

Прегледни рад

Примљено: 8. 12. 2015.

UDK 657.375(4-672EU)

Ревидирана верзија: 12. 1. 2016.

Одобрено за штампу: 26. 2. 2016.

NEW ACCOUNTING DIRECTIVE WITH THE AIM TO IMPROVE FINANCIAL REPORTING IN THE EUROPEAN UNION

Milorad Stojilковић

University of Niš, Faculty of Economics, Niš, Serbia
nikola86nis@gmail.com

Abstract

This paper discusses the importance and the foremost intentions of Directive 2013/34/EU. It regulates the basics of financial reporting of micro-, small, medium-sized and large undertakings in the European Union. In addition, the new directive normatively regulates the issue of consolidated financial statements. Finally, it contains the appropriate amendments to the Eighth Directive (Directive 2006/43/EC), which expands the scope of the audit of financial statements, as well as the obligations of statutory auditors. It is therefore rightly called the Accounting Directive. Bearing in mind the importance of the information contained in financial statements, the aim of this paper is to indicate the expected directions of improvement of financial reporting in the European Union, projected by the Accounting Directive. In this regard, the paper points to the most important innovations prescribed by Directive 2013/34/EU. Then, it discusses the challenges which Member States legislatures will face when transposing the Directive into their national legislation, which is a necessary precondition for its application, as of 1 January 2016. Finally, based on the foregoing considerations, the paper analyzes the expected effects of the new regulatory framework for financial reporting in the European Union.

Key words: financial reporting, Directive 2013/34/EU, the quality of financial reporting, harmonization of financial reporting, convergence of accounting systems.

НОВА РАЧУНОВОДСТВЕНА ДИРЕКТИВА У ФУНКЦИЈИ УНАПРЕЂИВАЊА ФИНАНСИЈСКОГ ИЗВЕШТАВАЊА У ЕВРОПСКОЈ УНИЈИ

Апстракт

У раду се разматрају значај и најважније интенције Директиве 2013/34/ЕУ. Она уређује основе финансијског извештавања микро, малих, средњих и великих предузећа у Европској унији. Осим тога, нова директива нормативно уређује проблематику консолидованих финансијских извештаја. Коначно, она садржи одговарајуће амандмане на Осму директиву (Directive 2006/43/EC), којима се проширује делокруг ревизије финансијских извештаја, а самим тим и обавезе овлашћених

ревизора. Зато је, с правом, названа рачуноводствена директива. Циљ рада је да се, имајући у виду значај информација садржаних у финансијским извештајима, укаже на очекиване правце унапређивања финансијског извештавања у Европској унији, пројектоване рачуноводственом Директивом. С тим у вези, у раду се указује на најважнија нова решења прописана Директивом 2013/34/EУ. Затим се разматрају изазови са којима ће се суочавати законодавна тела земаља чланица приликом транспонувања Директиве у национална законодавства, што је неопходан предуслов за њену примену, почев од 1. јануара 2016. године. Коначно, полазећи од претходних разматрања, анализирају се очекивани ефекти новог регулаторног оквира за финансијско извештавање у Европској унији.

Кључне речи: финансијско извештавање, Directive 2013/34/EU, квалитет финансијских извештаја, хармонизација финансијског извештавања, конвергенција рачуноводствених система.

INTRODUCTION

The European Parliament and the Council of the European Union adopted a new accounting Directive 2013/34/EU on 26 June 2013. The Directive consolidates and replaces the Fourth and Seventh Directives and contains several amendments related to the Eighth Directive. Member States were obliged to harmonize their national legislation with the Directive within the next two years, so that undertakings and groups could timely prepare for its entry into force on 1 January 2016.

In this regard, it should be borne in mind that the Fourth and Seventh Directives adapted to the dynamic requirements of the new business environment. This took place over more than three decades and led to a number of amendments, which impeded the application of the aforementioned directives. A growing number of global groups operating in the EU and the expansion of financial markets influenced the EU institutions preference to adopt Regulation (EC) No 1606/2002. According to this Regulation, IAS/IFRS represent a regulatory framework for the financial reporting of entities whose securities are traded on recognized stock exchanges and which, at the same time, prepare consolidated financial statements as of 1 January 2005. In addition, the need for comprehensive regulation of the audit of annual financial statements of undertakings and groups led to the adoption of the updated Eighth Directive in 2006 (2006/43/EC). Its adoption was followed by a multi-year process of drafting a new accounting directive, which would unify and modernize the Fourth and Seventh Directives with the aim to improve financial reporting by undertakings of certain legal forms and groups. If all goes as planned, the finale of this process will be the harmonization of national legislation with Directive 2013/34/EU and their entry into force on 1 January 2016.

The global objective of this paper is thematically defined by the title. Considering that this a broad subject, and bearing in mind the spatial limitations, the paper was conceived to include the following, mutually dependent and connected, parts:

- The most important innovations prescribed by Directive 2013/34/EU,
- Transposition of the Accounting Directive into national law,
- The expected effects of the new regulatory framework in the European Union.

*THE MOST IMPORTANT INNOVATIONS PRESCRIBED
BY DIRECTIVE 2013/34/EU*

In order to get a comprehensive insight into the most important innovations, they have been presented in the following table:

Table 1. The most important innovations prescribed by Directive 2013/34/EU

Names of parts (chapters) of the Directive	Innovations
Preamble	Redefinition of the priority objectives of the Directive
1. Scope, definitions and categories of undertakings and groups	a) Definition of key concepts b) The new classification of undertakings includes micro-undertakings c) Groups are classified as small, medium-sized and large
2. General provisions and principles	a) The number of the principles of proper financial reporting is increased b) Revaluation of fixed assets is allowed, as well as the use of fair value for certain securities
3. Balance sheet and profit and loss account	Member States may permit micro- and small undertakings to draw up abridged balance sheets and profit and loss accounts
4. Notes to the financial statements	a) The number of notes is increased b) Tabular form of certain notes is required
5. Management report	a) More information, including non-financial information, is required b) Corporate governance statement
6. Consolidated financial statements and reports	Numerous exemptions from consolidation
7. Publication	Definition of the obligation to draw up and publish financial statements and management reports
8. Auditing	a) Extension of the scope of audit b) Amendment of the Eighth Directive
9. Provisions concerning exemptions and restrictions on exemptions	a) Exemptions for micro-undertakings b) Exemptions for subsidiary undertakings c) Profit and loss account exemption for parent undertakings d) Restriction of exemptions
10. Report on payments to governments	Report on payments to governments

Source: table created by the author

The *Preamble* of Directive 2013/34/EU contains 58 paragraphs labeled with ordinal numbers, starting with 1 and ending with 58. A careful analysis of their content reveals that most space is devoted to small and medium-sized undertakings (joint stock companies, limited liability companies and limited partnerships on shares). The very first paragraph clearly states that the Commission Communication entitled "Think small first – Small Business Act for Europe", adopted in June 2008 and revised in February 2011, recognizes the central role played by small and medium-sized enterprises (SMEs) in the Union economy. Starting from the above stated attitude, as well as keeping in mind the long-term EU strategy in this field ("The Europe 2020 Strategy for SMEs"), one of the priority objectives of Directive 2013/34/EU, explicitly explained in the preamble, is the simplification of the process of financial reporting and minimization of reporting obligations for small and medium-sized enterprises (SMEs), as well as small groups (Directive 2013/34/EU Official Journal of the European Union L 182 /29.6.2013, p. 19).

1. In the first part of the Directive titled "*Scope, definitions and categories of undertakings and groups*", the most important innovations concern the definition of key concepts and categories, as well as the new classification of undertakings and the division of groups into small, medium-sized and large. Following the example of the International Accounting Standards (IAS), sixteen definitions were listed. These definitions precisely clarify the meaning of key terms and expressions used in the text of the Directive. For example, the following are some of the defined categories: public-interest entities, participating interest, fixed assets, net turnover, purchase price, production cost. It is indisputable that defining the most important terms and expressions prevents misunderstandings which may arise when transposing the Directive into national law. Namely, in current practice, it is observed that in some Member States the same terms are interpreted differently, either in their broader or narrower sense. Several definitions are a result of harmonization with the definitions in the International Financial Reporting Standards (group, parent undertakings, subsidiary undertakings and associated undertakings). Finally, certain definitions are a result of harmonization with the contemporary professional terminology (investment undertakings, financial holding undertakings, materiality, etc.).

The new classification of undertakings includes micro-undertakings, and groups are divided into small, medium-sized and large. Directive 2003/361/EC introduced the category of micro-undertaking, primarily in keeping with the measures of economic and tax policies, lending policies and stimulating these entities, as well as their statistical coverage. After years of resistance towards the use of the criteria in this Directive for financial reporting purposes, the new Accounting Directive extends the classification of undertakings by size so as to include micro-undertakings in addition to

small, medium-sized and large undertakings. Groups are divided into small, medium-sized and large, using the same criteria that were used in classifying individual undertakings, as shown in Table 2:

Table 2. Classification of undertakings and groups by size

Classification criteria	Micro-undertaking	Small undertaking (small group)	Medium-sized undertaking (medium-sized group)	Large undertaking (large group)
1. Average number of employees	up to 10	up to 50	up to 250	over 250
2. Balance sheet total (in EUR)	350 000	4 000 000	20 000 000	over 20 000 000
3. Net turnover (in EUR)	700 000	8 000 000	40 000 000	over 40 000 000

Source: table created by the author

The reason behind the deviation of the previously single category of small undertakings into micro-undertakings and small undertakings, among other things, is to make clearer the participation of micro-undertakings in the economic structure of the European Union, since they form by far the largest group of economic subjects. In other words, “it is undisputed that the introduction of yet another segment creates preconditions for defining each segment-appropriate rules of financial reporting, as well as for the formulation of a meaningful economic policy“ (Škarić-Jovanović, 2013, p. 96).

2. *General provisions and principles* is the name of the second part of Directive 2013/34/EU. At the time of its adoption (1978), the Fourth Directive contained six principles of proper financial reporting: the principle of going concern, the principle of continuity (the principle of consistency), the precautionary principle, the principle of accrual of expenses and revenues, the principle of individual valuation and the principle of identity (Rankovic, 2012, p. 214). The new Accounting Directive maintains these principles in their unchanged form and adds the following: prohibition of any set-off between asset and liability items, or between income and expenditure items (the gross principle), presentation of a business item with regard to the substance of the business transaction and the principle of materiality. Emphasis is put on the principle of purchase price or production cost as the primary measurement attribute, which is consistent with the general principles. In certain cases, it is possible to use fair value as an alternative basis for measurement of certain categories of financial instruments, as well as specified categories of assets other than financial instruments, if it is allowed by the national law of a Member State. Otherwise, the goal of

applying the principles of proper financial reporting is that the annual financial statements give a true and fair view of the financial position and business performance.

3. *Balance sheet and profit and loss account*, discussed in the third part of the Directive, are not different, either in form or content, from the initial layout from 1978. Only certain terms differ. Article 14 of Directive 2013/34/EU states that Member States may permit micro-undertakings and small undertakings to draw up abridged balance sheets showing only those items preceded by letters and Roman numerals. Moreover, national law may permit these undertakings to draw up abridged balance sheets which contain only the items preceded by letters.

In this case, the abridged balance sheet, shown in the account form, would have the layout given in Table 3.

Table 3. Abridged balance sheet for micro-undertakings

Assets	Liabilities
A. Subscribed capital unpaid	A. Capital and reserves
B. Formation expenses	B. Provisions
C. Fixed assets	C. Creditors
D. Current assets	

Source: table created by the author

Article 14 of the Directive provides for the possibility of drawing up an abridged profit and loss account, either as the single-step or the multiple-step profit and loss account (Malinić, 2015, p. 37). Where national law allows it, Member States may permit micro-undertakings to draw up abridged profit and loss accounts containing only the items given in Table 4.

Table 4. Abridged profit and loss account for micro-undertakings

Profit and loss account
Net turnover
Other income
Cost of raw materials and consumables
Staff costs
Value adjustments and other write-offs
Other charges
Tax
Profit (loss)

Source: table created by the author

4. The next part of the Directive is entitled “*Notes to the Financial Statements*“. Article 16 of the Directive standardizes the content of the notes to the financial statements. This article contains several innovations regarding the disclosure of information. We especially emphasize the

increased amount of information that must be disclosed as well as the requirement that certain information must necessarily be presented in tabular form. In doing so, the priority is given to the disclosure of the adopted accounting policies.

In the case where national laws of Member States permit fixed assets to be measured at revalued amounts, the notes have to be in tabular form and contain the information on the movements in the revaluation reserves formed in the financial year, with an explanation of the tax treatment of items therein, as well as the information on the carrying amount in the balance sheet that would have been recognized had the fixed assets not been revalued.

If the financial instruments are measured at fair value, it is necessary to disclose all relevant information listed in Article 8 (paragraph 7) of the Directive, among which we emphasize: the fair value for each category of financial instruments and the way in which it was determined.

5. *The management report* should include, as before, a fair review of the development, financial position and performance of the undertaking's business. It should also contain the following information on: a) any important events that have occurred after the end of the financial year; b) the undertaking's likely future development; c) activities in the field of research and development; and d) acquisitions of own shares.

What is new compared to the previous requirements given in the Fourth Directive from 1978 refers to the description of the main risks and uncertainties which undertakings may be facing, as well as a more detailed description of development, performance and financial position, by analyzing key financial and non-financial performance indicators relevant to the particular business, including information relating to environmental and employee matters (information on employees). This is the implementation of the concept of financial reporting in a broader sense. To be more precise:

“In the new conditions, financial reporting is much broader, because it contains not only financial, but also non-financial information, crucial for decision-making and professional judgment and extends to the qualitative characteristics of the information contained in financial statements, which represents operationalization of the quality of financial reporting“ (Novičević, 2015, p. 27).

A specific section of the management report should be a Corporate governance statement, whose content is normatively regulated by Article 20 of the Directive. The corporate governance statement has to contain various information, among which we emphasize: the corporate governance code to which the undertaking is subject or which the undertaking may voluntarily have decided to apply and a description of the main features of the undertaking's internal control and risk management systems in relation to the financial reporting process.

6. *Consolidated financial statements and reports* are drawn up by the parent undertaking of the group. The main requirements for obtaining the parent undertaking status are defined in the section titled “Scope, definitions and categories of undertakings and groups“. By definition, the parent company is a company that has control over at least one subsidiary, acquired by: the majority of voting rights, dominant influence and unified management.

The Directive allows a number of exceptions from the obligation to draw up consolidated reports. First, small and medium-sized groups are exempt, provided there are no public-interest entities within the group. In precisely described cases, any parent undertaking which is also a subsidiary undertaking of another parent entity shall be exempted from consolidation. Exemption from consolidation is even possible when there are public-interest entities within groups if the requirements precisely specified by the Directive have been met. These are different situations in which the costs of obtaining information for consolidation outweigh the benefits provided by this information.

7. *Publication of the annual financial statements and the management report* is normatively regulated in Chapter 7 of the Directive. Member States should ensure that undertakings publish within a reasonable period of time, which should not exceed 12 months after the balance sheet date, the duly approved annual financial statements and the management report, together with the opinion submitted by the statutory auditor or audit firm, as laid down by the laws of each Member State. In addition, small undertakings may be exempt from the obligation to publish their profit and loss accounts and management reports, whereas medium-sized undertakings may publish abridged balance sheets and abridged notes to their financial statements.

In order to increase accountability for drawing up and publishing annual financial statements and management reports, as well as consolidated annual financial statements and consolidated management reports, Article 33 of the Directive introduces collective responsibility. Namely, Member States should ensure that the members of the administrative, management and supervisory bodies bear responsibility if their financial and related reports are not drawn up and published in accordance with the requirements of this Directive, the Eighth Directive and/or Regulation (EC) No 1606/2002. In other words, the principle of collective responsibility for fair and true financial reporting must be incorporated into national law and applied as of 1 January 2016. In addition, it is left to Member States to specify how to establish the degree of responsibility, as well as how to sanction violators.

8. *Auditing of the financial statements* in Member States of the European Union shall be carried out on the basis of the Eighth Directive, ie Directive 2006/43/EU (Andrić, Krsmanović, Jakšić, 2009, p. 31). The financial statements of public-interest entities, medium-sized and large

undertakings are the subject of auditing. A statutory auditor expresses an opinion on the audited financial statements, which can be either unqualified, qualified or an adverse opinion. The new accounting directive requires the statutory auditor to express an opinion on whether the management report is consistent with the financial statements for the same financial year, as well as whether the management report has been prepared in accordance with the applicable legal requirements. In addition, the auditor is required to state whether, in the light of the knowledge and understanding of the undertaking and its environment obtained in the course of the audit, he or she has identified material misstatements in the management report. These new requirements for statutory auditors also apply with respect to the consolidated financial statements and consolidated management reports. Thus the scope of the legally required audit was extended to the management reports as well.

The new Accounting Directive contains an amendment which replaces Article 28 of the Eighth Directive and relates to the content of the audit report. According to Article 34 of the Directive, the structure and content of the reports are in compliance, on all key elements, with the updated ISAs from 2009.

9. *Exemptions and restrictions on exemptions* are the subject of Chapter 9. These exemptions refer to reporting requirements for micro-undertakings, subsidiary undertakings, parent undertakings preparing consolidated financial statements. In other words, these undertakings can be exempt from the obligation to apply certain provisions of the Directive in order to reduce the costs of financial reporting. In addition, exemptions are restricted for certain types of undertakings (investment undertakings and financial holding undertakings, as well as public-interest entities). Member States of the European Union can, in accordance with their national law, exempt micro-undertakings from the obligations to present “Prepayments and accrued income“ and “Accruals and deferred income“, the obligation to draw up notes to the financial statements, the obligation to prepare a management report and the obligation to publish annual financial statements, provided that the balance sheet information contained therein is duly filed with at least one competent authority designated by the Member State concerned. These exemptions and benefits, which include drawing up abridged balance sheets and profit and loss accounts, can not apply to investment undertakings and financial holding undertakings regardless of their size.

Under certain conditions, which are listed in this part of the Directive, a Member State is not required to apply the provisions of this Directive concerning the content, auditing and publication of the annual financial statements and the management report to undertakings governed by their national laws which are subsidiary undertakings, where the parent undertaking is subject to the laws of a Member State. In analogy to this decision, under precisely specified conditions, a Member State is not required to apply the provisions of this Directive concerning the auditing and

publication of the profit and loss account to parent undertakings governed by its national laws. Public-interest entities are treated as large undertakings. Member States are not allowed to use their national law to make the simplifications and exemptions set out in this Directive available to public-interest entities, unless this is expressly provided for in a future accounting Directive.

10. This Directive introduced *the report on payments to governments* as a mandatory companion to the annual financial statements of large undertakings and public-interest entities active in the extractive industry including extraction of ores, minerals, oil, natural gas deposits as well as the logging of primary forests. For this reason, this report can be found in foreign and domestic literature under the name „Report on extractive industries“. Economic activities belonging to the extractive industry and the logging of primary forests are listed in Annex I to Regulation (EC) No 1893/2006, which establishes the statistical classification of economic activities.

The new accounting directive defines the term government as any national, regional or local authority of a Member State or of a third country, including a department, agency or undertaking controlled by that authority. Payment is defined as the amount paid by undertakings active in the extractive industry or logging of primary forests, whether in money or in kind, to governments as compensation for the right to carry out these activities. The purpose of the report on payments to governments is to disclose payments made to a national, regional or local government by these legal entities, and it should include any payment, whether made as a single payment or as a series of related payments, larger than EUR 100 000 within a financial year.

2. TRANSPOSITION OF THE ACCOUNTING DIRECTIVE INTO NATIONAL LAW

One of the most important sources of Community law, ie. *acquis communautaire*, in addition to regulations, decisions, recommendations and opinions, are undeniably directives. The specifics of directives as legal instruments are best observed through their key features: "Directives are closely linked to the objectives to be achieved and the time frame within which these objectives must be achieved. However, they leave governments of Member States the freedom to choose the form and means of achieving these objectives." (Milojević, 2006, p. 211). Directives contain some binding provisions, and therefore some optional provisions. This is because they are always the result of a compromise between the need to harmonize legislation within the Union and the effort to leave Member States a sufficient degree of freedom to regulate these issues by national law in accordance with the specific characteristics of their constitutional, legal, political, economic, cultural, and social system in general as well as

their tradition. Member States are obliged to make the transposition of the Directive into national law within the time frame specified in the Directive. It is usually two years from the date of entry into force of the Directive.

Since the new Accounting Directive gives a large number of alternative solutions to choose from, as well as leaves solely to Member States to regulate a number of issues, its incorporation into the legal system of Member States is a serious task for all participants in this process. A particular challenge, in our view, represent:

- a) determining the thresholds for classification of undertakings and groups, including the choice in terms of numerous exemptions whose function is to simplify the process of financial reporting,
- b) the application of fair value for certain categories of financial instruments, as well as potentially for certain assets other than financial instruments,
- c) the concretisation of collective responsibility for drawing up and publishing true and fair financial statements and the ways of sanctioning violators,
- d) defining the content of the mandatory set of financial statements.

a) Member States can define micro-undertakings as undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: a) balance sheet total: EUR 350 000, b) net turnover: EUR 700 000 and c) average number of employees during the financial year: 10. In the process of implementation of the provisions on financial reporting by micro-undertakings into national law, a Member State must decide on a number simplifications, including the option of abridged balance sheets, which were discussed in the previous part of the paper.

Small undertakings are undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: a) balance sheet total: EUR 4 000 000, b) net turnover: EUR 8 000 000 and c) average number of employees during the financial year: 50. Member States may define these thresholds but they are not to exceed EUR 6 000 000 for the balance sheet total and EUR 12 000 000 for the net turnover. The permitted range between the lowest and the highest amount is significant. If a Member State prescribes the maximum permissible upper limit for the balance sheet total (EUR 6 000 000), that will be 50% more than in the Member States that have opted for the recommended limit (EUR 4 000 000). The same applies to the net turnover. In this hypothetical case, a comparison of such undertakings would be impossible.

Similarly to micro-undertakings, Member States may permit small undertakings numerous simplifications, including abridged balance sheets and abridged profit and loss accounts, which were discussed in the first part of the paper (Table 3 and Table 4). "All of this leads to the question whether the financial statements of micro-undertakings and small undertakings, drawn up in accordance with possible simplifications, can

be regarded as fair and true. Reduction of costs related to the presentation of the less reliable and less detailed statements will also reduce the usefulness of these reports, which can be measured by the amount of costs which resulted from decisions made on the basis of incomplete information" (Poljašević, 2014, p. 7). The previous citation confirms the seriousness of the challenge that awaits Member States when it comes to deciding on how to transpose certain provisions of the Directive referring to the new classification of undertakings, primarily micro- and small undertakings.

b) As we have already pointed out, Member States measure the items recognized in the financial statements in accordance with the principle of purchase price or production cost. As an exception, they may permit or require, in respect of all undertakings or any classes of undertakings, the measurement of certain categories of fixed assets and financial instruments at fair value. Since the Directive allows the use of fair value as an alternative measurement basis, EU Member States should determine the cases in which this option can be applied as well as the legal entities to which it may apply. This is a complex issue since the application of fair value is questionable as the global economic crisis made its numerous shortcomings visible, particularly in countries with underdeveloped markets. In fact, "it is considered that the application of fair-value principle may violate the principle of objectivity when evaluating balance sheet positions, precisely because it is very complex and prone to subjectivity. In the above context, it is considered that the application of the above principle of measurement "allows for" creative activities, especially in countries where there is no market or the market is functioning poorly" (Lalević-Filipović, 2014, p. 63). From the point of choice for undertakings of whether to use fair value, it is significant to point out the fact that even IFRS for SMEs limit the use of fair value and replace it with historical cost or abolish the right of choice concerning its application.

c) Member States should ensure that the members of the administrative, managerial or supervisory body bear collective responsibility, within the limits of jurisdiction assigned to them by national legislation, for drawing up and publishing annual financial statements and management reports in accordance with the provisions of this Directive. In this regard, it should be noted that, at the turn of this century, big corporate scandals occurred in the most developed countries (the USA, the UK). The bankruptcy of the Enron Corporation is one of them (Kothari, J., & Barone, E., 2012, p. 327). Since then, global, regional and national institutions have been making unsuccessful attempts to establish a system of accountability for fair and true financial reporting (for example, the adoption of the Sarbanes-Oxley Act in the USA in 2002). However, the collapse of financial markets in the USA in 2008, as well as a new series of financial and accounting scandals in the banking sector at the beginning of the second decade of this century, an example of which is the LIBOR interest rate scandal (Stojilković, M., 2013,

p. 692), have shown that the activities carried out have not yielded results. In other words, the financial statements did not indicate and timely warn of upcoming events with dramatic economic consequences. Moreover, "doctored" balance sheets and profit and loss accounts have been an integral part of corporate stock market frauds. Many of the provisions of this Directive should be observed in this context, including those of collective responsibility, which aim to ensure true and fair financial reporting. "Increasing the level of responsibility or delegating it to the competent authority is done with the intention of increasing the credibility of the financial reporting process so that financial statements would give a fair and true view. It is precisely the introduction of collective responsibility that will prevent the concentration of financial reporting power to one person or a very small group of people, as well as impose new challenges and demands for national legislation, business and management practices, the accounting profession, supervisory institutions and all those directly or indirectly involved in the process" (Lalević-Filipović, 2014, p. 70).

d) The annual financial statements of undertakings are a set of mandatory financial statements. According to Article 4 of the Directive, the annual financial statements should comprise, as a minimum, the balance sheet, the profit and loss account and the notes to the financial statements. Member States may require undertakings other than small undertakings to include other statements in the annual financial statements in addition to the above mentioned documents. The annual financial statements should be drawn up clearly and in accordance with the provisions of this Directive. Their main objective is to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Where the application of this Directive is not sufficient to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss, such additional information as is necessary to comply with that requirement should be given in the notes to the financial statements.

If we compare this with the set of required financial statements which make up the annual financial statements for small and medium-sized undertakings according to IFRS for SMEs, which is, for example, the case in the Republic of Serbia, it can be seen that it includes: the balance sheet, the profit and loss account, the statement of other results, the statement of changes in equity, the cash flow statement and the notes to the financial statements. In fact, these are two conceptually different frameworks for financial reporting, which results in large differences in the number of mandatory financial statements (3 statements are prescribed by the Directive, whereas 6 statements are prescribed by IFRS for SMEs).

Comparing the sets of mandatory financial statements prescribed by the Directive and IAS for SMEs, it would be wrong to conclude that Member States have at their disposal larger possibilities for inclusion of other financial statements in the annual financial statements, when it

comes to SMEs. Namely, the focus of the Directive is to reduce administrative burdens for these undertakings. In addition, if you take into account that the information on revaluation reserve is presented in tabular form in the notes to the financial statements and that the financial result is reported according to traditional principles of proper financial reporting, it is evident that the statement of the overall result and the statement of changes in equity are not realistic options. The key question for Member States is whether the cash flow statement will be a mandatory part of the annual financial statement and, if the answer is yes, for which undertakings and groups.

3. THE EXPECTED EFFECTS OF THE NEW REGULATORY FRAMEWORK FOR FINANCIAL REPORTING IN THE EU

The triangle of interdependence within which the positive and negative effects of the new Accounting Directive are assessed has three key points: the priority objective to be achieved (improving the quality of financial reporting) – the expected benefits that will result from the realization of the objectives – the estimated costs to be incurred in achieving the set objective and expected benefits. It is obvious that the authors of Directive 2013/34/EU had to perform a specific cost-benefit analysis, aggravated by the fact that a number of parameters that are an indispensable part of the analysis can not be quantified. Indeed, the expected impact of the new accounting rules is comprehensively analyzed and presented in the final proposal of the European Commission. We draw particular attention to the following targeted positive effects:

- a) improving the quality of financial reporting,
- b) reducing the cost of financial reporting for micro-, small and medium-sized undertakings as well as small and medium-sized groups,
- c) raising the protection of interests of internal and external stakeholders to a higher level,
- d) increasing the transparency of reporting on payments to governments and
- e) creating normative assumptions for the next phase of convergence.

a) The Directive prescribes the amount of information in balance sheets and other financial statements depending on the size and importance of the company for national economy. At the same time, the list of information which is required to be provided in the notes and the management report is extended, and it includes various non-financial information. Also, in synchronization with other EU directives and acts, this Directive establishes a new model of responsibilities of all parties involved in corporate governance regarding the quality of financial statements, which is especially evident from the prescribed structure of the corporate governance statement. Finally, the

amendment to the Eighth Directive expands the scope of the mandatory audit of the management report and thus expands the authority of statutory auditors, with the aim to prevent the so-called "creative" accounting, ie fraudulent financial reporting. The above mentioned and many other innovations are aimed at improving the quality of financial reporting in Member States. The realization of this priority objective is to a large extent determined by the way this Directive is implemented into national law in the 28 Member States, among which there are significant differences in terms of the achieved level of quality of financial statements (for example, the difference between Germany, France and Great Britain, on the one hand, and Bulgaria and Romania, on the other hand, is evident and understandable).

b) The European Commission has quantified the expected economic effects of the new Directive. It is estimated that the differentiation of reporting obligations according to size and importance of undertakings for national economy (exemptions for micro-undertakings, exemptions for small and medium-sized undertakings, exemptions for small and medium-sized groups) will result in EUR 1.7 billion savings. In this regard, some authors believe that: "Providing limited information can cause other users of financial statements to require additional information... Consequently, the presentation and processing of additional information will also cause certain expenses and lead to the loss of previously anticipated savings" (Poljašević, 2014, p. 6). Since respectable professional and competent institutions, at the request of the European Commission, assessed the amount of expected savings, starting from the past data and specific "what if" projections (optimistic, pessimistic and realistic scenarios), in our opinion, it is highly unlikely that the deviation from the mentioned amount will be significant and that the savings be lost.

c) As there is a wide array of different users of financial statements, the Directive should contribute to achieving a balance between the interests of users and the interests of the reporting entity. In other words, the new Accounting Directive is based on the basic premise that financial statements must take into account the information needs of numerous internal and external stakeholders. In addition, the provisions of the Directive do not favour any category of stakeholders. The authors of the Directive started from the dominant view in the European accounting theory and professional practice that adequately composed annual financial statements can meet the informational requirements of the external and internal users, since these are general purpose financial statements. The competent institutions of the European Union confirmed this basic postulate by adopting the Directive. In this manner, it was possible to avoid the reductionist approach of IASB and FASB embedded in the 2010 revised Conceptual framework for financial reporting, which favours investors and creditors, and neglects all other stakeholders.

d) The report on payments to a national, regional and local authority, including a department, agency or undertaking controlled by that authority,

represents a significant step towards a clear insight into the fees paid by undertakings active in the extractive industry or logging of primary forests. The current political debates on the oil rents paid by "Gazprom Neft" into the budget of the Republic of Serbia, on the charges for the land in Vojvodina leased to domestic and foreign investors, as well as other similar cases, unambiguously confirm the need for a corporate report which will make such payments transparent for all interested stakeholders.

e) "Convergence in the field of accounting standards implies the process formally initiated 12 years ago (12 September 2002 – M.S.) with the aim of developing high-quality, compatible accounting standards which will be used in international financial reporting" (Milutinovic , 2014, p. 128).

Namely, on the day mentioned, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) signed the Norwalk agreement with the aim to raise the achieved degree of harmonization to a higher level worldwide. The cooperation between the IASB and the FASB resulted in the first Roadmap for Convergence in 2006, and the second Roadmap for Convergence in 2008. The Accounting Directive, among other things, aims to reduce the differences between European regulations and global regulations embodied in IAS/IFRS and US GAAP. However, at this stage, despite certain solutions regarding convergence which the new Directive contains, it is quite certain that this complex process will take decades. Namely, during the drafting of the Directive, EFRAG (European Financial Reporting Advisory Group) identified a number of important issues of financial reporting which did not comply with IFRS. At the moment, the European Union institutions are not willing to make further concessions in favour of the Anglo-American concept of financial reporting, which is embedded in the International Financial Reporting Standards.

CONCLUSION

In the last decade of the 20th and the first decade of the 21st century, dramatic changes in all spheres of economic life occurred: globalization, the expansion of financial markets, big corporate scandals, the global economic crisis, the growing role of small and medium-sized undertakings, the beginning of the process of convergence of accounting systems and so on. Responding to the dynamic and complex challenges, the relevant EU institutions adopted Regulation (EC) No 1606/2002, which allowed joint stock companies whose securities are traded on recognized stock exchanges and which also prepare consolidated financial statements to use IAS/IFRS approved by the European Commission, as of 1 January 2005. This was followed by modernization of the Eighth Directive from 1984 and the adoption of the new Eighth Directive (2006/43/EU). Finally, in 2013, Directive 2013/34/EU, which replaced the Fourth (1978) and the Seventh

Directive (1983) and introduced innovations to the Eighth Directive, was adopted.

Directive 2013/34/EU contains numerous innovations, among which we emphasize: redefinition of the priority objectives of the Directive, changes in the classification criteria for individual undertakings and groups according to size, opening up possibilities for measuring certain categories of securities, as well as some assets at fair value, the inclusion of a corporate governance statement and a report on payments to governments in the annual financial statements, specifying the responsibility of management, supervisory and administrative bodies of undertakings for drawing up and publishing financial statements and broadening the scope of audit.

The process which follows after the adoption of any directive, and therefore Directive 2013/34/EU, is known in the scientific literature as: transposition of the directive into national law. It is a serious task for all participants in this process. Namely, the Directive aims to achieve harmonization and not uniformity. For this reason, it contains a number of alternative options in addition to binding provisions. Also, the method of regulating certain issues is left solely to Member States. When it comes to the new Accounting Directive, it is necessary to define by national law the set, form and contents of required financial statements, bearing in mind the size, legal form, importance for national economy and activity of an undertaking or a group. On this occasion, it is necessary to find the right measure in terms of abridged financial statements layouts for micro-undertakings and small undertakings, so as not to compromise their information capacity. Moreover, another complex question is the choice of types of financial instruments, which will be measured at fair value, and the choice of assets other than financial instruments, which will be revalued at fair value. Also, as seen from a legal perspective, the implementation of the concept of collective responsibility of the members of management, supervisory and administrative bodies of undertakings into the legal framework is a complex and demanding task.

The European Commission has marked the positive effects that are expected during the realization of the objectives of the new Accounting Directive, starting from the date of the entry into force (1 January, 2016). Among them, the most prominent place belongs to improving the quality of financial reporting of all undertakings to which the Directive applies, while reducing the costs of drawing up and publishing financial statements of micro-, small and medium-sized undertakings as well as small and medium-sized groups. Then, raising the quality of financial reporting to a higher level should be a guarantee for better protection of the interests of internal and external stakeholders. Also, the Directive will certainly increase the transparency of reporting on payments to governments. Finally, from the text of Directive 2013/34/EU, with the simultaneous application of the Eighth Directive and Regulation (EC) No 2002/1606 by the

undertakings to which it refers, it is obvious that the European Union institutions have been creating normative assumptions for the next phase of convergence of financial reporting, which is important in conditions of globalization when a lot of undertakings are trying to internationalize their business activities.

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НОВА РАЧУНОВОДСТВЕНА ДИРЕКТИВА У ФУНКЦИЈИ УНАПРЕЂИВАЊА ФИНАНСИЈСКОГ ИЗВЕШТАВАЊА У ЕВРОПСКОЈ УНИЈИ

Милорад Стојилковић

Универзитет у Нишу, Економски факултет, Ниш, Србија

Резиме

Крајем јуна 2013. године Европски парламент и Савет Европске уније усвојили су нову рачуноводствену директиву (Directive 2013/34/EU), којом се замењују, обједињују и модернизују дотадашње: Четврта (Directive 78/660/ЕЕС) и Седма директива (Directive 83/349/ЕЕС) и прописује неколико амандмана на Осму директиву (Directive 2006/43/ЕС). Државе чланице имају обавезу да своју националну рачуноводствену регулативу усагласе са новодонетом директивом ЕУ у року од две године, како би се са њеном применом почело од 1. јануара 2016. године.

Сет обавезних финансијских извештаја, према новој директиви, чине: биланс стања, биланс успеха и напомене уз финансијске извештаје. Прописане глобалне шеме биланса стања и биланса успеха нису битно измењене у односу на досадашња решења, како у погледу форме, тако и у погледу материјалне садржине. Када су у питању напомене уз финансијске извештаје директива захтева обелодањивање већег броја информација у односу на директиве које замењује, а такође прописује обавезно табеларно приказивање неких информација. Захтеване информације се односе на опште и специфичне рачуноводствене политике, промене рачуноводствених политика, коришћење алтернативних мерних атрибута за процењивање билансних позиција (нпр. фер вредност) и висину и структуру ревалоризационих резерви.

Државе чланице могу националним законодавством прописати скраћену шему биланса стања и скраћену шему биланса успеха за мала и средња предузећа. У том случају морају захтевати већи број информација у напоменама уз финансијске извештаје тих предузећа. Микро предузећа могу да састављају базичне финансијске извештаје са максимално сажетим бројем позиција, а да при томе нису у обавези да састављају напомене и јавно обелодањују годишњи рачун.

Сет обавезних финансијских извештаја прати извештај о пословању који је обавезан за велика предузећа, док мала и средња предузећа могу бити ослобођена ове обавезе, под условом да се та могућност угради у национално законодавство. Нова директива продубљује садржај извештаја о пословању захтевајући бројне нове информације, укључујући и одређени број нефинансијских информација. На пример, поред досадашњих стандардних делова, извештај треба да садржи и опис ризика и неизвесности са којима се предузеће суочава, анализу индикатора релевантних за делатност коју предузеће обавља, информације о заштити животне околине, информације о запосленима, итд. Саставни део извештаја о пословању може бити и извештај о корпоративном управљању. Алтернативно, може бити објављен и као посебан извештај уз извештај о пословању. Овај документ до сада није био део рачуноводствених директива. Уграђен је нову директиву са циљем поштравања одговорности корпоративне управе у процесу финансијског извештавања. Ка истом циљу су усмерене и одредбе директиве које инаугуришу концепт колективне одговорности чланова, администраних, управних и надзорних органа у предузећу, за састављање и обелодањивање годишњих финансијских извештаја и извештаја о пословању.

Директива 2013/34/ЕУ садржи и нека нова решења везана за ревизију финансијских извештаја. Поред осталог, проширен је и делокруг обавезне ревизије. Пре свега, овлашћени ревизор је у обавези да изрази мишљење о томе да ли је извештај о пословању састављен у складу са релевантним регулаторним оквиром, као и да ли је усклађен са финансијским извештајима за текућу годину. Осим тога, нова обавеза ревизора је испитивање извештаја о пословању у циљу утврђивања евентуалних материјално значајних грешака.

Сва претходно наведена нова решења указују да је Директива 2013/34/ЕУ усмерена на побољшање квалитета финансијског извештавања у Европској унији, уз истовремено смањење трошкова састављања и обелодањивања финансијских извештаја микро, малих и средњих предузећа, као и малих и средњих група. Такође, квалитетно финансијско извештавање штити интересе интерних и екстерних стејхолдера. Кредибилетно финансијско извештавање је један од важних фактора стабилног и ефикасног рада финансијских тржишта. Коначно, очекивани позитивни ефекти нове директиве су подизање достигнутог степена хармонизације у Европи на виши ниво и стварање нормативних претпоставки за следећу фазу конвергенције рачуноводствених система.