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BUSINESS SCHOOL

Exploring how companies in Switzerland are using International Financial Reporting Standards (IFRS) and Swiss GAAP FER in preparing financial statements. Differences between IFRS and Swiss GAAP FER and differences in preparing consolidated financial statements. Advantages of using these reporting standards. Presentation of Financial Statements of Glenmark Specialty will be presented in Swiss GAAP FER

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1 List of Abbreviations

IFRS	International Financial Reporting standard
IAS	Internal Accounting Standard
DR	Debit
CR	Credit
GAAP	Generally Accepted Accounting Principle
CO	Code of Obligations
P&L	Profit & Loss
OCI	Other Comprehensive Income
FV	Fair Value
JV	Joint Venture
SMEs	Small and mid-size enterprises
CF	Cash Flow
NB	Note Below
IASB	International Accounting Standards Board

2 Introduction

Switzerland is a country which is in the heart of Europe. Switzerland shares its boarders with Germany to the north, France appears to be in the West, Italy is on the South, Austria and Liechtenstein are to the East. The main capital of Switzerland is Bern, and the Swiss franc (CHF) is the official currency of Switzerland. Switzerland has four official Languages which are, German, French, Italian and Rhaeto-Romanic. Because of Switzerland's political stability, economic system, it makes it extremely attractive as a business location.

Switzerland is a modern and liberal market economy with the lowest unemployment in Europe but also with a very higher skilled labor force. It has a per capita gross domestic product which is which is among the highest in the world. The population of Switzerland is approximately 8.6 million.

All companies operating in Switzerland must report its financial statements at the end of the year in Swiss GAAP FER despite the company's accounting standards.

2.1 Economy

Switzerland is a democratic country with a liberal and free market economy. It has the world's twentieth largest economy by nominal gross domestic product (GDP[1]).

2.2 Dominant Industries

In Switzerland when thinking of investments, its vital to note that the most Significant industries include manufacturing (specialty chemicals, pharmaceuticals, medical devices, high tech and precision products, machinery, electronics) and services (financial services, insurance, tourism, and international organizations)[2].

2.3 Business Culture

Switzerland's business culture is formal and conservative. Punctuality, efficiency, and politeness are important. Business etiquette takes the form of greeting with a firm handshake and eye contact. The Swiss are direct and polite in communication. Asking personal questions is uncommon. Business attire should be formal. Gifts are not common in a business context[3].

[1] https://content.next.westlaw.com/2-500-9914
[2] https://content.next.westlaw.com/2-500-9914
[3] https://content.next.westlaw.com/2-500-9914

3 Purpose of this study

The purpose of this study is to explain the main differences of IFRS and Swiss FER to future and current companies which are or intend to invest in Switzerland. Swiss GAAP FER is written in French, German, and Italian. All companies operating in Switzerland must prepare their financial statements in Swiss GAAP FER and present this to the tax Authorities for any tax assessment. That means even if your company's accounting policies are in IFRS, the company is still obliged legally to prepare other financial statements in Swiss GAAP FER. This study will serve as a road map to future and current companies investing in Switzerland.

4 What are IFRS and Swiss GAAP FER?

These are both accounting standards that allow for the true and fair view of a company's financial statements. These standards are applied by companies which are quoted on the stock exchange and for unquoted companies.

4.1 IFRS – International Financial Reporting Standards

4.1.1 Brief History of IFRS

This standard originated in the European Union with the sole purpose of making affairs and accounts more accessible across its continent. Thus, it was quickly adopted as a common accounting language. There are presently 166 jurisdictions which have adopted IFRS which makes it as one of the most adopted accounting standards in the world.

These are a set of accounting rules for public companies for their financial statements which are intended to make them consistent, transparent, and comparable around the world. IFRS are issued by the International Accounting Standards Board (IASB) in the United Kingdom.

In the beginning, it was IAS and has now changed to IFRS in 2001.

Its very vital to note that the objective of IFRS statements is to provide information about the financial position, financial performance and cash flows of an entity that will be useful to a wide range of users to enable them make sound decisions.

IFRS also brings standardization and comparability statements, accounting, and financial reporting.

4.2 Swiss GAAP FER

4.2.1 Brief History of Swiss GAAP FER

The initiative of Swiss GAAP FER was founded in mid-1980s with the idea of having an independent body or institution with further development of accounting principles and reporting standards in Switzerland.

The main objective of Swiss GAAP FER is to encourage comparability of financial statements and bringing concepts of Swiss accounting into line with international standards.

Swiss GAAP FER represents the highest principle presentation of a true and fair the financial position, cash flows and the results of the operations.

On the other side, Swiss GAAP FER provides companies in Switzerland a good framework for financial reporting. Swiss GAP FER is suitable for companies listed in Switzerland such as corporate groups and SMEs. Swiss GAAP FER has a modular structure which suits for companies of all different sizes. In Swiss GAAP FER, SMEs with total assets of CHF 10 million and revenue of CHF 20 million, may limit the framework and six key standards. Its important to note that larger companies are required to apply all the Swiss GAAP FER Standards. Additionally, corporate groups are required to abide by Swiss

GAAP FER 30, consolidated financial statements, while listed companies in Switzerland are obliged to comply with Swiss GAAP FER 31 since 2015.

The Swiss GAAP FER formulate the objective of financial statements in a similar way: to provide information about the financial position, the cash flows and the results of operations in a structured way.

5 Main differences of IFRS and Swiss GAAP FER in preparing Financial Statements

Elements	IFRS	Swiss GAAP FER
Conceptual Framework	**2 hypotheses** - Accrual accounting = considered at the time of occurrence (commitment accounting) as opposed to cash basis - Going concern = in the foreseeable future (in practice 12 months following the balance sheet date)	**Base of EFs:** - Going concern = 12 months following the balance sheet date - Substance over form = economic takes precedence over the legal - Periodic delimitation = recognition upon occurrence (and not collection/disbursement) - Material delimitation = Attachment of expenses to products (when service is provided, control replaces transfer of risks) - Precautionary principle > No RL → True & Fair View (free from deception, reliable, focused on recipients' needs) > Choose the least optimistic variant in the event of uncertainty and the same probability of occurrence - Raw principle > no compensation (except in

		duly justified cases: a recommendation requires it or a such presentation better reflects the economic content of an operation
	2 Fundamental qualitative characteristics for Rus - Relevance = ability to influence decisions, also according to its relative importance (materiality) - Fidelity = free from error / bias, complete, neutral Faithful/reliable image Substance over form Neutrality (no subjectivity) Complete No error	**Assets and Liabilities:** - Acquisition costs/history or cost = amount paid on acquisition - Fair value = current price, net market value, useful value (discounted value of future inflows and outflows of funds), liquidation value - Events after the balance sheet date (between balance sheet date and approval of the RUs by the competent body for drawing up the balance sheet).
	4 other characteristics: - Comparability = between same company and with the past Number n-1 Required Use of the same accounting methods, similarity and difference must be visible) - Verifiability = observers could come to the conclusion that the given description is true - Speed (timeliness) = financial information must reach users in good time. - Comprehensibility = info directly understandable Neutrality (no subjectivity)	**Basis of assessment:** - Individual assessment = no compensation possible except in exceptional cases (same nature, same quality, same duration, same risk)

	Complete No error **5 Components of Financial Statements**: - Assets (asset) -> controlled by the company - Liabilities - Own capital (equity) - Revenue - Expenses	
	4 Assessment bases: - Historical cost = amount paid on acquisition - Current cost = amount of liquidity that should be taken out - Realization value = amount that one would receive in case of sale - Present value = Discounted future cash flows	**Assets and Liabilities**: - Acquisition costs/history or cost = amount paid on acquisition - Fair value = current price, net market value, useful value (discounted value of future inflows and outflows of funds), liquidation value - Events after the balance sheet date
Presentation and structures	**"IAS 1 Presentation of Financial Statements** Goal: - make a faithful image - exists accounting in double and single entry - not to use the term ""extraordinary"" in IFRS, only for natural disaster event etc. **Components of Financial**	**Swiss GAAP FER 3** Presentation recommendation - Balance sheet - Income statement - Table of changes in equity - Cash Flow Statement: Swiss GAAP FER 4 - **Off-balance sheet transaction: Swiss GAAP FER 5** Structure Balance sheet, PP,

	Statements - Statement of financial position at the end of the period (Balance sheet) - Statement of comprehensive income for the period (total comprehensive income): > Result for the period > All other non-monetary changes in equity - Statement of changes in equity for the period - Cash flow statement - Notes on the accounts - Comparative information **Compliance with IFRS** - A deviation from IFRS may be authorized but under specific conditions (extremely rare cases). **Accounting principles** - See conceptual framework - Frequency of EFs = present a complete game at least once a year - if the RUs cover a period < or > 12 months → mention in the appendix - Presentation PP by nature or by function. If by function, then put personnel costs and depreciation in the appendix	Income statement TFT: dividends paid are classified as cash flows versus IFRS (financial or X) In addition to IFRS: unaudited annual report Less than IFRS: OCI"
	"Comprehensive income statement (2 ways to present)	

	Consolidated result + Asset revaluation (non-monetary var after tax -> IAS 16) - Loss / + gain from foreign exchange and hedging instrument +/- actuarial difference = Total consolidated comprehensive income parent share INC share Attention, take after tax, if before tax then mention elsewhere the tax Do not take payments made/received with shareholders Do not take method changes. Reclassification from comprehensive income to results for the year is only possible in four cases (to be presented in the OCI as likely to be reclassified to net income): - Foreign activity sold (IAS 21) - Derecognized available-for-sale financial asset (IAS 39) - Change in revaluation differences of fixed assets (IAS16) - Certain actuarial differences on retirement commitments (IAS19)"	
Securities (current assets or fixed assets)	**IAS 32 (Financial Instruments: Presentation)** **Definition**	**Swiss GAAP FER 2 Valuation** **-** Securities of current assets: > Must be valued at current

	Financial instrument = contract that gives rise to both a financial asset in one company and a financial liability or an equity instrument in another. - Financial assets = cash, equity instruments (shares, etc.), contractual right to receive cash or another financial asset, contractual right to exchange financial instruments at potentially favorable conditions, derivatives - Financial liabilities = contractual obligation to pay cash or transfer a financial asset to another company, exchange financial instruments under potentially unfavorable conditions, derivatives. **Debt vs equity classification** A financial instrument must be classified as either debt or equity. Equity instrument meets the following two conditions: 1) The instrument does not involve any contractual obligation > deliver cash or other financial assets to another entity or > to exchange financial assets or financial liabilities under	values (variation to P&L) > If no current value → maximum acquisition cost, minus impairment - Receivables > Valued at face value, less any impairment losses. - Financial assets: > Acquisition cost (deducted from any impairments) or current value (variation in P&L) NB: Possible to make a revaluation reserve (fluctuation in CO) on the other hand presented in FP and not in reduction of the asset **Swiss GAAP 27 (Financial derivative instruments)** **Derivatives:** - Fixed term transactions -Options - Products composed of various derivatives **Accounting:** - At the JV - Subsequent recognition (balance sheet date): change in the income statement - At maturity: gain/loss in the income statement"

	conditions potentially unfavorable to the issuer 2) If the instrument relates to equity instruments of the issuer > it does not entail any contractual obligation for the latter to deliver a quantity variable of its own equity instruments > either it is a derivative instrument which can only be settled by the exchange of a fixed amount of currency or other financial assets against a fixed number equity instruments of the issuer. - Derivatives = equity instruments if the quantity of share and the amount of cash are fixed - Compound financial instruments = separate valuation and classification on the issuer's balance sheet (e.g. convertible bonds): > Equity component: Fair value of compound asset - value of debt component > Debt component: Measured at amortized cost **Treasury shares** - Presentation: deduction from equity - Gain/loss on treasury shares	

	cannot be recognized in P&L → Must be recognized in Reserves (Equity) 3. Trading financial assets Assets acquired (disposed of) for the primary purpose of releasing a BN to CT for the purpose of reselling it. Only category where acquisition costs recorded in the P&L. > Recognition: At JV + change in JV as a result ° Initial accounting: Financial assets (B) to Bank (B) Transaction costs (P&L) to Bank (B) ° Revaluation: Financial assets (B) to Result (Δ JV) (P&L) ° Settlement: Bank (B) to Financial Assets (B) Bank (B) to Profit (P&L) 4. Financial assets available for sale Assets not belonging to any of the above categories > Recognition: At JV + change in JV in equity (OCI) ° Initial accounting: Assets (B) to Bank (B) ° Revaluation: Financial assets (B) with unrealized capital gain (OCI) ° Settlement: Bank (B)	

	Unrealized capital gain (OCI) Transfer costs (P&L) to Financial assets (A) to Gain (loss) value (P&L) > Amortized cost: amount at which the instrument was valued on initial recognition less principal repayments, amortization of transaction costs and any reduction for impairment. Change of category (Permitted under certain conditions)"	
	Derivatives - Definitions: > Value changes according to variations of another element called ""underlying"" > Does not require any initial investment or a lower investment than that required for other types of contracts > Settled at a future date **Accounting** **-Options** ° Initial account: Purchase option (B) at Bank (B) (poss. ch. fin. if expenses) ° Revaluation: Gain/loss on inst. derivatives (P&L) with call option (at JV) ° Outcome: 1) Sale: Bank (B) at Gain/loss s/ inst. derivatives (P&L)	

	Bank (B) to Purchased Call Option (B) 2) Exercise: Stocks (B) to Bank (B) Call options purchased (B) Gains on derivative instruments (P&L) 3) Not to Exercise: Derivative Losses (P&L) at Purchased Call Options (B) - **Forward contract** ° Initial accounting: none ° Revaluation: Forward contract (B) to Profit (Δ JV) (P&L) ° Settlement: Bank (B) to Futures (B) to Result (P&L) **- Swaps** ° Initial accounting: none ° Revaluation: Loss/Gain on Swap (P&L) to Swaps (B) ° Settlement: Swap (B) at Gain/loss s/Swap (P&L) to Bank (B) to Bank (B) **Impairment of Financial Assets** - A financial asset (with the exception of assets in JV by the result because already at P&L) must be depreciated if there is a lasting decrease in its CV because it is greater than its estimated recoverable value. - P&L impairment - Financial assets recognized at	

	cost: no reversal of impairment **Derecognition** - Terms: > disappearance of any contractual obligation associated with a debt > loss of control of the contractual rights of the asset **Hedge accounting** - Conditions: 1. Formalized documentation 2. Effective hedging expectation (80% - 125%): calculation = change in asset value / change in derivative value 3. Hedge effectiveness reliably measured 4. Hedging has always been highly effective - **Categories:** > Hedging of a current position (Fair Value Hedge): accounting at the JV by the P&L, zero net impact on the result > Hedging of an anticipated transaction (Cash Flow hedge): ° Effective part: FP (OCI), value of the derivative equivalent to the difference in the forward rates ° Speculative share: P&L (no recognition in P&L if in the range) > When CF hedge is changed to FV hedge, the part accounted for in OCI is recycled at PP"	

	"IFRS 7 (Financial instruments: information to be provided - disclosures) **Balance sheet** - Carrying amount of each category of financial instruments - Financial assets and liabilities ""at JV through net income"": > If loan or receivable: maximum exposure to credit risk and possible reduction of this exposure (credit derivative), the change in JV attributable to the change in credit risk > If financial liability: change in JV attributable to the change in credit risk, the difference between the VC and the amount that the company would be contractually required to pay at maturity - Reclassification of a financial asset (cost ⟷ FV): indication of the amount reclassified and the reasons for this reclassification - Reclassification of an asset initially valued at JV: indication of the amount removed from each category, the CV and the JV of the assets reclassified until the derecognition of the instrument, the gain/loss that has been recorded, gain/ loss that would have been recognized if no	

	reclassification, the effective rate and the estimated amount of FCs that the company expects to recover - Pledge of financial assets for liabilities: indication of the CV of these assets, terms and conditions of this pledge - Holding a guarantee: JV of the guarantee, terms and conditions - Loan: detailed information on any payment default, CV of overdue loans, renegotiation of loans if applicable **Overall result** - Net profits/losses on the different categories of financial assets and liabilities - Total interest income/expense for financial assets and liabilities that are not recognized at fair value through profit or loss - Commission income/expense related to financial assets and liabilities that are not at FV through profit or loss and trust activities - Accrued interest income on financial assets that have suffered an impairment loss - Amount of impairment losses for each category of financial assets **Compensation**	

	- Information on the effect of having offset a financial asset and financial liability **Hedge accounting** - Describe the nature of the risks covered and the coverage - Provide a description of the financial instruments designated as hedging instruments - Indicate their fair value - Period when cash flows are expected to occur + influence the result - Description of transaction scheduled for hedging but no longer expected to occur - Amount that has been recognized or taken out of equity - JV hedging: profits or losses on the hedging instrument + hedged instrument - Ineffectiveness recognized in profit or loss arising from cash flow hedges or net investments in foreign operations. **Just value** - Indication of the JV of each category of assets and liabilities and the valuation method used - Valuation method: see IFRS 13 - If impossible to value an asset at JV → derecognition **Risks**	

	- Information (qualitative and quantitative) on the nature and extent of the risks to which the company is exposed - Risks: > credit > liquidity > market"	
	IFRS 9 Financial Instruments (Effective date: 01.01.2018) Categories Financial assets : - to the JV by the OCI: > Objective sought: to collect FC (income from assets or by resale) > CF = interest and rbt only ° Accounting for the var. of the JV in OCI, during derecognition the gain/loss is recycled to the P&L - at amortized cost: > Objective: to collect contractual and held CFs within the framework of an economic model > CF = interest and rbt only ° Recognition of gains/losses when amortized, derecognised, impaired or reclassified - at the JV by the result: the other assets ° Recognition of the variation of the JV in the result except: > instrument of equity that	

	is not held for trading purposes (var. in OCI not recy.) > instrument of equity whose fair value is difficult to determine (accounting at cost) - CFs resulting from highly leveraged financial assets (options, futures, swaps, etc.) are too volatile and should be valued at their FV through net income. - Convertible bond: recognized at fair value through net income Depreciation - Financial assets measured at cost must be impaired in the event of a credit loss Reclassifications - Financial liabilities: prohibition of reclassification - Financial assets: possible reclassification if the economic model of the portfolio to which they belong is modified (rare) - Assets at amortized cost reclassified at FV through profit or loss: the difference is recognized in profit or loss - Assets at amortized cost reclassified at JV by OCI: the difference is recognized in OCI - Assets at FV reclassified at cost:	

	no difference because the last FV = cost, if the asset was classified at FV by the OCI, the amount recognized in the OCI is taken out and deducted from the FV . - Assets at JV by the result reclassified at JV by the OCI: no entry - Assets at FV by OCI reclassified to FV by profit or loss: transfer the cumulative gain/loss (OCI) to profit or loss **Derecognition** - Financial assets derecognized if the contractual rights to the CFs expire or if the asset is transferred (transfer of substantially all the risks and rewards and loss of control) - Financial liabilities: derecognised only when extinguished (= executed, canceled, or expires) - Gain/loss (= difference between VV and VC) recognized in profit or loss **Hedge Accounting** Fair value hedge: FV P&L for the instrument and the underlying Cash flow hedge: “efficient” hedge +/- latent values in OCI hedging reserve) transferred to foreign exchange gain/loss"	

Insurance company		**"Swiss GAAP 14: Consolidated accounts of insurance companies** Minimum structure: PP balance sheet, flow table, appendix P&L at least separated between life insurance and non-life insurance Assets: Investments whose risk is borne by life insurance policyholders - A Foreign capital: technical provision for life insurance linked to participations provision for future participation in surpluses non-technical account provision technical provision B Appendices: Detailing each position A: Participations, Investments, Mortgage loans, land, constructions,.. B: Gross amounts, share of reinsurers, amount net of reinsurance premium deferrals, mathematical/claims provision, for equalization prescribed by supervisory authorities Income statement: technical part => non-life insurance + life insurance non-technical part => financial"

Inventory	**IAS 2** **Definition** - Assets completed or in the process of being manufactured and intended to be sold as part of normal business activity. - Materials and supplies intended to be consumed during the production process **Min Rating (cost; NRV)** **Raw materials**: - Acquisition costs (PA, customs, transport costs) + charges incurred to bring the stocks to the place and state where they are - commercial reductions (rebates, rebates and rebates, discounts) **Finished and semi-finished** product - Processing cost: cost price Costs of acquisition + transformation + production + costs incurred to bring the stocks to the place and state where they are - MP + direct + indirect costs (fixed and variable share) + other costs (pay attention to normal production capacity for indirect fixed costs) - Retail or retrograde price method (PV - standard margin per group of products with similar	**"Swiss GAAP 17** Same as Swiss code of obligation, except: - LIFO not allowed and choice for discounts (either as a deduction from the acquisition price or as a financial product) - If the value increases, the depreciation must be canceled by the P&L"

	margin) - Standard cost (to be compared to headcount each year) - At the JV - selling costs (broker-dealers in 1st material) -> can be used if result close to cost Do not introduce VAT, unless a company not subject to VAT or non-deductible VAT. Subsequent valuation: MIN (acquisition cost or net realizable value; market value). The Net Realizable Value (PV - Cost of Selling and Completion). For the PV, take the contract price as a priority, otherwise the market price → Depreciation via P&L - If the value increases, the depreciation must be canceled by the P&L. **Out of stock** -FIFO - Weighted average cost - Same method for all stocks of a similar nature and use"	
Income from ordinary activities	**"IFRS 15 (01.01.2018)** **Replaces IAS 18 + IAS 11** Recognition of income will no longer occur upon transfer of risk but upon taking control (e.g., incoterm replaced by estimates of the average time to give	**"Netting by contract is an IFRS requirement not Swiss GAAP** CPR 22 Definition - Contract of an individual nature (distinguishes from mass

	control). In addition, possibility of splitting the recognition of income from a package (will impact the identification of benefits) Notion of takeover: current obligation to pay, physical possession, possession of the title deed, transfer of risks and benefits, acceptance by the customer 1) Identification of the contract with the customer 2) Identification of separate performance obligation (new concept) 3) Determination of transaction price 4) Transaction price allocation to the various services 5) Recognition of income when each benefit is satisfied Recognition of a product - contract approved by the parties - committed to fulfilling the conditions of the contract - commercial substance (cash flow impact) - probable receipt of the consideration Separate contracts vs contract	production) concluded before production, covers a period of several months, significant importance on the turnover. Kinds lump sum, management, unit price **Accounting method** 1. POC (if result can be poorly estimated) if conditions: - Contractual basis - High probability that the agreed services will be fulfilled - Appropriate mandate organization - management gradually receives the information necessary for management - has a corresponding contract controlling - has an appropriate counting system (also including a permanent cost price calculation) - guaranteed that the charges can be determined correctly, completely and in accordance with the period - reliable determination of all related income and expenses as well as the degree of completion NB: Obligation according to Swiss

	elements - ex if possibility of buying the warranty separately -> separate contract - e.g. if there is no possibility of purchasing the warranty separately -> part of the sales contract Benefits fulfilled at a specific time or gradually Gradually: - customer receives and consumes as it takes place - company create assets of which customer obtains control (ex: construction) - company is entitled to payment for services already provided (e.g. legal assistance) => Accounting according to % progress as IAS 11! " **Intermediate:** - intermediary has control -> recognition of the price of the good as product - intermediary does not have control -> recognition of the commission as income **Membership fees / non-refundable**: Should not be recognized as	GAAP 22, option according to Fundamental Swiss GAAPs. Degree of advancement according to various methods: - Cost-to cost (expenses incurred / total expenses) - Effort expanded (staff costs/hours/total staff hours costs) - Units of delivery (units delivered / total quantities to be delivered) - Degree of manufacture (expertise, physical advancement) => choice of the method which gives the most reliable degree of advancement Cost price: same as real estate 2. CCM => - either activation of TEC expenses without P&L impact. Impact on P&L only at the end of the project (diff from IFRS!) Bank to customer, TEC to supplier - either recognition of costs as expenses and coverage of costs by products + profit recognized at the end only (idem IFRS)

	income during the exercise but be spread over the duration of the contract Sale with right of return business should recognize as revenue only the sale price of goods they believe will not be returned. And make a provision for future repayments **Buy-back agreement** - obligation to repurchase (forward contract) - option to repurchase (call option) >if repurchase price < initial sale price -> rental contract (IAS 17) > otherwise -> financing contract, difference in financial charge - obligation to buy back at the customer's request (sell option) > if the customer has an advantage in asserting his right -> rental contract (IAS 17) > otherwise -> sale with right of return **Determination of transaction price** - Price with variable component (more probable amount or amount * proba) - Price with significant financing component (deferred payment ->	3. Another alternative: mention turnover in proportion to recoverable expenses (without making a profit). Regardless of the timing, as soon as it is probable that the total cost of the contract will exceed its proceeds => expected loss must be provisioned immediately. Contract Contract group treated as a single contract if - negotiated as a package - executed simultaneously or one after the other - global examination for an economic assessment Installments without right of reimbursement obligatorily in reduction of the TEC (Idem IFRS, diff with CO which gives the choice of netting or not)

	recognized as financial income unless deferred for less than one year) - Price paid other than in cash (valued at FV on the date of delivery)" **"Change of contract** - Modification of service > if separate service then termination of previous contract + new contract > if non-separate service then adjustment of the products of the contract - Change transaction price > the change must be allocated among the various performance obligations and recognized in net income for the year in which it arises Attention stricter application: endorsements must be signed **Contract cost** - Cost of obtaining the contract > recognized as an expense unless covered (asset) - Contract execution cost > if assets intended to be delivered to the customer -> stock (IAS 2) > purchase for execution of a specific contract -> real estate (IAS 16 and 38), depreciation!"	

Construction Contracts	**IAS 11** **Definition** - Individual contract entered into before construction, not completed at closing (regardless of the duration). 3 criteria to determine if POC: - specifically negotiated - construction of an asset or set of assets - closely related in terms of design **Contract** If contract relating to the delivery of several assets: - Assets valued individually if: > Supply of each of them was the subject of an individual proposal > Negotiated separately (possibility to accept or reject part of the contract) > Costs and products of each asset can be identified - Assets valued globally if: > Negotiated in a single block > Close relationships (constitute a single project generating an overall margin) > Executed simultaneously **Kinds** - Fixed price: Fixed price per unit produced - Régie (cost plus): Supplier is	

	reimbursed for the amount of the planned charges and also receives a fixed premium or equal to a percentage of these charges **Indirect charges** - must be distributed between the various contracts in a systematic way according to the rational method applied on a constant basis **Charges excluded from a contract** - Administrative expenses - Selling fees - Research and development costs (unless otherwise provided in the contract) - Amortization not used in the execution of the contract **Recognition & Valuation method** 1. POC if conditions: - Contractual basis - Good probability of receiving economic benefits -> same as RPC benefits fulfilled - Accurately measurable costs to complete and degree of completion - Identifiable and measurable attributable costs - Degree of completion: costs incurred / total costs or physical measure of the work actually carried out	

	2. Completed Contract Method (CCM) (if POC conditions not met): - Revenue recognized at the end of the charges each year and profit recognized at the end of the work - Charges recognized over each period Attention if CCM, not possible to net the P&L impact Installments without right of reimbursement necessarily in reduction of the TEC (Idem RPC, diff with CO which gives the choice of netting or not) Losses If the contract will result in a loss → recognition of a provision, the amount must cover the entire probable loss. Appendices - method used for contract revenue and stage of completion - for contracts in progress: the amount of costs incurred, the amount of advances received and the amount of deductions	
Real Estate	**IAS 16** **Definition** - Assets intended for use in	**"Swiss GAAP 18** Ditto CO except immo of yields see below +

	production, rental to third parties or administration of the business for more than one accounting period - If complex assets (aircraft): each significant item must be accounted for separately and depreciated over its own useful life - Spare parts: if lifetime < 1 year, considered as stock and if > 1 year, Real Estate **Costs** Cost = acquisition price; all direct costs necessary to bring the asset into use; borrowing costs that can be capitalized under certain conditions (IAS 23) NB: the costs of depollution / restoration => are part of the costs of the Real Estate and in return are provisioned (do not forget to update the value) NB: subsidies and grants are deducted from the cost NB: If exchanged, the property is recognized at the JV if it is impossible to determine the JV, the property is recognized for an amount equal to the CV of the asset sold. NB: subsequent expenses that can be activated if future CF AND	**Costs** Same as IFRS and CO Subsequent assessment at. Cost model: same as IFRS b. Model of the revaluation: > possible for real estate held for yield purposes > positive and negative revaluation to be recorded in the result > IFRS JV method not admitted in the PRC **Interests** **Activated if:** - CV of real estate including capitalized interest must not be greater than their net realizable value - The activation of interest is made at most on the average real estate value at the average rate of remunerable commitments - The total amount of interest activated during the accounting period must be greater than the interest expense before activation

	costs measurable with reliability. Can be capitalized provided that modification increases the lifespan or capacity of the asset, improves the quality of the products manufactured, introduction of new functions If the asset is subject to mandatory inspections, the cost of the inspections can be activated and then amortized over the period between 2 inspections (not allowed in US GAAP) **Depreciations** - on the duration of use - from commissioning - consistently applied - systematic depreciation over the duration of use / approach by components (duration = either period of use of the asset; or # of units produced envisaged. - depreciable amount = Cost - residual value (which must be challenged each year **Subsequent assessment** a. **Cost model** Amortization of the cost over the useful life (acquisition cost-amortization) Amortization if chgmt = chgmt of estimate → no restatement, the change applies to the exercise of the change	

	b**. Revaluation model** Periodic revaluation @ FV + amortization between revaluation dates => upward revaluation -> accounted for via OCI => downward revaluation -> accounted for via P&L Pay attention to the IDP + Possibility of accounting for the additional amortization (after tax) in Res. of BN (change from OCI to profit reserve) in order to avoid an impact P&L (same if sale for sale proceeds) => if revaluation -> identical treatment applied to all goods of the same category. => reassessment every year is not necessary, regular interval (3 to 5 years) sufficient. Except for assets with indefinite useful life + GW **Revaluation method** - **Raw method**: pro rata calculation with impact on cumulative depreciation and gross value (adjustment coefficient = FV/VNC) **- Net method:** dissolution of accumulated depreciation with impact on gross	

	value. Delta to be posted via OCI. If revaluation following an impairment, the amount of impairment return is recognized via P&L and then the revaluation surplus via OCI [conversely in the event of a downward revaluation] **Impact on subsequent exercise of revaluations** IAS 16 allows a fraction of the after-tax revaluation difference (OCI) to be transferred each year to the profit reserve. Balance sheet entry **Exit** - At the time of sale - When scrapping Attention, if exit from an asset that had been revalued, do not forget to settle the revaluation difference via the profit reserves and also the related passive IDs **IAS 23** Costs used to finance the construction or production of a qualifying asset must be included in the cost of that asset NB: qualified = requiring a long period of preparation. **Loans to take into account:** last for a certain period	

	NB: when the financing of the asset has not been the subject of a specific loan, the amount of capitalizable expenses is obtained by multiplying the cost of the asset by a Those used to finance the qualifying asset (and which would not have been contracted without this asset. The following can be activated: interest; amortization of issue premiums, amortization of issue costs. => the loan must be directly attributable to the acquisition, construction or production of an asset / need for it to rate representative of the average cost of the loans of the company during the period If delays or project finished => no capitalizations If evaluated at JV = possibility of activation"	
Leasing	**IAS 16** **Definition** - Agreement by which a lessor transfers to a lessee the right to use an asset for a specified period in return for a series of payments. **Category** - Simple rental (operating leasing)	

	- Finance lease (financing leasing) = almost all the advantages and risks are transferred to the lessee: > ownership of the property will be transferred to the tenant at the end of the contract > the lessor gives the lessee the option of acquiring the property at a sufficiently favorable price > the lease covers most of the life of the asset > present value of minimum payments approximates market value > the rented goods are of a specificity such that only the tenant can use them without major modification. > if termination: the tenant bears the losses caused by this termination > the variation of the JV of the residual value is the responsibility of the tenant > the tenant has the possibility of renewing the rental for a second period for a rent significantly lower than the market price **Accounting** - Operating leasing: > at the tenant's: in charge +	

	the additional costs paid are deferred (charge to be distributed B) > at the lessor: in assets with depreciation, recognition of rental income leasing - Financial leasing: > at tenant => immo at the lowest value between the JV or present value of payments + amortized. of the property (duration of use or duration of lease if < duration of use) => debt to liabilities => interest expense and debt repayment => attention CT LT presentation at the end of the year > at the lessor's (no entry in the balance sheet of the fixed asset because he does not bear the risks) => claim to assets (to cash) => financial products and debt reduction => be careful if leasing property distribution company, then recognize the income at the same time as the receivable at the JV or at the discounted value of the rents + residual value"	
IFRS 16 - Leasing	"**IFRS 16**	"**Swiss GAAP 13**

(01.01.2019)	Change - operational leasing will be treated as financial leasing - simplification, no change for operational leasing of less than one year and low value (< 5K, < 1 year, not on renewable contract). Tenant: in charge over the duration of the contract Lessor: property leased as an asset (depreciated over the period of use dowry/cumulative amort.) and Bank rents as rental proceeds. - Amortization as before Min (duration of lease; duration of use) - lessor side -> no change, like IAS 17 - lessee side -> lease on the balance sheet like finance leases **Accounting at the Lessee**: in t(0) Dr. Right to use the leased property (VA initial payment + rents + PE purchase option) cr. Lease commitment (VA future debt payments = ROU - down payment) cr. Bank (initial payment + direct costs: tender, proposal evaluation etc.) in t(1):	Definition Same as IFRS Category - Operating leasing - Financial leasing (non-cumulative): - sum to be paid corresponds to the full value of the object - duration = +/- useful life (more flexible than IFRS) - ownership transferred at maturity - option to purchase substantially less than the net value at the start of the contract **Accounting** - Operating leasing: charges - Financial leasing: at the lowest value between JV and present value of future leasing PMT Damping same as CO Cash flow statement impact: interest paid component X or end of choice under IFRS, versus X in Swiss GAAP."

	Dr. interests (ch. fin. to P&L) Dr. Rental Commitment (Debt Repayment = Rents - Interest) cr. Bank (rents) With purchase option Dr. Dot amort (equipment useful life) cr. To death. cum. usage rights **Accounting at the lessor:** Dr. Net investment in rental (VA of rents to be received in debt OR PV of rented equipment + tender costs) cr. Interest income cr. Reimbursement of debt **NO AMORTIZATION OF ASSETS** -> FINANCIAL ASSETS HOLDER Rate implicit in the contract: IRR (VM = VA future payments), marginal debt ratio (for new debt, what rate would be applied?)	
Intangible Assets	"IAS 38 **Definition** Identifiable non-monetary asset without physical substance (e.g. software, patents, rights, films, franchises, etc.) Activation conditions - identifiable - the element generates future economic benefits	"Swiss GAAP 10 **Definition** Same as IFRS Activation conditions Same as IFRS idem CO: Attention mention of an economic advantage over several years **Evaluation Initial assessment**: at cost but if the costs > VNR, recognition at the VNR and the

	- the cost can be reliably measured **Evaluation** Initial valuation: at cost (idem immo. corp. and RPC, no activation of past charges) - Immos generated internally => research costs = NOT activatable => development costs: must be activities (if technical feasibility; willingness + capacity financial and technical to complete the immos; ability to reliably estimate expenses of development. - Non-activatable elements: > if created internally: GW, brands, publication titles, customer lists (impossibility of measure costs reliably) > start-up costs (foundation costs), training, advertising and promotion, re-establishment costs localization/reorganization NB: website can be activated only if it generates a CF (e-commerce site) NB: subsequent expenses idem immo corp. i.e. activatable if criteria met Reminder: all costs initially	difference at the P&L. Under IFRS, dev. MUST be enabled, and CAN be enabled in the RPC. **Amortization :** > on the duration of use if estimable > 5 years or 20 years if duration of use cannot be estimated * *No unlimited life incorporated immo in PRC Value re-examined on each balance sheet date or if there is an odd index - Intangible assets intended to be marketed are treated like stocks -> Presented as circulating assets and without depreciation) **Subsequent assessment** If the costs > VNR, recognition at the VNR and the difference at the P&L. Model at the JV IFRS not admitted in the PRC! GW. can be accounted for as a reduction in FP - Reduced risk of loss of value - Increase in return on equity (ROE) - Elimination of the difficulty in determining the maintenance of the value of goodwill - Easier calculation "

	recognized as an expense for a project remain as an expense; the 1st activated costs will be those for the financial year in which the activatable nature of the project will be noted. **Subsequent evaluation: (2 models)** - cost model (cost - amortization - impairment if necessary) => amortization s/ useful life (re-examination of the duration at each financial year) + impairment test in the event of an index For properties with an indefinite useful life or under development: impairment test each year, but no depreciation. - JV model => positive reassessment in OCI, negative in P&L (idem immo corp) => there must be an active market for revaluation @ JV = RARE! (e.g. taxi license) => to be carried out at regular intervals (3 to 5 years) unless there is an indication of impairment immo incorp resulting from contractual rights: it is the longer of the duration of the contractual rights or of the economic life IAS	

	38.94"	
Loans	**IAS 23** **Definition** - Borrowing costs include: > interests > amortization of issue or rbt premiums > amortization of ancillary issue costs > exchange differences > fraction of financial leases assimilated to interest - Capitalizable borrowing cost = those that could have been avoided if the asset had not been acquired or designed - Issue premium = difference between NAV and issue price - Redemption premium = difference between the price of rbt and the NV **Accounting** - the cost of loans used to finance construction or production. of a qualifying asset (long preparation period) must be included in the cost of this asset. - Optional capitalization if: > asset valued at fair value > asset consists of stocks manufactured in large quantities and on a repetitive basis - If no specific loan for the asset	**Swiss GAAP 22, c. 17** - The costs of interest-bearing commitments can be capitalized in the TEC or charged to financial expenses **Swiss GAAP 31, c**. 7 (Listed company) - Financial debts: Valuation principle + conditions + method of recording .

	→ capitalisable expenses = cost of the asset x rate of the average cost of borrowings for the period but the amount obtained must be < actual borrowing costs **Calculation period** - Start: as soon as the expenses related to the asset as well as the borrowing costs appear and that the activities necessary for the preparation of the asset are undertaken - End: the asset reaches the stage that allows it to be used or sold - No capitalization in the event of delay or suspended work	
Asset Impairment	**IAS 36** **Scope** Does not apply to IAS 2 (inventories), IAS 11 (TEC), IAS 32/39 (Financial institutions), IAS 12 (ID), IAS 40 (investment property), IFRS 5 (assets held for sale), IAS 19 (Employee Benefits) **Definition & identification** - if recoverable value < VC => necessary depreciation recoverable value = max [value in use; JV-selling fees] val utility = VA of CF or Sum VC of UGT - amount of depreciation = to	**Swiss GAAP 20** **Definition & Identification** - Impairment test = when there are indications of impairment (loss of value) - If achievable value < CV > impairment up to the realizable value > if VC = 0, creation of a provision to arrive @ val feasible. Realizable value = max [net market value; use value] - Net market value = selling price - costs at arm's length conditions - Value in use = value from a DCF

	bring the CV up to the Recoverable Value. **CF value used**: - is calculated before tax **CF NPV**: - is calculated after tax **Impairment test:** > when there are indications of impairment > for the GW, the incorp. with an indefinite useful life and those under development → annual impairment test. **Accounting** - Impairment recorded via P&L - If concerns an asset revalued via revaluation difference (OCI) => impairment first via cancellation of revaluation difference (do not forget passive ID) and then if necessary via P&L - CGU: Depreciation distributed proportionally on the basis of the CV **Impairment reversal** - if indices have improved → impairment must be eliminated up to the lowest value between realizable value and book value that the asset would have had without impairment	/ discounted at an appropriate rate **Impairment test:** > when there are indications of impairment > NOT the principle of incorp immo with indefinite useful life and GW **Accounting** - same as IFRS except revaluation reserve and no revaluation difference - Impairment recorded via P&L - If concerns an asset revalued via revaluation reserve => impairment first via revaluation/fluctuation reserve and then if necessary via P&L - CGU: Depreciation distributed proportionally on the basis of the CV **Impairment Reversal** - if indices have improved → impairment must be eliminated up to the lowest value between realizable value and book value that the asset would have had without impairment - no return of impairment on goodwill (idem IFRS) - accounting treatment = mirror

	- no reversal of impairment on goodwill. - Total recovery = Recoverable value - Current CV Recoverable value - CV before revaluation (price acquired-depreciation) -> reversal of revaluation difference (don't forget Passive ID!) CV before revaluation - Current CV -> Reversal of depreciation CGU (Cash Generating Unit) When the assets do not themselves generate identifiable cash flows => the recoverable value is estimated on the basis of the CGU to which the asset belongs. The depreciation of the cash-generating unit must be allocated for accounting purposes between the various assets that make up this CGU (but first by the GW) **Goodwill** - GW must be broken down between CGUs - GW must be taken into account when calculating the recoverable amount	to what had been done during the impairment (P&L or revaluation reserve) **CGU**: Same as IFRS"
Reserve	**"IAS 1** Retained profit	**Swiss GAAP FER 24, c. 5-8FP** **FP transaction costs**

	Other equity items (OCI) - CTA - Change in financial assets available for sale - Cash flow hedge (effective) - Reassessment of tangible assets - Share of OCI in associated companies - Actuarial difference - Tax diff on total OIC Own share (decreasing)	- Recorded as a reduction of reserves from premiums after deduction of related taxes. **Capital** - share capital - Unpaid share capital (negative item) **Reserves from premiums** - Reserves paid or accumulated, in particular issue premium **Decrease in treasury share** **Reserves from profits** - Legal reserve - Revaluation reserve - BN/ loss resulting from the balance sheet
Payment in Action	**IFRS 2** **Definition:** **Grant date**: date when the contract is concluded = grant date (date of GM if shareholder approval required). **Vesting period**: vesting period -> time interval that the company considers necessary for the condition to be fulfilled. **Three categories** - Transactions paid in the form of shares or stock options of the	"**Conceptual frame** - Conditional off-balance sheet commitment - Accounting not processed - Not specifically treated **Swiss GAAP 31,** c. 3 (listed company) Share-based compensation is to be valued at the current value when granted and recorded over the entire vesting period as personnel costs and as equity or

	company or group - Transactions that are paid in cash but for an amount that depends on the value of the shares of the company or group - Transactions that offer the company or the beneficiary the choice between cash or shares of the company or group For all categories: calculation pro rata temporis on the vesting period and adjustment related to the number of employees. **Accounting** 1) **Equity settled** **> Unconditional** Immediate accounting (Charges to FP at FV of equity instruments), used FV (price) at grant date. > **Conditionally** ° Market (maturity) (depends on the share price): Expenses related to the payment per share is not adjusted on the vesting period and adjustment when the condition is met, i.e. used initial price (option price on grant date) ° Off-market (does not depend on the share price): Charge for the exercise is adjusted according to off-market	as debt (cash settlement). Insofar as no cash settlement is provided, there is no subsequent valuation except when the exercise and vesting conditions are modified (e.g. vesting period). The general contractual conditions (e.g. exercise conditions, number of capital instruments granted, mode of settlement), the valuation basis for the current value and the charges recorded in the result for the period must be presented in the appendix. **RPC 24**, ch. 9 (Equity) - Separate presentation of info on treasury shares issued in relation to share-based payments"

	conditions (quantity of shares to be adjusted each year X Price - JV on the grant date or vesting period) 2) **Cash settled according to the share price (cash settle**d) Expenses (assets) to Provision (adjust annually based on share price until maturity) 3) **Settled either in equity or in cash (employee choice)** > Debt part: payment in cash > Equity portion: payment in shares → To treat separately the debt component and the equity component 4) **Settled either in equity or in cash (choice of the employer):** > Obligation to pay in cash: contract considered as a contract payable in cash > There is no obligation to pay in cash: contract considered as a contract payable in shares NB: there is no further adjustment after the vesting period -> options can be transferred to a reserve account if they are not exercised, for	

	example. NB: no accounting entry at the time of the allocation of the shares **Contract changes** - Additional cost which must be spread over the period remaining until the date of acquisition of the rights"	
Goodwill	**"IFRS 3** - activated (results from the surplus of acquisition cost after PPA) - annual impairment test or if index - 2 possibilities to value the GW: proportional or full GW method - recovery of value prohibited If badwill -> redo the PPA once and if a badwill really remains then impact P&L"	**"RPC 30, c. 14-18, 23-24** 2 options to choose from: 1. activated (proportional method only + amortized s/ useful life (assumed = 5 years; up to 20 years if justified) 2. accounted for as a deduction from own fds + complete info in the notes - Impairment test if index - Resumption of value prohibited (RPC 30, ch 24)"
Provisions	**"IAS 37** **Definition** - Debt whose maturity or amount is uncertain **Terms** - Present obligation resulting from a past event - Extinguishment of the obligation will probably require an outflow	Swiss GAAP 23 Same as IFRS but only major difference: - in restructuring plans, a decision of the board or date of announcement allows the constitution of a provision (generates an implicit obligation)

	of resources > + likely: provision > - probable: contingent liabilities with mention in the appendix - Amount of the obligation reliably estimable NB: Provision to cover future losses prohibited **Legal obligation**: - result from the law **Implied obligation**: - by its practices or policy displayed iniquity to third parties, it will assume its responsibility - creating expectation based **Restructuring provision** - Restructuring => it is the fact of the implicit obligation to restructure that will require the recognition of a provision. Implied obligation when: => a formalized and detailed restructuring plan exists (activities concerned, main sites affected, locations / function and number / expenses to be incurred and date of implementation) => the plan has created in the people concerned a valid expectation that the entity will implement the plan (ex:	Swiss GAAP 5 - Conditional commitments and other commitments not to be carried on the balance sheet must be indicated in the appendix

	communication to employees of the plan) - Charges excluded from the provision: > costs of retraining or relocation of non-dismissed staff > marketing expenses > investments in new distribution systems and networks > future operating losses > ordinary salaries of dismissed staff and their bonuses (exa 2012) **EXAMINATION METHOD:** WHAT – i.e. what part of the business is concerned WHERE – i.e. the affected sites WHO – That is to say at least a fairly precise estimate of the number of people concerned (by function, etc.) HOW MUCH – i.e. a precise estimate of the costs incurred WHEN – When the restructuring will take place **Provision Estimates** - based on the information available on the balance sheet date + post-closing events - if payment is expected in several years, the provision must be updated - revaluation of the provision at	

	each balance sheet date **Contingent assets/liabilities** - Items not accounted for, mentioned in the notes to draw attention: > the outflow of economic benefits is not considered probable > the amount cannot be reliably estimated"	
Investment Properties	**IAS 40** Definition Building held for the purpose of earning rent or realizing a capital gain If a building includes a rented part and another occupied two cases: > if each part can be sold separately, the fraction rented must be considered as an investment property > if the two parts cannot be sold separately, the whole does not constitute an investment property unless the fraction occupied by the company is not significant Initial assessment - recognition at cost (see IAS 16)	**Swiss GAAP 18 Chapter 14** **Evaluation** 2 possibilities : > to the current value (obtained by comparison with similar objects either via DCF) > acquisition or production cost **Accounting** - impact of revaluations: via P&L - no depreciation possible if valued at current value"

	Subsequent assessment 2 possibilities: - at cost - amortization and other depreciation - at JV, must be applied to all its investment properties unless: > the JV cannot be reliably determined > if immo is the subject of an operating leasing contract obligation to value at the JV - JV = market price or discounting of future FCs before tax Accounting - 1st evaluation at the JV: the difference between the VC and the JV via P&L - Subsequent evaluation: via P&L Classification changes - active change becomes investment property: > if asset was in stock: difference in P&L > if asset appeared in immo corp: operation = revaluation and treated as IAS 16 (Immo corp) i.e.: ° Revaluation on change + => via Revaluation Ecrat (OCI) + Liabilities ID ° Revaluation when	

	changing - => via P&L ° Revaluation subsequent to the +/- change => via P&L, no reversal of the revaluation difference ° During the sale => settle revaluation difference via profit reserve and ID Liabilities - change from investment building to operating building: > revaluation of investment property via P&L, then exit from investment property + depreciation of new operating property.	
Non-current assets held for sale	"**IFRS 5** **Qualification** - Fixed asset (or group of assets) is considered "held for sale" if: has. It can be sold immediately in its current condition b. Highly probable sale: ° possible sale within 12 months; no overpriced; active search for buyers - Conditions a and b fulfilled before the closing date, otherwise only information in the notes. **Evaluation** - at min [VC; JV-cost to sell] - as soon as classified as held for sale, the asset or group of assets	"Not covered by RPC - only mentioned in RPC 18 ch14 that property, plant and equipment acquired with the intention of trading in them should be shown as current assets and valued accordingly. **Swiss GAAP 31, c. 4 (listed company)** - Discontinuation of activity: net income + operating result to be indicated separately in the appendix - Explain which activity/region/branch/subsidiary affected by the abandonment of activity"

	is no longer depreciated **Waiver of sale** - Valuation: min [CV before reclassification - amortization; Recoverable amount at the time the decision not to sell was made] **Presentation** - non-current assets held for sale: presented separately from other assets / + separation in P&L and OCI of impairments and gains relating to these items NB: abandonment of activity = same as asset held for sale (only bigger because it is an activity). + separate presentation required at P&L!, Restatement n-1 only at P&L"	
Pension plan commitment / employee benefits	**IAS 19** Categories 1) CT benefits (salaries, social charges, bonuses, holidays) - P&L costs (no discounting) 2) Other long-term benefits (sabbatical year, jubilee) - cost to P&L	**Swiss GAAP FER 16** - this standard only deals with post-employment benefits (i.e. commitments) - no distinction between retirement the plan with primacy of benefit or contribution because the commitment / assets calculated on the basis of

	> cost of services rendered to date (and unrecognized past services) > net interest income > result of revaluations (updating) 3) Severance pay - Cost to P&L (immediately) and discounting if settlement occurs after balance sheet date 4) Post-employment benefits - 2 regimes: > Defined contribution: cot. of the employer corresponds to the pension expense. Actuarial risk and placement borne by the employee. Employer no obligation. to pay dues. additional. > Service. defined: the company has a commitment to future services and bears the risks actuarial and investment. " "Accounting - Amount on the balance sheet: Present value of the obligation (DBO) - FV of the plan assets (if active: capped at the NPV of the rbt or reductions in expected future contributions) > BOD 01.01.N:	the accounts of the IP. **Accounting** - contributions adjusted for the period => as charges to the P&L (P.T or A.T at the end of the period for adjustment of the result. - annual review of IP accounts (established according to RPC 26) to determine whether there is: => an economic advantage => recognition of an asset (in immos fin.) => an economic commitment => recognition of a liability (in engag L.T) An overcoverage generates an economic benefit while an overdraft generates a liability. => at this time the asset or liability recognized in N-1 is adjusted with the P&L impact (staff costs). => however be careful, in practice an asset is only recognized when the entity has both the possibility and the intention of using excess coverage for the purpose (eg to reduce its contributions, reimburse the employer). => a commitment, so a liability is only recognized when

	+ financial cost of the bond (P&L) →(credit rate * VA bond) + cost of services rendered during N (P&L) (VA of pension rights acquired by employees) + past service cost (P&L) +/- Gains/losses from plan curtailments/settlements (P&L) - loan. paid (P&L) +/- actuarial difference (change of assumptions) (OCI) = BDO 31.12.N > JV of plan assets at 01.01.N + return of non-interest assets (OCI) + prod. of interest (P&L) + contributions paid employees + employers (P&L) - services paid during N (P&L) = FV of plan assets at 31.12.N "> Provident liability (DBO) - JV of plan assets - ""asset ceiling"" (asset ceiling) = net commitment (liability if > 0) An asset (if the sum above is negative) is only recognized if the employer can benefit from future economic benefits. If not => asset ceilling. Main assumptions for calculating	measures are planned at the level of the IP (eg IP must request reorganization contributions), on the other hand, we do not recognize a liability "" commitment for contribution sanitized."" if the IP has not planned to ask for it. - an asset is also recognized when the employer's contribution reserves are paid without waiver; heading: financial investments at L.T. Take Note **IFRS difference** - Swiss GAAP FER 16 does not require a calculation of commitments according to a dynamic method - Less cumbersome Swiss GAAP FER presentation requirements - Swiss GAAP FER 16 requires that pension commitments must be given by type of institution: > employer funds, > pension plans without excess coverage/overdraft, > Pension plans with excess coverage, > Pension plans with overdraft

	the BOD: => discount tx, remun. old-age assets, evol. salaries, prob. discharges*/deaths*/disabilities*, inflation *according to BVG table " **"Revaluation result (OCI):** - Technical (actuarial) gains and losses on DBO (hyp change, correction between hypo. and real evolution) - Difference between renders. real assets and renders. expected (active interest/BOD) - Change resulting from the application of the asset ceiling. **P&L (2 component**s): **1) services:** costs of services rendered, costs of past services not recognised, gains/losses resulting from liquid. diet **2) net interest:** net pension commitment at the start of the year * tx discounting (expected return) at the start of the year NB: reasons why Switzerland applies the benefits. defined. 3 main guarantees: 1) minimum yield. on contributions (cumulative retirement assets 1.75%) 2) minimum conversion rate (6.8)	

	3) no overdraft allowed in the medium term, if overdraft. appropriate measures must be taken"	
Taxable Profits	**IAS 12 Income Taxes** **Definition** **Taxable profit:** result of the financial year determined according to the tax rules and which serves as a basis for the calculation of the tax Temporal difference: differences between the CV of an asset or liability and its tax base Tax expense for the year: current tax +/- change in deferred taxes during the year **Calculation** ID amount = temporary differences and tax losses carried forward * tax tx Tax rate = current rate unless a change has been announced then the new rates apply **Accounting** - IDP always counted - IDA = recognition possible only if it is probable that the company will make sufficient taxable profits in the future to absorb these amounts. Must be reviewed annually	**Swiss GAAP 11** - similar to IFRS - tax balance sheet => taxes - to respect the principle of true and faire view => deferred taxes on temporary differences - rate = rates actually expected or, failing that, those in force at the time of the establishment of the balance sheet - IDP / IDA compensation: possible if they relate to the same tax entity - IDA on tax losses carried forward only if it is probable that they can be realized thanks to future profits + mention in the obligatory appendix. **Swiss GAAP 30, c. 25**-28 (consumption accounts) See tab ""Conso RPC"" Swiss GAAP 31, c. 6 (listed company) - Average tax rate to be applied weighted on the basis of the ordinary result must be published in the appendix

	- Part IDs that do not affect the result N => accounted for in the OCI or FP (immo corp revaluation, change in accounting method, etc.) - Part ID that affects result N => compiled to result - ID on participation unless (IAS 12.39): > the shareholder company is able to control the date on which this temporary difference will be reversed > if it is likely that it will not reverse in the foreseeable future NB: IDA and IDP compensation possible only if levied by the same tax authority AND on the same taxable entity. - no deferred taxes on permanent differences therefore goodwill - no updating of IDPs / IDAs - presented separately on the balance sheet - tax rate of the daughter during a business combination (IFRS 3)	- Influence on the taxes on the BN resulting from the variation of carried forward losses must be quantified and explained "
Related Party	**IAS 24** **Definition** A person/entity is related to a business if: - it has exclusive or joint control	**Swiss GAAP FER 15** Comparable to IFRS, except in the disclosures: - no mention of executive salaries if in the normal course of

	- it has a significant influence on the company - it is one of the main managers (= authority and responsibility for planning, directing and controlling the activity) of the company or parent company A close person is: - spouse / children - dependent Information to provide - transaction amount - resulting receivables + any provisions - losses recorded on these receivables + separation (e.g. in a table) of these elements: parent company/subsidiaries/main leaders etc. + mention of the overall compensation of the main executives"	business - No mention of debts to the pension fund Swiss GAAP FER 24, c. 4 (Transactions with shareholders) - Transactions recorded at net market value even if they were not carried out at market conditions - Capital contributions, additional payments, capital reduction recorded in reserves from premiums after deduction of the NAV of any shares issued or recalled - Distribution of BN: recorded to reserves from BN - Mention in appendix! (RPC 24 ch. 10)"
Treasury Shares	**IAS 32** "Part of IAS 32 **Presentation** Deduction from equity **Initial assessment** At acquisition cost	**Swiss GAAP FER 24** **Initial assessment** Decreasing FP ""Own funds (treasury shares) with cash"" => Recording at purchase value **Subsequent assessments** - None

	""Own funds (treasury shares) with cash" **Subsequent assessments** - None - Gain/loss on treasury shares on sale cannot be recognized in P&L → Must be recognized in Reserves (Equity)"	- differences in value slt recognized if sale or cancellation: - If purchase price > market value => difference debited to reserve from premium - If purchase price < market value => difference credited to reserve from premium Attention Concealed contribution = reserve credit from premium Hidden distribution = reserve debit from profit Output method: effective price, FIFO, or CMP
Intermediate financial information **No obligation to review**	**"IAS 34** Not imposed by the IASB, but by the stock exchange, is not audited **Contents** - either complete Financial statement - either EF summaries (but must contain: balance sheet/global income statement/flow statement/equity movement/notes/BPA) **Comparative Info**	"PRC 31 ch. 9-12 Bonds for listed companies Figures + explanation of business progress Condensed income statement (BPA) Condensed flow chart Condensed clean bottom chart Accounts done like the annual Financial statements , but simplifications allowed if this does not prejudice the

	- interim balance sheet + last annual balance sheet [ex: 30.06.16 + 31.12.15] - global res account 30.06.16 and 30.06.15 - own cap var table from 31.12.14 to 30.06.16 and from 31.12.13 to 30.06.14 - very flow tab => 1st half 2014 / 1st half 2016 **Minimum note content** - Events occurring during the past semester - Minimum content → see elements defined in the standard **Accounting** - Seasonal / cyclical expenses / products, 2 possibilities of accounting 1) according to "punctual" accounting rules 2) by carrying out a kind of annualization - global (IASB rather recommends solution 1) - Used average rates (example for tax) - Balance sheet activations with the same activation criteria as the annual balance sheet - Development costs not activated in the 1st half => attention due to the balance	presentation of the progress of business Mention: - Condensed presentation - Modify presentation, error/effect, - Sector accounts - Comment on cyclic activity and quantify effects - exceptional product / expense - Subsequent event"

	sheet at 30.06 => impossibility of reactivating them after - If impairment recognized in the 1st half of the year, no possibility of canceling it (IFRIC 10) - If change of methods => correction of comparative info idem IAS 8 - Simplification at the level of estimates (ex: IAS 19, ok for extrapolation of data to 31.12.N-1; no need to call back real estate appraisers, etc.)"	
Grouping	"**IFRS 3** Object An acquirer obtains control of one or more companies Scope Does not apply to: - Assets / group of assets does not constitute a business - Joint venture creation - Combination of entities already under common control **Definition** Company = Set of activities and assets (input), exploitable and managed (process) to obtain a return (output) Control = Decision-making power + right to variable returns + link between the 2	**Swiss GAAP FER 30** PPA, same as IFRS except less defined concept of control"

	Acquisition Method (Step) 1) Identification of the acquirer = The one who obtains control - Significantly higher fair value - Majority of voting rights in the AGM of the company resulting from the combination - Payment in stock or in cash to the other - Management of one of the parties occupies the key positions in the management and the Board 2) Determination of the acquisition date - Date of takeover - Contract date (generally = payment date) - If Acquisition price paid with own shares, they must be revalued on the acquisition date " 3) **Identification and valuation of net assets + INC (Attention IDP - only on our %)** - Assets / liabilities valued at fair value Contingent liabilities if current, not yet probable but reliably estimable - Items that are not in the	

	balance sheet of the acquired company (did not meet the criteria) but which meet the criteria on the acquisition date > **Intangibles**: - Non-monetary and insubstantial item - Sufficient control over expected BNs - Contractual or separable right (= transaction on the asset / a comparable or salable, transferable, leaseable, exchangeable asset/asset, can be licensed) → If criteria not met = GW > Restructuring provision: recognition possible if IAS 37 criteria are met > Contingent liability: recognition possible if the amount can be reliably estimated > Deferred tax: recognized on the difference between the FV and the CV of the identifiable net assets - Do not take transaction costs (P&L) - Revaluation of the stake previously held in the JV 1) Diff between acquisition value and Val. equity method: the part recognized in FP, must be recycled in profit or loss	

	2) Diff between Equivalent Val and JV - Accounting via P&L = Participation \ result - Accounting for INC " **4) Valuation and recognition of GW** Cash transferred + market value of other assets as well as equity instruments issued + market value of commitments taken over (including conditional adjustment of the acquisition price at market value) = Acquisition price at market value +INC - Identified net assets =GW NB: Pay attention to the choice of the method of proportional GW or full GW > Badwill: recheck the valuation of the acquisition, if GW is always negative → recognized in the P&L > Acquisition with provisional amounts: adjustment period is limited to 12 months 5) Allocation of GW to different CGU (smallest unit) 12 month period	

	6) Annual impairment analysis (IAS 36) on the GW "	
Cash Flow	**IAS** 7 **Aim** - assess the company's ability to generate cash - determine the cash needs of the company - forecast the deadlines and the risk of future receipts **Operating activities** - Main income-generating activities that do not constitute financing or investment activities - 2 methods: direct or indirect method **Investing activities** - Acquisition / disposal of LT assets + any other investment not included in cash equivalents - These flows provide information on how the company ensures its sustainability + growth **Financing Activities** - Lead to own course changes / and company borrowings - Purchase of treasury shares /	**Swiss GAAP FER** 4 Same as in IFRS

	issue of shares / issue of loan repayment of debts NB: non-monetary flows such as financial leasing / company acquisition paid in shares / transformation of debt into equity capital => no counterpart in cash => not in the cash flow statement! NB: the reimbursement of the part of the financial leasing debt must even be in - of the flow of financing. NB: Dividend and interest received and paid must be presented separately (operating or financing flows) If significant transaction, must be mentioned in the appendix. Payment of taxes s/benefit => operating flow ok but best practice = breakdown between the 3 types of Activities." **"Flow in ME** => converted at the rate of the day of the transaction; cash + cash equivalent at 31.12 are converted at the closing rate and the unrealized exchange differences are not cash flows (but must be indicated separately in the cash flow statement to be	

	able to reconcile the cash) No compensation between positive and negative flows, with 2 exceptions: 1) receipts and disbursements made on behalf of a customer when the flows arise from a customer's activity 2) receipts and disbursements relating to items with a rate of fast turnaround, short deadlines Difference in US GAAP: in US GAAP, obligation to present the cash flows of interest and dividends in operating cash flows except dividend paid in financing flows in IFRS => choice for interests between exploit and financing/investment and same for dividends"	
Error / change in estimate / change in method	"IAS 8 Change of method (retroactive) - Possible : > if required by a standard > if helps to provide more	**Conceptual Framework 30** Change of method - Required by professional recommendation - Significant change in the scope of activity of the entity

	reliable and relevant information - Restatement N-1 + opening equity N-1 => in the balance sheet put a 3rd column ""restated"" at 01.01.N-1 (or 31.12.N-2) NB: do not forget the impacts of deferred taxes - if restatement impossible => information in appendix that the new method only applies to N / that N-1 is not adjusted / description of the impact of the change only for the current ex. - in all cases, the appendix must mention: > type of change > impact on each E.F item including BPA and including N-1 + impact on years prior to N-1!! Change in estimate (prospective) - No rest - No special conditions / change whenever economic conditions require it **Errors (retroactive)** - correction with restatement unless it is not possible to estimate the impact on the past financial year - in appendix: nature of the error / impact on E.F. and EPS including	- Entry into a new/other entity - More meaningful option inside an existing option of a professional recommendation Impact: Indication in the appendix why the principle of presentation of the accounts has been modified, the nature of the change and its financial impact AND the n-1 FFs must be restated (restatement). Change of estimate Impact: Correction of the book value of an asset or a liability. **Errors** Impact: Number 1: Financial statements must be restated.

	diluted N and N-1 / amount of the adjustment applied to the opening balances N-1 - if not possible to correct retroactively => indicate the reasons	
Subsequent Events	**"IAS 10 Events after the Reporting Period** **Definition** - Events occurring between the date of the financial statement and the date on which the publication of these is authorized **Kind** - Event that contributes to confirming a situation already existing on the balance sheet date > adjustment of financial statement necessary - Event that describes a situation that arose after the close > if material, mention in the notes with an estimate of their financial impact. **Examples** - significant business combination - announcement of abandonment of activity - major restructuring announcement - occurrence of a new dispute. Case abandonment of activity	**"Conceptual Framework 28 Same as IFRS"**

	- financial statements are established on the assumption of going concern. In the event that after the closing date the financial situation of the company deteriorates to the point where the continuity of operation is compromised, the assumption of continuity of operation must be abandoned. "	
Products	**IAS 18 Revenue Superseded by IFRS 15 Revenue from Contracts with Customers** **Definition** Products = economic benefits that sed an increase in FP without new contributions from the owners of the company appeared during the financial year and which can Measures: 1) Products must be valued at the FV of the consideration received or to be received 2) In case of deferred payment (sale on credit), two parties: > one part = financial products > a part = price of the good/service NB: updating imposed only in the event of a real financing transaction => excluded the usual payment at 60 days or even 90 days. **Accounting** - 2 basic conditions: > probability for the company to derive future economic benefits > amount of proceeds must be	**"Swiss GAAP FER 3, ad digits 7 and 8** Net income = services provided - discounts - rebates Not covered by Swiss GAAP, same as IFRS principles"

	reliably measurable **- Sale of goods and products** (additional criteria): > Transfer of the main risks and benefits inherent in the ownership of the property to the purchaser > the company must not retain effective control of the assets or participate in their management > cost of the operation must be reliably measurable (=> to respect the main matching) NB: if the sale price also includes an ancillary service, the market value of this service sold must be recorded in PT. and recognized as a product only when the service is rendered. NB: mail order → if the seller reliably estimates the returns, direct accounting and constitution of a provision for the amount corresponding to the return, otherwise accounting during payment. NB: sale satisfied or refund → product recognized at the time of sale if returns can be estimated **- Services** > recognition depends on the reliability of the result of these operations > accounting according to the same rules as the TEC => estimates of total costs and % of progress - total amount of proceeds can	

	be reliably estimated - probability of future economic benefits - reliable estimate of the degree of progress - costs incurred can be reliably estimated - Dividends => recognized when the shareholder's right to dividends is established (@ AGM of the following year) - Interest => according to the time elapsed - Royalties => as they are acquired"	
Operating segment	**IFRS** 8 1) standard only applies to listed or soon to be listed companies 2) aim to provide information that allows readers to assess the importance / contribution / financial effects of different sectors of activity. 3) operating segment = component of the company which includes activities generating income and expenses and whose operating results are regularly monitored by management and for which financial information is available. 4) must be presented separately the sectors for which one of the conditions is met: - products representing at least 10% of the company's turnover - result (in absolute value) represents at least 10% of the profit	**"PRC 31 ch. 8** The sector accounts used by the highest level of management for the management of the company must be presented at the level of products and sector results. Can be broken down by geographic region or sector. Possible to group together for economically similar sectors (e.g. average margin of the same nature, comparable prod./services). Possible to waive it in justified cases (competitive disadvantage) "

	/ loss of the group. - assets represent at least 10% of the group's assets 5) The total of the operating segments presented separately must represent at least 75% of the company's revenue => not possible to have an ""other"" sector representing more than 25% of the products => no limit to the number of sectors (but if more than 10 ask questions about the relevance of as many sectors) 6) information to be provided for each sector: - general information (i.e. criteria used to identify the sector / types of products and services) - information on the results / assets / and debts of the sector - reconciliation with restatement of inter-sector figures to reconcile with F.E. - for each sector: present result / total assets / total debts / total turnover / prod + ch of interest / taxes => especially P&L (main balance sheet totals) " "7) Possible to combine (cumulative): - common economic characteristics - similar sectors (type of prod./services, type of manufacturing processes, customer types/category,	 Publication of net income by geographic sector appended to the annual accounts Concern that the management approach implies the need to indicate values that may

	distr. method, approx. regulation.) NB: it is quite possible to have only one operational sector. => at this time still present a geographical breakdown of the products from external customers and fixed assets Management approach: management approach (segmentation and valuation bases harmonized with internal information) Publication of indicators used internally for performance evaluation "	represent a competitive disadvantage, especially for small businesses. "
Fair Value	"**IFRS** 13 **Definition** Price that would be received for the sale of an asset, or paid for the transfer of a liability, in a normal transaction between market participants at the measurement date **Accounting** If a standard requires initial recognition at FV and not at transaction price, the difference is recognized at P&L. Barring exceptions, the JV must not be corrected by transaction costs (commissions, agios, transport costs, etc.)	**"Swiss GAAP FER (Conceptual Framework ch. 26)** - Price of the day: price that should be paid on the balance sheet date for the acquisition in the normal course of business - Net market value: amount agreed for the sale of the object between partners - Useful value: discounted value of future cash inflows and outflows to be expected from the operation of an asset - Liquidation value: best possible realization of the company's assets"

	Hierarchy assessment: - Level 1: price recorded on the markets - Level 2: directly or indirectly observable data - Level 3: non-observable data (forecast or estimate made by the appraiser (CF, BN forecast) **Method evaluation:** - 3 Evaluation Techniques: > Market approach: e.g. market derivative multiple > Cost approach: the price corresponds to the cost to rebuild or replace the asset > Results approach: present value techniques (e.g. DCF, Black-Scholes, excess earnings etc.) - If change in estimate → IAS 8 (mention in appendix and no restatement)"	
Exploration and evaluation of mineral resources	**"IFRS 6** **Definition** Prospecting expenses: > cost of acquisition of prospecting rights > topographic, geological, geochemical and geophysical study > exploration drilling > digging trenches **Accounting** - **2 methods**: > full cost: all prospecting and deposit evaluation expenses can be capitalized	**Not Treated**

	> successful efforts: only expenses that led to the discovery of proven reserves should be recognized as assets, the others being recorded as expenses - initial recognition: > either at cost > either at the JV - future expenses for dismantling facilities and restoring them must be provisioned **Depreciation** - Impairment if index - Depreciation expensed - Assets must be allocated to CGUs and impairment test at this level "	
Insurance contract	**IFRS 4** **Definition** - Insurance contract: contract by which one party accepts an insurance risk from the other party by undertaking to indemnify the latter if an uncertain and specified future event negatively affects the insured - insurance risk is not a financial risk **Accounting** - Prohibition on constituting provisions to cover hypothetical risks after the expiry date of current contracts - the insurer must carry out a test each year to ensure that the amount of insurance provisions is adequate	**Not Treated**

	(based on CF forecasts of current contracts) - provision adjustments are recognized as expenses - change of method possible only if it leads to more reliable and more relevant EFs for user decision-making	
Regulatory deferral accounts	IFRS 14 **Definition** Regulatory deferral account: balance of an expense or income account that could not be recognized as an asset or a liability under other IFRSs, but which may be deferred because it is taken taken into account, or is expected to be taken into account, by the regulator in determining the rates that may be charged to the company's customers. **Accounting** - Balance of accounts calculated according to the method decreed by the regulatory authority - IFRS 14 application not mandatory - Option to retain these accounts is only available upon adoption of IFRS/standard. Presentation - Balance sheet: balances presented separately from other	Not Treated

	assets and liabilities - P&L: presented after the total of other assets and liabilities separately - Annex : > nature and risks of regulations > impact of this regulation on its financial position, results and cash flows	
Public Subsidies	**"IAS 20** **Definition** - Public aid: measure taken by the public authorities and intended to give a specific economic advantage to a company - **Public subsidy**: > linked to assets: public aid to acquire or build a long-term asset > linked to earnings: other subsidies **Accounting** - At the P&L if the company will comply with the conditions attached to the subsidy and that it will actually be received - In order to reconcile the costs that it is supposed to compensate (if sub. linked to an asset, sub. activated during the activation of the asset then amortized over the amortization period or the asset is reduced by the grant to assets then amortized - Non-monetary public aid	Swiss GAAP FER 24, c. 4 - Subsidies allocated by public authorities to public sector entities in connection with the reversal of operating deficits are recorded in the P&L

	(provision of a good) to be recorded either: > to the JV > to a symbolic amount (1 CHF)	
Foreign Currencies	**IAS 21** Definition Functional currency: the one that most influences the price or cost of the goods and services produced by the company, which provides its financing or which receives its operating resources Presentation currency: Currency used for the presentation of RUs Monetary item: money held and assets/liabilities to be received or paid for fixed or determinable amounts of money. Conversion - Conversion of ME transactions into the functional currency: > transactions (purchase, sale, settlement, loan, etc.): daily rate > monetary items (treasury, receivables, debts): closing rate > non-monetary items: at historic cost (rate on the day of acquisition) > other assets at FV: conversion at the rate of the day of the last valuation > conversion difference (CTA):	**Swiss GAAP FER 30, c.19-20 (Consumer)** - EF to ME must be converted using the closing price method - Translation differences to be recognized in the FP

	° Monetary items (realized or unrealized): recognized in P&L except for significant loans or borrowings from foreign entities of the same group → recognized in FP ° Non-monetary element: valued at historical cost → no conversion difference but if asset revalued or depreciated, recognition of the exchange difference as the transaction that gave rise to it (OCI) - Subsidiary EF conversion into ME (consumer account) AND conversion of functional currency into presentation currency: > assets and debts converted at the closing rate > income and expenses converted at the rate on the day of the transaction > n-1: N rates apply → translation difference recognized in the OCI If the stake is sold, the difference in OCI is transferred to the result of the year of disposal. > GW in conso EFs converted at closing rate	
Pension Plans	**IAS 26**	Swiss GAAP FER 26

	EF content - Common information: > statement of changes in net assets allocated to the payment of benefits > summary of the main accounting methods used > description of the plan with mention of the impact of any changes made during the period - Defined contribution plans: > statement of net assets allocated to the payment of benefits > description of the investment policy **Defined benefit plans:** - If the financial report shows the difference between the FV of the investments and the actuarial value of the promised benefits: > statement presenting the net assets allocated to the payment of benefits > actuarial value of promised retirement benefits (vested benefits vs. non-vested benefits) > resulting excess or shortfall in coverage - Net > statement of net assets	See Swiss GAAP 26

	allocated to the payment of benefits > or a note mentioning the actuarial value of the promised benefits (vested benefits vs. non-vested benefits) > or a reference to this information provided in an attached actuarial report"	
Hyperinflationary Economies	"IAS 29 Features - the take into account the loss of purchasing power during the term of the credit - interest rates, wages and prices are indexed - the cumulative rate of inflation over three years approaches or exceeds 100% Restatement of EFs – Balance sheet: > Monetary items: not restated (already expressed at the population of the country prefers to invest its wealth in non-monetary goods or in a foreign currency - receivables and debts are valued not in the local currency, but in a foreign currency - sales and purchases on credit	Not Treated

	are concluded at prices which rate in effect on the balance sheet date) > Receivables and debt indexed to inflation: adjusted in accordance with the contract providing for their indexation > Non-monetary elements (historical cost): revalued by applying an index reflecting the price increase since their acquisition, max value = recoverable value or net realizable value > Equity: revalued by applying an index measuring the rise in prices since their entry into the company (except for retained earnings and revaluation differences) - **OIC:** > Revalued in the unit of measurement current at closing - If monetary assets > debts → loss because the decrease in purchasing power of the assets is greater than the decrease in the company's commitments - If monetary assets < debts → gain because the fall in value of the monetary assets is more than compensated by the relief of the company's debts	

	Accounting - Opening balance sheet: the difference is recognized in equity & the n-1 figures are restated - Subsequent valuation: the difference is recognized as expense/income - **End** of **hyperinflation**: discontinuation of the application of the standard and the amounts that were current at the end of the period constitute the basis of the book value for future EFs"	
Earnings per share	"IAS 33 Application - Listed companies - On the consolidated figures Normal BPA - Net income attributable to ordinary shareholders after deduction of any preferential dividend and gains/losses on the settlement of preferential shares (numerator) - Weighted average number of ordinary shares outstanding during the period (denominator) Diluted EPS - Numerator corresponds to that of normal EPS, but adjusted for the effects caused by diluted potential ordinary shares (+ interest after tax for convertible	**"RPC 31, ch. 5 (listed company)** - Diluted and undiluted result should be indicated below the P&L - Calculation method for the non-diluted result: to be presented by indicating the weighted average number of participation rights in circulation - Transition from non-diluted to diluted results must be published - Potential dilution effects must be explained"

	loan, interest on preference shares, etc.) - Denominator corresponds to that of normal EPS, but adjusted for the effects caused by diluted potential ordinary shares Approaches (6 steps) 1. Identify all potential ordinary shares (AOP) = warrants, convertible bonds, stock options, etc. 2. Calculate additional EPS for each share class: > Increase in BN if AOP are converted into shares (a) > Increase in the number of shares if AOP converted (b) > Weight factor temporal (=duration/period when AOPs are not converted) (c) > Weighted average number of shares (d = b x c) > Shares issuable at FV (e) > Weighted average to be used in diluted BPA (f = d - e) > Additional EPS (a/f) 3. Rank potential ordinary shares from lowest to highest BPAS 4. Calculate EPS from continuing operations 5. Identify potential dilutive ordinary shares based on their effect on EPS from continuing	

	ordinary activities 6. Calculate the amount of diluted EPS Presentation - OCI but if P&L presented on a separate page then BPA presented to the P&L"	
Agriculture/Biological Assets	**IAS 41 Agriculture/Biological Assets** **Definition** - Biological asset = Living plant or animal - Biological transformation = appearance of an agricultural product (milk, wool, coffee, etc.) or change of the biological asset itself (growth or birth of an animal/plant) Evaluation - at JV (price practiced on an active market, during recent transactions, market price of similar assets, commonly used criteria, updating FCs) - estimated selling costs (commissions, taxes, etc.) ! Transport cannot be deducted from the JV - If JV not reliable, then valuation at acquisition or production cost - amortization and depreciation	**Swiss GAAP 2** **Stock** Acquisition or production cost or, if lower, at net market value **Real estate** Acquisition or production cost, after deduction of the necessary depreciation."

	required - Subsequent valuation: variation recorded in the P&L **Accounting** - the birth of a new biological asset will give rise to the recognition of a gain - the production of biological assets is valued at its JV - estimated selling costs"	

6 Swiss GAAP FER 21 Accounting for Charitable, Social and none Profit Organizations

Establishment of accounts for public utility non-profit organizations

Scope

- Annual accounts of non-profit public utility organizations
- Organization of public utility:

" > Organizations that provide services of general interest
"
" > Organizations that publicly address an indeterminate number of donors and/or are funded mainly with the help of contributions from the public sector.

- Small public utility organization = organization that does not exceed two of the following three sizes during two consecutive years:

> Balance sheet: CHF 2 million
> Donation, contribution, and income: CHF 1 million
> EPT: 10 on average of the exercise

Concept plan

- If a public utility organization does not exceed two of the criteria of Swiss GAAP FER 1 (Balance sheet: CHF 10 million, turnover: CHF 20 million, FTE: 50), it applies:

> Conceptual framework
> CPR 21
> fundamental RPC (1 to 6)
> RPC 30 (if applicable)

- If public utility organization exceeds two of the RPC 21 criteria, then the other RPCs apply (10 to 27)

Annual Accounts

- 5 elements:
> Balance sheet
> P&L
> Cash flow statement
> Capital variation table
> Appendix
- Performance report is part of the management report

Balance sheet

- Assets resulting from donation: recognition at the time of obtaining at market value or useful value
- Assets with restriction of use: indicate separately or mention in appendix
- Restricted funds: received from third parties and whose purpose is determined by third parties must be recorded separately in the fund capital

- Capital of the organization:
> Capital base
> Tied capital: Funds subject to a restriction of use by the organization
> Free capital: Funds not subject to a restriction of use by the organization

Operating Account

– Differentiate between earmarked donations and free donations

flow chart

- Same as Swiss GAAP FER 4
- Small organizations can forego establishing a flow chart

Capital variation table

– Indicates the change in the capital of the funds and the capital of the organization

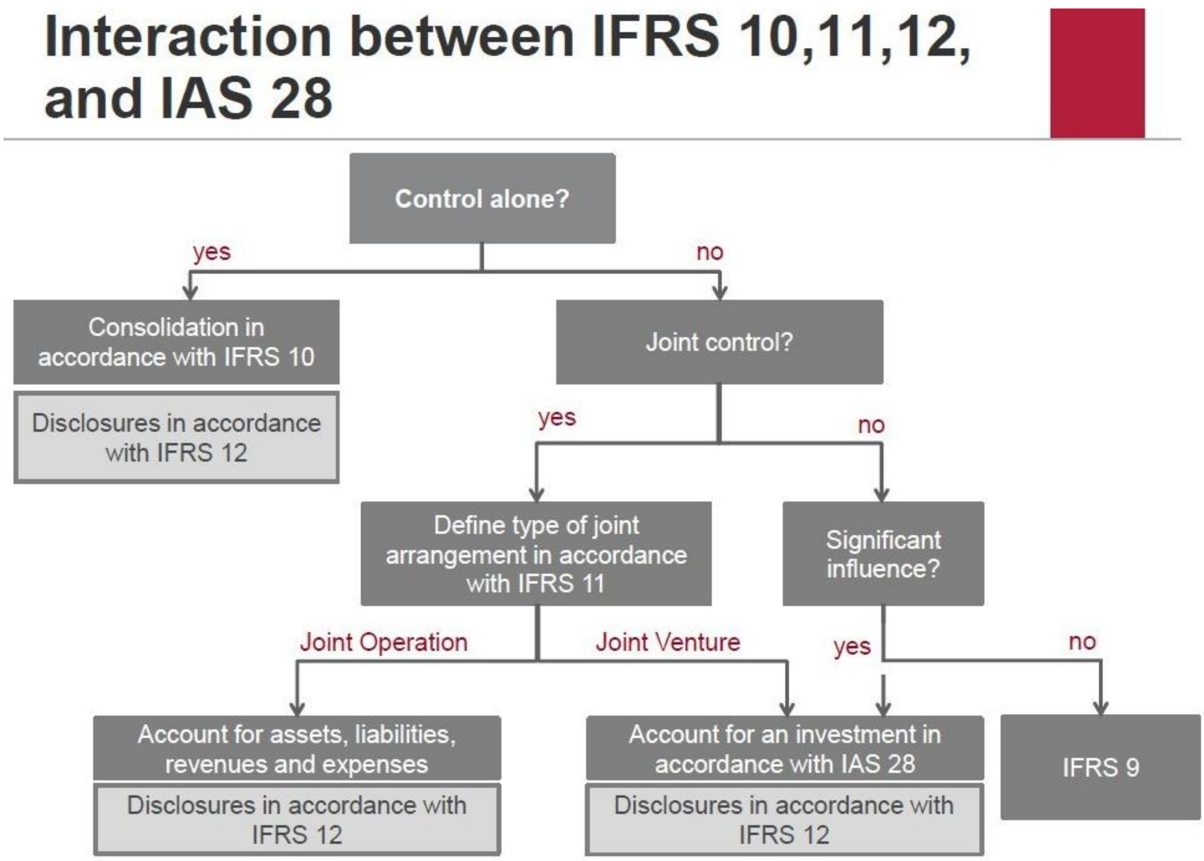
Performance report

– Describes the purpose and objectives and sets out the services provided during the period under review

- Contains indications on the members of the supreme governing body, the persons in charge of the management the number of full-time employees and links with related organizations
- Must not be in contradiction with the presentation of the economic situation

– Not subject to review

6 How to do Consolidated Financial Statements in IFRS and in Swiss GAAP FER



7 Consolidations

7.1 Consolidation of Financial Statements in IFRS

Individual financial statements IAS 27

Scope

Presentation of investments in subsidiaries, joint ventures and associates in the separate financial statements of the parent company.

Does not apply to RUs of companies that do not establish a consumer account

Valuation & Accounting

- at their cost

- at the JV by the result (IFRS 9), same evaluation method for each category

- equity method (IAS 28), since 01.01.16

"If the company does not yet apply IFRS 9, valuation of the investment:

- or at cost if the shares are not listed

- either at the JV if sides"

"If valuation at JV, the variation of the JV recognized

- either in OCI if participation available for sale

- or to the P&L if participation in the JV by the result"

If in the consolidated accounts, a participation is valued at JV by the net result, it must be valued in the same way in the individual financial statements.

Dividend: recognized in P&L, unless **MeE** then deducted from the CV of the stake

Associated companies and joint venture IAS 28

Apply the equity method for companies held under common control or significant influence.

Only applies to the consolidated account.

Significant influence over an associated company or joint venture.

Control: Several investors contractually agree to share control

Spouse Decisions are taken unanimously by the parties exercising control

Influence: Power to participate in financial and operational decisions but not having control.

Notable Presumed significant influence if 20% voting right

Features

Examine the potential voting rights, other indicators such as representation on the Board, participation in the taking decision on dividends, significant transactions with the entity.

Accounting

Put in equivalence

1. Restate the accounts of the associated company if it does not use the same accounting methods

- **Init**ial: At cost (including Goodwill if badwill then recognized in P&L

- Appraisal. Subs.: Increase/decrease depending on gain or loss Increase/decrease based on changes in share capital

Decrease based on dividend payments

CTA

Attention impairment test only in the event of an index (IAS 36)

Value in use: discounting of expected future cash Flows or future dividends

Attention => elimination of intercompany gains/losses pro rata to the % of ownership (upstream/downstream)

No equity method if:

- The part. is classified as held for sale (IFRS 5)

- If "over-consumption"

- If the investor does not want to and the other shareholders have been informed and do not oppose it

- The securities issued by the investor are not listed on the stock exchange

- The investor has not undertaken any formalities aimed at appealing to public savings

Losses and over-indebtedness

Unless there is a legal or contractual commitment, the participation in the associated company should not be

less than 0.-.

Significant loss of influence

- If loss of influence, recognition of the participation in the JV, the difference between the JV and the VC is recognized in the P&L

Transaction with takeover => apply IFRS 3

Transaction with infl. Notable => apply IFRS 9

Global Integration IFRS 10

Obligation to consolidate for entities over which we have control.

Unless the parent company is itself a subsidiary of another which publishes group accounts.

In this case, IFRS 10 exempts the obligation to establish consumer accounts if:

- the other shareholders do not oppose it

- the securities issued by the company are not listed

- the company has not initiated any formalities aimed at going public

Determination of control

Control: Decision-making power + right to variable returns => have a link between the two

Activities: Identify the activities that significantly influence the results of the company (e.g. purchase/sale of goods/services, managing assets)

"**Power:** Assessing decision-making power => these are substantive rights (i.e., possibility of exercising rights) currently giving him the possibility of

" direct the activities (e.g. establish operational/financial guidelines, appoint/remunerate/dismiss key management) which influence the results of the subsidiary.

Ex. of rights giving power => direct or indirect right to vote (including potential rights currently exercisable), to appoint/revoke key management/other entity that directs the activity,
right of contractual decision

Evaluation: Evaluate returns => the investor is entitled to returns. variables depending on his involvement in the subsidiary.

Features

Control possible without the majority of the voting rights => resulting from a contract, the size and the dispersion of the voting rights (number of minorities of 2 or 50)
and representation at the General Assembly.

Also consider potential voting rights (exercisability-barriers-benefits). The loss of control can also occur during new contracts, no subscription increase cap., etc.

Accounting obligations

1) Standardization of accounting policies and reporting date, different date possible but must not exceed 3 months and reporting must be adjusted if significant elements

2) Cumulation of individual Financial Statements

3) Elimination of intercompany, participation/FP

4) Adjustment of deferred taxes

5) Attribution of the result to the parent and to the minority shareholders

Transactions without loss of control

If no loss of control, the transaction does not affect the P&L => equity impact on the difference between the sale price and % of net assets sold.

Entries: Cash to INC => for the % of net assets sold

Cash to retain earnings for the difference (gain)

Transaction with loss of control

1) Deconsolidate (exit) the assets and liabilities of the girl to the VC

2) Recognize the remaining participation in the Fair value

3) Recognize P&L gains/losses

Summary: Sale price Entries: Cash to net assets

- total net assets of the daughter

+ fair value of the remaining stake Share.

+ book value of INC

+/- recyclable components (i.e CTA, AFS)

= Gain/loss to be recognized in P&L

Acquisition by stages => change from 70 to 80% FP impact and not P&L (IFRS)

Joint Arrangement

IFRS 11

Definition Partnership: 2 or more parties arrange to have common control (joint).

Questions to ask yourself (cumulative conditions):

Define whether it is a joint operation or joint venture.

1) Joint operation The parties to the arrangement have rights to the assets and have obligations for the liabilities (e.g. construction consortia)

- proportional consolidation

2) Joint venture (joint venture) The parties to the partnership have a right to the net assets

- equity method consolidation treated in IAS 28

Questions to ask yourself to define whether joint venture or joint operation, if yes to one of these 3 aspects then joint operation:

1) Legal form Does the legal structure imply obligations (consortium)

2) Contractual terms According to the contractual terms, do the parties have rights to the assets and obligations to the commitments?

For example, coverage of debts by the parties

Information to be provided on interest in other Entities.

IFRS 12

Application fields

Subsidiaries, partnerships, associated companies, non-consolidated participations

Goal

Establish the information necessary to assess:

- nature and associated risks in other companies

- effects of these participations on the headings of the EFs, on the performance of the company and the cash flows

- indicate significant judgments and estimates (assumptions)

- key information of group entities

- detail the non-consolidated participations

Mandatory appendix

- explain how we determined the control or not (consumption scope)

- summarize for participations whose INC are significant => financial information on assets, liabilities, profits/losses, cash flow

- for partnerships and associated companies, the financial information must be summarized

(current and non-current assets, ct and lt liabilities, income, gains/losses, OCI, comprehensive income)

7.2 Consolidation of Financial Statements in Swiss GAAP FER

Swiss GAAP 30
Consumption scope

- Subsidiaries: full consolidation (under the control of the parent company --> notion of control as per IFRS)

- Entities under joint control:

> proportional consolidation: integration of assets/liabilities + result as a % of the stake

> equity method

- Associated entities: equity method

- Participations (voting right < 20%):

> acquisition value

> current value

NB: subsidiaries of negligible importance may be excluded from full consolidation (ch. 48)

(Not possible under IFRS)

Consumption method

- Elimination of assets/liabilities and expenses/income relating to internal operations

- Share of PF of consolidated entities: acquisition method

- Share of minority interests: presented separately under equity and in P&L

- FP and result for the period of associated entities: taken into account proportionally and indicated separately.

NB: the difference between the closing date of the individual EFs and the consolidated EFs must not exceed 3 months.

GW

- Assets acquired valued at their current value

-GW

= acquisition price > revalued net assets

> presented as intangible value and presented separately on the balance sheet or in the appendix

> Amortized over 5 years, max 20 years but must be justified

> Can be compensated with the FPs on the acquisition date (mention in appendix and presentation in the PF table), not permitted under IFRS!

> if impairment to be charged first to the GW and then to the other assets

> No reversal of impairment on GW

Foreign currency

- Conversion at closing rate (Balance sheet except FP: at closing rate, P&L: at average rate for the year)

- Translation difference: charged to the FP

- LT loans in ME internal to the group and of an FP nature must be recorded in the FPs without P&L impact

Evaluation

- Standardization of principles

- Depreciation of value first on the GW then proportional to the CV of the other assets

- Reversal of depreciation in proportion to the CV of the other assets. No recovery possible on the depreciation of the GW (same as IFRS)

! Deferred taxes: rate to use, i.e. the tax rate actually provided for each tax entity is a uniform and appropriate average rate for the entire group

Publication

- Fixed assets table: separate presentation for scope changes and exchange rate effects

- Table of changes in provisions: separate presentation for changes due to exchange differences

and changes in scope of consumption

- Appendices:

> Info on consumption scope: treatment of entities (method applied), name and head office

of consolidated companies, share of capital, change in scope)

> Principles governing the establishment of consumption accounts: consumption method, ME conversion method,

treatment of associated entities and treatment of internal profits

> Basis and principles of valuation

> Tax rate

> Sector analysis

8 Presentation of Financial Statements of a Pharmaceutical company (Glenmark Specialty SA)

8.1 Balance Sheet

Glenmark Specialty SA
Place Numa-Droz 2 Neuchâtel, Switzerland

Balance sheet as at		31.03.2022	31.03.2021
Assets	**Note**		
		(in Swiss francs)	
Current assets			
Cash and cash equivalents		**10'315'532**	2'804'923
Accounts receivables -		**42'822'736**	**12'243'996**
due from third parties		*701'116*	*754*
due from group companies		*42'121'620*	*12'243'242*
due from shareholders		-	-
Other current receivables		**178'579**	**94'206**
due from third parties		*178'579*	*94'206*
due from group companies		-	-
Prepaid expenses and Accrued income		**0**	**10'566**
Total current assets		**53'316'848**	**15'153'690**
Non-current assets			
Financial assets		**7'502**	**2'838'072**
Other financial assets		*7'502*	*2'838'072*
Property, plant and equipment		**4'679**	**2'104**
Intangible assets		**238'226'204**	**236'447'129**
Deferred Tax Asset			
Total non-current assets		**238'238'384**	**239'287'305**
Total assets		**291'555'232**	**254'440'994**

Liabilities	Note		
Short-term liabilities			
Accounts payable		**69'337'900**	**108'509'022**
due to third parties		*855'036.20*	560'726
due to group companies		*68'482'864*	107'948'296
Other short-term liabilities		**11'196**	**9'683**
due to third parties		*11'196*	9'683
due to shareholders		-	-
Accrued expenses and deferred income		**161'743**	**3'140'673**
Total short-term liabilities		**69'510'839**	**111'659'377**
Long-term liabilities			
Long-term interest-bearing liabilities		**186'543'952**	**110'621'381**
due to third parties			
due to group companies			
due to shareholders		*186'543'952*	110'621'381
Long-term provisions		**5'471'559**	**3'933'906**
due to third parties		*5'471'559*	3'933'906
Total long-term liabilities		**192'015'512**	**114'555'287**
Shareholders' equity			
Share capital		**30'000'000**	**30'000'000**
Accumulated deficit for the year		**28'882**	**(1'773'670)**
Accumulated losses brought forward		(1'773'670)	(9'750'333)
Profit / (Loss) for the year		1'802'552	7'976'663
Total shareholders' equity		**30'028'882**	**28'226'330**
Total liabilities and shareholders equity		**291'555'232**	**254'440'994**

7.2 Profit and Loss Account

	B / C	D / E	F / G
2	Place Numa-Droz 2 Neuchâtel, Switzerland		
3			
4	**Profit and loss statement for the year ended /**	31.03.2022	31.03.2021
6			
7		*(in Swiss francs)*	
8			
9	Gross proceeds from sales of goods and services	57'182'725	53'876'227
10	Cost of sales	(34'710'165)	(31'188'148)
11	**Net proceeds from sales of goods and services**	**22'472'561**	**22'688'079**
12			
13	Staff expenses	(1'479'842)	(1'005'985)
14	Administrative expenses	(38'286)	(48'151)
15	Depreciation and valuation adjustments to fixed assets	(6'596'970)	(6'021'673)
16	Other operating expenses	(7'211'724)	(2'369'617)
17	Operating expenses	(15'326'823)	(9'445'426)
18			
19	**Profit / (Loss) for the year before interest and taxes**	**7'145'738**	**13'242'653**
20			
21	Financial income	4'808'829	3'200'139
22	Financial expenses	(10'123'871)	(8'349'117)
23			
24	**Profit / (Loss) for the year before taxes**	**1'830'696**	**8'093'675**
25			
30	Direct Taxes	(28'144)	(117'011)
31			
32	**Profit / (Loss) for the year**	**1'802'552**	**7'976'663**
33			

8.3 Cash Flow Statement

Glenmark Specialty SA
Place Numa-Droz 2 Neuchâtel, Switzerland

Cash flow statement for the period ended /	31.03.2022	31.03.2021
	(in Swiss francs)	
Gain / (Loss) for the period	1'802'552	7'976'663
Depreciation and valuation adjustments to fixed assets	6'596'970	6'020'621
Net increase/decrease in short and long-term provisions	1'537'653	2'194'482
Net increase/decrease in current receivables	(30'663'114)	(12'291'985)
Net increase/decrease in inventories and uninvoiced services	-	-
Net increase/decrease in accrued income and prepaid expenses	10'566	(6'021)
Net increase/decrease in short-term liabilities (excluding financial liabilities)	(39'169'610)	84'180'990
Net increase/decrease in accrued expenses and deferred income	(2'978'929)	26'461
Profit / loss on sale of property, plant and equipment		
Other non-cash income and expenses		
Cash flow from operating activities	**(62'863'912)**	**88'101'211**
Purchases of property, plant and equipment	(4'428)	(2'104)
Proceeds from property, plant and equipment		
Purchases of financial assets	2'830'571	102'229
Proceeds from financial assets		
Purchases of intangible assets	(8'374'193)	(128'518'245)
Cash flow from investing activities	**(5'548'050)**	**(128'418'120)**
Net increase/decrease in long-term financial liabilities	75'922'572	40'344'281
Proceeds from capital increase	-	-
Cash flow from financing activities	**75'922'572**	**40'344'281**
Net increase in cash and cash equivalents	**7'510'609**	**27'372**
Statement of net increase in cash and cash equivalents		
As at beginning of the period	2'804'923	2'777'550
As at end of the period	10'315'532	2'804'923
Net increase in cash and cash equivalents	**7'510'609**	**27'372**

8.4 Appropriation of Profits

Glenmark Specialty SA
Place Numa-Droz 2 Neuchâtel, Switzerland
Retained earnings carried forward
(in Swiss francs)

	as at March 31	
	2022	**2021**
Retained earnings at the beginning of the period	**(1'773'669.92)**	(7'546'460.98
Profit/ (loss) for the year	1'802'551.94	(2'203'872.28
Retained earnings available to the general meeting	**28'882.02**	**(9'750'333.26**

Motion of the board of directors(1) on the allocation of retained earnings
(in Swiss francs)

	as at March 31:	
	2022 Motion of the board of directors	**2021** Motion of the board of directors
Retained earnings Available to the general meeting	**28'882.02**	**(9'750'333.26)**
Allocated to legal reserves		
Distribution of dividends to shareholders		
Carried forward to new account	**28'882.02**	**(9'750'333.26)**

8.5 Notes to the Financial Statements

Details, analyses and explanations to the financial statements

The number of full-time equivalents did not exceed 10 on an annual average basis.

Property, Plant, and Equipment

The Property, Plant and Equipment net position in the balance sheet includes an Accumulated depreciation of CHF1852.54

Intangible assets

The intangible asset position in the balance sheet consists of Intellectual property rights for respiratory products Under developments.

Pension liabilities

On 31st March 2022, the estimated pro-rated liability to the pension scheme is nil.

Lease engagement (not terminable or expiring within 12 months of balance sheet date

CHF	Residual term (yrs)	**31.03.2022**
Lease / Rent	within 1 year	0
Lease / Rent	more than 1 year	0
Total		-

Group VAT

Ichnos Sciences SA (ISSA), Glenmark Holding SA (GHSA), and Glenmark Specialty SA (GSSA) as well as Ichnos Sciences Biotherapeutics SA (ISBSA) were in the same VAT Group and jointly responsible until December 31, 2020.

Biotherapeutics SA (ISBSA) were in the same VAT Group and jointly responsible until December 31, 2020.

Since January 2021 the VAT Group is including only two Glenmark companies (GHSA and GSSA) and are jointly responsible.

Significant events occurring after the balance sheet date

None

9 Advantages and Disadvantages of IFRS and Swiss GAAP

The two standards are used in Switzerland however, they do have advantages and disadvantages.

The following are some of the advantages and disadvantages of IFRS and Swiss GAAP FER which have been summarized.

Advantages and disadvantages	**Advantages**	**Advantages**
	---> Known worldwide ---> Complete repository ---> Comparability with other companies ---> Harmonization with US GAAP - **Disadvantages:** ---> High complexity ---> High frequency of modifications/adaptations ---> Cost/benefit reflections ---> Insecurity regarding future developments "	--> Well known in Switzerland --> Less effort needed (time, $) for EF preparation --> Updating standards is rare --> Less disclosure (EF easier to read and understand) --> Acceptance of the SIX **Disadvantages**: --> Less useful to investors because standard is not known abroad --> Some topics are not covered; EFs are therefore less comparable --> Less transparency due to less disclosure"

10 Conclusions and Recommendations

Its fair to say Swiss GAAP FER give users of financial statements more room to manoeuvre than the IFRS, and its also sensible to assume that there would be a greater need in Swiss GAAP FER statements to explain the accounting rules applied and calls of judgment made.

Never the less, regardless of the chosen Financial reporting standard, every preparer of Financial statements have to make estimates and ssumptions.

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