

Accounting differences between Spanish GAAP and IFRS

#	Topic	Spanish GAAP (PGC)	IFRS
1	Assets: impairment	Reversible impairment is reflected by provisions.	Does not distinguish between reversible and irreversible impairment. (IAS 36)
2	Business combinations: Valuation of minority interests	Minority interests may only be calculated by reference to the fair value of the net assets.	Choice between fair value of fixed assets or fair value of consideration paid.
3	Capitalising costs	Specified standard.	No standard specified in IFRS.
4	Chart of accounts	Specified chart of accounts.	Not specified.
5	Contingent payments when fixed assets are acquired	The estimated contingent payments are capitalised, excluding (1) those subject to activity measures e.g. EBITDA; (2) Those subject to future events than increase asset output.	A policy choice to be applied consistently to include either (1) Only the contingency payments dependent on Company (2) All, i.e. those dependent on Company and on third parties.
6	Contingent payments when fixed assets are acquired: Changes in the estimation	Capitalised.	Expensed (gain or loss).
7	Extraordinary income and expenses	Certain income and expenses considered extraordinary under Spanish GAAP are treated as ordinary under IFRS.	Not included in the annual income statement.
8	Finance lease: Definition	Definition confined to existence of a purchase option.	A lease is a finance lease if it substantially transfers ownership risk and rewards (IAS 17).
9	Finance lease: Depreciation	Leased assets are depreciated over their useful lives.	Depreciation over the shorter of useful life and the term of the lease where subsequent ownership is not guaranteed.
10	Finance lease: Finance charges	Finance charges are included in the liability recorded for the lease.	Finance charges are expensed when incurred (IAS 17).
11	Financial instruments (available-for-sale): Impairment	There is a "fresh start" to count for subsequent impairments (18 months on a roll of decrease or 40% value decrease).	No fresh start.
12	Financial instruments: valuation	Financial assets: lower of acquisition cost and market. Financial liabilities: repayment value.	Financial assets: fair value in most cases. Financial liabilities: amortised cost. (IAS 39)
13	Fixed asset valuation	Fair-value valuation is not permitted.	Fair-value valuation is permitted. (IAS 40)
14	Foreign currency (i)	Exchange gains are in general deferred until realised. Exchange losses are recognised in the P&L.	Exchange gains/losses are recognised in the P&L. (IAS 21)
15	Foreign currency (ii)	Exchange differences associated with liabilities incurred in the acquisition or construction of assets may be capitalised under certain circumstances.	Exchange differences cannot be capitalised.
16	Goodwill allocation to cash-generating unit	Based on carrying value.	Based on fair value.
17	Grants	Presented as liability when they are reimbursable grants or as Equity (Subvenciones donaciones y legados) when they become non-reimbursable.	Can be presented either as accounting policy: netting off fixed assets or as liabilities.
18	Inventory valuation	LIFO is permitted.	LIFO is not permitted. (IAS 2)
19	Investment in associates: significant influence over a listed company	3% or above.	20% - 50%. (IAS 28)
20	Provision	Two types of provision: those that correct asset values, and those that represent an (obligation/risk).	Only one type of provision (obligation/risk). Impairments in asset values are recognised directly by writing down the asset value. (IAS 37)
21	R&D	Both research and development costs may be capitalised.	Only development costs may be capitalised. (IAS 38)
22	Recognition of changes in accounting policies	Changes recognised as extraordinary results in the year the change is made and no correction is made to comparative information.	Recognised retrospectively. (IAS 8)
23	Recognition of errors	A prior period error causes an adjustment, recognised as extraordinary income/expense for the year in which the error is corrected.	Corrected retrospectively and comparative amounts restated. (IAS 8)
24	Start up costs	Start-up costs are recognised as an asset when incurred, and are depreciated over five years.	Start-up costs are expensed when incurred. (IAS 38)

Note: Some topics are not prescribed in depth under Spanish GAAP incl. investment property, non-current assets held for sale, financial instruments, employee benefits, inter alia

Source: Proprietary research; Callao et al, 2007

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