PREPARING FOR THE TRANSITION TO IFRS IN HUNGARY

Helping you through a successful conversion
Overview

In November 2014, the Hungarian Government announced its intention to explore the potential adoption of International Financial Reporting Standards (IFRS) as a replacement to the current local Hungarian Accounting Standards (HAS). Selected Government institutions are currently assessing the potential impacts on accounting, taxation, budgeting, IT and other important areas arising from the adoption of IFRS in Hungary and will prepare a proposal for Cabinet summarising the key impacts by 31 May 2015. Two main key objectives are:

1. the effects of the adoption of IFRS on taxation; and
2. that preparation of financial statements under IFRS should not result in a significant additional administrative burden on preparers.

Timeline of proposed adoption

Under the proposed timeline, local Companies will be required to adopt IFRS for years beginning on or after 1 January 2017 with optional early adoption for some companies from 1 January 2016. Depending on the outcomes of the Government’s impact assessment, many Companies may soon commence their initial impact assessment.

Adoption of IFRS for statutory financial reporting purposes requires thorough and robust planning as a Company who is required to adopt IFRS – from 1 January 2017, requires comparative financial information for the year ended 31 December 2016 and an opening balance sheet at 1 January 2016.

More than just accounting impacts

Conversion to IFRS requires thorough planning to ensure that a complete, robust process is followed and that decisions made are aligned to the strategic direction of the business.

Beyond the accounting and finance functions, the conversion process may also impact the IT, legal, sales, marketing, human resources, investor relations, planning and forecasting functions of an organisation.

The conversion process will involve a number of steps which may include:

- an initial gap analysis or impact assessment to identify key differences between IFRS and current local reporting standards
- careful development of a set of IFRS accounting policies that support the Company’s overall business strategy;
- quantification of accounting differences and preparation of IFRS financial statements
- assessment of taxation, financing and investor relations impacts
- business processes and IT systems impacts
- training staff with appropriate professional and technical backgrounds.

Conversion projects require careful management to ensure that decisions on accounting frameworks align with the entity’s strategic direction.
Five step model

Conversion to and the ongoing application of IFRS is a significant challenge as the project must take place alongside normal operating activities. Our conversion process follows a comprehensive and tested approach to ensure an effective, timely and risk focused adoption process. The five step model, developed from our extensive experience in IFRS conversions, enables us to identify issues early and quickly provide practical implementation advice.

### How EY can help

Our experienced multidisciplinary team of accounting, tax and IT specialists can help assess the potential impacts of the adoption of IFRS.

Whether you are looking for early guidance or comprehensive support, we have the right team, tools and experience to help you with:

- A general understanding of IFRS standards, and analysis of first time adoption options under IFRS 1
- Preliminary diagnostic analysis / impact assessment and recommendations
- Compliance review in the context of legal regulations pertaining to reporting to supervisory authorities
- Identification and review of the risk management tasks related to IFRS (in particular IFRS 9, IFRS 13 and IFRS 4)
- Support in implementing the new accounting standards, detailed research on specific issues and development of accounting policies
- Assessment of data collection, controls and IT system processes and redesign of new processes
- Assessment of the entity’s tax position in the context of IFRS
- Preparation/review of skeleton accounts and financial statement disclosures including transition notes
- Development of an IFRS adoption project plan
- Communication of the impacts of the conversion to IFRS to stakeholders (analysts, regulators, funders and owners / shareholders) and understand the impacts of changes on KPIs
- IFRS Training

### Why EY

Based on our significant experience with IFRS and other GAAP conversions we have developed a number of tools and methodologies to support the efficient management of an IFRS conversion project.

Our extensive experience gained through various adoption and transition projects enables us to anticipate and identify issues at an early stage and quickly respond with practical advice. As a result, more time can be devoted to clarifying and addressing strategic and operational issues in order to ensure a truly effective and tailor-made transition process.

Our services have the flexibility to accommodate the different needs of our clients that can trust EY’s extensive professional experience throughout the IFRS adoption and transition process. We consistently involve industry specialists in the delivery of our services so that our clients experience a perfectly smooth and fully customised transition process.

EY’s clients can enjoy continuous support throughout the adoption process from diagnostics to follow-up work. This enables our clients to carefully and thoroughly assess the impacts of IFRS standards with their strategic goals in mind with respect to both the adoption and transition process and future application.
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