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# Comments on the state-of-the-art International Financial Reporting Standards (IFRS) versus EU Company Law

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EuroFinUse considers the establishment of the International Financial Reporting Standards (IFRS) a milestone in the promotion of harmonised accounting standards not only in Europe but also, ideally, for the United States.

As a representative of investors and shareholders, we stated that the differences between the Generally Accepted Accounting Principles (GAAPs) in place at national level in EU Member States undermined investor confidence and did not allow for international comparability of accounts.

However, EuroFinUse acknowledges the inconsistencies between the European Union legislation (substituting the GAAPs) and the IFRS. The EU Company Law Directive requires a prudent view while the IFRS favours a more “neutral” approach.

EuroFinUse recognises the importance of a prudent accounting approach, which we believe was unfortunately abandoned in the drafting of internationally consistent accounting standards. Indeed, we believe that the International Accounting Standards Board (IASB) – by eliminating prudence from the so-called “*underlying concepts*” of the IFRS - has seriously weakened the implementation of prudent accounting as required by EU law.

Therefore, EuroFinUse demands the reintroduction of prudence into accounting standards which should under no circumstances reduce the comparability of accounts as achieved by the IASB.

Finally, we believe the most adequate body to tackle the aforementioned issues is the IASB, as the responsible standards setter, which should amend its principles so as to reintroduce the “prudence” principle.

We prefer such a change of direction instead of adapting EU legislation to non-prudent IFRS standards.

