On November 20, 2014 a law was passed through the Parliament introducing new Greek GAAP as shall be applied for fiscal years beginning from 1.1.2015. The new law implements also significant changes regarding the maintenance of books and records, replacing entirely the Tax Transactions Reporting Code (TTRC) along with any other provision, interpretative circular or ruling that has been issued by virtue of TTRC or the previous Greek Code of Books and Records (GCBR).

Furthermore, certain provisions of L.2190/1920 and L.3190/1955 referring mainly to the preparation of financial statements are abolished, while the existing Greek GAAP (P.D. 1123/1980) are also abolished, amongst other provisions, as well as the specific chart of accounts of financial institutions and insurance companies, the provisions of L.2065/1992 in relation to the revaluation of real estate property and L.1809/1988 that regulates issues in relation to tax machines without, however, introducing any changes to the old regime as defined by said law.

In particular, Chapter 1 ("Scope and categories of entities based on their size") stipulates the scope of the law and categorizes the legal entities that fall under its provisions on the basis of their size, Chapter 2 ("Accounting Records") regulates the general rules on the keeping of accounting records while Chapter 3 ("Sales Records") refers to the obligations related to the issuance of tax records.

The new provisions are governed by the philosophy of "simplicity" aiming to abolish the formalistic provisions of the TTRC which date back to the ones of the GCBR. In this framework, the general spirit of the new provisions is that it lies upon the legal entities to apply, at their discretion, appropriate safeguards (without such being specified) to evidence the realization of their transactions and their correlation to accounting entries. In other words, it lies to legal entities to seek and adopt appropriate practices so that their entire transactional activity is easily evidenced upon potential audit and complies with the requirements of the new law.

Furthermore, according to Chapters 4, 5, 6 and 7, new accounting standards and new form of financial statements are introduced replacing the ones applicable by virtue of Presidential Decree 1123/1980. The application of said new Greek GAAP and new form of financial statements will be mandatory for fiscal years starting as from 1.1.2015 pursuant to law. Chapter 8 regulates matters that will arise during the first application of the law as well as certain transactional provisions.
Definitions, models of new financial statements prepared by the companies, the new chart of accounts and its mapping to the financial statements can be found in the Appendices of the law.

Legal entities falling under the provisions of the law

Societe Anonymes, Limited Liability Companies, general partnerships, limited partnerships, private capital companies and personal companies and any other entity of private law that fall under the ambit of the law.

The law determines the legal entities that are obliged to draft their financial statements according to the provisions of IFRS as well as provides the opportunity to a company to draft its financial statements, on a voluntary basis, under IFRS on the condition of continued compliance for 5 years. It seems that legal entities preparing their financial statements according to IFRS, either mandatorily or optionally, are not required to apply the new Greek GAAP, implying that their financial statements shall be drafted according to IFRS.

Size determination of entities

Legal entities which upon balance sheet date meet the following criteria:

<table>
<thead>
<tr>
<th>Criteria / Size</th>
<th>“Very Small”</th>
<th>“Small”</th>
<th>“Medium”</th>
<th>“Large”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the entities that do not exceed 2 out of 3 following criteria</td>
<td>“Very Small” and do not exceed 2 out of 3 following criteria</td>
<td>“Medium” and do not exceed 2 out of 3 following criteria</td>
<td>The entities that exceed 2 out of the 3 criteria of the previous category (“Medium”)</td>
</tr>
<tr>
<td>Assets</td>
<td>€350,000</td>
<td>€4,000,000</td>
<td>€20,000,000</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>€700,000</td>
<td>€8,000,000</td>
<td>€40,000,000</td>
<td></td>
</tr>
<tr>
<td>Average number of employees during the year</td>
<td>10 άτομα</td>
<td>50 άτομα</td>
<td>250 άτομα</td>
<td></td>
</tr>
</tbody>
</table>

General partnerships, limited partnerships and personal companies are classified as very small entities on sole condition that their gross revenue does not exceed the amount of €1,500,000.

When a legal entity exceeds or ceases to exceed, as per case, the limits of two out of three aforementioned criteria for two consecutive fiscal years, the change of size category is activated as of the period following the said two consecutive periods.

The ranking of entities in aforementioned categories determines their obligations as per the kind of financial statements that have to prepare as well as their other obligations.

Accounting system and keeping of accounting records

Entities falling under the provisions of said law shall maintain an accounting system that records each transaction or event relating to the entity and took place during the fiscal year. It is clarified that when an entity is not required to prepare financial statements, they can maintain single-entry accounting books. In contrary, entities required to prepare financial statements, for the recording of their transactions and events they have to use the double-entry method and maintain:

• a record in which each transaction and event is recorded (daily journal).
• a record showing the changes in each account kept (analytical ledger)
• a system which aggregates the sums of debits and credits and the balance of each account kept (trial balance)

Accounting books are kept in Greek language. Tax records may be kept in a language other than Greek for transactions both within and outside the Greek territory.
Apart from the accounting basis, the accounting system is required to monitor the tax basis of the revenues, expenses, assets, liabilities and equity in order to conform to tax legislation and submission of income tax returns. In essence, a file should be kept to monitor the adjustments that should be made pursuant to tax laws in order from the accounting basis (arising either from IFRS or from newly introduced GAAP) the tax results to be extracted.

The law also defines, apart from the aforementioned files, the preparation/keeping of other files with reference date the one at the year-end (Balance Sheet date), that may provide information similar to some extent, to that of the existing Fixed Assets Registry and Inventory and Balance Sheet Book. Just indicatively, such files are the files of tangible and intangible fixed assets, the file of owned inventory, the file of inventory owned by third parties, the file of other assets, the file of equity and liability items etc.

It is also defined that all necessary information derived from files described above, may be extracted from other files or from a combination of files.

**Safeguarding the reliability of the accounting system**

According to law, the management of the entity is responsible for the maintenance of a reliable accounting system and adequate accounting records for the preparation of the financial statements, in compliance with the provisions of new Greek GAAP or IFRS, depending on the case. Accounting files are adequate if they are properly maintained, with order, completeness and correctness, as regards to identifying, recording and processing transactions and events that concern the entity.

The accounting files shall be sufficient to allow a competent third party that has the required knowledge and experience to gain an understanding of the entity’s transactions and the state of affairs of the entity, within a reasonable period of time.

Each of the entity's transactions and events should be supported by appropriate documentation.

In this context, the entity must determine the appropriate, in its judgment, controls in order:

- to safeguard that there is a reliable and auditable trail of evidence (audit chain) for each transaction or event from the time they occur until the time of their settlement
- to create a reliable and auditable trail of evidence that ensures that transactions and events can be related to entries in the accounting records and the financial statements,
- to achieve reasonable assurance as to the authenticity of documents and the integrity of their content, in order to confirm their origination and the documentation of the transaction,
- to monitor inventory delivered to customers or received by suppliers, either invoiced or not, as well as inventory held in third parties/premises or third parties' premises inventory held in its own premises.

The law explicitly provides that the last aforementioned point is ensured when an entity keeps the delivery documents, sales invoices or sales receipts issued or received for the corresponding delivery of goods, with order, completeness and accuracy. In the case of receipt of stock without sales document or delivering note, the entity should register the required information to an appropriate file when goods are received.

In essence, a file should be kept monitoring the adjustments that should be made pursuant to tax laws, in order the taxable result to derive from the accounting basis (arising from IFRS or from newly introduced GAAP) after certain adjustments.
Time limits for updating and maintenance of accounting records

The time limit for updating accounting records (books) depends on the obligation of a company to prepare the statement of financial position (B/S) and can be summarized as follows:

- within the month following the one during which the transaction took place, when an entity drafts its statement of financial position,
- within the month following the end of the quarter, for transactions incurred during the previous quarter, when an entity does not draft a statement of financial position.

In any case, the update of accounting records should take place within the time required for the timely preparation of financial statements.

The law defines the time limit for the preservation of accounting records as the greatest between 5 years from the end of the tax period and the time defined by other legislation (e.g. relevant provisions exist in the Tax Procedures Code).

Books and records can be stored in any form under the condition of the existence of a system that can recover these in order to facilitate any audit process if required. Additionally, all the data that safeguard the authentication and accuracy of the content of invoices should also be saved.

Sales documents’ issuance

The law defines as sales documents all invoices, retail sales documents (retail sales receipt or receipt of services), as well credit notes in cases of returns, discounts or any other differences.

Regarding the issuance of invoices:

- It is defined that any document that contains information as those of an invoice, qualifies as invoice under the condition that the receiver accepts it
- The law provides for self-invoicing and the possibility of the assignment of invoicing to a third party on behalf of the seller
- The content of the standard sales invoice is defined
- The concept of the “simplified invoice” is defined, as well as the circumstances under which it can be issued
- The concept of the “consolidated invoice” is preserved
- The issuance time of invoices is defined
- There is clear reference to the obligation of document issuance with specific context in order to justify and acknowledge transactions with individuals not obliged to issue an invoice
- It is defined that the same document is issued by the receiver of the goods or services also in the case the seller denies to issue a sales invoice
- It is defined that in case of goods sold on behalf of a third party, a clearance note is issued

Regarding the issuance of documents related to the retail sale of goods and services:

- There is the possibility to issue a retail sales document (retail sales receipt or receipt of services provision) instead of issuing an invoice to individual consumers
- The content of the “standards sales invoice” is defined
- It is defined that any other document that contains the data of a retail sales document can qualify as a retail sales document
- The possibility to assign the issuance of a retail sale document to a third party on behalf of the seller is provided
- It is defined that the retail sales documents should be issued through tax machines of L.1809/1980, with the exception of certain categories of entities while a Decision of the General Secretariat of Public Revenue will define the relevant technical specifications and other issues for their implementation.
- There is a possibility of issuance of electronic retail sales documents by a third party provider, as an alternative to using the tax machines of L.1809/1980
The law defines also the option of issuing an electronic invoice and refers to the obligation of an entity to apply all appropriate measures to ensure the authentication of the origin, the accuracy of its content and the invoice’s readability (either electronic or not), while it makes reference to indicative ways in order for an entity to achieve this security.

Individuals who sell goods or provide services, on a non-permanent basis and not in the course of their primary business activity, are excluded from the provisions of the new law, provided that the value of the transactions does not exceed the amount of €10,000 per year.

**New Chart of Accounts**

The law establishes a new Chart of Accounts (CoA) to be used as part of the accounting system of the entity, in terms of their naming, their content as well as the extent of analysis.

The further development of the chart of accounts so as to meet the reporting needs of an entity as well as the better application of the law lies upon the responsibility of the entity’s management. It should be stressed that during the aforementioned development the entity should take into account that the accounting system should provide in detail and in summary all data and information required in order to facilitate all reconciliations and audit verifications during the conduct of any audit.

The law provides the entities the alternative of applying the chart of accounts as in force on December 31, 2014 (i.e. the existing Greek General Chart of Accounts).

In light of the above, the basic elements regarding the structure of the accounts codes of the new CoA compared to the GGCA currently in force may be summarized as follows:

- All accounts are classified into 8 different groups according to the nature of the accounting events reflected in the accounts concerned.
- Groups 1-5 include the Balance Sheet accounts. Specifically, Groups 1-3 constitute the asset accounts while Group 4 refers to equity and Group 5 refers to liabilities accounts.
- Groups 6 and 7 include the P&L accounts. Specifically, Group 6 includes the operating expenses and the extraordinary expenses and losses while Group 7 includes the operating revenues and the extraordinary revenues and gains.
- Group 8 includes expenses relating to own-production, current accounts of entity’s branches and profits and losses for the year.

The law explicitly provides that the entity may add accounts or sub-accounts or may use its accounting software to provide information required due to particular circumstances and needs, in order to:

- easy export all data and information required by present law and the tax, insurance or other legislation, in detail and in summary, in order to facilitate all reconciliations and audit verifications.
- assist the management of an entity in its decision making.
- classify its assets into current and non-current, short-term or long-term or other groups on the basis of other criteria of presentation in its financial statements, as well as their integration into groups based on their accounting treatment.
- monitor distinctively all transactions and balances with affiliate parties, to the extent required which is not covered by the existing analysis provided in the CoA.
- monitor the data of its branches.

In addition, the law provides a mapping of the accounts of the new CoA to the model of financial statements as well as to the existing GGCA.

It is also worth mentioning that following the abolishment of Presidential Decree 1123/1980, the obligatory closing of books through the special entries in group 8 currently in force is also abolished.
Principles for preparation of Financial Statements

In general terms, the provisions of the law, adopt the rules of International Financial Reporting Standards set for SMEs (Small and Medium-Sized Entities), which are in fact a summarized version of the “full IFRS package”. As such, there are many similarities to the provisions of IFRS, regarding the initial recognition and measurement of assets and liabilities, measurement after recognition and derecognition. Besides, as stated in the law, entities drawing up their financial statements under this law may seek additional guidance from the relevant IFRS, to the extent that the IFRS provisions are compatible with this law.

Indicatively, we present hereby some of the main changes in the accounting principles introduced by the new law.

Leases
Different accounting treatment is provided for finance and operating leasing.

Recognition of Intangible Assets
Different criteria for the recognition of intangible assets are adopted under the new law.

Depreciation Charges
Fixed assets with definite useful life are depreciated over their useful economic life. Depreciation begins when the asset is ready for use. The management of the entity is responsible for choosing the depreciation method that best reflects the pattern in which the asset’s future economic benefits are expected to be consumed.

Impairment Loss
Fixed assets that are measured at cost are tested for impairment when there are indications of impairment. Impairment losses are recognized when the carrying amount of an asset is lower than its recoverable amount. Impairment loss is recognized in P&L and maybe reversed in P&L if the circumstances that gave rise to it cease to exist. The value of a fixed asset after the reversal shall never exceed the value that it would have if no impairment had taken place. Specifically, any impairment loss recognized for goodwill shall never be reversed.

Inventory
Pursuant to law, inventories shall initially be recognized at acquisition cost. The cost of inventories shall include the total expenditure required to bring them to their present condition and location. When a substantial period of time is required to prepare inventory ready for its intended use or sale, the inventory cost may be charged with the interest of interest-bearing liabilities by the amount attributable to inventory.

After initial recognition, inventory shall be measured at the lower of cost and net realizable value.

Deferred Taxation
The law introduces for the first time to Greek GAAP the concept of deferred taxation. Entities may recognize a deferred tax liability or/and a deferred tax asset, under certain conditions, in their financial statements.

Alternative measurement of assets and liabilities at fair value (fair value option)
As the law provides, as an alternative to the provisions in relation to measurement of assets and liabilities, certain assets and liabilities, after their initial recognition at cost, may be measured at fair value (fair value option).
Obligation of preparation of financial statements according to an entity’s size

The provisions of the law include specific models for the preparation of financial statements according to the classification an entity as “large”, “medium”, “small” and “very small” sized.

The reporting obligations in relation to the financial statements to be drafted for each size of entity can be summarized in the following table:

<table>
<thead>
<tr>
<th>Financial statements</th>
<th>Large entities</th>
<th>Medium sized entities</th>
<th>Small &amp; very small sized entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet or Statement of Financial Position</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Statement of comprehensive Income / Income Statement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Statement of Changes in Equity</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Statement of Cashflows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

The law provides also for a sample regarding the layout and the content for each kind of financial statements mentioned above as well as the respective consolidated financial statements while defines the conditions under which an entity is required to prepare consolidated financial statements.

By way of exception, the law provides the possibility to “very small”, “small” and “medium” sized entities to deviate from the principles of new GAAP and enjoy certain exemptions and/or simplifications in the preparation of their financial statements. In addition, specific details regarding the first application of the rules for measurement and drafting of the financial statements are provided and guidelines are given in cases when the retroactive adjustment of the elements of the latter is practically difficult or entails significant cost.

In any case, it is likely that amendments will have to take place in the tax legislation since issues not regulated so far by the tax legislation in force will arise (e.g. tax deductibility of loss / taxation of any profit deriving from the measurement of assets and liabilities etc.).