates issued 	<ul style="list-style-type: none"> • Differences in recognition and publication identified • Decision bases established
Milestones	<ul style="list-style-type: none"> • Project request/specifications approved • Project management tasks adopted • Kick-off performed 	<ul style="list-style-type: none"> • Gap analysis performed and documented

Difficulties when switching to Swiss GAAP FER



3. Implementation

1. Develop implementation concept, in particular for:
 - Chart of accounts
 - Accounting Manual
 - Training
 - Financial statements/Annual report
 - Restatement
2. Realize task distribution and timetable for the implementation

• ...

1. Implementation of technical concept:
 - Chart of accounts
 - Accounting Manual
 - Training
 - Financial statements/Annual report
 - Restatement

• ...

• Technical implementation concept established

- Technical concept (incl. restatement) realized
- Processes and system in place
- Switch accepted
- Swiss GAAP FER introduced

- Implementation concept approved
- Technical implementation phase authorized

• Technical implementation and switch completed

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