Reform of the Accounting System with Special Regard to Digitalisation

Good practices report and an analysis of benchmarks for the future situation

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The Project “Reform of the accounting system with special regard to digitalisation” (“the Project”) has been contracted by the European Commission Directorate General for Structural Reform Support (DG REFORM) to PricewaterhouseCoopers EU Services EESV, d is carried out by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp.k. (PwC).

The Project deliverables including this report (Report) were intended for the sole use of the Polish Ministry of Finance and the European Commission for the purposes of the specific tender and assignment. PwC does not assume any liability or responsibility to third parties arising from the work on the preparation of the deliverables or their content.

The Project activities relating to this Report were carried out in the period from April 2023 to March 2024. Any developments, changes or updates that have occurred after this period have not been reflected in this Report and further Project work is still in progress at the date of publication of this Report. This Report is not the final Deliverable for the Project.

The Project deliverables should be read in their entirety and respective sequence to gain a clear understanding of the underlying methodology and inherent limitations of the presented results.

The Project results and deliverables are based on the current versions of relevant legislation available at the time of the Project activities, mainly the Polish Accounting Act (i.e. the Act of 29 September 1994 on Accounting (Dz. U. [Journal of Laws] 2023, item 120). Any subsequent updates or changes of these or other used documents have not been reflected in the Project deliverables and this Report.

This Report was prepared in English and Polish. In case of ambiguity/differences between the English and the Polish versions of the Report, the English version should be considered as the prevailing one.

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1. Executive summary

This Report summarises the work done under Phase III of the Project Reform of the Accounting System with Special Regard to Digitalisation ("Project"). This action is funded by the Technical Support Instrument 2022 and managed by the Commission's Directorate-General for Structural Reform Support ("DG REFORM"). The contractor for this Project is PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k ("PwC") acting on behalf of PricewaterhouseCoopers EU Services EESV, which has been selected by DG REFORM in a tender procedure. The Project beneficiary is the Ministry of Finance ("MoF").

This Report has been prepared with the financial support of the European Union. The content of the Report is the sole responsibility of the author/s. The views expressed in this Report are not to be construed as in any way reflecting an official opinion of the European Union.

The purpose of this Phase of the Project was to select the best practices for adoption in the areas of the Polish Accounting Act identified during previous stages of the Project, based on examples applicable in EU Member States that may be relevant to the Polish national context.

Our analysis focused on potential solutions in the areas of interest identified in Phase II of the Project including among others, overall accounting framework, voluntary International Financial Reporting Standards ("IFRS") application, Enterprise Resource Planning ("ERP") system requirements, language requirements, chart of accounts structure and requirements, regulations related to cybersecurity in the accounting sphere and simplifications for smaller companies. Special regard in the areas of bookkeeping and financial reporting was also given to digitalization.

This Report includes a detailed description of the initial data collection process (surveys conducted among all EU member states and desktop analysis), the initial selection process of the 5 best countries (Denmark, Germany, Hungary, Ireland, Slovakia) and, in the next step, limiting the mentioned selection to the 3 best locations selected to carry out potential study visits (Denmark, Germany and Hungary). It also contains the summary of the study visit execution in Denmark and an enhanced desktop review of the remaining 2 selected countries (Germany and Hungary). The Report also covers additional findings from other EU Member States that have not been chosen for further examination as well as the summary of conclusions reached during the Project works.

Information used in the Report has been gathered through:

- a desktop review of legal acts and other relevant documents including official guidelines, as well as our experience in accounting advisory projects across EU Member States;
- questionnaires sent to subject matter experts at PwC network in each of the 26 Member States, covering information on i.e. accounting framework, IFRS application and conversion between local Generally Accepted Accounting Principles ("GAAP") and IFRS and vice versa;
- interviews conducted during an in-person study visit in Denmark and extended research and analysis of German and Hungarian accounting practice;
- various other sources, including publicly available data.

The Project work resulted in identifying interesting solutions and benchmarks already applied by selected EU countries that might be beneficial in terms of implementation in Poland. These include for example advanced levels of digitalisation in terms of bookkeeping and financial reporting along with the structure of accounting legislation in Denmark, cybersecurity and data protection regulations in Germany, and making public the questions & answers ("Q&A") relating to the Accounting Act in Hungary. The relevant findings have been summarised in the final section of the Report and will be included in the Phase IV Report regarding the desired "TO BE" situation in Poland.

2. Scope of work

In order to complete this stage of the Project, we applied a staged approach.

Stage 1: Country selection

Task 1: Data collection and analysis of 26 EU Member States to choose 5 for further analysis. This step involved:

a. performing desktop research on all 26 Member States and their accounting frameworks and IFRS application flexibility;
b. preparation of detailed questionnaires and their submission to accounting and auditing practitioners from the PwC network, seeking to get a deeper understanding of the accounting practices and good benchmarks;
c. Identification of 5 countries with the potential of being most developed in the accounting areas of interest and most relevant to the Polish national context. Criteria used for this step included:
    i) Openness to use IFRS and flexibility in its application;
    ii) Advanced use of digitalization in accounting;
    iii) Simplifications available for smaller entities;
    iv) Flexibility in the stock count process, and
    v) Other aspects.

Additionally, in the selection process of the shortlist of countries we ensured that at least one candidate belonged to the following groups of countries:

i) Group 1: geographic location – criterion: countries from the Central and Eastern Europe (“CEE”) region

   The rationale: similar history of regulatory changes in the area of finance and accounting with recent changes in their regulatory environment, most likely to have solutions that can be quickly and cost-effectively applied in Poland.

ii) Group 2: large country – criterion: meets 2 out of 3 of the following: Gross Domestic Product (“GDP”) per capita / population above, the total number of companies with listed shares above 500, market capitalisation value above 1,000,000 (EUR m)

   The rationale: well developed local stock exchanges with the biggest number of publicly listed entities may suggest the most developed accounting and reporting rules, the size and wealth of the country may be correlated with the biggest experience and proven track record of successful application of complex technologies in the regulatory areas.

iii) Group 3: level of digitalization – criterion: level of digitalisation of government / GovTech maturity index A

The rationale: Special attention to digitalization is one of the key priorities of the Project and the level of digitalisation of government may be correlated with the advanced technology used for statutory financial reporting, allowing real-time reporting using sharing platforms for companies, their auditors and regulatory authorities, and advanced legal solutions in place allowing or enforcing digitalization of entities.

Task 2: Collection of detailed information from at least 5 EU Member States that have been identified as most developed in the areas identified in the previous stages of the Project and which are most relevant for the Polish national context.

Task 3: Analysis of such best practices in terms of their applicability and contribution to the improvement of the Accounting Act in Poland as well as their cost, duration and complexity.

Task 4: Together with the Beneficiary Authority, selection of a maximum of 3 locations for potential study visits in EU Member States – the study visits would involve the local government and selected practitioners.

Stage 2: Analysis of selected countries

Task 5: Potential execution of maximum 3 study visits with selected representatives of the Beneficiary Authority.

In the course of the Project one study visit took place. The remaining 2 countries have been analysed using extended desktop research with the involvement of subject matter experts at the PwC network. The MoF has been actively involved in establishing connections and initiating the exchange of information with the German Ministry of Justice and the Ministry of Finance in Hungary.

Stage 3: Key findings and recommendations

Task 6: Identification of best practices that may be applied in Poland.

3. Stage 1 – Country selection

3.1. Task 1 – Data collection and analysis of 26 EU Member States to choose 5 for further analysis

In order to identify practices in areas identified in the previous phases of the Project that are most relevant to the Polish national context, a three-step approach has been applied.

a. In the first step information was gathered on all 26 Member States and their accounting frameworks and IFRS application flexibility. This stage relied entirely on information publicly available. To the extent possible the information collected by Project Team during this desktop research has been validated by nominated PwC experts from each country.

A summary of accounting frameworks and IFRS application flexibility has been provided in Appendix B.

b. Based on the information gathered in the first step linked together with the problematic areas identified in Phase II of the Project, detailed questionnaires were prepared and submitted to accounting and auditing practitioners from the PwC network, seeking to get a deeper understanding of the accounting framework, current practices and reform plans (if announced), as well as considerations in areas identified in previous phases of the Project.

The questionnaire used in the second step has been provided in Appendix C.

The individual answers collected from all 26 Member States have been provided in Appendix F.

c. Based on the results from the above steps, 5 countries were identified with the potential of being most developed in the accounting areas and most relevant to the Polish national context. Together with the Beneficiary Authority, the selection of 3 locations for study visits in EU Member States (involving the local government and selected practitioners) was made to include (i) Denmark, (ii) Germany and (iii) Hungary.

Methodology and general approach for selection of the countries

The following criteria have been used for country selection:

- Openness to use IFRS and flexibility in its application;
- Advanced use of digitalization in accounting;
- Simplifications available for smaller entities;
- Flexibility in the stock count process, and
- Other aspects.

What we were looking for:

IFRS

Voluntary IFRS application

Obligations to be met by voluntary IFRS adopters

Special regulations obligatory for IFRS adopters

Digitalization

Minimum functionalities of bookkeeping systems

Archivization and data security requirements

Certification process for bookkeeping systems

Simplifications

Simplifications linked to local reporting requirements, accounting rules and bookkeeping available for entities of certain type or size

Stock count

Specific regulations defining aspects of or fixed assets / inventory stock count (frequency, timing, methodology), also connected with digital aspects of the process

Other aspects

Major changes to the local GAAP (recent or planned)

Regulations related to bookkeeping techniques and conditions (language, currency, etc)

The summary of the analysis has been provided below:

Data collection and analysis

Selection criteria

Top 5	

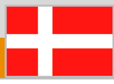
Number of areas of interest identified	
●	Multiple
●	Some
●	Limited on none

	Austria	Belgium	Bulgaria	Republic of Cyprus	Croatia	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxemburg	Malta	Netherlands	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden
Openness to IFRS	Some	Limited on none	Some	Some	Some	Multiple	Multiple	Some	Limited on none	Limited on none	Some	Some	Multiple	Multiple	Some	Some	Some	Some	Some	Some	Limited on none	Multiple	Limited on none	Limited on none	Some	Some
Digitalization	Some	Some	Some	Limited on none	Some	Multiple	Multiple	Multiple	Limited on none	Multiple	Multiple	Some	Multiple	Multiple	Multiple	Multiple	Some	Some	Some	Some	Some	Multiple	Multiple	Some	Some	Some
Simplifications	Multiple	Some	Multiple	Some	Some	Some	Some	Some	Some	Some	Some	Some	Some	Some	Limited on none	Multiple	Some	Some	Limited on none	Some	Some	Some	Multiple	Multiple	Some	Some
Stock count	Multiple	Limited on none	Multiple	Limited on none	Limited on none	Multiple	Limited on none	Limited on none	Limited on none	Some	Multiple	Limited on none	Limited on none	Limited on none	Limited on none	Multiple	Multiple	Limited on none	Limited on none	Limited on none	Limited on none	Limited on none	Some	Some	Limited on none	Limited on none
Other aspects	Some	Some	Some	Limited on none	Multiple	Multiple	Some	Multiple	Limited on none	Some	Multiple	Limited on none	Multiple	Some	Some	Multiple	Multiple	Limited on none	Some	Some	Limited on none	Some	Multiple	Limited on none	Multiple	Some

3.2. Tasks 2 and 3: Collection and analysis of information about 5 EU Member States which have been identified as most relevant for the Polish national context

We have collected detailed information from 5 EU Member States which have been identified as most developed in the Accounting Act areas identified in the previous phases of the Project and which are most relevant for the Polish national context and analysed such best practices in terms of their applicability and contribution to the improvement of the Accounting Act in Poland as well as their cost, duration and complexity.

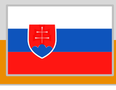
Examples of areas that may be relevant for the Polish context with potential for implementation in 5 pre-selected countries are presented in the table below.

Denmark 	
Accounting framework	**Key area of interest: Requirements relating to bookkeeping systems & system certification** ● A publicly approved digital bookkeeping system must be used or several specific requirements must be met. ● There is a list of specific requirements for suppliers of digital bookkeeping systems to have their systems approved. ● The requirements for systems are determined by the Danish Business Authority, some regulations are already in place including: digital support of registration and storage, compliance with recognised standards for IT security and automatic backup, and readiness for recording of data entries in accordance with any future public chart of accounts. ● Voluntary application of IFRS. ● Denmark has not embraced IFRS for small and medium-sized entities (“SMEs”).
IFRS voluntary application	● Since 2009, Denmark has removed the requirement for listed companies to use IFRS in their individual financial statements, however there is still an obligation to apply IFRS for consolidated financial statements. ● Unlisted companies have the option to adopt either the IFRS or the Danish Accounting Standards established by the Danish Accounting Standards Committee (“DASC”) of (“FSR”) – Danske Revisorer. ● Companies may choose to apply either Danish Accounting Standards or IFRS voluntarily. This voluntary application aims to enhance transparency in financial reporting and meet the information needs of users such as investors, creditors, and other stakeholders.
ERP requirements	● From 2024, some companies (accounting classes B-D defined in the Danish Financial Statements Act) are obliged to use a certified / regulated digital bookkeeping system. ● There is a requirement for suppliers of digital bookkeeping systems to have their systems registered with the Danish Business Authority (“Erhvervsstyrelsen”). Companies employing a bookkeeping system not registered with the Danish Business Authority, such as specially

	developed or foreign accounting systems, bear the responsibility for ensuring compliance with the stipulated requirements for their selected bookkeeping system. ● The Danish Business Authority established the specific requirements for bookkeeping systems. These include among others: digital support for registration and storage, adherence to recognized IT security standards, automatic backup capabilities, and support of the automation of administrative processes and the option of accounting in accordance with a public standard chart of accounts in registered bookkeeping systems.
Language requirements	● Companies are required to translate their accounting records, excluding external receipts, into either Danish or English. As per existing regulations, Danish companies cannot exclusively submit their annual reports in English. Therefore, if a company compiles its annual report in English, it must also create a corresponding Danish version.
Chart of Accounts	● Currently, there is no obligatory chart of accounts that must be employed, but a digital bookkeeping system should be capable of accommodating accounting in alignment with a publicly recognized standard chart of accounts.
Regulations related to cybersecurity in the accounting	● A digital bookkeeping system provided or utilised for bookkeeping must satisfy the following criteria: comply with acknowledged standards for IT security, encompassing user and access management, and guarantee automatic backup of records and receipts.
Simplification	● The Danish Financial Statements Act categorises companies into four reporting classes – A, B, C, and D, with class A comprising the smallest companies and class D encompassing the larger listed companies. Simplifications are available and applied based on the assigned class. ● Danish regulations pertaining to stock count are general and uncomplicated, mandating the necessity of conducting stock counts but without providing detailed instructions on how to do that.
Germany	
Accounting framework	**Key area of interest: Detailed cybersecurity regulations, detailed technology regulations applicable for ERP systems, simplified stock count, system certifications** ● There are specific procedures for simplified inventory-taking (sampling); it is not necessary to physically take stock of all the assets. ● The German Institute of Public Accountants ("Institut der Wirtschaftsprüfer in Deutschland", or "IDW") issues technical guidance, accounting opinions and other documents to help German companies comply with German GAAP; also the Federal Financial Supervisory Authority ("Bundesanstalt fürFinanzdienstleistungsaufsicht", or "BaFin") provides guidance documents and best practices related to accounting and financial reporting. ● The accounting records should be structured in a way that allows an external expert to efficiently understand the business transactions and financial position of the undertaking within a reasonable timeframe. The tracking of business transactions, including their origin and execution, should be feasible. ● Germany has adopted the IFRS for SMEs. In 2015, the German Accounting Directive Implementation Act was aimed at harmonising the

	German accounting law with the EU Accounting Directive (2013/34/EU). The possibilities to reduce the burden on SMEs were taken advantage of to the greatest extent possible.
IFRS voluntary application	● Companies whose debt or equity securities are traded on a regulated market are required to use IFRS in their consolidated accounts as required by the European Commission (EC) Regulation No. 1606/2002. ● All companies without debt or equity securities traded on a regulated market in Germany, are allowed to use IFRS for informational purposes in the preparation of their annual consolidated financial statements. However, for all other official purposes, these companies must adhere to the national accounting standards outlined in the Handelsgesetzbuch (“HGB”). There is no dual reporting requirement. In Germany, other companies can use one of these accounting frameworks, usually choosing HGB as the basis.
ERP requirements	● The Ministry of Finance releases guidelines for appropriate computerised accounting systems. While there is no mandatory public certification process for IT systems, many SMEs opt for private certification to ensure that their software meets specific standards and requirements. ● One of the important German certifying institutions in the context of accounting systems is the “Institut der Wirtschaftsprüfer in Deutschland” (Institute of Public Auditors in Germany). This institute has the authority to grant certificates of compliance for accounting systems with specific standards, particularly in the field of financial accounting.
Language requirements	● The annual financial statements are to be drawn up in German. ● In maintaining the commercial records and the documentation otherwise required, the entity is to use a “living language”. This term refers to the fact that the language used in accounting documentation must be understandable and up to date to facilitate the understanding of financial information by interested parties. Where acronyms, numbers, letters of the alphabet or symbols are used, their meaning must be unequivocally defined in each case.
Chart of Accounts	● While there is no legal mandate to adopt a specific chart of accounts, the fundamental requirement for sound accounting is the clear and understandable documentation of all business transactions. ● It is strongly advisable, for the sake of clarity and transparency, to employ a well-organised account structure. ● Companies have the flexibility to create their own chart of accounts, as long as it adheres to the principles outlined in the Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern (“GoBD”), which is the German regulation issued by the German Federal Ministry of Finance, which sets out the basic principles that businesses need to observe and comply with in terms of digital accounting and which is governing the proper management and storage of electronic documents, data access etc.
Regulations related to cybersecurity in the accounting	● Regulations related to cybersecurity in accounting are established, including the segregation of duties and access authorization.
Simplification	● Exemption for sole traders from duty to keep books and prepare an inventory count: “Sole traders who, as per the balance sheet dates of two consecutive financial years, do not have more than 600,000 euros of annual turnover and 60,000 euros as their net income for the respective year are not required to apply sections 238 through 241 of the HGB.” ● Micro enterprises: entities meeting the criteria specified in § 267a of the

	HGB are exempt from the obligation to maintain full accounting books. Micro enterprises are subject to simplified accounting procedures. ● Small enterprises: some small entities specified in § 241a of the HGB may use simplified accounting procedures, which reduces the requirements for maintaining full accounting records.
Hungary	
Accounting framework	**Key area of interest: Flexibility in IFRS application, special requirements focused on quality of IFRS financial statements** ● In 2015, the Hungarian National Bank (“MNE”) passed a resolution broadening the usage of EU-endorsed IFRS to the standalone financial statements of Hungarian companies. This expansion encompassed financial institutions, companies with securities traded in the European Economic Area, and companies subjected to mandatory audits. ● All other companies must apply the Hungarian GAAP although they are permitted to use the EU-endorsed IFRS as supplemental financial statements. ● Entities subject to mandatory audits can freely choose between Hungarian GAAP and IFRS. ● Transitioning to IFRS requires an International Standard on Assurance Engagements (“ISAE”) 3000 audit opinion of IFRS readiness. ● Bookkeeping (and the audit of such companies) requires a special licence called IFRS accredited bookkeeper and IFRS accredited auditor. ● During the process of finalising the books, preparing the financial report, and substantiating various balance sheet items, an inventory stock count audit must be conducted and documented in compliance with the regulations specified in this act. This audit should provide a detailed and verifiable account, as per Subsection (5) of the Hungarian Accounting Act, of the quantity and value of the company's assets and liabilities as of the balance sheet date. ● The Finance Ministry, the Chamber of Auditors and other professional bodies issue Q&As relating to the Accounting Act that are available to the public. ● IFRS for SMEs have not been adopted; however, companies that meet two of the three thresholds may prepare a simplified annual report.
IFRS voluntary application	● Optional adoption of EU-endorsed IFRS is allowed for the consolidated accounts of all companies covered by the Hungarian Accounting Act that do not participate in trading on the regulated market.
ERP requirements	● No special ERP requirements.
Language requirements	● Economic entities (according to the Hungarian Accounting Act, a term used to describe various entities that conduct business activities and are required to apply appropriate accounting standards) are required to create financial statements in the Hungarian language. ● Accounting records must be kept in Hungarian, following the regulations outlined in Sections 159-169 of the Hungarian Accounting Act and the principles of accounting, utilising either the single-entry or double-entry system. ● The annual report, as well as the simplified balance sheet and profit and loss statement, must be formulated in Hungarian. Branches are also obligated to fulfil publication and deposit requirements in the Hungarian language.

Chart of Accounts	● Economic entities employing double-entry bookkeeping must establish an accounting system in line with the regulations pertaining to the standard chart of accounts. This system should have the capability to prepare annual accounts in complete adherence to the relevant provisions outlined in this Act.
Regulations related to cybersecurity in the accounting	● Electronic-format accounting documents must be preserved in accordance with digital archiving legislation ("Act on Archiving Documentation"). The storage system should facilitate the prompt retrieval of all information from the original document in a clear and legible form. Additionally, safeguards must be in place to prevent manipulation or corruption of the stored contents.
Simplification	● Economic entities are allowed to file simplified reports – supported by single-entry bookkeeping as defined in Paragraph d) of Subsection (2) – if permitted under the government decrees referred to in Sections 5 and 6 of the Hungarian Accounting Act. ● Economic entities keeping double-entry books also may prepare a simplified annual account if they meet certain conditions. ● Any enterprise that is not subject to statutory audits shall have the option to prepare its simplified annual account (including the simplified annual accounts of micro-entities) in accordance with the government decree specified in Subsection (5) of Section 6 of the Hungarian Accounting Act.
Slovakia 	
Accounting framework	**Key area of interest: Recent legal amendments related to digitalization** ● Following the EU statutory framework outlined in Regulation EC 1606/2002 and its incorporation into national legislation, listed entities are obligated to adopt EU-endorsed IFRS Standards for their consolidated financial statements. Furthermore, other companies have the option to utilise IFRS for their consolidated financial statements. ● Slovakia utilised an option under the framework to require EU-endorsed IFRS as adopted by the EU in the consolidated statements of companies whose securities are not traded on a public market. ● The adoption of IFRS for SMEs is not currently in place and there are no plans to consider it until there are changes to the EU Accounting Directive. ● Entities are allowed to conduct an inventory count for stock in the month following the preparation of the financial statements.
IFRS voluntary application	● Slovakia utilised an option under the EU statutory framework to: - require EU-endorsed IFRS for both consolidated and separate company financial statements of all public interest entities (PIEs); - permit EU-endorsed IFRS in the separate company financial statements of all companies whose securities are traded on a regulated market that are non-PIEs; - require EU-endorsed IFRS as adopted by the EU in the consolidated statements of companies whose securities are not traded on a public market.
ERP requirements	● Recent amendments to the Accounting Act in Slovakia focused on digitalisation (specified conditions that accounting entity must obey when processing electronic accounting records), i.e. all accounting documents, financial statements, audit reports, annual reports and financial statement approval notices, will be entered in the financial statements register in electronic form only; extending the scope of the act applicable to persons

	other than the accounting entities. ● An entity using a double-entry accounting system is obliged, at the request of the tax authority, to provide access to the accounting software.
Language requirements	● The accounting entity is obliged to keep books and prepare financial statements in the national language. Each accounting document prepared in a language other than Slovak must meet the condition of comprehensibility in accordance with the Slovak Accounting Act.
Chart of Accounts	● There is no requirement for a standard chart of accounts, however, regulations state that a framework chart of accounts shall comprise classes of accounts or groups of accounts or synthetic accounts used to record individual transactions, including the numerical and verbal designation thereof, and off-balance sheet accounts, all of which must be arranged in compliance with the requirements applying to the preparation of financial statements. ● An accounting entity shall draw up an accounting schedule containing the synthetic accounts and analytical accounts necessary for recording all transactions in the accounting period and for preparing financial statements and off-balance sheet accounts.
Regulations related to cybersecurity in the accounting	● The National Cybersecurity Strategy details objectives, priorities, and management frameworks, covering readiness, response, restoration, resource identification, education, research, risk assessment, and international collaboration. The Cybersecurity Single Information System oversees state administration in cybersecurity, facilitating incident reporting, early warnings, and access to essential service registries and incident data in real-time for authorised entities, ensuring coordinated responses.
Simplification	● A micro accounting unit (which is defined by the Slovak Accounting Act as an accounting unit not registered or established for commercial purposes) and an accounting unit maintaining accounts in a single-accounting system is not obliged to measure assets and liabilities at fair value.
Ireland	
Accounting framework	**Key area of interest: Previous experience with a comprehensive reform of local GAAPs aimed toward simplification** ● A multitude of Irish GAAP Financial Reporting Standards (“FRSs”), Statements of Standard Accounting Practice (“SSAPs”), and Urgent Issues Task Force (“UITFs”) have been streamlined into a single, less complex yet comprehensive standard (“FRS 102”) designed to simplify matters for a broad range of users. This resulted in a more concise document, reduced from 2500 pages to 300. ● Ireland has adopted the IFRS for SMEs. Since 2015, the FRC has issued FRS 102, which is based on IFRS for SMEs but with significant modifications. ● There are requirements for extensible markup language (“XML”) tagging in tax filings, with the possibility of a similar concept being introduced in the future for financial reporting. Tagging requirements for tax filings typically involve the use of standardised electronic formats for submitting financial information to the Revenue Commissioners, the Irish tax authority.
IFRS voluntary application	● As per the legal requirements (The Companies Act of 2014 – as amended 2018), companies with listed debt or equity on a regulated capital market are obligated to compile consolidated financial statements in adherence to

	EU-endorsed IFRS. ● All other companies (all except those mentioned above) may choose to prepare their financial statements in accordance with financial reporting standards issued by: - the Financial Reporting Council ("FRC") in the United Kingdom (UK), - EU-endorsed IFRS, - in some limited cases, in accordance with another approved accounting framework, for example US GAAP.
ERP requirements	● There isn't any public (state affiliated) certification process for book-keeping (ERP) systems that is available or required to obtain. ● Some regulations must be followed relating to bookkeeping techniques and conditions based on Sections 281 to 286 of the Companies Act 2014 deals with accounting records.
Language requirements	● Documents submitted to the Registration Office (Institution responsible for registering various types of business activities and other significant documents related to running enterprises for example Companies Registration Office; Revenue Commissioners or Companies Registration Office for Limited Partnerships and Business Names) must be in either Irish or English. ● Any document that an external company is required to submit or notify to the Registrar must include a certified translation in either the Irish or English language, if the original document is in a different language. ● If the financial statements are not in English or Irish, they must be translated into English or Irish and the translation, certified in the prescribed manner as accurate, should also be submitted to the Registrar.
Chart of Accounts	● There is no template for a chart of accounts that must be applied by some or all entities.
Regulations related to cybersecurity in the accounting	● There are no regulations related to cybersecurity in the accounting and bookkeeping area.
Simplification	● There are simplifications related to local reporting requirements, accounting rules and book-keeping that are available for entities of certain type or size.

3.3. Task 4: Selection of locations for study visits in EU Member States

Based on further data analysis and considering the pre-defined criteria mentioned above, 3 countries have been recommended by the Contractor and selected by the Beneficiary: Germany, Denmark and Hungary.

4. Stage 2 – Analysis of selected countries

4.1. Denmark

A study visit in Denmark was held on December 1, 2023 at The Danish Business Authority in Copenhagen.

The agenda of the meeting covered Automatic Business Reporting and the new Bookkeeping Law in Denmark, The Danish Bookkeeping Law, implementation of the new requirements for the digital bookkeeping system in Denmark and The Danish Stock Account including valuation and stock take.

Bookkeeping and financial reporting

1. Digital transformation of financial reporting and bookkeeping

The main reason for the digital transformation of financial reporting and bookkeeping in Denmark was not only the reduction of companies' costs, but also the enhancement of security, effectiveness and efficiency. According to the analysis prepared by KPMG for a joint public working group consisting of the Danish Tax Authority, Statistics Denmark, and the Danish Business Authority, the administrative cost savings stand at 2.9 billion DKK.

In May 2022, the Danish Parliament passed a new Bookkeeping Act with special regard to digitalisation. According to the newly introduced Danish bookkeeping act the requirement to use a digital bookkeeping system is expected to come into force on 1 January 2024 for companies with an obligation to submit an annual report according to the Financial Statements Act's accounting classes B–D. The requirement to use a digital bookkeeping system for other companies subject to bookkeeping (e.g. accounting class A) with a net turnover of more than DKK 300,000 is expected to come into force 2 years later.

Companies must use a digital bookkeeping system that meets several general requirements. Providers of bookkeeping systems on the Danish market must have their bookkeeping system registered with the Danish Business Authority ("Erhvervsstyrelsen"). If you use one of these systems, it is the provider's responsibility to ensure that the requirements of the law are complied with. Companies that use a bookkeeping system that is not registered with the Danish Business Authority (e.g. specially developed or foreign accounting systems) are themselves responsible for ensuring that the bookkeeping system used meets the requirements.

While the Danish regulations mandating the use of a digital bookkeeping system with specific requirements offer a commendable benchmark, direct implementation into Polish law at this moment may encounter practical challenges. Denmark's regulatory environment and technological infrastructure differs significantly from Poland's, making it challenging to seamlessly transpose such regulations and obligations.

When proposing the changes to the Polish Accounting Act, the Project team will consider the Danish model as a source of inspiration to modernise Polish bookkeeping practices. A phased and customised approach will be suitable for Poland, taking into account the current state of digital readiness, the diversity of businesses, and potential associated costs.

A more pragmatic approach, we are considering, would involve gradual adoption, accompanied by support mechanisms for businesses to transition smoothly. By leveraging the Danish model as inspiration and tailoring it to Poland's circumstances, authorities can work towards a more seamless integration of digital bookkeeping systems over time. This approach would facilitate compliance, encourage technological advancements, and contribute to the overall modernization of Poland's financial infrastructure.

The above-mentioned digital transformation of bookkeeping and reporting in Denmark was conducted and/or supported by both governmental bodies and the engagement of external consultants or experts for specialised project support. This collaborative framework enhanced the breadth and depth of expertise brought to the initiative and filled the gaps in the areas where public resources were stretched or limited. Embracing a similar approach in Poland regarding changes in accounting regulations would likewise bolster the development of updated standards responsive to dynamic financial environments.

2. Requirements for digital bookkeeping systems

Requirements for digital bookkeeping systems imposed on bookkeeping systems by the Danish law include:

- support of ongoing recording of the company's transactions with an indication of receipts for each record and secure storage of records and receipts for 5 years;
- meeting recognised standards for IT security, including user and access management, and ensuring automatic backup of records and receipts;
- support in the automation of administrative processes, including automatic distribution and receipt of e-invoices and the option of accounting in accordance with a public standard chart of accounts in registered bookkeeping systems

Apart from the listed above requirements imposed by the Danish law, there is a secondary regulation that introduces standards on bookkeeping systems.

Per this secondary regulation, standard systems should comply with the following criteria:

- Support of ongoing recording of the company's transactions with an indication of receipts for each record and secure storage of records and receipts for 5 years:
  - information when bookkeeping the company's transactions;
  - ensuring audit trails for the company's recorded transactions;
  - storage of receipts;
  - storage of the company's recorded transactions and receipts for 5 years.
- Meeting recognised standards for IT security, including user and access management, and ensuring automatic backup of records and receipts:
  - Implementing appropriate technical and organisational IT security measures at all times to ensure that the system has a high level of IT security.
  - Performing risk assessment aimed at establishing appropriate security measures.
  - Applying appropriate IT security level: Relevant risks identification and prevention regarding destruction, loss, lack of availability, changes, access or misuse and when processing personal data (“GDPR”).
  - If the provider uses a third party to store transactions and receipts or a backup copy the provider must ensure there are appropriate technical and organisational IT security measures at such a third party.
- Automatic sending and receiving of e-invoices (Danish and EU formats).
- Option to reconcile the company's bookkeeping with the company's bank account.
- Possibility of accounting according to a standard public chart of accounts that covers annual accounts and VAT.
- Correct bookkeeping through a bookkeeping guide or accounting guide.
- Sharing of the company's bookkeeping data (SAF-T-format).
- Reporting of annual accounts and VAT.
- Notice on the possibility of registration in Nemhandelsregisteret (e-invoices).
- Registration functionality for Nemhandelsregisteret (e-invoices).

Non – standard systems have to correspond only to the criteria as follows:

- Automatic sending and receiving of e-invoices (Danish and EU formats).
- Option to reconcile the company's bookkeeping with the company's bank account.
- Sharing of the company's bookkeeping data (SAF-T-format).

Before the process of implementing the above mentioned requirements on bookkeeping systems, there was a series of interviews with selected Danish digital accounting systems providers, representing a wide range of system types. This served to evaluate the impact and then taking the findings into account to introduce new regulations.

Then a questionnaire survey was conducted. Its objective was to ratify the proposed technical requirements based on the business case and interviews. As a result of those surveys some requirements that were to be introduced were postponed to be implemented later.

Interviews and questionnaire surveys were also conducted with companies using digital bookkeeping systems, which allowed obtaining different perspectives on the proposed regulations and requirements.

We note that the high involvement of stakeholders (including the discussed above process of conducting surveys and interviews with both suppliers and companies) was a very valuable step within the Danish reform. Similarly, in Poland, such stakeholder engagement is crucial to understanding the diverse needs and IT capacities of businesses. By gathering insights from both suppliers and companies, we plan to tailor our proposed approach to digital transformation, ensuring that the regulations are not only robust but also practical for widespread adoption.

A phased approach that considers the potential financial burden on businesses could pave the way for a more sustainable and successful implementation of such regulations in the Polish context over time.

Accounting for inventory

Accounting regulations regarding stock-counting in Denmark are based on the Accounting Directive of the European Union and International Accounting Standard 2 (“IAS 2”).

The clear obligation for carrying out stock-counting in Denmark results from the Danish tax regulation which states that "At the end of the financial year, a physical count of the inventory must be carried out, the size of which must be documented by a count list, in which the individual items are listed and identified to the extent necessary. If the inventory can be calculated at any time based on a reliable inventory account or similar, the physical count can be done at other times than at the end of the financial year."

While the Danish regulations on stock counting are relatively straightforward, stating that stock counting must be done, directly transplanting such minimalistic guidelines into the Polish legal framework might not suffice.

Poland has established its own distinct accounting principles and regulatory framework, tailored to suit the nuances of its unique economic environment. The direct adoption of regulations modelled after those of Denmark may not seamlessly harmonise with the intricacies of Polish business culture and accounting standards.

We recognize the value inherent in Denmark's minimalist approach, which prioritises delineating obligations without prescribing detailed methodologies or timelines for stock counting, under the presumption that companies are best positioned to determine the appropriate methods and timing. Consequently, we intend to propose a simplification of existing Polish obligations, cognizant of the needs of different stakeholders and authorities, such as tax authorities.

Coherence between the Accounting Act and other legislation

In Denmark, coherence between the Accounting Act and other legislation is achieved through a unique approach where the Accounting Act serves as a foundational framework, while detailed regulations are stipulated in the form of executive orders. The Accounting Act itself is characterised by brevity, outlining fundamental principles and guidelines for financial reporting and accounting practices. However, to ensure comprehensive coverage and specificity, supplementary regulations are promulgated at a lower level of legislation through executive orders.

This division of legislative detail allows for flexibility and adaptability in addressing specific accounting issues and evolving regulatory requirements. By placing detailed provisions in executive orders, Denmark can efficiently update and refine regulations without the need for extensive parliamentary processes. This approach fosters coherence by maintaining alignment between the overarching principles outlined in the Accounting Act and the specific operational guidelines set forth in executive orders.

Introducing an approach similar to Denmark's in Poland by simplifying the Polish Accounting Act and expanding the list of existing standards and executive orders could be a positive step towards achieving greater coherence and flexibility in accounting regulations. Streamlining the Accounting Act would provide a clear and concise foundation, while expanding the scope of detailed regulations through executive orders could enhance specificity and adaptability to evolving accounting practices and regulatory needs. This could potentially streamline compliance processes and facilitate a more agile response to changing economic environments, ultimately benefiting businesses and stakeholders in Poland.

We believe that the solution proposed by Denmark is attractive, hence the simplification of the Polish Accounting Act and thus the transfer of detailed regulations to a lower regulatory level will be included in the recommendations in the Phase IV Report.

4.2. Germany

We have conducted our analysis for the purpose of Phase III based on (i) email exchange and teleconference with the German Ministry of Justice facilitated by the Beneficiary (ii) analysis of publicly available information on German accounting laws and desktop review of German questionnaires. Below, we outline the key findings and areas of interest which we identified and which might be relevant for Poland.

Being a part of the European Union, Germany must adhere to the accounting, auditing, and financial reporting standards outlined in EU Regulations and Directives, which are integrated into its national laws and regulations. The German national framework is therefore in line with the EU Directive.

What we have observed is that Germany incorporates the following characteristics into its accounting principles:

1. Regulations related to cybersecurity;
2. Bookkeeping under GoBD;
3. Procedures for simplified inventory-taking;
4. Structure of the German Accounting Act.

Regulations related to cyber- and data security (segregation of duties, access authorisation)

Germany has detailed and well-developed regulations related to cybersecurity. Below we have summarised key areas within German IT Security Act 1.0 & 2.0 (IT-Sicherheitsgesetz 1.0 & 2.0) and Federal Data Protection Act (Bundesdatenschutzgesetz- "BDSG") which applies to wide array of technology in business including booking systems and ERPs.

1. IT Security Act 1.0 & 2.0:

- The IT Security 2.0 act pertains to operators of critical infrastructure (Kritische Infrastrukturen "KRITIS-Betreiber"), encompassing sectors such as energy, information technology, telecommunications, transportation, healthcare, finance, water supply, waste management, and others. The identification of operators is based on predefined criteria, such as their significance for societal functioning and the potential consequences of incidents related to IT security.
- The law establishes a series of definitions to facilitate the application of requirements, including concepts such as information technology, IT security, federal communication technology, malicious software, security vulnerabilities, certification, protocol data, data traffic, IT products, attack detection systems, critical infrastructure, digital services, digital service providers, critical components, and companies of special public interest. A clear definition of these concepts allows for a consistent interpretation and application of legal provisions.
- The BSI ("Federal Office for Information Security") is authorised to conduct audits and inspections to verify compliance with legal requirements. Audits may involve reviewing documentation, conducting on-site inspections, and assessing the

effectiveness of security measures implemented by operators. Non-compliance with the law may result in penalties, including fines.

2. **BDSG (data security):**

- The law requires all data processors to take the necessary technical and organisational steps to ensure appropriate protection measures for all data processed.
- It is recommended to implement strict encryption across the entire database, while ensuring that such data is only accessible to appropriate people when necessary.
- The data processor must keep detailed records of all data it collects.
- Data processors in Germany can comply with national data protection law if they meet the following conditions:
  - they have a comprehensive privacy policy;
  - they carry out regular data protection impact assessments as well as data mapping;
  - they notify the appropriate authorities of a data breach as quickly as possible.

We note that in Poland, the accounting law does not incorporate technological advancements concerning Information Technology (IT) security, cybersecurity or data protection. Moreover, the information regarding these aspects within the second and eight chapters of the Polish Accounting Act is outdated. Similarly to the German approach, we believe that the accounting law should include only general and basic requirements while details on how to apply them in practice may be included in a separate regulation(s) and we will suggest that (as far as it applies to accounting and bookkeeping) these should be included in the Polish National Accounting Standards.

Bookkeeping under GoBD:

1. **General requirements for ERP systems**

The tax and commercial law require that an IT based solution for bookkeeping (ERP system) is mandatory to ensure a complete, correct, timely and orderly capturing of journal entries as well as a safe storage of the journal entries.

The electronic method of bookkeeping is permitted by § 239 of the commercial law *"so far as these bookkeeping methods, including the procedures used, comply with generally accepted accounting principles."*

Limitations that the entity must adhere to when implementing the ERP system in their electronic method of bookkeeping are:

- providing evidence that the procedures and functions implemented in the ERP system fulfil these requirements and are compliant with GoBD;
- complete and correct transfering the financial data of the old / legacy system to the new ERP system;
- appropriate testing of program function.

Thus, each company using an IT based solution for bookkeeping has to provide evidence that the procedures and functions implemented in the ERP system fulfil these requirements and are compliant with GoBD. Acceptable evidence is a software certification that confirms compliance with the GoBD and that is published by a certified accountant. If such a certification is not provided by the software developer, a separate audit of the ERP system needs to be performed. If a company is not able to provide any evidence regarding compliance with the GoBD they are at risk of potential fines and surcharges also from tax authorities.

In addition, implementing a new ERP system requires that the financial data of the old / legacy system is transferred completely and correctly to the new ERP system and that program functions are tested appropriately. Moreover, these procedures have to fulfil the Generally Accepted Accounting Principles. Therefore, an audit of the system change process and its results are necessary to ensure that the system implementation and the migration are compliant with these requirements.

The bookkeeping of the entity has to match with the GoBD in accordance with § 238 (1) of the German Commercial Code, which applies according to § 141 of the Fiscal Code also for other bookkeeping traders.

According to GoBD, IT-based accounting must fulfil below the mentioned requirements. This is also controlled as part of the audit of the financial statements.

The GoBD terms consist of 6 components:

- **Completeness –** Enter all transactions; process of all master, inventory and movement data; compare input sums with the corresponding output totals;
- **Correctness –** Automatic error detection of inserted data; further processing of only factual correct data; enforcement to error correction;
- **Timely manner –** Timely task tracking; data entry; error correction and storage;
- **Proper order –** The bookings must be presented in a timely and in a business-like/ factual order. Within a reasonable period, all accounting transactions and individual transactions have to be made findable and visually readable;
- **Verifiability –** Evidence/ proof of detected errors; evidence/ proof of the full error correction; coordination and other work completion; evidence/ proof of change in master data; storage for subsequent tests;
- **Unchangeable character –** if changes to the transaction occur, accounting transactions have to be recorded in such a way that the original version and the fact that changes have been done, stay visible. This also applies to changes in the accounting system.

In Poland, software certification that confirms compliance with the Polish Accounting Act is not mandatory, but entities can use it if such certification is available from a provider, because it is a proof of compliance. In the Phase IV Report, we would however not recommend mandatory certification.

Once updated requirements related to digitization are established within the Polish Accounting Act, then potential internal or external certification can be considered. First, we propose introducing changes to the Polish Accounting Act based on German and Danish examples as listed above and then mandatory or other forms of certification may be considered.

2. Language requirements

The commercial books and other records must be kept in a living language in accordance with § 239 (1) sentence 1 of the German Commercial Code; this does not necessarily have to be German.

However, § 244 of the German Commercial Code stipulates that the annual financial statements for commercial law purposes may only be prepared in German. This applies to domestic companies and branches of foreign companies. Lack of knowledge of the German language does not invalidate this provision.

It is therefore possible to keep the books in a foreign language as long as it is ensured that the annual financial statements are prepared in German.

In Poland, under current accounting regulations, books need to be kept in Polish. We believe that the German solution is interesting, therefore in the Phase IV Report we will recommend introducing the possibility for an entity to keep accounting books in a foreign language in justified situations, e.g. when the entity applies IFRS or it is a branch of foreign entity (or a subordinated entity of a foreign entity), with an additional condition that the entity using this option should ensure translation into Polish of all elements required by a statutory auditor for an audit or a representative of tax authorities for fiscal control and for the needs of other state authorities to perform their obligations under the law.

Procedures for simplified inventory-taking

The simplified inventory taking procedure in Germany, also known as "vereinfachte Inventurverfahren" is a method of conducting an inventory count of company assets, which involves estimating the state of inventory and other assets without the need to conduct a full physical inventory count.

The method involves estimating the quantity and value of inventories based on accounting data and other information, such as sales, material consumption and orders. It is an alternative inventory count method used by some companies instead of a full stock take procedure, which can be time-consuming and costly.

This method can be used by:

- SMEs;
- Entities with relatively small inventories and assets that are not required to conduct a full inventory count in accordance with legal regulations;
- Entities operating in certain specialised industries where a complete inventory count might be difficult or expensive to perform and the “vereinfachte Inventurverfahren” method provides sufficient accuracy for financial reporting purposes.

However, due to the estimated nature of such an inventory count, it may be less accurate than a full physical inventory count. Therefore, the use of “vereinfachten Inventurverfahren” should be consistent with applicable legal provisions and German accounting standards to ensure the reliability of financial statements.

The main features of the simplified inventory count procedure are:

- **No requirement to conduct a full inventory count:** The company does not have to conduct a full inventory count of its assets at the end of the fiscal year. Instead, an inventory count is based on current data from the accounting records, such as balance sheets, ledger accounts, etc.
- **Utilisation of initial and final values:** Within the simplified inventory count procedure, initial values (at the beginning of the fiscal year) and final values (at the end of the fiscal year) from the accounting records may be used to determine changes in the asset position during the year.
- **Accuracy and consistency of data:** The company must ensure that the accounting data is accurate and consistent to effectively apply the simplified inventory count procedure. In case of any discrepancies or errors, a full inventory count may be necessary;
- **Documentation:** The company must maintain appropriate documentation confirming the application of the simplified inventory count procedure and documenting the use of initial and final values, as well as any other relevant information related to the inventory count process.

Concerning the points above, assets may be recognised in an unchanging quantity and as having an unchanging value if they are replaced at regular intervals and if their total value is immaterial for an entity, provided that the stock of assets is subject to merely slight modifications in terms of its size, its value and its composition. Regardless of the simplified procedure, stock take is to be physically performed, as a general rule, every three years.

In the case of the simplified inventory count procedures, it is permissible to assess the state of assets in terms of nature, quantity and value by sampling, using recognized mathematical and statistical methods.

There are no simplified inventory-taking procedures available currently for the majority of companies in Poland, but we note that in some cases when the stock value is immaterial or there are strong controls in place over stock account they could be implemented in the Polish environment.

We believe that the simplified inventory count method used in Germany may be useful and at least partially applicable for the Polish environment (for i.e. micro and small entities) and therefore we will consider this method when preparing a recommendation in the Phase IV Report.

Structure of the German Accounting Act

The German Accounting Act is divided into two main parts (General Part and Special Part), each containing several books:

General Part:

a. General Provisions;
b. Commercial Obligations and Receivables;
c. Commercial Books (including provisions regarding the keeping of accounting books).

Special Part:

a. Commercial Regulations on Enterprises;
b. Regulations Regarding Personal Partnerships (legal entities and individuals conducting business activities);
c. Regulations Concerning Transport Enterprises;
d. Regulations Concerning Commercial Enterprises Engaged in Activities at Sea;
e. Regulations Concerning Commercial Enterprises Operating in the Field of Insurance.

The structure used is intended to organise and facilitate access to various matters regulated by the German Accounting Act quickly and easily. The division of books included in the German Accounting Act is mainly based on the type of entity regulations apply to.

Overall, the German Accounting Act structure is meant to facilitate quick and easy use. Our recommendations in Phase IV will also focus on restructuring the Polish Accounting Act so that matters related to i.e. Polish GAAP vs IFRS are separated and grouped. Similarly, we also want to group matters related to small and medium companies eligible to use several simplifications and exemptions separately from all other general users.

4.3. Hungary

We have conducted our analysis for Phase III based on (i) email exchange with the Hungarian Ministry of Finance facilitated by the Beneficiary, (ii) analysis of publicly available information on Hungarian accounting laws and desktop review of Hungarian questionnaire and consultations with PwC local accounting experts. Below, we outline the key findings and areas of interest which we identified, and which might be relevant for Poland.

Being a part of the European Union, Hungary must adhere to the accounting, auditing, and financial reporting standards outlined in EU Regulations and Directives, which are integrated into its national laws and regulations. The Hungarian national framework is therefore in line with the EU Directive.

What we have observed is that Hungary incorporates the following characteristics into its accounting principles:

1. Every company subject to the mandatory audit can freely apply either IFRS or Hungarian GAAP;
2. IFRS implementation requires ISAE 3000 audit opinion of IFRS readiness and additionally bookkeeping and auditing of IFRS users requires a special licence (accreditation);
3. The Finance Ministry, the Chamber of Auditors and other professional bodies issue Q&As relating to the Accounting Act that are available to the public.

The option to utilise either IFRS or Hungarian GAAP

The flexibility for companies subject to mandatory audits to choose between International Financial Reporting Standards or Hungarian Generally Accepted Accounting Principles is often granted to accommodate different business needs and preferences. Here are a few reasons why this flexibility might be allowed:

Globalisation and International Operations: Companies engaged in international business or listed on global stock exchanges may prefer to adopt IFRS, as they are

	widely recognized and used internationally. This allows for better comparability and transparency when dealing with stakeholders from different regions.
	Ease of Comparison: If a company's industry peers or competitors predominantly use IFRS or Hungarian GAAP, adopting the same set of standards can facilitate easier financial comparisons and benchmarking.
	Financial Reporting Preferences: Some companies may find that either IFRS or Hungarian GAAP better suits their internal reporting needs or management preferences. The flexibility to choose allows them to tailor their financial reporting to their specific requirements.
	Legal and Regulatory Considerations: There may be legal or regulatory reasons for providing companies with a choice. It could be a way to support a business-friendly environment, giving companies the freedom to adopt the standards that best suit their operations within the bounds of the law

It's important to note that while there might be flexibility in choosing between IFRS and Hungarian GAAP, companies are typically required to consistently apply the selected accounting standards and disclose this choice in their financial statements.

The Hungarian approach presented in accounting principles seems to be more flexible than the current Polish one. We would like to propose a similar solution in the case of Polish accounting principles. We would like to recommend optionality in applying IFRS or Polish GAAP and regulations determining when you can switch to IFRS and return to Polish GAAP. In Poland the inability to apply IFRS voluntarily might be a problem, for example for entities that are obliged to report their results in accordance with IFRS to their owners, financing entities, investment funds or other investors. We will make a recommendation in this aspect in the Phase IV Report.

Requirement of specific accreditation

In the majority of cases, audits are mandated and must be conducted in accordance with the Hungarian National Standard of Auditing (“HNSA”), which is established by the Public Oversight Authority (“POA”), Hungary's regulatory body overseeing auditing practices. The POA operates within the Ministry of Finance and is responsible for the regulation of auditors, with some of these responsibilities delegated to the Chamber of Hungarian Auditors. The HNSA incorporates translated International Standards on Auditing (“ISA”), with minor additional requirements. However, the translation and approval process historically takes a year or two for a new or amended ISA to be integrated into the HNSA. Consequently, in practice, network firms often apply the new or amended standards from their original effective date due to the time involved in the translation and approval process.

The requirement for an ISAE 3000 audit opinion on IFRS readiness and a special licence (accreditation) for bookkeeping and auditing of IFRS users in Hungary likely stems from the regulatory framework and the need to ensure that entities applying IFRS are well-prepared and compliant. Here are potential reasons for these requirements:

- **Quality Assurance:** The ISAE 3000 standard provides guidelines on assurance engagements other than audits or reviews of historical financial information. controls in place.
- **Consistency and Standardization:** Requiring a special licence or accreditation for bookkeeping and auditing of IFRS users ensures that professionals handling these tasks have a standardised level of expertise.
- **Compliance and Regulatory Oversight:** The special licence or accreditation requirement may be imposed by regulatory authorities to enhance oversight and ensure that only qualified professionals engage in activities related to IFRS.
- **Complexity of IFRS:** IFRS are a comprehensive and complex set of accounting standards. Requiring a special licence for the bookkeeping and auditing of IFRS users acknowledges the specialised knowledge and skills needed to interpret and apply these standards accurately.
- **Risk Mitigation:** The transition to IFRS can pose risks, including potential misinterpretation or misapplication of the standards.

The Hungarian approach presented in accounting principles is stricter than the Polish one. We believe that in Poland, the current accreditations and certification requirements are sufficient, and we will most likely not propose a solution that is used in Hungary. We plan to introduce a change to Polish regulations stating that if an entity prepares its first financial statements in accordance with IFRS, it will be obliged to undertake an obligatory audit. These specific financial statements will have to be audited by a statutory auditor or an entity authorised to audit financial statements, which issues an opinion on their compliance with IFRS and other applicable regulations as well as their reliability and transparency.

Making the Q&A public relating to the Accounting Act

Another interesting finding coming from Hungary is that the Ministry of Finance, the Chamber of Auditors, and other professional bodies publicly release Questions and Answers (Q&As) pertaining to the Accounting Act. The release of Q&As by regulatory bodies is a proactive measure to provide guidance, ensure compliance, and foster a clear understanding of the Accounting Act among various stakeholders. It reflects a commitment to transparency, communication, and ongoing education within the financial and auditing community.

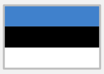
Regular and flexible communication between entities and lawmakers is a very good practice that could also be applied in Poland. Access to answers to frequently asked questions can help eliminate confusion among users of the Act. Currently in Poland, the relevant instructions and clarifications (similar to Q&A) are included i.e. in the National Accounting Standards and the Positions of the Accounting Standard Committee issued by the Ministry of Finance. Their purpose is to clarify the application of the Accounting Act. For instance, the Accounting Standards Committee has developed recommendations titled "Financial Reporting During the COVID-19 Pandemic," which can assist in maintaining accounting records and preparing financial statements for the year 2020.

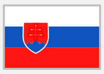
It is worth noting that while useful, the National Accounting Standards and the Positions of the Accounting Standard Committee might not be the quickest or most effective way of communication. We believe that an addition of regular Q&A sessions to the current communication channels is not necessary but may be an effective and faster way of responding to stakeholder feedback. The Q&A solution was already successfully used in Poland in the case of COVID-19 regulations prepared by the Polish Financial Supervision Authority, the MoF and the qualification process for certified auditors developed by the Polish Chamber of Statutory Auditors.

5. Additional findings from Stage1

5.1. Summary of digitalisation

Considering the pivotal role of digitalization for the overall Project, alongside the comprehensive analysis conducted for the three selected countries as detailed earlier, we have opted to expand the focus of our examination conducted in Stage 1, specifically within the realm of digitalization. This expansion entails the inclusion of further countries, including: Estonia, Latvia, Romania and Slovakia. The selection of countries was based on our initial research to identify those that have an advanced or semi-advanced approach to digitalization within their accounting regulations. We have also focused on the CEE area looking to better applicability of those digital regulations to Poland.

Country	Notable findings related to digitalization
 **Estonia**	• The Company Registration Portal's e-reporting environment facilitates electronic submission of annual reports. Users can prepare main reports and notes, add additional notes and documents, and digitally sign the annual report or print it and sign the report manually. • The system enables auditors to prepare their conclusions and certify financial statements electronically, the auditor can digitally sign the conclusions using the e-reporting environment. • Flexibility of the e-reporting system – a Board Member may add the auditor before report preparation for data oversight, during report preparation, or after all authorised parties have signed the report. • Electronic submission via an e-reporting system reduces duplication and ensures data is submitted in a standardised format, improving quality, comparability, and speed of availability, and facilitating international data exchange. The company benefits from a unified reporting environment, streamlining data entry and submission processes. • Throughout report preparation, the system verifies form completion and consistency between main reports and notes. • The Business Registry verifies submitted reports and allows for corrections or supplements via the e-reporting environment, providing pre-filled fields for efficient data entry. • Accounting documents preservation – accounting documents and data must be preserved in a machine-processable format, ensuring reproducibility, legibility, and evidential value, thereby strengthening the digital aspect of record-keeping.
 **Latvia**	• An undertaking can convert paper accounting documents into electronic format for storage, with the electronic version holding the same legal validity as the original document, provided specific conditions are met, including content integrity, human-readable presentation, protection against unauthorised changes, and documentation of the conversion and destruction processes as per company procedures. • Latvia offers detailed guidance on cybersecurity through separate documents; the country's innovation plans are outlined in the Guidelines for Science, Technology Development, and Innovation for 2014-2020 and the Guidelines for National Industrial Policy 2014-2020.
	• The national electronic invoicing system RO e-FACTURA facilitates electronic issuance and receipt of invoices for businesses, with significant

Country	Notable findings related to digitalization
Romania	benefits for economic efficiency, environmental impact, and administrative burden reduction, providing a platform for sending and downloading e-Invoices, supported by a user guide from the Ministry of Finance detailing registration, access, XML invoice creation, archiving, and FAQs for the mandatory e-Invoicing system set for implementation in January 2024. ● Detailed guidance on archivization is provided by separate laws, while the Romanian Accounting Act lacks detailed or general regulations on digitalization, which are covered by other legislation.
 **Slovakia**	● Recent changes to the Accounting Act in Slovakia have emphasised digitalization, outlining conditions that accounting entities must adhere to when handling electronic accounting records. ● Separate acts exist for cybersecurity and amendments related to digitalization issues, such as Act no. 431/2002 Coll. on Accounting. ● The National Cybersecurity Strategy outlines goals, priorities, and management frameworks, including measures for readiness, response, and restoration, resource identification, education programs, research plans, risk assessment, and international partnerships. ● The Cybersecurity Single Information System, administered by the Authority, manages state administration in cybersecurity, including incident reporting, early warning, and access to essential service registries and incident data. ● The system allows real-time access to authorised entities such as competent bodies, Computer Security Incident Response Team ("CSIRT") Units, essential service operators, and other relevant authorities, ensuring timely and coordinated response to cybersecurity incidents.

As a result of an analysis of the digitalization aspect in the accounting area across various European countries, we noted that different nations exhibit varying levels of advancement in this aspect. Notably, e-reporting solutions, such as Estonia's e-reporting system, showcase innovative approaches. As we progress to the next phase of the project, findings regarding digital accounting practices from different countries will be incorporated into the recommendations prepared by us in deliverables for Phase IV and V. The key insights derived from our investigations into Denmark's and Germany's accounting landscapes, described in the previous chapter of this Report, are of particular significance.

5.2. Summary of official "best practices"

As a part of a benchmark in different European Union countries, we examined official 'best practices' adopted by selected EU member states in the realm of accounting. These practices, which extend beyond general accounting standards like local-GAAP or IFRS, include local FAQ guides, help manuals, and explanatory notes. The implementation of "best practices" is recommended or obligatory alongside general accounting standards (e.g., local GAAP or IFRS). Through the compilation and examination of these instances, our objective is to offer insights into diverse strategies adopted across the EU to bolster accounting standards and practices. Here are selected examples from other countries:

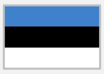
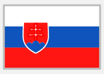
Country	Notable findings related to ‘best practices’
Austria	● Two standard setters issue statements on Austrian Generally Accepted Accounting Principles (“Austrian GAAP”): AFRAC (“Austrian Financial Reporting and Auditing Committee”) and the Chamber of tax advisors & auditors. Not legally binding, but highly recommended. ● There are interpretations of the Accounting Committee regarding specific areas (for example government support during COVID of how to recognise cryptocurrencies).
Czech Republic	There are multiple sources for best practices: ● The Chamber of Auditors reports that it also supports implementation by providing in-person and e-training on IFRS, information on the latest developments related to IFRS through its website and magazine, and guidance publications for its members on how to conduct audits of financial statements in accordance with IFRS. ● The Chamber of Tax Advisors issues their magazine, where accounting issues are discussed, there is a "Coordination committee" that gives their opinions on certain tax and accounting problems. ● Národní účetní rada (National Accounting Council) issues non-binding interpretation of accounting principles. ● State revenue service publishes FAQ on tax and accounting topics. ● The Czech Ministry of Finance publishes guidance on applicable regulations and handbooks.
France	● In France, accounting guidelines and standards are primarily issued by the Autorité des Normes Comptables (“ANC”), which translates to the French Accounting Standards Authority. The ANC is responsible for setting accounting standards in accordance with French law and generally accepted accounting principles. ● ANC operates under the supervision of the French Ministry of Economy, Finance, and Recovery.
Germany	● IDW issues technical guidance, accounting opinions and other documents to help German companies comply with the HGB. ● Further, BaFin is responsible for overseeing financial institutions in Germany and ensuring their compliance with local regulations and accounting standards. It provides guidance documents and best practices related to accounting and financial reporting.
Hungary	● The Finance Ministry and the Chamber of Auditors and some other professional bodies issue Q&As related to the Act on Accounting which can be accessed from databases.
Ireland	● In Ireland, the primary body responsible for issuing accounting guidelines and standards is the Irish Auditing and Accounting Supervisory Authority (“IAASA”). ● IAASA is an independent statutory body responsible for overseeing the regulation of auditing and accounting standards in Ireland. It ensures that companies adhere to internationally recognized accounting standards and maintains the quality and integrity of financial reporting in Ireland.
Italy	● Guidance and requirements for listed entities are issued by Consob (the Italian Stock Exchange Regulator) and guidance and requirements for financial institutions are issued by Banca d'Italia (the Italian central bank). Guidance and requirements for insurance entities are issued by the Institute for Insurance Supervision (“IVASS”).

Country	Notable findings related to ‘best practices’
Lithuania	• In Lithuania, accounting guidelines and standards are primarily issued by the Accounting Regulatory Authority of Lithuania (“ARAL”), also known as Lietuvos Respublikos Finansinių ataskaitų patikrinimo tarnyba (“FRAT”) in Lithuanian. • ARAL is the competent authority responsible for overseeing the development and implementation of accounting standards in Lithuania.
Malta	• The Malta Institute of Accountants, i.e. an approved accountancy body in accordance with the requirements of the Accountancy Profession Act and relevant Legal Notices, publishes from time to time, technical releases, guidance notes and briefing notes.
Portugal	• FAQs are issued by an accounting regulator (“CNC” – Comissão de Normalização Contabilística) and the Chamber of Auditors.
Republic of Cyprus	• ICPAC (“The Institute of Certified Public Accountants of Cyprus”) issues from time-to-time explanatory notes and additional guidance on accounting and auditing matters.
Slovakia	• Methodology guidelines issued by the Ministry of Finance for several types of entities (small, middle size, big, non-profit, etc.).
Spain	• In Spain, accounting guidelines and standards are primarily issued by the Instituto de Contabilidad y Auditoría de Cuentas (“ICAC”), which translates to the Institute of Accounting and Auditing of Accounts. The ICAC is the competent authority responsible for regulating accounting and auditing standards in Spain.
Sweden	• FAR, Institute for the Accountancy Profession in Sweden issues complementary guidance for K2 (K2 is a simplified GAAP for smaller companies, under 80 Mio SEK in revenue) and K3 (K3 is similar to IFRS SME and applies both to legal entities and Group consolidation).

Our analysis shows that each of the selected EU member states has established a dedicated regulatory body tasked with setting accounting guidelines. These entities play a vital role in ensuring the consistency, transparency, and integrity of financial reporting within their respective jurisdictions. By overseeing the development and implementation of accounting standards, these bodies contribute to providing companies with instructions that will help them properly apply accounting standards. In Poland, the pertinent guidance (akin to Q&A) is integrated within the National Accounting Standards and the Decisions of the Accounting Standards Committee issued by the Ministry of Finance. Their primary objective is to support the interpretation and application of the Accounting Act. These are however not always swift and efficacious means of communication. Therefore, as was already mentioned, we propose to consider introducing regular Q&A sessions alongside the existing communication channels which may not be imperative but could serve as a swifter and more efficient mechanism for addressing stakeholder feedback.

5.3. Summary of selected findings in the area of IFRS application

Within the comprehensive scope of our report, one area that stands out prominently is the analysis of voluntary International Financial Reporting Standards (IFRS) adoption among European Union (EU) member states. Recognizing its significance in the landscape of financial reporting practices, this specific area was accorded particular attention during the benchmarking process. Delving into the questionnaires that we sent to all EU member states representatives we summarised some notable findings that showed no standardisation in the approach of different countries.

Country	Notable findings related to the IFRS application
 **Bulgaria**	• The voluntary decision to transfer from local GAAP (“NAS”) to IFRS is irrevocable (can be done only once unless an obligatory requirement for a reverse transition appears).
 **Croatia**	• There is no possibility of voluntary IFRS application. • Public Interest Entities and all large entities as per the definition of the Accounting Act must apply IFRS. SMEs should apply the Croatian Financial Reporting Standard (“CFRS”) but can use IFRS if the parent company uses them, too.
 **Estonia**	• After the first financial year in which the directors of a company prepare IFRS financial statements all subsequent financial statements of the company shall be prepared in accordance with IFRS, unless there is a relevant change of circumstances. There is a relevant change of circumstances where at any time during or after the first IFRS year: - the company becomes a subsidiary undertaking of another undertaking that does not prepare IFRS financial statements. - the company having re-registered as a private company limited by shares ceases to be a company with securities admitted to trading on a regulated market in an EEA state or - a holding undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market in an EEA state. After a financial year in which the directors of a company prepare IFRS financial statements the directors of the company may notwithstanding that there is not a relevant change of circumstances as referred to above, subsequently prepare Companies Act financial statements for the company provided they have not changed to preparing Companies Act financial statements in 5 years preceding the first day of that financial year.
 **Portugal**	• In case of voluntary IFRS application there is an obligation for an audit. • There is a 'grace period' after deciding on an IFRS application (the entity cannot transfer back to local GAAP after a transition to IFRS for 3 years).
 **Slovakia**	• Currently it is not possible in Slovakia to prepare IFRS based Financial Statements voluntarily.

	The table above outlines a comprehensive overview of notable findings regarding the application of IFRS across various countries. In particular, different nations have distinct approaches to IFRS adoption: while some permit voluntary adoption, others do not. In cases of voluntary adoption, certain countries impose additional prerequisites such as mandatory audits or grace periods. Based on the above-mentioned findings, our Phase IV Report introduces recommendations for the relaxation of restrictions around IFRS and allowing for voluntary IFRS adoption, albeit with specific exclusions and limitations, tailored to the diverse needs of different entities.

5.4. Summary of benchmark analysis concerning micro, small and medium-sized entities

As a part of Phase III, we have also conducted an analysis of the definitions of micro, small, and medium-sized enterprises across 26 Member States. Based on benchmarking we have observed a diverse landscape and the definitions are highly dependent on the size of the country. Considering this, for Phase IV, we will evaluate the current division criteria in Poland and suggest an update in this area if necessary. For detailed benchmark findings, please refer to Appendix E.

6. Stage 3 – Key findings and recommendations

6.1. Selection of locations for study visits in 3 EU Member States

Based on the selection process described in sections 3.1 and 3.2 of the Report, the Contractor identified 10 countries with the potential of being most developed in the accounting areas of interest and most relevant to the Polish national context. Criteria used for this step included but were not limited to: openness to use IFRS and flexibility in its application, advanced use of digitalization in accounting, simplifications available for smaller entities, and flexibility in the stock count process. The list was further narrowed down to the top 5 countries for which we ensured that at least one candidate belonged to the groups of countries meeting the following criteria:

- geographic location – country from the Central and Eastern Europe ("CEE") region
- large country – country that meets 2 out of 3 of the following: Gross Domestic Product ("GDP") per capita / population above, the total number of companies with listed shares above 500, market capitalisation value above 1,000,000 (EUR m), and
- level of digitalization – criterion: level of digitalisation of government / GovTech maturity index A.

Based on the recommendations from the Contractor, the Beneficiary Authority approved 3 locations for potential study visits in Germany, Denmark and Hungary. Due to organisational and time constraints on the site of the foreign partners, within the timeframe of the project, it was possible to hold a study visit only in Denmark.

6.2. Incorporation of key findings into work on further phases of the Project

Throughout Phase III of the Project, we conducted a series of meetings and workshops with the Ministry of Finance ("MoF") team. These workshops were designed to facilitate continuous engagement, ensure alignment on the Project's objectives, and incorporate feedback from the MoF. The workshops included detailed presentations of our findings, interactive discussions to refine our recommendations, and collaborative sessions to address any concerns or challenges identified by the MoF team.

The workshops served several purposes:

- Knowledge Sharing: They provided a platform for sharing insights gained from the study visit to Denmark and the detailed analysis of other locations.
- Feedback Collection: The workshops were instrumental in gathering feedback from the MoF team, which was crucial for refining our recommendations.

- Alignment: They ensured that the proposed recommendations were in alignment with the MoF's objectives and needs.
- Collaborative Development: These sessions enabled a collaborative approach to developing solutions, fostering a sense of ownership and commitment among the MoF stakeholders.

The collaborative nature of workshops with MoF ensured that the recommendations in the Phase IV Report were well-informed and aligned with the Ministry's goals. Therefore, based on the study visit conducted in Denmark and detailed analysis of areas of interest done for other locations we have summarised the key take-aways and inspirations and proposed to include them in the Phase IV Report in the form of recommendations. These have been reviewed and initially accepted by the Ministry of Finance, marked also for future reference as the Project progresses into the next phases. The summary of those findings has been described in section 7 of the Report.

7. Recommendations and next steps

Below we present a summary of key findings from Phase III and their connection to (i) areas highlighted for benchmarking in Phase II and (ii) our plan of incorporating the key findings into specific recommendations in Phase IV.

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
System of accounting regulations	**6.1.1.The remit of the Act and the obligation to apply NASs** The Accounting Act is overly detailed but fails to fully address the needs of various entities while accounting principles are regulated by non-mandatory National Accounting Standards and unclear Accounting Standards Committee statements. Article 10.3 of the Act permits but doesn't mandate the adoption of standards, resulting in varied financial statement presentations and a call for mandatory adoption of all standards to avoid selective accounting practices. **6.1.2. Coherence between the Act and other legislation** The Act should align with other legal branches, yet inconsistencies with tax laws arise, such as differing document retention periods and limited fixed asset disposal options based on tax documentation. These discrepancies, along with the lack of coherence in definitions and regulations, necessitate harmonisation efforts, including the classification of entity sizes and	**Denmark:** In Denmark, the Accounting Act provides foundational principles, while detailed regulations are outlined in executive orders, ensuring flexibility and adaptability. This division allows for efficient updates and alignment between overarching principles and operational guidelines without extensive parliamentary processes. Denmark no longer mandates listed companies to use IFRS for individual financial statements, but they must still apply it for consolidated statements, while unlisted firms have the choice between IFRS or Danish Accounting Standards, aiming to improve transparency and meet user information needs. **Germany:** Commercial books must be maintained in a living language, which can be a language other than German according to § 239 (1) sentence 1 of the German Commercial Code; however, § 244 of the same code specifies that annual financial statements	**3.1.1. Organisation of accounting regulations and structure** Our key recommendation for the Act is that it should be restructured and simplified so that the Act itself provides overarching principles while detailed provisions are covered in national accounting standards, complemented by sector-specific standards. Additionally, accounting regulations may be supplemented by guidelines and recommendations issued by the Accounting Standards Committee, with separate sets of guidelines provided for each standard, serving as explanatory aids without legal force. **3.5.2. The language of bookkeeping** We would recommend that a foreign language may be used for bookkeeping under certain conditions. **3.18.18. Consistency of the Act with other provisions** We propose some harmonisation adjustments within the Act so that it aligns with tax regulations, potentially allowing tax

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
	accounting categories like "retained earnings. **6.1.5. Voluntary IFRS adoption** Only qualifying entities can adopt IFRS, with some stakeholders noting gaps in the Act regarding specific types of businesses, while both institutional stakeholders and companies advocate for voluntary adoption of IFRS, citing challenges for entities without this option, including those obligated to provide IFRS-compliant reporting and those considering going public. **6.1.6. Mandatory auditing of IFRS-compliant financial statements** Institutional stakeholders advocate for combining voluntary IFRS adoption with mandatory audits, as opposed to some companies citing unnecessary burden, prompting debate over whether adopting IFRS should automatically trigger mandatory audits or only when changing accounting principles. **6.1.7. Voluntary resumption of the Act** The transition from IFRS to the Act is subject to stricter conditions for discontinuation, with Article 45.1d prohibiting entities from groups applying IFRS from reverting to the Act, leading to	for commercial law purposes must be in German, regardless of the language used for bookkeeping. The German Accounting Act comprises two main parts (General Part and Special Part), each containing several books, organised based on entity type, aiming to streamline access to regulatory issues. German tax and commercial law mandate that IT-based bookkeeping systems (ERP) ensure accurate capturing and secure storage of journal entries, with compliance verified through software certification or audits, risking potential fines for non-compliance. Companies listed on regulated markets must use IFRS for consolidated accounts as per EC Regulation No. 1606/2002, while non-listed companies in Germany can optionally use IFRS for informational purposes in preparing annual consolidated financial statements but must follow HGB for official purposes without dual reporting requirements. **Hungary:** Companies subject to mandatory audits often choose between International Financial Reporting Standards (IFRS) and Hungarian Generally Accepted Accounting Principles to meet diverse business needs and preferences, ensuring consistency and disclosure of selected standards in financial reporting.	rules as accounting principles for micro and small entities. We would also recommend certain changes to the Act to achieve consistency with the Commercial Companies Code in the area of capital subject to distribution. **3.1.3. Voluntary application of IFRS** We would propose changes in the application of IFRS to eliminate limitations. Additionally, we would suggest introducing specific conditions for returning to the use of Polish GAAP and specifying the principles of transitioning as well as audit obligations in case of voluntary application of IFRS.

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
	varied interpretations and disparate approaches in the market. Additionally, there's a lack of detailed guidelines in the Act for converting from IFRS to the Act, raising ambiguities regarding retrospective conversion, recognition of assets, equity, liabilities, goodwill treatment, allowances for doubtful accounts, and treatment of assets and liabilities under different accounting definitions.	Audits in Hungary are typically mandated according to the HNSA, overseen by the POA within the Ministry of Finance, integrating translated ISA with additional requirements, albeit with a delay in updates, while special licences for bookkeeping and auditing of IFRS users aim to ensure compliance and expertise due to the complexity and risks associated with IFRS adoption. Hungarian regulatory bodies regularly publish publicly accessible Q&As related to the Accounting Act, aiming to provide guidance, ensure compliance, and promote understanding among stakeholders, demonstrating a commitment to transparency, communication, and ongoing education within the financial and auditing community. **Portugal:** If an entity in Portugal voluntarily adopts IFRS, it is mandatory to undergo an audit, and there is a three-year grace period before reverting to local GAAP after the transition to IFRS. **Bulgaria:** In Bulgaria, the choice to switch voluntarily from local GAAP ("NAS") to IFRS is irreversible, allowing for a single transition unless compelled by a mandatory need for reversal.	

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
		Ireland: Companies with listed debt or equity on regulated markets must compile consolidated financial statements following EU-endorsed IFRS, while others may opt for UK FRC standards, EU-endorsed IFRS, or in limited cases, another approved framework like US GAAP	
Scope of information to be reported in financial statements	**6.3.1. Alignment between the scope of information reported in financial statements and the entity's business operations** The core financial statements appear overly complex and may not always align with the entity's specific needs. For instance, the level of detail in certain balance sheet items, such as fixed assets and non-current receivables, seems more appropriate for related-party transaction disclosures rather than core reporting.	**For example: Bulgaria, Italy, Belgium** There is one template for all entities. **For example: Hungary, Croatia, Denmark, Sweden, Latvia, Ireland, Austria, Republic of Cyprus, Spain, Germany, Portugal,** There aren't any templates for financial statements. **For example: Lithuania, Czech Republic, Romania, France, Slovenia, Slovakia, Greece, Netherlands** There is a specific template for financial statements for a certain size of entity.	**3.2.9. The scope of information disclosed in financial statements** We propose that the scope of information disclosed in financial statements is regulated not at the level of the Act but at the level of national accounting standards. In addition to the indicated standard, we recommend that certain sector regulations are in force, e.g. regarding banking, insurance, funds, etc., regulating the matter of financial statement templates and disclosures for a specific sector.
Consolidated financial statements	**6.5.6. Consolidated financial statements prepared under IFRS which are not EU-IFRS and are not published as regulations of the European Commission** The Act allows lower-level parent companies within a group whose higher-	As a result of our benchmark we concluded that different regulations and restrictions are applied by different countries with little uniformity. We have not identified a country whose solution in that area we would like to treat as an inspiration or to follow. Our conclusions in the Phase IV Report would	**3.1.5. Exemption from the obligation to prepare a consolidated financial statement in case of applying IFRS** To eliminate doubts, we propose to add provisions to the Act that will clarify that the provisions regarding exemptions from consolidation apply only to entities applying

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
	level parent prepares EU-IFRS consolidated financial statements to also prepare such statements, except for entities with non-EU-based parent companies following IFRS rather than EU-IFRS. **6.5.8. Exemption from mandatory consolidation if IFRS are adopted** It's uncertain whether the entity should follow IFRS 10 or the Act's provisions regarding exemption from preparing consolidated financial statements when adopting IFRS. This ambiguity may result in varied conclusions regarding exemption eligibility due to significant differences between the regulations, such as criteria for control and thresholds for consolidation exemptions. **6.5.10. Exemption from mandatory consolidation if IFRS 10 is adopted by a higher-level parent company** There are uncertainties regarding whether a lower-level parent company, following the Act, can simplify its reporting by not preparing consolidated statements for its group, especially if its parent company, categorised as an investment entity under IFRS 10, measures subsidiaries at fair value without consolidation.	be mainly based on consultations with stakeholders rather than on the comparative analysis.	the Accounting Act, and not to those using IFRS. Moreover, we suggest that the provisions on exemptions be tightened both for those who apply the Act and for those who apply IFRS, to ensure coherence and uniformity of regulations.

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
Accounting and bookkeeping; documentation of the accounting system	**6.6.9. Documentation of the financial and accounting system** The requirement to provide detailed system information, including algorithms, is impractical as it's often unattainable from accounting system providers, limiting entities' ability to develop such documentation independently. Ambiguities in language further complicate matters, while copyright concerns arise regarding descriptions of algorithms and parameters, making verification difficult without software company assistance. **6.6.10. Specific provisions on accounting and bookkeeping techniques** Article 14.4 of the Act addresses computerised accounting records, but the Act's guidelines may not align with modern financial systems, posing compliance challenges for companies and revenue officers. Concerns include the compatibility of ERP systems with journal generation requirements and the necessity of traditional bookkeeping practices in the digital age, prompting adaptation efforts and raising questions about software ownership in evolving software delivery models.	**Denmark:** Danish law mandates digital bookkeeping systems to record transactions, adhere to IT security standards, automate administrative processes, and comply with additional criteria for secure storage, risk assessment, e-invoicing, bank account reconciliation, standard chart of accounts, correct bookkeeping, data sharing, and reporting. Interviews and surveys with digital accounting systems providers and companies using such systems inform the evaluation and implementation of these regulations. **Germany:** Germany's IT Security Act 1.0 & 2.0 and the Federal Data Protection Act cover cybersecurity comprehensively, including critical infrastructure and data protection measures. The Ministry of Finance issues guidelines for computerised accounting systems, and while public certification isn't obligatory, many SMEs pursue private certification from institutions like the “Institut der Wirtschaftsprüfer in Deutschland” for compliance with specific standards. **Slovakia:**	**3.5.7. Digitization in the area of accounting bookkeeping** We would recommend introducing digitised books as the basic method of keeping books for most entities, after consultations with interested parties, and changing the regulations regarding the form of accounting evidence, as well as recommending the electronic form as required, possibly leaving the option of choosing other forms only in exceptional situations. We also will describe a minimum requirement for accounting laws that relate to digitalization based on Danish and German examples as well as the introduction of a new, specific national standard that covers the requirements for the use of ERP and other IT systems as well as cyber- and data- security measures.

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
	6.6.11. Supporting and other accounting documents Companies encounter challenges in adhering to document form requirements, such as using specific designations for economic transactions, as clear guidelines are lacking in the Act, while issues persist regarding the acceptability of scanned copies or system-generated documents, leading to uncertainty and reliance on expert opinions. **6.6.16. Reports required under the Act and implementation of electronic books vs. tax laws** Creating SAF-T logical schemas, although rooted in tax laws, pertains to accounting schema, with JPK_KR and JPK_MAG files not mandated by the ACT, yet partly duplicating data from accounting records. The JPK_KR schema entails additional information disclosure beyond Act requirements, including account symbols and types, while upcoming amendments may align with evolving digitalization trends in financial processes. **6.6.18. Data retention and protection** Experts question whether provisions in the Act concerning the security of accounting data should be more precise regarding storage using new technologies, as this issue, relevant regardless of accounting methods, is crucial in the digital age,	Recent amendments to the Accounting Act in Slovakia focused on digitalisation (specified conditions that accounting entities must obey when processing electronic accounting records)	

Area	Phase II - Deliverable 2	Phase III - Deliverable 3	Key recommendations to be considered in Phase IV (Deliverable 4)
	impacting all users regardless of server type. To mitigate risks, entities opting for internal providers must ensure data protection through agreements and data migration options.		
Stocktaking	**6.7.1. Stocktaking method: use of computer systems** Stocktaking methods for fixed assets typically involve manual counts at physical locations, but modern technology allows for remote verification using internet connectivity. Doubts persist regarding whether electronic confirmations suffice for inventory and accounts receivable and payable, despite the Accounting Standards Committee's position permitting electronic exchanges if properly authenticated.	**Denmark:** Accounting regulations in Denmark, based on the EU's Accounting Directive and IAS 2, mandate stock-counting. Danish tax regulations require physical inventory counts at year-end, unless reliable inventory accounts are maintained, allowing flexibility in timing. **Germany:** The "vereinfachte Inventurverfahren" in Germany is a method for estimating inventory and asset values based on accounting data, commonly used by SMEs and entities with small inventories or specialised industries, but it may be less accurate than a full physical inventory count and should align with legal provisions and accounting standards.	**3.10.1. The method of conducting inventory** We recommend a flexible approach when it comes to inventory count as well as technological neutrality in changes in regulations, taking into account technological progress. We would suggest that the Act should specify the objectives of the inventory count, the assets subject to inventory count, the flexibility of the inventory count method and the definition of the inventory count process, possibly transferring more detailed provisions to a dedicated national standard.

8. Appendices

8.1. Appendix A – List of abbreviations used

Act	Act of 29 September 1994 on Accounting (Journal of Laws 2023, item 120)
Act on Archiving Documentation	Electronic-format accounting documents must be preserved in accordance with digital archiving legislation
Act on Statutory Auditors	Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2022, items 1302, 2640)
AFRAC	Austrian Financial Reporting and Auditing Committee
AFRAL	Accounting Regulatory Authority of Lithuania
ANC	Autorité des Normes Comptables
BaFin	Federal Financial Supervisory Authority
BASB	Belgian Accounting Standards Board
BDSG	Federal Data Protection Act
Belgian GAAP	Belgian Accounting Standards
BSI	Federal Office for Information Security
CEE	Central and Eastern Europe
CFRS	Croatian Financial Reporting Standard
CONSOB	Comissão de Normalização Contabilística
CNC	Comissão de Normalização Contabilística
DASB	Dutch Accounting Standards Board
DASC	Danish Accounting Standards Committee
DBA	Danish Business Authority
DFSA	Danish Financial Supervisory Authority
DG REFORM	European Commission Directorate General for Structural Reform Support
DRSC	Deutsches Rechnungslegungs Standards Committee
EASB	Estonian Accounting Standards Board
EC	European Commission
ELTE	Hellenic Accounting and Auditing Standards Oversight Board
Erhvervsstyrelsen	Danish Business Authority
ERP	Enterprise Resource Planning
Estonian GAAP	Estonian Generally Accepted Accounting Principles
FAR	Institute for the Accountancy Profession
Finish GAAP	Estonian Generally Accepted Accounting Principles
FRAT	Lietuvos Respublikos Finansinių ataskaitų patikrinimo tarnyba

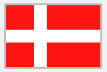
FRC	Financial Reporting Council
French GAAP	French Generally Accepted Accounting Principles
FRS	Financial Reporting Standards
FRS 102	Financial Reporting Standard 102 is a set of rules for the preparation of financial statements for companies based in Great Britain or Ireland
FSR	Danske revisorer; Danish Auditors is Denmark's trade organisation of auditing, accounting, tax and corporate finance.
GAAP	Generally Accepted Accounting Principles
GAS	German Accounting Standards
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GoBD	German generally accepted accounting principle (Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern)
Greek GAAP	Greek Generally Accepted Accounting Principles
HAASOB	Hellenic Accounting and Auditing Standards Oversight Board
HGB	Handelsgesetzbuch
HNSA	Hungarian National Standard of Auditing
Hungarian GAAP	Hungarian Generally Accepted Accounting Principles
IAASA	Irish Auditing and Accounting Supervisory Authority
IAS 2	International Accounting Standard 2: Inventories
ICAC	Instituto de Contabilidad y Auditoría de Cuentas
ICPAC	The Institute of Certified Public Accountants of Cyprus
IDW	German Institute of Public Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISAE	International Standard on Assurance Engagements
IVASS	Institute for Insurance Supervision
KRITIS-Betreibe	IT Security 2.0 Act pertains to operators of critical infrastructure
LBAS	Lithuanian Business Accounting Standards
LUX accounting law	Title XVII of the Law of 10 August 1915 on commercial companies
MNE	Hungarian National Bank, Ministry for National Economy
MoF	Ministry of Finance
NAS	Local GAAP
PIEs	All public interest entities
POA	Public Oversight Authority
Polish Accounting Act	The Act of 29 September 1994 on Accounting (Dz. U. [Journal of Laws] 2023, item 120
Project	The Project “Reform of the accounting system with special regard to digitalisation”
PwC	PricewaterhouseCoopers Polska spółka z ograniczoną

	odpowiedzialnością sp.k.
Q&A	Questions and answers
RAS	Romanian Accounting Standards
Registration office	Institution responsible for registering various types of business activities and other significant documents related to running enterprises for example Companies Registration Office; Revenue Commissioners or Companies Registration Office for Limited Partnerships and Business Names
Report	The Project deliverables including this report
SAS	Slovenian Accounting Standards
Selskabsloven	Danish Companies Act
SIA	Slovenian Institute of Auditors
SME	Small and medium-sized entities
SSAPs	Statements of Standard Accounting Practice
UITFs	Urgent Issues Task Force
XML	Extensible markup language

8.2. Appendix B – Summary of accounting framework information and IFRS application

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
Austria	In Austria, section 245a of the Austrian Commercial Code of 2015, as amended (Unternehmensgesetzbuch – UGB) stipulates the requirements for preparation of financial statements, including applicable accounting standards and financial reporting thresholds which are in line with the European Commission ("EC") Regulation No. 1606/2002.	The authority to set accounting standards in Austria rests with the government.	EU-endorsed IFRS are required for the preparation of consolidated financial statements of all public interest entities ("PIEs") in Austria, which comprise listed entities, credit institutions, and insurance undertakings.	All other entities are free to choose to prepare consolidated financial statements in accordance with EU-endorsed IFRS or in accordance with Austrian GAAP as established in law.
Belgium	The Accounting Act of 1975 (as amended) stipulates the requirements for preparation of financial statements, including applicable accounting standards and financial reporting thresholds.	In accordance with the law, the Belgian Accounting Standards Board ("BASB") is responsible for enacting financial reporting standards in Belgium.	EU-endorsed IFRS are required for the preparation of separate and consolidated financial statements of all companies whose securities trade in a regulated market. Belgium also used the option to require EU-endorsed IFRS in the consolidated financial statements of credit institutions, insurance companies, and investment firms whose securities do not trade in a public market.	It also permits EU-endorsed IFRS in the consolidated financial statements of companies other than those mentioned above whose securities do not trade in a public market. Entities that are not required to use EU-endorsed IFRS must use Belgian Generally Accepted Accounting Principles ("Belgian GAAP") issued by the BASB.
Bulgaria	The main applicable national laws are the Accountancy Act of 2015 and the Independent Financial Audit Act of 2016.	National Accounting Standards are set by the Ministry of Finance.	As of January 1, 2017, all public interest entities are required to apply the IFRS as endorsed by the EU. Public interest entities, regardless of	All other entities are required to apply the National Accounting Standards set by the Ministry of Finance. Entities that were

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
			their size, are (i) issuers of securities on a regulated market in an EU Member State; (ii) credit institutions; (iii) insurance companies; (iv) pension companies and funds managed by them; (v) state and national railways; and (vi) companies providing water and sewage services as a major activity.	applying IFRS before and that are not considered public interest entities as of 2017 may choose to apply the National Accounting Standards.
 **Croatia**	The Companies Act regulates business activities in Croatia and sets basic financial reporting requirements. This Act is complemented by the Accounting Act (as amended in 2020) which establishes requirements for mandatory contents of bookkeeping documents and bookkeeping procedures.	Croatian Financial Reporting Standards are issued by the FRC of the Ministry of Finance.	Under the Accounting Act, PIEs are required to apply International Financial Reporting Standards IFRS as endorsed and published by the European Commission and translated into Croatian. PIEs include large entrepreneurs, listed companies, companies of specific national interest, banks and savings institutions, insurance and reinsurance companies, pension funds, leasing companies, and investment funds, among others.	All other companies are classified as either “medium entrepreneurs” or “small entrepreneurs” and are required to prepare their standalone and consolidated financial statements in accordance with Croatian Financial Reporting Standards issued by the FRC of the Ministry of Finance.
 **Republic of Cyprus**	The Companies Law, Cap. 113 sets the requirements for the preparation of corporate financial statements in Cyprus and transposes the EC Accounting Directive (2013/34/EU).	The Companies Law is issued by The Office of the Law Commissioner	The Companies Law requires all entities to apply EU-endorsed IFRS in their consolidated and separate financial statements.	Exemptions from consolidation apply for small and medium-sized entities except where any affiliated enterprise is a public-interest entity or where the obligation to prepare consolidated financial statements arises under other legislation.
 **Czech**	The Accounting Act of 1991 as amended in 2021 stipulates the requirements for the preparation of financial statements, including	In accordance with the law, the Ministry of Finance is responsible for enacting financial reporting standards in	EU-endorsed IFRS are required for the preparation of separate and consolidated financial statements of public interest entities, which in the	Other entities have the option to prepare their consolidated financial statements in accordance with IFRS. If those

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
Republic	applicable accounting standards and financial reporting thresholds.	the Czech Republic.	Czech Republic are considered: all listed companies on an EU regulated market, credit institutions, banks, insurance undertakings, health insurance companies, and pension funds.	companies decide to do so, all consolidated entities can use IFRS as a basis for the preparation of their stand-alone financial statements. Companies are also required to keep accounting records in accordance with Czech GAAP for tax purposes or reconcile their IFRS financial statements to Czech GAAP. Czech GAAP are bookkeeping instructions needed to account for a specific transaction. Detailed accounting guidance for other entities is given in the Decrees on Accounting and Czech Accounting Standards, issued by the Ministry of Finance.
 **Denmark**	Requirements regarding accounting and financial reporting are regulated by the: • Danish Companies Act ("Selskabsloven") • Danish Bookkeeping Act • Danish Financial Statements Act	The Danish Parliament authorised two key governmental institutions to oversee the areas of financial reporting and auditing: the Danish Business Authority ("DBA") and the Danish Financial Supervisory Authority ("DFSA"). The DBA and DFSA are also the designated standard setters for the entities they are overseeing.	In line with EU requirements, as transposed into the Danish Financial Statements Act of 2002 (as amended in 2014), listed companies in Denmark are required to apply EU-endorsed IFRS in their consolidated financial statements and in separate financial statements for listed non-group companies that do not prepare consolidated statements. Since 2009, Denmark has eliminated the requirement for listed companies to apply IFRS in their separate financial statements. Other companies are permitted to apply for IFRS.	Non-listed companies must also comply with the Danish Financial Statements Act. They may choose to apply IFRS or the Danish Accounting Standards developed by the FSR – danske revisorer DASC. Danish accounting standards issued by the DASC and/or IFRS may be applied voluntarily to provide transparency and to fulfil user information needs. Although based on IFRS, Danish accounting standards differ from IFRS in some respects

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
Estonia	In Estonia, the Accounting Act regulates basic accounting functions for all registered business entities. The Act requires that at the end of each financial year, an accounting entity prepares an annual report that consists of the annual accounts and the management report. The auditor's report (if compulsory) and the profit distribution proposal for the financial year should be annexed to the annual report. Annual reports are required to be filed at the Commercial Register within six months of the end of the financial year.	The Estonian Accounting Standards Board ("EASB") is responsible for enacting financial reporting standards. The EASB is an independent committee whose rules of procedure must be approved by the Government on the proposal of the Minister of Finance.	Regarding accounting standards, Estonia is subject to the IAS Regulation adopted by the European Union in 2002. As such, IFRS as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Estonia. Foreign companies whose securities trade in a regulated market in Estonia (and generally in the EU) are required to report under IFRS as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their local accounting standards to be equivalent to IFRS, in which case they may use their local standards. In addition to listed companies, IFRS as adopted by the EU are required to be applied by credit institutions, insurance undertakings, financial holding companies, mixed financial holding companies, and investment firms.	All other Estonian companies can choose whether to prepare their consolidated and annual accounts in accordance with IFRS as adopted by the EU or in accordance with the Estonian Accounting Standards (Estonian Generally Accepted Accounting Principles – "Estonian GAAP").
Finland	In Finland, the Accounting Act No. 1620/2015 stipulates the requirements for the preparation of financial statements, including applicable accounting standards and financial reporting thresholds that are in line with EC Regulations. Other legislation	The authority to set accounting standards in Finland rests with the Ministry of Economic Affairs and Employment.	Application of EU-endorsed IFRS is required for the consolidated financial statements of PIEs. Under the Act, PIEs are defined as listed companies, credit institutions (including investment firms) and insurance companies (including pension foundations, pension funds	Companies that are not required to use EU-endorsed IFRS must follow the requirements set in Finnish GAAP. In addition, the reporting requirements for small-sized companies have been simplified and exemptions apply under certain criteria. These firms

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
	such as the Credit Institutions Act (610/2014), Securities Market Act (746/2012), and the Insurance Act (424/2010), also outline additional financial reporting requirements for regulated entities.		and other entities that arrange employment pensions). In addition, Finland also requires EU-endorsed IFRS in the separate financial statements of companies whose securities trade in a regulated market but that do not prepare consolidated financial statements because they have no subsidiaries.	are allowed to prepare abridged financial statements and to provide fewer disclosures if they meet two out of the three criteria in two consecutive years: (i) net turnover less than € 8 million; (ii) total assets not exceeding € 4 million; and (iii) average number of employees not greater than 50.
France	The Commercial Code of 1966 (as amended) sets basic accounting functions for all business entities and requires companies to maintain accounting books and prepare annual financial statements	French accounting standards are developed and adopted by ANC, created by the Ordinance No. 2009-79 and Decree No. 2010-56, which is the legal body responsible for accounting standard-setting.	In accordance with the EU statutory framework, Regulation EC 1606/2002, as transposed into national legislation by the ANC, listed entities are required to apply EU-endorsed IFRS Standards for consolidated financial statements.	In addition, all other companies are permitted to apply IFRS for their consolidated financial statements. However, no entity is allowed to apply IFRS for the preparation of their financial statements and instead must use French accounting standards (“French GAAP”).
Germany	The national accounting standards (German Accounting Standards (“GAS”)) outlined within the HGB	The Deutsches Rechnungslegungs Standards Committee (“DRSC”) [Accounting Standards Committee of Germany], established in 1998, is recognized as the German standard-setter with the following responsibilities: develop recommendations for the application of principles for consolidated financial reporting; provide advice on planned legislation on accounting regulations at national and EU level; develop Interpretations of the	Companies whose debt or equity securities trade in a regulated market in Germany are required to use IFRS in their consolidated accounts as required by the EC Regulation No. 1606/2002.IFRS are also permitted in the preparation of annual and consolidated financial statements of all other types of companies for informational purposes only. For all other purposes, these companies must prepare their financial statements in line with the GAS outlined within the HGB.	IFRS are also permitted in the preparation of annual and consolidated financial statements of all other types of companies for informational purposes only. For all other purposes, these companies must prepare their financial statements in line with GAS outlined within the HGB.

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
		international accounting standards within the meaning of section 315a(1) of the HGB; enhance the quality of accounting and financial reporting; and promote research and education in the above-mentioned areas.		
Greece	The requirements for the preparation of financial statements are established in Law 4308/2014, which was issued to transpose the EU Directive 2013/34. Under the law, the MoF and the Ministry of Development & Competitiveness are responsible for establishing accounting and auditing standards.	The Hellenic Accounting and Auditing Standards Oversight Board ("ELTE"), subject to the supervision of the MoF, provides advice on the standards. Following the enactment of Law 4308/2014, the MoF issued Ministerial Circular 1003/2014, which contained new provisions for general rules on keeping accounting books and records.	Law 4308/2014 introduced differentiated financial reporting requirements for different types of companies depending on their size in terms of annual turnover, number of employees, and total assets, specifying applicable accounting standards. Under the law, PIEs — listed companies, banks and financial institutions, and insurance companies—are required to use IFRS Standards as adopted by the EU for the preparation of their financial statements.	IFRS should also be applied by other types of entities defined in Article 1.3 of the Law. All other companies are required to apply the Greek General Accepted Accounting Principles ("Greek GAAP"), which differ from the IFRS, and may apply IFRS if they wish to do so.
Hungary	Accounting and bookkeeping regulations are contained within Act C of 2000 on Accounting (the Accounting Act) and its statutes as issued by the Ministry for National Economy ("MNE"). The Accounting Act is in effect Hungarian GAAP.	Accounting and bookkeeping regulations are issued by the MNE	The MNE has harmonised accounting regulations with the EU regulations that require the application of IFRS as endorsed by the European Commission (EU-endorsed IFRS) for financial statements of companies whose securities trade in a regulated securities market and permitted optional application of EU-endorsed IFRS for consolidated accounts of all companies within the scope of the Accounting Act that do not trade	All entities subject to mandatory audit can freely choose between Hungarian GAAP and IFRS, the remaining entities need to prepare statutory financial statements based on Hungarian GAAP, which has some industry specific regulations as well (e.g. insurance companies, investment funds, foundations etc. they have special regulations within "Hungarian GAAP").

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
			in the regulated market. In 2015, the MNE issued a resolution that expanded the application of EU-endorsed IFRS to individual accounts of Hungarian companies, such as financial institutions, companies whose securities trade in the European Economic Area, and companies subject to mandatory audits.	
Ireland	The Companies Act of 2014 (as amended 2018), stipulates the requirements for preparation of financial statements, including applicable accounting standards and financial reporting thresholds.	Financial reporting standards are issued by (i) the FRC in the UK, (ii) EU-endorsed IFRS, or (iii) in some limited cases, in accordance with another approved accounting framework, for example US GAAP.	In accordance with the law, companies with debt or equity listed on a regulated capital market must prepare consolidated financial statements in accordance with EU-endorsed IFRS.	All other companies may choose to prepare their financial statements in accordance with financial reporting standards issued by (i) the FRC in the UK, (ii) EU-endorsed IFRS, or (iii) in some limited cases, in accordance with another approved accounting framework, for example US GAAP.
Italy	The Civil Code and Italian Accounting Standards issued by the Organismo Italiano di Contabilità	The Civil Code requirements are interpreted and integrated into the Italian Accounting Standards issued by the Organismo Italiano di Contabilità,	The EU Regulation EC 1606/2002 and the Legislative Decree 38/2005 required companies to apply IFRS as endorsed by the EU. Following this regulation, the Legislative Decree 145/2018, restricted the scope provided by the Legislative Decree No. 38/2005 and required that IFRS are mandatory only for listed companies, monitored by the Commissione Nazionale per le Società e la Borsa (“CONSOB”).	In addition, the Legislative Decree 145/2018 established that all other companies can choose to apply IFRS or Italian Accounting Standards. Accounting requirements set in the Civil Code (art.2423-2435-bis, c.c.)—as amended by the Legislative Decree No. 139/2015, which implements the Accounting Directive 34/2013/EU—can be applied in the preparation of financial statements of all companies that are not obliged to

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
				apply IFRS.
 **Latvia**	After the 2013 EU Accounting Directive was adopted in Latvia, the new Law on Financial Statements and Consolidated Financial Statements of January 1, 2016 was developed and set the requirements for the preparation of corporate financial statements in Latvia. It outlines accounting standards to be applied based on company size and type: EU-endorsed IFRS or Latvian Accounting Regulations, which constitute the Latvian Generally Accepted Accounting Principles	The Ministry of Finance is responsible for setting accounting standards and preparation of financial statements both for private and public entities.	Requirements for financial institutions are prescribed in the instructions and regulations of the Financial and Capital Market Commission, the regulator for financial institutions and securities market participants, which issues financial reporting rules largely consistent with EU-endorsed IFRS. According to the FCMC, companies listed on the main market segment, banks, insurance companies, and undertakings for collective investment are required to apply EU-endorsed IFRS in their legal entity and consolidated financial statements. The Financial Instrument Market Law defines that consolidated financial statements of a capital company, whose transferable securities are admitted to trading on a regulated market, admitted on the official list in the Republic of Latvia, or debt securities are admitted to trading on a regulated market, be prepared in accordance with EU-endorsed IFRS.	The Law on Annual Financial Statements and Consolidated Financial Statements states several cases when companies may deviate from the principles and regulations laid down in the Law on Annual Financial Statements and Consolidated Financial Statements and measure items in the financial statements, prepare financial statements and provide explanatory information in the notes to the financial statements in accordance with EU-endorsed IFRS. • a development financial institution and a commercial company, which in accordance with the Financial Instrument Market Law prepares annual financial statements and consolidated financial statements in accordance with EU-endorsed IFRS; • a large capital company may prepare annual financial statements in accordance with EU-endorsed IFRS (a large company is a company

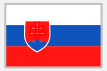
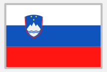
	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
				which on the balance sheet date exceeds at least two of the following criteria: total balance sheet € 20 million, net revenue – € 40 million, an average of 250 employees); and • a parent in a group of companies may prepare consolidated annual financial statements in accordance with EU-endorsed IFRS.
Lithuania	The Accounting Law No. IX-574 of 2001 (as amended on January 1, 2016) sets the requirements for the preparation of corporate financial statements in Lithuania. The law outlines accounting standards to be applied based on company size and type: EU-endorsed IFRS or Lithuanian Business Accounting Standards ("LBAS"), which constitute the Lithuanian Generally Accepted Accounting Principles.	The Ministry of Finance is responsible for developing accounting legislation and for setting the LBAS which are based on IFRS.	The law requires all PIEs, defined by the EU as listed entities, credit institutions, insurance companies, and other nationally designated entities, to apply EU-endorsed IFRS in both the consolidated and separate company financial statements. The MoF has expanded the definition of PIEs to include banks, pension funds, brokerage houses, and state and government enterprises, among others.	All other companies including SMEs have the option to apply EU-endorsed IFRS or LBAS in both the consolidated and separate financial statements
Luxembourg	The Luxembourg accounting framework is mainly derived from EU accounting directives and regulations. Companies whose securities trade on a regulated market ("listed entities") are within the scope of the EU	Ordre des Experts-Comptables serves as the main accounting body in the country.	In accordance with the Luxembourg law, listed entities are also allowed—but not required—to prepare and publish their statutory annual financial statements under IFRS-EU. If such an option is not exercised, statutory annual financial	Other non-listed entities must prepare and file / publish their statutory annual financial statements in accordance with the provisions of the Law of 19 December 2002 on the register of commerce and companies and

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
	Regulation 1606/2002 of 19 July 2002 ("IAS Regulation") and are therefore required to prepare and publish their consolidated financial statements in accordance with IFRS as adopted by the European Union ("IFRS–EU"). This requirement applies to all listed entities regardless of their industries (e.g. banks, insurance, and other undertakings).		statements of listed entities are prepared in accordance with domestic provisions as described below. Non-listed companies, such as banks, insurers, and other undertakings, must prepare and publish their statutory annual financial statements as well as—if applicable—their consolidated financial statements in accordance with respective legislation. For example, non-listed banks must adhere to the provisions of the Law of 17 June 1992 relating to (1) the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg and (2) the obligations regarding publication of the accounting documents of branches of credit institutions and financial institutions governed by foreign laws ("LUX bank accounting law") derived from EU directive 86/635/EEC of 8 December 1986 while non-listed insurers must comply with provisions of the Law of 8 December 1994 on the annual and consolidated accounts of insurance and reinsurance undertakings governed by Luxembourg law ("LUX insurance accounting law") derived from EU directive 91/674/EEC of 19	the accounting and annual accounts of undertakings and—if applicable—their consolidated financial statements in accordance with the provisions of Title XVII of the Law of 10 August 1915 on commercial companies ("LUX accounting law") derived from EU directive 2013/34/EU of 26 June 2013. Despite provisions specific to their industries as well as to the size of the undertakings, LUX accounting law, LUX bank accounting law and LUX insurance accounting law all have in common a structure based on a three-tiered system: a default regime based on prudence and historical cost ("LuxGAAP"); an optional regime consisting of IFRS as adopted by the EU ("IFRS–EU"); an intermediate optional regime consisting of LuxGAAP with fair value and/or other IFRS options ("LuxGAAP modern"). Finally, not-for-profit entities are required to prepare statutory annual financial statements. In

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
			December 1991.	the absence of a dedicated accounting framework, these entities generally choose to apply LuxGAAP as applicable to other undertakings.
 **Malta**	The Maltese Companies Act 1995 outlines the basic requirements for financial reporting for all companies. These include requirements for the preparation of financial statements, mandatory audits, and applicable accounting standards and auditing standards. The Companies Act was amended in 2008 such that Maltese companies now apply IFRS as endorsed by the EU, not IFRS as issued by the IASB as was the case before 2008.	The authority responsible for setting accounting standards is the Malta Accountancy Board. The Malta Accountancy Board is established under the Accountancy Profession Act and is tasked with various responsibilities related to the regulation and oversight of the accountancy profession in Malta, including setting accounting standards.	IFRS are required in the company accounts (both individual and consolidated) of all companies whose securities trade in a regulated market, of all banks, insurance companies, and some other supervised financial institutions. Additionally, larger companies deemed significant in the local economy must also apply EU-endorsed IFRS if they meet any one of the following criteria: (i) total assets more than €17,500,000; (ii) total revenue more than €35,000,000; (iii) average number of employees more than 250; or (iv) a shareholder owning 20% or more of the outstanding shares requests use of full IFRS as adopted by the EU.	All other entities that do not fall into the categories described above may apply General Accounting Principles for Small and Medium-sized Entities (GAPSME) developed by the Malta Institute of Accountants or full IFRS. The GASPME contain several differences from the IFRS for SMEs.
 **Netherlands**	Annual Accounts Title 9 of the Netherlands Civil Code of 2016 (as amended) stipulates the requirements for preparation of financial statements, including applicable accounting standards and financial reporting thresholds	In accordance with the law, the Dutch Accounting Standards Board ("DASB") is responsible for enacting financial reporting standards in the Netherlands.	EU-endorsed IFRS are required for the preparation of separate and consolidated financial statements of listed companies and PIEs which are defined as banks, central credit institutions, insurers, and any enterprise, institution or public body forming part of one of the categories designated under Section 2 of the Audit Firms Supervision Act that makes it possible for the legislator to	Regulated and medium-sized companies are required to apply the DASB. As for small entities, they can choose one of four options/standards to prepare their financial statements: Dutch Corporation Tax Act; Dutch Accounting Standards for Small Entities; Dutch Accounting

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
			expand the class of PIEs. Section 2 has not been 'used' to date.	Standards for Medium-sized and Large Entities; or EU-endorsed IFRS and sections of the Dutch Accounting Standards for medium-sized and large entities. Small entities are defined as those that meet two of the following three criteria: (i) revenue below €8.8 million; (ii) assets below €4.4 million; and (iii) number of employees below 50.
Portugal	The Decree-Law No. 262/1986, last amended by Decree-Law No. 9/2022, Código das Sociedades Comercias, sets basic reporting functions for all business entities and requires companies to maintain accounting books and prepare annual financial statements. The Sistema de Normalização Contabilistica, established by Decree-Law No. 158/2009 and as amended by Decree-Law No. 98/2015, establishes different financial reporting requirements depending on the size and nature of the entity.: (a) Norma Contabilística para Microentidades, for micro entities; (b) Normas Contabilísticas de Relato Financeiro para Pequenas Entidades, for small and medium-size entities; (c) Norma	The Decree Law No. 134/2012, last amended by Decree-Law No. 84/2019, grants authority to the CNC, under the purview of the Ministry of Finance, to set accounting standards for corporate and public sector entities.	In line with the EU requirements, Portugal requires the application of IFRS as endorsed by the European Commission for the preparation of consolidated financial statements of listed companies and companies with listed debt.	Under certain circumstances, all corporate sector companies are permitted to apply IFRS for their consolidated financial statements. Standalone companies, in local territory, can only apply IFRS if they are a subsidiary of a group in the EU that applies IFRS and fully consolidates the Portuguese Standalone company.

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
	Contabilística para Entidades do Setor Não Lucrativo, for non-for-profit entities; and (d) Normas Contabilísticas de Relato Financeiro, for all other entities other than listed companies, banks, and financial institutions and insurance companies.			
 **Romania**	The Order of the Ministry of Public Finances no.1802/2014 sets out the accounting regulations for the preparation of separate annual financial statements and consolidated financial statements with their subsequent amendments and supplements. Law 82/1991 with its subsequent amendments and supplements also known as the Accounting Law, establishes the Ministry of Public Finances as the accounting standard-setter in Romania, responsible for transposing EU regulations that require the application of IFRS as endorsed by the European Commission into national law.	The Ministry of Public Finances (MFP) is the accounting standard-setter in Romania. The MFP is also responsible for approving the accounting standards set by the regulators of banks, insurance, and pension companies. Banks are supervised by the National Bank of Romania. Insurance and pension companies are supervised by the Financial Supervisory Authority. Each regulator requires entities under its supervision to apply EU-endorsed IFRS.	In addition to the mandatory requirements to apply IFRS in consolidated accounts, under MFP Order No. 881/2012 all listed companies are required to apply IFRS as endorsed by the EU in their annual financial statements. The MFP has also permitted companies that do not trade in the regulated market to choose between EU-endorsed IFRS for consolidated financial statements or Romanian Accounting Standards ("RAS") as established by the MFP. There are three tiers of RAS applicable for Romanian entities depending on their size. Companies that exceed at least two of the following thresholds must apply the more comprehensive set of RAS: (i) total assets are greater than 4,000,000 EUR; (ii) net turnover is more than 8,000,000 EUR; and (iii) the number of employees is more than 50.	Companies that do not exceed the thresholds must apply the simpler set of standards. In addition, micro entities have further exemptions. IFRS for SMEs has not been adopted in Romania.

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
 **Slovakia**	Act No. 431/2002 Coll. On Accounting (the Accounting Act) stipulates the requirements for the preparation of financial statements, including applicable accounting standards and financial reporting thresholds.	In accordance with the law, the Ministry of Finance is responsible for enacting financial reporting standards in Slovakia.	In accordance with the EU statutory framework, Regulation EC 1606/2002, as transposed into national legislation, listed entities are required to apply EU-endorsed IFRS Standards for consolidated financial statements. In addition, all other companies are permitted to apply IFRS for their consolidated financial statements.	Slovakia also utilised an option under the framework to (i) require EU-endorsed IFRS in both consolidated and separate company financial statements of PIEs; (ii) permit EU-endorsed IFRS in the separate company financial statements of all companies whose securities are traded in a regulated market that are non-PIEs; and (iii) require EU-endorsed IFRS as adopted by the EU in the consolidated statements of companies whose securities do not trade in a public market.
 **Slovenia**	The Companies Act sets the requirements for the preparation of corporate financial statements in Slovenia and transposes the EC Accounting Directive (2013/34/EU). The Act outlines the accounting standards to be applied by different types of entities based on their size and public accountability. In addition to stipulations in the Companies Act, banks must submit individual and consolidated financial statements to the Bank of Slovenia. All listed companies are also governed by the Financial Instruments Market Act, listing rules of the Ljubljana Stock Exchange, and regulations	Slovenian Accounting Standards ("SAS") are developed by the Slovenian Institute of Auditors ("SIA"). SAS are approved by the Minister of Finance and Minister of Economic Development and Technology.	Public interest entities, defined as listed companies, credit institutions, insurance undertakings, pension funds, and companies with direct or indirect state or municipal ownership, are required to apply EU-endorsed IFRS in their consolidated and separate financial statements. Companies that apply IFRS must do so for at least five years.	All other companies have the option to apply either IFRS or SAS which are developed by the SIA. SAS are approved by the Minister of Finance and Minister of Economic Development and Technology. Upon approval of both ministries, the standards are published in the Official Gazette. Certain exemptions apply regarding micro, SMEs. They are allowed to: (i) submit abridged balance sheets; (ii) draw up abridged profit and loss accounts, subject to prescribed limits; and (iii) companies whose securities are not traded on a regulated market are exempted from the preparation of business reports.

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
	of the Securities Market Agency. Insurance companies must also comply with the reporting requirements in the Insurance Act.			However, certain types of companies are never considered to be an MSME regardless of size (i.e., banks, insurance companies, listed companies, and any company required to prepare consolidated financial statements in accordance with IFRS). IFRS for SMEs is not required in Slovenia.
Spain	The Code of Commerce establishes the obligation for companies to keep books of accounts and provides the basic legal framework for accounting. As stipulated in the Code of Commerce, all companies must prepare financial statements in accordance with the Spanish General Accounting Plan and file these with the Mercantile Register.	Under the Royal Decree 302/1989, the ICAC, an agency within the Ministry of Economy, Industry and Competitiveness, is responsible for proposing a Spanish GAAP adapted to EU Regulations and harmonised with EU-endorsed standards.	Throughout the 2000s, Spanish accounting legislation was amended to adapt to international standards and the EU accounting requirements. Since 2005, publicly traded companies have been required to prepare their consolidated financial statements in accordance with EU-endorsed IFRS following the EC No 1606/2002.	In 2007, Royal Decree 1514/2007 approved the revised Spanish GAAP for separate statements of all companies, and in 2010 Royal Decree 1159/2010 approved the Spanish GAAP for consolidated annual statements.
Sweden	The Annual Reports Act of 1995 (as amended 2016) in Sweden stipulates the requirements for the preparation of financial statements, including applicable accounting standards and financial reporting thresholds.	In accordance with the law, the Bokföringsnämnden (Swedish Accounting Standards Board) is the governmental body that has statutory authority to develop generally accepted accounting principles in Sweden, while the Finansinspektionen (Swedish Financial Supervisory Authority) is responsible for issuing standards required for	As of the date of the assessment, EU-endorsed IFRS are required for the consolidated financial statements of all companies whose securities trade in a regulated market and for other Public Interest Entities which include credit institutions and insurance companies.	While IFRS for SMEs has not been adopted in the jurisdiction, Sweden has developed a national accounting standard, known as BFNAR 2012:1 (K3), based on IFRS for SMEs to be applied for large entities whose securities are not publicly traded. Small companies may choose to apply national accounting standards, BFNAR 2016:10, also developed by BFN, or to apply the same standards that large

	Accounting Framework	Authority to set accounting standards	EU-endorsed IFRS (who is required)	Other entities / selection of Local GAAP/IFRS
		financial companies		entities use.

8.3. Appendix C – Assessment questionnaire (all EU Members countries)

1	Which country do you represent?
2	Is the description of the accounting framework in your country and authority to set accounting standards correct and up to date? + Comment
3	Apart from general accounting standards (i.e. local-GAAP or IFRS) are there any other official 'best practices' (such as local FAQ, help guides, explanatory notes etc.) that are recommended or obligatory to apply? + Comment
4	Is the description of entities that are required, permitted, or not required to apply IFRS in your country (provided in the attached linked file) correct and up to date?
5	In the case of voluntary IFRS application, are there any accompanying additional obligations to be met (additional to those that are normally applied by the entities reporting under local GAAP), such as an obligatory audit? (for example: transitioning to IFRS requires an ISAE 3000 audit opinion of IFRS readiness; obligatory audit regardless of the size of an entity every year or in the year of adoption of IFRS) + Comment
6	The areas listed below are not regulated or covered by IFRS. Are there any special regulations included in local GAAP that are obligatory specifically for IFRS users? • General requirements for bookkeeping (such as minimum requirements for accounting documents or format of reports generated from the bookkeeping system) • Additional obligatory disclosures to be presented in financial statements of IFRS users OTHER than those required by IFRS (for example audit fees or number of employees, other) • Chart of accounts' templates • Financial statements signing off regulations • Other (specify in comments)
7	Are there any specific conditions or requirements to be met for entities deciding for a conversion from IFRS to local GAAP? (for example: 'wait' period (entity cannot transfer back to local GAAP after a transition to IFRS for 3 years; mandatory disclosures, audit / review after conversion regardless of the size of the entity) + Comment
8	What kind of entities are required to keep books of accounts (irrespective of their form) that complies with the general rules of double entry? (for example: all companies regardless of size; tradesmen, farmers and foresters who exceed a certain turnover and profit limit; all commercial enterprises regardless of ownership and liability (e.g. commercial foundations, co-operative societies, partnerships, limited partnerships, sole entrepreneurs, and branches).
9	Are there any regulations that must be followed relating to bookkeeping techniques and conditions? • Language requirements • Currency requirements • Currency translation requirements • Any minimum functionalities of ERP or other bookkeeping systems defined • Requirements relating to general ledger and supporting ledgers

	● Types and forms of any mandatory reports generated from the bookkeeping systems ● Rules for period closing ● Archaization requirements ● Rules for any accounting documents such as format of invoices issued or journal entries requirements ● Other (specify in comments)
10	Is there any public (state affiliated) certification process for book-keeping (ERP) systems that is available or required to obtain? (for example: entities can use a digital bookkeeping system approved by the National Business Authority, or if not using such a system, enterprises are required to fulfil the requirements themselves. When enterprises file their annual report, they are required to disclose the name and legal number of the supplier of the digital bookkeeping systems they have used during the financial year. If enterprises use their own systems, the systems used must be disclosed.) + Comment
11	Are there any regulations related to cybersecurity in the accounting and bookkeeping area? (for example: A digital bookkeeping system that is offered or used for bookkeeping in accordance with this Act must meet the following requirements: meet recognised standards for IT security, including user and access management, and ensure automatic backup of records and receipts.) + Comment
12	Are there any local GAAP regulations relating to recognition and measurement of: ● Cloud computing ● Software as a service (SaaS) ● Crypto-assets and similar (such as tokens in internet games) ● Modern types of payment processing (digital wallet payments, PayPal, Apple pay etc.) ● Any other special e-commerce aspects (in-built social shopping solutions, in-app purchases) ● Other (specify in comments)
13	Are there any specific regulations defining aspects of inventory stock count? ● Frequency ● Timing ● Methodology ● Other (specify in comments)
14	Are there any specific regulations for fixed assets physical inspection? ● Frequency ● Timing ● Methodology ● Other (specify in comments)
15	Is there any template for a chart of accounts that must be applied by some or all entities? + Comment
16	Are there any templates for financial statements? + Comment
17	Is there any binding tagging system, similar to the ESEF system, that must be applied for local reporting and filing? + Comment
18	Are there any regulations related to financial reporting other than year-end reporting, such as: ● Interim reporting ● Reporting for mergers or acquisitions or similar transactions

	• Reporting connected with entity liquidation process • Other (specify in comments)
19	Except for tax reporting purposes, are there any other regulatory reporting requirements that would require a different measurement and recognition approach? + Comment
20	Is it allowed for some types of entities (such as entities of a certain size) to apply tax rules for accounting purposes? + Comment
21	Are there any simplifications related to local reporting requirements, accounting rules and book-keeping that are available for entities of certain type or size? (for example: micro companies not subject to the commerce code doesn't have to keep their books in accordance with the general rules of double-entry accounting; some entities are allowed to file simplified reports – supported by single-entry bookkeeping) + Comment
22	What kind of entities (in terms of size, type, industry etc.) are subject to obligatory audit? (for example: thresholds for statutory audit are: (i) entities that exceed at least two of the following—total assets equivalent to X million EUR, total revenue equivalent to Y million BGN, and an average number of employees of 50; (ii) PIEs; (iii) groups which include PIE; (iv) joint-stock companies and limited partnerships with shares)
23	Are there any expected major changes to the local GAAP regulations? (for example: there is a new legislative proposal that companies in reporting class X will get the opportunity to submit their annual report solely in English; the specific requirements for digital bookkeeping systems will be determined relating to digital support of registration and storage). + Comment
24	During the last 5 years have there been any major changes to the local GAAP accounting regulations? We are mostly interested in digitalization, ERP requirements, simplifications of financial reporting requirements for entities of certain size or type. + Comment

8.4. Appendix D – Assessment questionnaire for study visit (sample countries)

1. **Study visit in Denmark – meeting agenda**
   - Automatic Business Reporting and the new Bookkeeping Law;
   - The Polish considerations regarding new regulation;
   - The Danish Bookkeeping Law;
   - Implementing the new requirements to the digital bookkeeping systems;
   - The Danish Stock Account.
2. **Germany – communication e-mail (our questions)**
   a. Area – stock count
      - Is there guidance / FAQ for users in case of an entity using a sampling method during stock count?
      - Do you identify any risks relating to existing legal provisions allowing simplified stock take, including sampling (random sampling, using recognised mathematical statistical methods) versus full physical in person stock take from the Ministry of Finance and other authorities (especially tax authorities)?

   b. Area – bookkeeping
      - Are there any control procedures performed by the authorities to verify if the entities comply with the provisions defined in the Generally Accepted Accounting Principles in Computer-Assisted Accounting Systems (GoBD)?
      - We understand that under GoBD, as part of a tax audit, the tax authorities may – in addition to the standard obligatory records and data – demand access in a digitally evaluable form to all structural information necessary for the evaluation of the data. Are there any problems for entities with that, especially small and medium-sized enterprises?
      - Do entities of any size have issues with complying with those principles (GoBD)? If yes, what kind of issues?
      - What are the benefits from the perspective of authorities of certification of electronic archiving systems under the German Auditing Standard PS880?
3. **Hungary – communication e-mail (our questions)**
   a. Accounting framework in general
      - Template for financial statements (for the micro entities) and Balance sheet, Profit and Loss and cash flow templates for the rest of entities (recommended to be used with a possibility to expand or adjust);
      - Industry specific regulations (e.g. for insurance companies, investment funds, foundations etc. that have special regulations within Hungarian GAAP);

- Your database of Q&As issued by the Finance Ministry and the Chamber of Auditors, and examples of illustrative financial statements recommended to use;
- Your process of annual modifications to the Act;
- Any expected major changes to the local GAAP regulations.

b. IFRS application (on a voluntary and obligatory basis) and consequences for entities who can freely choose between Hungarian GAAP and IFRS, for example:

- ISAE 3000 audit opinion of IFRS readiness;
- Special licence "IFRS accredited bookkeeper and IFRS accredited auditor" for bookkeeping and auditing professionals
- Special regulations included in local GAAP that are obligatory specifically for IFRS users, for example:

i. General requirements for bookkeeping (such as minimum requirements for accounting documents or format of reports generated from the bookkeeping system);

ii. Additional obligatory disclosures to be presented in the financial statements of IFRS users OTHER than those required by IFRS (for example audit fees or number of employees. other)

iii. Financial statements signing off regulations

iv. Any other? Disclosures, Scope of consolidation, Mandating of audit, Keeping track of invoices and other supporting documents, Stocktaking obligation, Filing obligations, Preparation of management report)

- Local GAAP regulations relating to recognition and measurement of crypto-currencies (or Q&A issued covering this area)

c. Digitalization (functionalities of bookkeeping systems, archiving and data security requirements, the certification process for bookkeeping systems) – if any

d. Simplifications related to reporting requirements

- Conditions for Economic entities keeping double-entry books that may prepare a simplified annual account;
- Further simplified framework for micro entities;
- Conditions for Economic entities that are allowed to file simplified reports – supported by single-entry bookkeeping

e. Regulations that must be followed relating to bookkeeping techniques and conditions

- Any accounting rules and bookkeeping available for entities of certain type or size;
- Procedures for simplified inventory-taking;
- The concept of defining the first digit of the chart defined in the act e.g. 1-3 are assets, 4 liabilities and equity (application by the ERP system, or a mapping table outside of the system);
- Regulations related to financial reporting other than year-end reporting, such as:
  - Interim reporting

  - Reporting for mergers or acquisitions or similar transactions
  - Reporting connected with the entity liquidation process
- Minimum functionalities of ERP or other bookkeeping systems defined;
- Requirements relating to general ledger and supporting ledgers;
- Rules for period closing;
- Rules for any accounting documents such as the format of invoices issued or journal entry requirements
- Archivization requirements that must be followed relating to bookkeeping techniques and conditions.

8.5. Appendix E – Benchmark analysis of micro, small and medium-sized entities

	Micro-sized	Small-sized	Medium-sized
Austria	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 1.5 million EUR • turnover (revenue): 10 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Belgium	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4.5 million EUR – turnover (revenue): 9 million EUR • average number of employees: 50 • A company is small if it exceeds no more than 1 of the above-mentioned thresholds.	• -
Bulgaria	• *1 BGN = 0.51 EUR – balance sheet total (assets): ~ 700,000 EUR • turnover (revenue): ~ 350,000 EUR • average number of employees: 10	• *1 BGN = 0.51 EUR – balance sheet total (assets): ~ 4 million EUR • turnover (revenue): ~ 8 million EUR • average number of employees: 50	• *1 BGN = 0.51 EUR – balance sheet total (assets): ~ 18 million EUR • turnover (revenue): ~ 38 million EUR – average number of employees: 250
Croatia	-	• *1 HRK = 0.132732 EUR – balance sheet total (assets): ~ 4 million EUR • turnover (revenue): ~ 8,5 million EUR • average number of employees: 50	• *1 HRK = 0.132732 EUR – balance sheet total (assets): ~ 20 million EUR • turnover (revenue): ~ 35 million EUR • average number of employees: 250
Republic of Cyprus	-	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR

	Micro-sized	Small-sized	Medium-sized
		• average number of employees: 50	• average number of employees: 250
Czech Republic	-	• *1 CZK = 0.042194 EUR – balance sheet total (assets): ~ 4 million EUR • turnover (revenue): ~ 8 million EUR • average number of employees: 50	• balance sheet total (assets): ~ 20 million EUR • turnover (revenue): ~ 40 million EUR • average number of employees: 250
Denmark*	-		• *1 DKK = 0,1343 EUR • turnover: ~ 50 million EUR • average number of employees: 250
Estonia	• balance sheet total (assets): 175,000 EUR • turnover (revenue): 50,000 EUR • average number of employees: one shareholder who is also a member of the management board	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Finland	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 6 million EUR • turnover (revenue): 12 million EUR • average number of employees: 50	-
France	• -		• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 250
Germany	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 6 million EUR • turnover (revenue): 12 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250

	Micro-sized	Small-sized	Medium-sized
Greece	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Hungary	-		• balance sheet total (assets): • turnover (revenue): 50 million EUR • average number of employees: 250
Ireland	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 6 million EUR • turnover (revenue): 12 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Italy	• balance sheet total (assets): 2 million EUR • turnover (revenue): 2 million EUR • average number of employees: 10	• balance sheet total (assets): 10 million EUR • turnover (revenue): 10 million EUR • average number of employees: 50	• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 250
Latvia	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Lithuania	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Luxembourg	-	• balance sheet total (assets): 10 million EUR • turnover (revenue): 10	• balance sheet total (assets): 43 million EUR • turnover (revenue): 50

	Micro-sized	Small-sized	Medium-sized
		million EUR • average number of employees: 50	million EUR • average number of employees: 250
Malta	-		• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 250
Netherlands	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 6 million EUR • turnover (revenue): 12 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250
Portugal*	• balance sheet total (assets): 400,000 • turnover (revenue): 800,000 • average number of employees: 10	• balance sheet total (assets): 2-10 million EUR • turnover (revenue): 2-10 million EUR • average number of employees: 50	• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 250
Romania	• balance sheet total (assets): 2 million EUR • turnover (revenue): 2 million EUR – average number of employees: < 9	• balance sheet total (assets): 10 million EUR – turnover (revenue): 10 million EUR – average number of employees: 10-49	• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 50 – 249
Slovakia	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	-
Slovenia	• balance sheet total (assets): 350,000 EUR • turnover (revenue): 700,000 EUR • average number of employees: 10	• balance sheet total (assets): 4 million EUR • turnover (revenue): 8 million EUR • average number of employees: 50	• balance sheet total (assets): 20 million EUR • turnover (revenue): 40 million EUR • average number of employees: 250

	Micro-sized	Small-sized	Medium-sized
 **Spain**	• balance sheet total (assets): 2 million EUR • turnover (revenue): 2 million EUR • average number of employees: 10	• balance sheet total (assets): 10 million EUR • turnover (revenue): 10 million EUR • average number of employees: 50	• balance sheet total (assets): 43 million EUR • turnover (revenue): 50 million EUR • average number of employees: 250
 **Sweden**	-		In the Swedish Accounting Act small companies are defined as those that are not large companies (large companies: average number of employees 50; balance sheet total 40 million EUR; turnover 80 million EUR). Sweden has not adopted the IFRS for SMEs Accounting Standard. However, Sweden has developed a national accounting standard (known as BFNAR 2012-1) for large companies whose securities are not publicly traded that is based on the IFRS for SMEs Standard but with many amendments and exceptions due to Swedish law and 'Swedish practice' as well as to reflect Swedish tax law.

*) There is no definition of SME in the main accounting laws reviewed. The Member State has also not adopted the IFRS for SMEs Accounting Standard. The definition of the SME is found in different sources.

8.6. Appendix F – Individual assessment questionnaire responses (all EU Members countries)

See the separate file named “Appendix F_Accounting framework in EU Countries – responses.pdf”

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