

IFRS and Austrian GAAP

Similarities and Differences

August 2021

www.pwc.at/ifrs



Table of Contents

1. Introduction	2
2. Accounting Framework	3
3. Financial Statements	4
4. Consolidated Financial Statements	8
5. Business combinations	10
6. Revenue from Contracts with Customers	13
7. Expense Recognition	15
8. Transactions with employees	16
9. Assets	18
10. Financial Instruments and Equity	21
11. Non-Financial Liabilities	23
12. Other accounting and reporting topics	25
13. Contacts	29

1. Introduction

Corporations founded under Austrian law are basically required to prepare their annual statutory (separate) financial statements under local Austrian GAAP (Unternehmensgesetzbuch, UGB). In addition, if a parent company controls one or more subsidiaries, the parent company is furthermore obliged to prepare consolidated financial statements. Parent companies, whose securities are listed on a regulated market of any Member State of the European Union, shall apply the International Financial Reporting Standards (IFRS) as adopted by the European Union for their consolidated financial statements. A non-listed parent company can present their consolidated financial statements either according to the accounting requirements under UGB or IFRS, as adopted by the European Union.

The provisions of the UGB are derived from the Accounting Directive of the European Union (Directive 2013/34/EU). Due to the adoption of the Directive the UGB was comprehensively amended by the Accounting Changes Act 2014 (Rechnungslegungs-Änderungsgesetz 2014). This amendment implemented numerous substantial changes in the recognition and measurement criteria, which have reduced the differences between IFRS and UGB in some areas, whereas they have been increased in other areas due to an alignment to tax law.

As described before, for some corporations both financial reporting frameworks are applicable. Therefore, with this publication we want to present the key similarities and differences between IFRS and UGB. The document includes a tabular summary showing these similarities and differences concerning certain topics that seem to be particularly relevant (e.g. Components of Financial Statements, Requirements concerning consolidated financial statements or Business Combinations) and/or constitute recent changes (e.g. Revenues from Contracts with Customers or Lease Accounting).

No summary publication can do justice to the many differences that exist between IFRS and Austrian GAAP. Even if a certain topic may be similar to some extent, there may be differences in detail which could have a material impact on the financial statements. When applying IFRS or UGB, users should consult all relevant accounting standards and legal regulations. This publication takes into account the legal status as it is issued on 31 March 2021

2. Accounting Framework

Subject	IFRS	Austrian GAAP
Historical cost or revaluation	Generally uses historical cost, but intangible assets, property, plant and equipment (PPE) and investment property may be revalued to fair value. Derivatives, certain other financial instruments and biological assets are revalued to fair value.	Uses historical cost. No revaluations allowed.
Fair presentation override	Entities may, in rare cases, override the standards where essential to give a fair presentation.	If specific circumstances result in the financial statements not showing a true and fair view, additional disclosures are required in the notes (extremely rare in practice).
First-time adoption of accounting framework	<p>Full retrospective application of all IFRSs effective at the reporting date for an entity's first IFRS financial statements, with some optional exemptions and limited mandatory exceptions.</p> <p>Reconciliations of profit or loss in respect of the last period reported under previous GAAP, of equity at the end of that period and of equity at the start of the earliest period presented in comparatives must be included in an entity's first IFRS financial statements.</p>	No specific guidance. General rules apply.

3. Financial Statements

Subject	IFRS	Austrian GAAP
Components of financial statements	Two years' statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, notes, comprising significant accounting policies and other explanatory information and comparative information prescribed by the standard.	Annual (separate) financial statements: Two years' balance sheet, income statement (statement of profit or loss, no other comprehensive income under UGB), notes, comprising significant accounting policies and other explanatory information and comparative information. Statement of changes in equity and segment reporting are not required for separate financial statements under UGB. Consolidated financial statements: Similar to IFRS but there is no other comprehensive income under UGB. Segment reporting optional for consolidated financial statements.
Statement of financial position (balance sheet)	Does not prescribe a particular format, although IAS 1 contains a set of items that have to be presented in separate line items. A current/non-current presentation of assets and liabilities is used unless a liquidity presentation provides more relevant and reliable information. Certain additional line items are presented on the face of the balance sheet.	Generally presented as total assets balancing to total liabilities and equity. Balance sheet has to follow a detailed structure. Corporations have to use a particular balance sheet layout. Additional requirements for banks and insurance companies exist.
Statement of profit or loss and other comprehensive income/income statement	An entity can choose to present income and expense in either: • a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections or • two statements – a separate statement of profit or loss and a statement of comprehensive income, immediately following the statement of profit or loss and beginning with profit or loss. The statement(s) must present profit or loss, total other comprehensive income, comprehensive income for the period, an allocation of profit or loss and comprehensive income for the period between non-controlling interests and owners of the parent. IFRS does not prescribe a standard format for the statement of profit or loss, although IAS 1 contains a set of items that have to be presented in	In general similar to IFRS. Corporations have to use a particular layout for the profit and loss account. Only profit and loss statement (and no other comprehensive income) under UGB. Both frameworks allow both the nature of expense method and the function of expense method and do not permit the presentation of extraordinary profit or loss.

Subject	IFRS	Austrian GAAP
	separate line items. Certain additional line items are presented on the face of the statement of profit or loss.	
Exceptional (significant) items	Does not use the term, but requires separate disclosure of items that are of such size, magnitude or nature that their separate disclosure is necessary to explain the performance of the entity.	The amount and nature of individual items of income and expenditure which are of exceptional size or exceptional incidence shall be disclosed in the notes to the financial statements.
Extraordinary items	Prohibited.	Prohibited. Concerning disclosure see above.
Statement of changes in share(stock)-holders' equity	<p>All owner changes in equity will be presented in a statement of changes in shareholder's equity. This statement will present:</p> <ul style="list-style-type: none"> • total comprehensive income, showing separately amounts attributable to owners of the parent and non-controlling interests; • for each component of equity, effects of retrospective restatement or retrospective application in accordance with IAS 8; • for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from profit or loss, other comprehensive income and transactions with owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control. 	<p>Similar to IFRS, but only required for consolidated financial statements. The statement must be presented as primary statement.</p> <p>The statement should present the components of equity (at least common stock, treasury stock, additional paid-in capital, revaluation reserve, accumulated result and non-controlling interests) and the changes of each of its components whereas these should be divided into changes originating from the corporate sphere (changes resulting from profit or loss and revaluation) and changes arising from the ownership sphere (distributions to owners, contributions from owners, capital increase or reduction, changes in ownership interests in subsidiaries).</p> <p>As changes in accounting policies are accounted for prospectively, no effects have to be presented in the Statement of changes in equity (see also changes in accounting policy).</p>
Cash flow statements – format and method	<p>Standard headings, and limited flexibility of contents. The cash flow statement reports cash flows during the period classified by operating, investing and financing activities.</p> <p>The statement of cash flows may be prepared using the direct method (cash flows derived from aggregating cash receipts and payments associated with operating activities) or the indirect method (cash flows derived from adjusting net income for non-cash transactions – e.g. depreciation).</p>	Similar to IFRS, but only required for consolidated financial statements.
Cash flow statements – definition of cash and cash equivalents	Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. An investment	Similar to IFRS, except overdrafts payable on demand may alternatively be included in cash flows from financing activities.

Subject	IFRS	Austrian GAAP
	normally qualifies as a cash equivalent when it has a maturity of three months or less from acquisition date. Bank overdrafts that are repayable on demand can be included as a component of cash and cash equivalents but not short-term bank borrowings (these are considered to be financing cash flows).	
Cash flow statements – exemptions	No exemptions.	Only required for consolidated financial statements.
Changes in accounting policy	<p>Changes in accounting policies only if the change is required by an IFRS or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.</p> <p>Changes in accounting policies are accounted for retrospectively in case of a voluntary change or if a change is required by a new IASB standard or interpretation, unless the new IASB standard or interpretation contains specific transitional provisions.</p> <p>The opening balance of each affected component of equity is adjusted for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.</p>	<p>Accounting policies and measurement bases shall be applied consistently from one financial year to the next.</p> <p>If departures are required they are accounted for prospectively and the effect has to be recognised in the current-year income statement, if not determined otherwise. Any such departure and the reasons therefore shall be disclosed in the notes to the financial statements. Adjustment of the opening balance or restatement of the previous year is not allowed.</p>
Correction of errors	<p>Comparatives are restated for the prior period(s) presented in which the error occurred, or, if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.</p> <p>If it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity must restate the opening balances of assets, liabilities, and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).</p>	<p>Generally, effects of correction of errors can be included in current year financial statements with additional disclosures in the notes, if material. Retrospective restatement (ie. restatement of prior year financial statements in which the error was present) is possible in case of material misstatements but only necessary in exceptional circumstances - especially if timely information of the addressees of the financial statements cannot be achieved by a correction in current year financial statements. Any amendment to the financial statements is subject to the provisions of corporate law governing their preparation, disclosure and publication. An "opening balance adjustment" similar to IFRS is not permitted.</p>
Changes in accounting estimates	Adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset,	Similar to IFRS.

Subject	IFRS	Austrian GAAP
	<p>that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. An entity should recognise the effect by including it in profit or loss in the period of the change, if only current period is affected or the period of change and future periods if both are affected.</p>	

4. Consolidated Financial Statements

Subject	IFRS	Austrian GAAP
Requirement to prepare consolidated financial statements	The key principle is that control exists, and consolidation is required only if the investor possesses power over the investee (i.e. the investor has existing rights that give it the ability to direct the relevant activities), has exposure to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect its returns. A consolidated entity presents a parent and its subsidiaries as if they are a single economic entity. When assessing whether an investor controls an investee an investor with decision-making rights determines whether it acts as principal or as an agent of other parties. A number of factors are considered in making this assessment.	According to UGB consolidation is required if either unified management or control over a subsidiary is exercised and no exemptions apply. For the concept of unified management the actual exercise of unified management and not only the legal possibility to do so is decisive. The concept of control is basically similar to IFRS. Control is evident when there is a legal dependency of the subsidiary on the parent in the form of the majority of voting rights, the right to appoint or remove the majority of the members of the administrative, management or supervisory body.
Structured Entities	Consolidated where the substance of the relationship indicates control.	No specific guidance but similar to IFRS.
Definition of an associate	An associate is an entity over which the investor has significant influence. Where an entity holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated.	In general, similar to IFRS, but the investor must exercise significant influence on the operating and financial policies of the associate. The possibility to do so alone is not sufficient.
Presentation of associate results	Equity method is used. Share of post-tax results is shown.	In consolidated financial statements, use of the equity method statements is applicable. If the participation in the associate is not material, the participating interest does not necessarily have to be shown in the balance sheet. In this case the application of this option and the reasons shall be given in the notes.
Disclosures about associates	Detailed information on associates' assets, liabilities, revenue and profit/loss is required.	For significant associates similar to IFRS. Specific disclosures required for all consolidated associates.
Accounting policies of associate	Adjustments are made for consolidation purposes to the	Similar to IFRS. Disclosure is required, if no such adjustments are made.

Subject	IFRS	Austrian GAAP
	associate's policies to conform to those of the investor.	
Presentation of joint arrangements (joint operations and joint ventures)	<p>There are two types of joint arrangements: joint operations and joint ventures. Classification depends on the investor's rights and obligations. Joint operators have rights to assets and obligations for liabilities. Joint venturers have rights to net assets. In addition, a joint venture may only be assumed if structured in a separate vehicle.</p> <p>Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses (IFRS 11).</p> <p>Joint ventures are required to recognise an investment and to account for that investment using the equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method as specified in IFRS 11.</p>	Where a parent or subsidiary subject to consolidation manages another undertaking jointly with one (or more) other undertakings both proportional consolidation and equity method are permitted.
Employee benefit trusts	Consolidated where substance of relationship indicates control. Entity's own shares held by an employee share trust are accounted for as treasury shares.	Similar to IFRS.

5. Business combinations

Subject	IFRS	Austrian GAAP
Types: acquisitions or mergers	<p>Business combinations within the scope of IFRS 3 are accounted for as acquisitions. A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. The acquisition method applies. IFRS 3 excludes from its scope business combinations of entities under common control, a formation of a joint venture, the acquisition of an asset or a group of assets that is not a business, as defined by IFRS 3 and acquisitions by an investment entity of an investment in a subsidiary that is required to be measured at fair value through profit or loss.</p> <p>A business is defined in IFRS 3 as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The components of a business are inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.</p> <p>IFRS 3 contains an optional concentration test. An acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The optional test may be performed on a transaction-by-transaction basis.</p> <p>The application of IFRS 3 does not depend on the acquisition of a legal entity.</p>	An acquisition is the most common form of business combination. The following explanations only apply for consolidated financial statements.
Acquisition method – fair values on acquisition	<p>Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill. These assets and liabilities are measured at their acquisition-date fair values.</p> <p>An exception to the recognition and measurement principle applies to contingent liabilities, income taxes,</p>	Fair value of the assets and liabilities of the acquired entity ("revaluation method" – therefore similar to IFRS), however, fair values are limited at acquisition cost at the date of initial consolidation. The revalued net assets are limited to the value of the parent company' shares. So called "book value method" only applicable for companies that applied the book value method before 2016.

Subject	IFRS	Austrian GAAP
	<p>employee benefits, indemnification assets, reacquired rights, share-based payment transactions, assets held for sale. These items are accounted by applying the requirements in IFRS 3 para 11 or 12 or by applying requirements of other IFRSs.</p> <p>The acquirer may recognise restructuring provisions as part of the acquired liabilities only if the acquiree has at the acquisition date an existing liability for restructuring recognised in accordance with the guidance for provisions (IAS 37). Liabilities for future losses or other costs expected to be incurred as a result of the business combination cannot be recognised.</p>	
Acquisition method – contingent consideration	<p>If part of the purchase consideration is contingent on a future event, IFRS requires the recognition of the contingent consideration at the acquisition-date fair value as part of the consideration. An obligation to pay contingent consideration shall be classified as a liability or as equity. Equity-classified contingent consideration is not remeasured. Financial instruments are measured at fair value. Gains and losses are either recognised in profit or loss or other comprehensive income in accordance with IFRS 9.</p>	<p>Under UGB the amount of the contingent consideration has to be measured at the best estimate at the acquisition date and the amount has to be classified as provision. Subsequent changes to the contingent considerations shall result in a subsequent adjustment to the goodwill.</p>
Acquisition method – minority interests at acquisition	<p>If the acquisition is for less than 100% of the acquiree, there is a non-controlling interest. The non-controlling interest represents the equity in a subsidiary that is not attributable, directly or indirectly, to the parent. The acquirer can elect to measure the non-controlling interest at its fair value (“full goodwill method”) or at its proportionate share of the identifiable net assets.</p>	<p>State at minority’s proportion of the net fair value of acquired identifiable assets and liabilities. If the “book value method” is still applicable, any minority interest is stated at share of pre-acquisition carrying value of net assets.</p> <p>Revaluation method is basically similar to IFRS, but only partial goodwill method (and no full goodwill method) is permitted.</p>
Acquisition method – intangible assets with indefinite useful lives and goodwill	<p>Capitalised but not amortised. Goodwill, indefinite-lived intangible assets and intangible assets not yet available for use are tested for impairment at least annually at either the cash-generating unit (CGU) level or groups of CGUs, as applicable.</p>	<p>Intangible assets with an indefinite useful life have to be capitalised but not amortised.</p> <p>Goodwill has to be capitalised and shall be written off systematically over the useful life. In exceptional cases where the useful life of goodwill cannot be reliably estimated it shall be written off evenly distributed within the period of 10 years.</p> <p>If there are indications of an impairment which is likely to be</p>

Subject	IFRS	Austrian GAAP
		permanent and these indications cannot be rebutted, then goodwill is to be tested for impairment and written down if necessary.
Acquisition method – negative goodwill	<p>A bargain purchase is a business combination in which the amount of net assets acquired exceeds the aggregate amounts of consideration transferred, amount of non-controlling interest and fair value of previously held interests.</p> <p>The acquirer reassesses the identification and measurement of the assets acquired and liabilities assumed and the measurement the consideration transferred, the non-controlling interests (if any) and previously held equity interests (if any). Any excess remaining after reassessment is recognised in profit or loss on the acquisition date.</p>	<p>If negative developments, such as poor earnings expectations, were anticipated at the time when the purchase price was determined, negative goodwill must be reported as a separate item under provisions. The negative goodwill recognised as a provision must be reversed and recognised in profit or loss to the extent that the unfavourable development of the future earnings situation of the company anticipated at the time of the acquisition of the shares or at the time of initial consolidation has occurred. The negative goodwill must be carried unchanged until the expected losses or expenses occur. However, if it becomes clear over time that the losses or expenses for which the negative goodwill was recognised as a provision will not occur, the negative goodwill must be reversed and recognised in profit or loss.</p> <p>If the difference is attributable to a favourable purchase (a so-called lucky buy), it is recognised through profit or loss at the time of initial consolidation.</p>
Business combinations involving entities under common control	Business combinations under common control are excluded from the scope of IFRS 3. The most suitable accounting policies are a predecessor value method or the acquisition method in accordance with IFRS 3.	

6. Revenue from Contracts with Customers

Subject	IFRS	Austrian GAAP
Revenue recognition	<p>An entity recognises revenue to depict the transfer of promised goods or services to customers with the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>A five-step accounting model is applied: Step 1: identification of contract(s) with a customer Step 2: identification of distinct performance obligations in the contract Step 3: determination of the transaction price Step 4: allocation of the transaction price to the performance obligations in the contract. Step 5: recognition of revenue when (or as) the entity satisfies a performance obligation.</p> <p>An entity shall account for a contract with a customer when the parties to the contract have approved the contract, each party's rights and obligations can be determined and are enforceable. The entity can identify payment terms, the contract has commercial substance and it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.</p> <p>Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.</p> <p>Revenue is recognised either at a point in time or over time.</p> <p>Indicators that may indicate the point in time at which a customer obtains control of a promised asset (and an entity satisfies a performance obligation) are: a present right to</p>	<p>Revenues may only be recognised if they are realised at the balance sheet date (realisation principle).</p> <p>The decisive factor for revenue recognition is the transfer of rewards and risks associated with the product or service (more specifically price risk) from the performing company to the customer. From that moment onwards the risk of loss of the product or service shall be borne by the customer. This gives the performing company a claim to the consideration that can be enforced by law. At this point in time revenue ought to be recognised.</p> <p>In contrast to IFRS the term revenue includes also income which is not typical for the ordinary business activity.</p>

Subject	IFRS	Austrian GAAP
	<p>payment for the asset, the customer's legal title to the asset, a transfer of the physical possession of the asset or transfer of the significant risks and rewards related to the ownership of the asset.</p>	
Multiple-element arrangements	<p>Performance obligations of multiple performance obligations should be separately accounted to the extent that the pattern of transfer of goods and services is different. The transaction price (including discounts and variable considerations) is allocated to the identified separate performance obligations based on relative stand-alone selling prices. The best evidence of stand-alone selling price is the observable price when the entity sells that good or service separately. The selling price is estimated if a stand-alone selling price isn't readily available. Possible estimation methods include cost plus a reasonable margin or evaluation of stand-alone sales prices of the same or similar products, if available.</p>	<p>The recognition of revenue is linked to the proper fulfilment of a contract i.e. the transfer of risks (especially price risk) and rewards, which gives rise to a claim to consideration for the performing company. This claim must exist independently of further partial performances of the same or another contract.</p> <p>For this purpose, the contractually agreed (partial) performance must have a certain degree of independence and separability from other performances, and the consideration must be sufficiently determinable. In addition, a binding deliverable and acceptance of the partial performance by the customer must take place.</p>
Construction contracts	<p>The five steps model of IFRS 15 will apply to all contracts with customers. Revenue recognition for construction contracts over time is allowed only if the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. Furthermore, the outcome of a construction contract needs to be estimated reliably. Revenue and costs should be recognised in proportion to the stage of completion of contract activity which is known as the percentage of completion method of accounting.</p>	<p>The above-mentioned factors for revenue recognition also apply to long-term construction contracts. Revenue must be recognised as soon as a legally enforceable right to consideration is established by the rendering of an independent and definable partial service. The percentage of completion method is not permitted.</p>

7. Expense Recognition

Subject	IFRS	Austrian GAAP
Interest expenses	Recognised on an accrual basis using the effective interest method. Interest incurred on borrowings to construct an asset over a substantial period of time are capitalised as part of the cost of the asset.	Similar to IFRS but there is an option to capitalise such interests under certain circumstances.

8. Transactions with employees

Subject	IFRS	Austrian GAAP
Employee benefits: pension costs – defined benefit plans	<p>An entity is required to recognise the net defined benefit liability or asset in its statement of financial position. The measurement of a net defined benefit asset is the lower of any surplus in the fund and the 'asset ceiling' (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan). The present value of an entity's defined benefit obligations and related service costs is determined using the 'projected unit credit method', which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. The overall actuarial assumptions used must be unbiased and mutually compatible, and represent the best estimate of the variables determining the ultimate post-employment benefit cost.</p> <p>Service cost, net interest on the net defined benefit liability (asset) are recognised in profit or loss. Remeasurements due to changes in actuarial assumptions shall be recognised in other comprehensive income and shall not be reclassified to profit or loss in a subsequent period.</p>	<p>Pension provisions shall be measured at the best estimate of their settlement value; the amount of provisions shall be calculated according to actuarial principles.</p> <p>The accounting principles stipulated by IAS 19 are applicable also under the UGB.</p> <p>Any change in the value of the pension provisions compared to the previous period (except from consumption, transfer, acquisition, etc.) shall be recognised in profit and loss. This also applies to changes in value due to changes in the valuation parameters.</p> <p>Furthermore there are some options allowed in particular related to the accumulation procedure (partial value method) and the determination of the interest rate used (average interest rate). Combinations, such as application of the projected unit credit method with an average interest rate, are also permitted.</p> <p>The selected accumulation method and interest rate shall be applied consistently.</p>
Share-based Payment	<p>Applicable when goods are acquired or services received and the consideration of such transaction is settled in equity instruments of the entity (or other group entities) or in cash if the amount of the cash payment is based on the price (or value) of equity instruments of the entity (or other group entities). The standard distinguishes between equity-settled transactions, cash-settled transactions and transactions in which the entity or the counterparty has a choice of settlement.</p> <p>Recognition of an asset or as expenses when goods are obtained or services received. A corresponding increase in equity shall be recognised if goods or services are received in an equity-settled share-based payment transaction, or a liability when</p>	No specific guidance under UGB but in practice similar to IFRS.

Subject	IFRS	Austrian GAAP
	<p>acquired in a cash-settled share based payment transaction.</p> <p>Goods or services are measured at the fair value of the goods and services received. If the fair value of the goods or services cannot be reliably estimated, the entity shall measure their value (and the corresponding increase in equity) indirectly by reference to the fair value of the equity instruments granted. For transactions with employees, the fair value of the services received is determined indirectly by reference to the fair value of the equity instruments granted. A liability resulting from a cash-settled share-based payment transaction shall be remeasured at its fair value in subsequent periods until settlement.</p>	
Termination benefits	<p>A termination benefit liability is recognised when the entity can no longer withdraw the offer of those benefits - additional guidance is provided on when this date occurs in relation to an employee's decision to accept an offer of benefits on termination, and as a result of an entity's decision to terminate an employee's employment or when the entity recognises costs for a restructuring under IAS 37 which involves the payment of termination benefits.</p> <p>Termination benefits are measured in accordance with the nature of employee benefit, i.e. as an enhancement of other post-employment benefits, or otherwise as a short-term employee benefit or other long-term employee benefit.</p>	<p>No specific guidance. The general rules for accruals and liabilities apply. Austrian GAAP distinguishes between</p> <ul style="list-style-type: none"> • legal severance payments • voluntary payments.

9. Assets

Subject	IFRS	Austrian GAAP
Definition of an asset	Recognised as an asset if it's probable that future economic benefits associated with the passage of time will flow to the entity, and the cost of the item can be measured reliably.	No specific guidance but assets have to be independently measurable and utilisable.
Acquired intangible assets	Capitalised if recognition criteria are met; amortised over useful life. Intangibles assigned an indefinite useful life are not amortised but reviewed at least annually for impairment. Revaluations are permitted in rare circumstances.	Capitalised and amortised over useful life. Revaluations are not permitted. Impairment test only necessary when a trigger event occurs.
Internally generated intangible assets	Research costs are expensed as incurred. Development costs are capitalised and amortised only after technical and commercial feasibility of the asset for sale or use have been established.	Expense internally developed non-current (fixed) assets as well as research and development costs as incurred.
Property, Plant and Equipment	Measured at its cost, including costs of employee benefits, costs of site preparation, initial delivery and handling costs, installation and assembly costs, costs of testing and professional fees. Historical cost or revalued amounts are used. Regular valuations of entire classes of assets are required when revaluation option is chosen.	Basically similar to IFRS. Only costs that can be directly attributed to the purchase, acquisition of control or installation and assembly costs can be capitalised. Historical cost is used; revaluations are not permitted.
Investment Property	Initially measured at cost, including transaction costs (ie directly attributable costs) incurred before the investment property achieves the planned level of occupancy. Subsequent to initial recognition entities can choose between a fair value model, and a cost model. One method must be adopted for all of an entity's investment property. Change is only permitted if this results in a more appropriate presentation.	No specific rules. Treat as property, plant and equipment (depreciated cost).
Non-current Assets Held for Sale and Discontinued Operations	Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and shown in a separate line item in the balance sheet under current assets. Comparative balance sheet is not restated.	No specific guidance.

Subject	IFRS	Austrian GAAP
Leases – classification	A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control means the right to direct the identified asset's use and to obtain the economic benefits from that use. An identified asset is typically specified in a contract or at the time it is made available for use by the customer.	Generally the items in the financial statements shall be accounted for and presented having regard to the substance of the transaction or arrangement concerned. The UGB does not contain provisions for the accounting of leasing transactions, so tax law provisions are applied.
Leases – Lessor accounting	Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if the risks and rewards associated with the asset are transferred to the lessee. Otherwise the lease is classified as an operating lease.	Similar to IFRS it is required to determine whether an agreement is to be classified as operating or as finance lease. Finance leases are classified either as full-payout leases (lease payments cover both the purchase price and the lessor's profit margin) or as non-full-payout leases. Financial lease: the lessor shall recognise a receivable in the amount of the present value and income which is to be set off against the disposal of the leased asset at book value. Operating lease: the leased asset is shown on the books of the lessor and current lease payments are recognised as income.
Leases – Lessee accounting	At the commencement date, a lessee shall recognise a right-of-use (RoU) asset and a lease liability. The RoU asset is measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As a practical expedience, a RoU-asset does not have to be recognised for short-term leases (less than 12 months) and leases of low-value assets.	Finance lease: the lessee recognises leased asset at the present value of the lease payment and recognises an identical leasing liability. Operating lease: the lessee recognises current lease payments as expenditure.
Leases – lessee accounting: sale and leaseback transactions	If the transfer of an asset (which will be subsequently leased back) is deemed to be a sale according to IFRS 15, the seller-lessee shall measure the right-of use asset at the proportion of the previous carrying amount of the asset that relates to the right of use retained. A profit shall	For the accounting treatment it should be assessed whether the sale and leaseback agreement is regarded as an operating lease or a finance lease. Finance lease: the sold/leased asset remains on balance sheet of the seller/ lessee and a liability is

Subject	IFRS	Austrian GAAP
	<p>only be recognised for the portion of rights transferred to the buyer-lessor. If the transaction is not at fair value or if the payments for the lease are not at market rates, then a prepayment of lease payments or additional financing will have to be recognised.</p> <p>If the transfer of an asset does not satisfy the requirements of IFRS 15 to be a sale, the seller-lessee shall continue to recognise the transferred asset and recognise a financial liability equal to the transfer proceeds.</p>	<p>recognised. From an economic point of view, such an agreement represents a single financing transaction i.e. a loan agreement with the lease asset as security.</p> <p>Operating lease: the seller/lessee derecognises the sold asset and recognises current lease payments as expenses.</p>
Impairment of long-lived assets held for use	<p>Impairment is a one-step approach under IFRS and is assessed on the basis of discounted cash flows. If impairment is indicated, assets are written down to the higher of fair value less costs to sell and value in use. Reversal of impairment losses is required in certain circumstances, except for goodwill.</p>	<p>Application of the (weaker) lower of cost or market principle. Reversal of losses required (except for goodwill).</p>
Inventories	<p>Measured at the lower of cost and net realizable value. Costs are all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. For items that are interchangeable FIFO or weighted average valuation method is allowed. The LIFO method is not allowed. The same cost formula should be applied to all inventories with similar characteristics as to their nature and use to the entity. For groups of inventories that have different characteristics, different methods may be justified.</p> <p>When circumstances that previously caused inventories to be written down no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.</p>	<p>Valued at (strict) lower of cost or market principle. With respect to production cost, direct and indirect material, manufacturing and special manufacturing costs have to be capitalised. The use of the option to include interest on capital borrowed shall be stated in the notes of medium sized and large undertakings (this also applies to fixed assets under certain circumstances). Methods are basically similar to IFRS, however, use of LIFO permitted.</p>
Biological assets	<p>Measured at fair value less estimated point-of-sale costs, with changes in valuation recognised in the income statement.</p>	<p>Not specified. Generally historical cost used.</p>

10. Financial Instruments and Equity

Subject	IFRS	Austrian GAAP
Financial assets – measurement	Initially recognised at fair value, plus or minus (in the case of a financial asset not at FVP&L) transaction costs that are directly attributable to the acquisition of the financial instrument. There are two measurement categories: amortised cost and fair value. Movements in fair value are presented in either profit or loss or OCI. To determine the measurement category, management should first consider if it is an investment in an equity or a debt instrument from the perspective of the issuer. It also needs to consider the business model in the case of debt instruments. Debt instruments are recognised at amortised cost only, if the cashflows represent solely payments of principal and interest and if the business model is either “hold to collect” or “collect and sell”.	General measurement criteria apply – historical cost principle and lower of cost or market principle.
Derecognition of financial assets	Financial assets are derecognised based primarily on an assessment of the transfer of risks and rewards associated with the financial asset. The transfer of control is assessed if substantially all risks and rewards have been neither transferred nor retained.	Derecognise financial assets based on control/rewards and risks (substantially all risks of an asset are transferred to an entity).
Financial liabilities – measurement	Two measurement categories exist: FVTPL and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.	No specified provisions in UGB.
Derecognition of financial liabilities	Should be removed from the balance sheet when it is extinguished that is, when the obligation specified in the contract is either discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment is recognised in profit or loss.	Similar to IFRS, but not specified.

Subject	IFRS	Austrian GAAP
Derivatives	<p>Derivatives not qualifying for hedge accounting are measured at fair value with changes in fair value recognised in the income statement.</p> <p>Hedge accounting is permitted provided that certain qualifying criteria are met.</p>	<p>Financial instruments are measured at the lower of cost or market principle. No basic adjustments.</p> <p>For unrealised losses of derivatives the entity sets up a provision on the balance sheet (there might be exemptions in the case of hedge accounting).</p> <p>Unrealised gains are not immediately recognised in the amount of the financial asset or liability (derivate) on the balance sheet.</p>
Financial liabilities versus equity classification	<p>Financial instruments should be classified as either a financial liability or an equity instrument according to the substance of the contract. A financial instrument is an equity instrument only if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity and if the instrument will or may be settled in the issuer's own equity instruments.</p> <p>Mandatorily redeemable preference shares are classified as liabilities.</p>	<p>An instrument is classified as equity if certain specified criteria are met. Otherwise it qualifies as liability. These criteria are:</p> <ul style="list-style-type: none"> subordination unlimited lending profit-related compensation and loss participation
Convertible debt	Convertible debt (fixed number of shares for a fixed amount of cash) is accounted for on a split basis, with proceeds received allocated between equity and debt.	Similar to IFRS.
Capital instruments – purchase of own shares	Costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity, net of any related income tax benefit.	Similar to IFRS.

11. Non-Financial Liabilities

Subject	IFRS	Austrian GAAP
Provisions – general	Relating to present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.	Similar to IFRS, but in addition so-called provisions for expenses (“Aufwandsrückstellungen”, e.g. for major repairs) are allowed.
Provisions – restructuring	Restructuring provisions are recognised only when the general recognition criteria for provision are met. A constructive restructuring obligation arises only when there is a detailed formal plan identifying the main features of restructuring and a valid expectation in those affected that the entity will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.	No specific guidance but in practice similar to IFRS. Therefore, the general recognition criteria for provisions apply.
Contingent assets	Disclose where an inflow of economic benefits is probable. If the realization of income is virtually certain, an asset should be recorded.	No specific guidance for contingent assets, but in practice similar to IFRS. An asset shall only be recorded, if the realization of income is certain.
Contingent liabilities	IAS 37 also deals with contingencies, since there is a common ground as regards liabilities that are uncertain. It requires that entities disclose contingent liabilities, unless the possibility of an outflow of economic resources is remote. Where it is not probable that a present obligation exists, an entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.	Similar to IFRS.
Deferred income taxes – general approach	Comprehensive balance sheet method' is used for accounting of income taxes which recognises both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognised, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Similar to IFRS. Deferred tax asset (exemption only for small corporations) or liability has to be recognised. If deferred tax assets have been recognised, profits shall only be distributed in case the amount of reserves readily available for release at least equal to the amount of deferred tax assets after profit distribution.
Deferred income taxes – deferred tax assets and tax loss carryforwards	The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to	Similar to IFRS.

Subject	IFRS	Austrian GAAP
	<p>the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.</p> <p>A deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised.</p>	<p>Concerning unused tax loss carryforwards or unused tax credits exists an option to recognise, if it is probable that sufficient taxable profit will be available.</p>
Deferred income taxes - measurement	<p>Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.</p>	<p>Similar to IFRS.</p>
Government grants	<p>Shall not be recognised until there is reasonable assurance that the entity will comply with the conditions attaching to the grants, and the grants will be received. Recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Non-monetary grants are usually accounted for at fair value, although recording the asset and the grant at a nominal amount is also permitted. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. A grant for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. If a grant becomes repayable, it should be treated as a change in estimate, the repayment should be applied first against any related unamortised deferred credit, and any excess should be dealt with as an expense. The repayment should be treated as increasing the carrying amount of the asset or reducing the deferred income balance.</p>	<p>No specific guidance but similar to IFRS. Also applies to non-public grants (except shareholder grants). Government grants related to assets, shall be presented in the statement of financial position either by setting up the grant as a special line item "investment grants" following equity or by deducting the grant in arriving at the carrying amount of the asset.</p> <p>If a deferred income item is set up, it shall be amortised and recognised as income in alignment with the systematic amortisation of the asset which has been subsidised.</p>

12. Other accounting and reporting topics

Subject	IFRS	Austrian GAAP
Functional currency – definition	Currency of primary economic environment in which entity operates.	No specific guidance, but in practise similar to IFRS.
Functional currency – determination	If indicators are mixed and functional currency is not obvious, judgement is used to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions by giving priority to currency that mainly influences sales prices, labour, material and other costs of providing goods or services.	Similar to IFRS, but no specific guidance.
Presentation currency	<p>The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:</p> <p>assets and liabilities are translated at the closing rate at the date of that balance sheet;</p> <p>income and expenses for each income statement (including comparatives) are translated at exchange rates at the dates of the transactions;</p> <p>all resulting exchange differences are recognised in OCI</p>	Similar to IFRS. According to the UGB, presentation currency is Euro.
Earnings per share – diluted	<p>IAS 33 is prescriptive about the procedure and methods used to determine whether potential shares are dilutive.</p> <p>'Treasury share' method is used for share options/warrants.</p>	No specific guidance.
Related-party disclosures – definition	Determined by level of direct or indirect control, joint control and significant influence of one party over another or common control with another entity.	The definition of related parties is same as IFRS.
Related-party disclosures – disclosures	Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate	UGB requires, as a minimum requirement, the disclosure of all material transactions with related parties that are not at arm's length (transactions that have not been concluded under normal market

Subject	IFRS	Austrian GAAP
	<p>controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.</p> <p>Disclosure of key management personnel compensation in total and separately for short-term, post-employment, other long-term, termination benefits and share-based payment should be disclosed. If there have been transactions between related parties, disclose the nature of the relationship and information about the transactions and outstanding balances, including commitments.</p> <p>National GAAP exceptions (e.g. protective clauses) do not apply under IFRS.</p>	<p>conditions). Exemptions exist regarding key management personnel compensations.</p>
<p>Operating Segments – scope and basis of disclosures</p>	<p>Applies to public entities and entities that file, or are in the process of filing, financial statements with a regulator for the purposes of issuing any instrument in a public market. IFRS 8 contains a step-by-step approach to determine reportable segments and segment information. Reporting of operating segments is based on those segments reported internally to the entity's chief operating decision-maker for purposes of allocating resources and assessing performance.</p>	<p>Voluntary in consolidated financial statements.</p> <p>However, large undertakings are required to break down the net turnover by categories of activity and into geographical markets.</p>
<p>Operating Segments – disclosures</p>	<p>Disclosures for profit or loss, measure of total assets and liabilities, if such amounts are regularly provided to the chief operating decision maker. Other items, such as external revenues, transaction revenues with other operating segments of the same entity, interest revenue, interest expense, depreciation and amortization, amounts of material items of income or expense (disclosed separately according to their nature), the entity's interest of associates and joint ventures, income tax expenses or income and material non-cash items. Interest revenue and interest expense shall be reported separately for each reportable segment.</p>	<p>Disclosures for a reportable segment include revenues, results, total assets and liabilities and other items only.</p>
<p>Discontinued operations – definition</p>	<p>Operations and cash flows that can be clearly distinguished from the rest of the entity, operationally and for financial reporting purposes.</p>	<p>No specific guidance.</p>

Subject	IFRS	Austrian GAAP
	<p>The component of an entity that has been disposed of or is classified as held for sale and</p> <p>represents a separate major line of business or geographical area of operations; or</p> <p>is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or</p> <p>is a subsidiary acquired exclusively with a view to resale.</p>	
Discontinued operations – presentation and main disclosures	<p>The sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) is presented as a single amount on the face of the statement of comprehensive income. If the entity presents profit or loss in a separate statement, a section identified as relating to discontinued operations is presented in that separate statement. The single amount has to be analysed and disclosed either in the notes or in the statement of comprehensive income, comprising revenue, expenses, pre-tax profit or loss and related income tax expense, the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation and related income tax expense.</p>	No specific requirements.
Post-balance-sheet events	<p>Financial statements are adjusted for events after the balance sheet date that provide further evidence of conditions that existed at the end of the reporting period (adjusting events), but not for events or conditions that arose after the end of the reporting period (non-adjusting events). Non-adjusting events shall be disclosed in the notes, if material.</p>	Similar to IFRS.
Interim financial reporting	<p>As a minimum an interim financial report consisting of condensed financial statements and selected explanatory notes. An interim period is a financial reporting period shorter than a full financial year.</p>	<p>Only mandatory for consolidated financial statements of companies, which are required (under stock exchange regulations) to issue interim statements.</p> <p>According to stock exchange law the half year financial report shall consist of a condensed interim financial statement (condensed balance sheet,</p>

Subject	IFRS	Austrian GAAP
		profit and loss and notes), a condensed interim management report and a statement of all legal representatives.

13. Contacts

IFRS



Ulf Kühle
Director and Leader IFRS
Accounting Consulting Services
Tel: +43 1 501 88-1688
ulf.kuehle@pwc.com



Beate Butollo
Senior Manager
IFRS Accounting
Consulting Services
Tel: +43 1 501 88-1814
beate.butollo@pwc.com

UGB



Markus Haslinger
Senior Manager and Leader
National Office (UGB)
Tel: +43 1 501 88-1626
markus.haslinger@pwc.com



Christine Dicken
Senior Associate
National Office (UGB)
Tel: +43 1 501 88-1494
christine.dicken@pwc.com

This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this presentation or for any decision based on it.

© 2021 PwC Österreich. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.