EUROPEAN UNION
ACCOUNTING RULE 1

FINANCIAL STATEMENTS
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1. Introduction
The purpose of the financial statements is to provide information on the financial position, performance and cashflows of the European Union (EU) institutions, agencies and bodies for a wide range of users (officials in the operational departments of the EU, Member States, beneficiaries, citizens, MEPs, etc.).

This accounting rule concerns the general principles and presentation of the EU's financial statements, which altogether comprise the following five elements:

- Balance sheet (statement of financial position);
- Statement of financial performance;
- Statement of changes in net assets;
- Cashflow statement;
- Notes to the financial statements.

All these elements are interdependent, reflecting different aspects of the same transactions or events and so giving a detailed picture of the financial situation of the EU institutions, agencies and bodies.

2. Objective
The objective of this EU accounting rule is to prescribe the concepts that underpin financial reporting in the EU (objectives of reporting and qualitative characteristics), and the presentation of financial statements and disclosures. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other EU accounting rules.

3. Scope
This accounting rule shall be applied to all separate financial statements prepared and presented by the institutions and bodies referred to in Article 141 of the Financial Regulation (FR) and to the consolidated financial statements of the EU referred to in Article 141 FR.

4. Definitions
The following terms are used in this accounting rule with the meanings specified:

Accrual basis means a basis of accounting under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

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Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity’s objectives but which do not directly generate net cash inflows are often described as embodying “service potential”. Assets that are used to generate net cash inflows are often described as embodying “future economic benefits”. To encompass all the purposes to which assets may be put, this Rule uses the term “future economic benefits or service potential” to describe the essential characteristic of assets.

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Net assets/equity is the residual interest in the assets of the entity after deducting all its liabilities.

An economic entity means a group of entities comprising a controlling entity and one or more controlled entities.

The EU Reporting entity comprise the EU institutions, agencies and other bodies to be consolidated in accordance with EU accounting rule 2 (Consolidation and accounting for joint arrangements & associates), which together present the EU consolidated financial statements as a single entity.

Notes contain information in addition to that presented in the balance sheet, statement of financial performance, statement of changes in net assets and cashflow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

5. Overall Considerations on Financial Statements

5.1 Fair Presentation

Financial statements shall present fairly the financial position, financial performance and cashflows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in EU accounting rules. The
application of EU accounting rules, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

In virtually all circumstances, a fair presentation is achieved by compliance with applicable EU accounting rules. A fair presentation also requires an entity:

(a) To select and apply accounting policies in accordance with EU accounting rule 14, this rule sets out a hierarchy of authoritative guidance that management considers in the absence of an EU accounting rule that specifically applies to an item.

(b) To present information, including accounting policies, in such a manner that they comply with the qualitative characteristics.

(c) To provide additional disclosures when compliance with the specific requirements in EU accounting rules is insufficient to enable users to understand the impact of particular transactions, other events and conditions on EU’s financial position and financial performance.

Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used or by annex or explanatory material.

In the extremely rare circumstances in which management concludes that compliance with a requirement in an EU accounting rule would be so misleading that it would conflict with the objective of financial statements set out in this accounting rule, the entity shall depart from that requirement in the manner set out in the following paragraph if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure. If an entity wants to depart from an EU accounting rule it must in all cases contact the Commission’s Accounting Officer and his services.

When an entity departs from a requirement of an EU accounting rule in accordance with previous paragraph, it shall disclose:

(a) That management has concluded that the financial statements present fairly the entity’s financial position, financial performance and cash flows;

(b) That it has complied with applicable EU accounting rules, except that it has departed from a particular requirement to achieve a fair presentation;

(c) The title of the EU accounting rule from which the entity has departed, the nature of the departure, including the treatment that the EU accounting rule would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial reporting set out in this accounting rule, and the treatment adopted; and

(d) For each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.

When an entity has departed from a requirement of an EU accounting rule in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the same disclosures.

In the extremely rare circumstances in which management concludes that compliance with a requirement in an EU accounting rule would be so misleading that it would conflict with the objective of financial reporting set out in this accounting rule, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:
5.2 Accrual Basis

In order to meet their objectives, financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

5.3 Going Concern

When preparing financial statements an assessment of an entity’s ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

In assessing whether the going concern assumption is appropriate, those responsible for the preparation of financial statements take into account all available information about the future, which is at least, but is not limited to, twelve months from the approval of the financial statements.

5.4 Consistency of Presentation

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

(a) It is apparent, following a significant change in the nature of the EU’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in EU accounting rule 14 or

(b) An EU accounting rule requires a change in presentation.

If one or more alternative accounting policies are available under an EU accounting rule, an entity should choose and apply consistently one of those policies unless the rule specifically requires or permits categorisation of items (transactions, events, balances, amounts, etc.) for which policies are to be chosen. If an EU accounting rule requires or permits separate
categorisation of items, a single accounting policy should be selected and applied consistently to each category.

Once an initial policy has been selected, a change in accounting policy should only be made in accordance with EU accounting rule 14 and applied to all items or categories of items in the manner specified above.

An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and is more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with point 5.7 below.

5.5 Aggregation

Each material (see 6.2 below) class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the balance sheet, statement of financial performance, cashflow statement and statement of changes in net assets, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

5.6 Offsetting

Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an EU accounting rule.

It is important that assets and liabilities, and revenue and expenses, are reported separately. Offsetting in the balance sheet or the statement of financial performance, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity’s future cashflows. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debts allowances on receivables – is not offsetting.

5.7 Comparative Information

Except when an EU accounting rule permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s financial statements.
When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

(a) The nature of the reclassification;
(b) The amount of each item or class of items that is reclassified; and
(c) The reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and
(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows reclassification, and it may not be practicable to recreate the information.

6. Qualitative characteristics of financial reporting

Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability.

6.1 Understandability

Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the EU’s activities and the environment in which it operates, and to be willing to study the information. Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.

6.2 Relevance

Information is relevant to users if it can be used to assist in evaluating past, present or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.

The relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.
6.3 Reliability

Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

*Faithful Representation*

For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.

*Substance over Form*

If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.

*Neutrality*

Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

*Prudence*

Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenue, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.

*Completeness*

The information in financial statements should be complete within the bounds of materiality and cost.

6.4 Comparability

Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.

Comparability applies to the:

- comparison of financial statements of different entities; and
- comparison of the financial statements of the same entity over periods of time.

An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies and the effects of those changes. Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.
Constraints on Relevant and Reliable Information:

- **Timeliness**: If there is an undue delay in the reporting of information it may lose its relevance. To provide information on a timely basis it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.

- **Balance between Benefit and Cost**: The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgement. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.

- **Balance between Qualitative Characteristics**: In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting. The relative importance of the characteristics in different cases is a matter of professional judgement.

### 7. Structure and Content

#### 7.1 Identification of the Financial Statements

The financial statements shall be identified clearly and distinguished from other information in the same published document. The complete set of financial statements includes the following components:

(a) Balance sheet (statement of financial position);
(b) Statement of financial performance;
(c) Statement of changes in net assets;
(d) Cashflow statement;
(e) Notes to the financial statements.

Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

(a) The name of the reporting entity or other means of identification and any change in that information from the preceding reporting date;
(b) Whether the financial statements cover the individual entity or the economic entity;
(c) The reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;
(d) The presentation currency; and
(e) The level of rounding used in presenting amounts in the financial statements.

7.2 Reporting Period

Financial statements shall be presented annually. The accounting year for all EU institutions, agencies and bodies begins on 1 January of the year 20xx and ends on 31 December of the same year. When, in exceptional circumstances, an entity’s reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

(a) the reason for using a longer or shorter period; and
(b) the fact that comparative amounts for certain statements such as the statement of financial performance, statement of changes in net assets, cashflow statement and the notes to the financial statements are not entirely comparable.

7.3 Availability of accounting information

The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. EU institutions, agencies and bodies should be in a position to issue its financial statements in a reasonable period after the reporting date. In the case of the EU and its consolidated entities, they must also be available in accordance with the deadlines laid down by the Financial Regulation.

8. Balance sheet (statement of financial position)

8.1 Information to be presented on the face of the balance sheet

The balance sheet presented is based on IPSAS requirements and adapted, where necessary, to the EU operations. As a minimum and if applicable and material, the face of the balance sheet includes line items which present the following amounts:

(a) Property, plant and equipment;
(b) Investment property;
(c) Intangible assets;
(d) Financial assets (excluding amounts shown under (e), (g), (h) and (i));
(e) Investments accounted for using the equity method;
(f) Inventories;
(g) Recoverables from non-exchange transactions;
(h) Receivables from exchange transactions;
(i) Cash and cash equivalents;
(j) Taxes and transfers payable;
(k) Payables;
(l) Provisions;
(m) Financial liabilities (excluding amounts shown under (j), (k) and (l));
(n) Minority interest, presented within net assets; and
(o) Net assets.

Additional line items, headings and sub-totals shall be presented on the face of balance sheet when such presentation is relevant to an understanding of the EU’s financial position. In addition:

(a) Line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity’s financial position; and

(b) The descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity’s financial position.

The judgment on whether additional items are presented separately is based on an assessment of:

(a) The nature and liquidity of assets;
(b) The function of assets within the entity; and
(c) The amounts, nature and timing of liabilities.

This accounting rule does not prescribe the order or format in which items are to be presented. This presentation can be adapted if necessary depending on the nature of activity of the entity.

8.2 Information to be presented either on the face of the balance sheet or in the notes

The EU institutions, agencies and bodies should disclose, either on the face of the balance sheet or in the notes to the balance sheet, further sub-classifications of the line items presented, classified in a manner appropriate to the EU operations. Each item should be sub-classified, when appropriate, by its nature, and amounts payable to and receivable from the controlling entity, fellow controlled entities, associates and other related parties. Each should be disclosed separately.

It should separately disclose the following, either on the face of the balance sheet or in the notes:

(a) Net assets showing separately:
   (i) Accumulated surpluses or deficits (in the context of the EU, this is sometimes referred to as "Amounts to be called from Member States");
   (ii) Reserves, including a description of the nature and purpose of each reserve; and
   (iii) Minority interest (if applicable); and

(b) The amount of a distribution proposed or declared after the reporting date but before the financial statements were authorised for issue (not usually applicable).

8.3 Current/non-current distinction

The EU institutions, agencies and bodies show, based on the nature of their operations, current and non-current assets and current and non-current liabilities as separate classifications on the
face of the balance sheet (an exception may be possible in cases concerning financial activities where a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity).

**Definition of current/non-current assets:**

An asset should be classified as a current asset when it:

(a) is expected to be realised in, or is held for sale or consumption in, the normal course of the entities’ operating cycle; or
(b) is helping primarily for trading purposes or for the short-term and expected to be realised within twelve months of the reporting date; or
(c) is cash or a cash equivalent.

All other assets should be classified as non-current.

**Definition of current/non-current liabilities:**

A liability should be classified as a current liability when it:

(a) is expected to be settled in the normal course of the entity’s operating cycle; or
(b) is due to be settled within twelve months of the reporting date.
(c) it is held primarily for the purpose of being traded;
(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities should be classified as non-current liabilities.

**Exception to the distinction between current/non-current:**

An entity should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within twelve months of the reporting date if:

(a) The original term was for a period of more than twelve months;
(b) The entity intends to refinance the obligation on a long-term basis; and
(c) That intention is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are approved.

The amount of any liability that has been excluded from current liabilities in accordance with this paragraph, together with information in support of this presentation, should be disclosed in the notes to the balance sheet.

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**9. Statement of Financial Performance**

**9.1 Presentation of the main rules to be applied**

To ensure a uniform and comparable quality and quantity, all consolidated entities of the EU have to present a statement of financial performance. More detailed information about the nature of the expenses should – with respect to the materiality – be added in the notes as well as in the segment report.
All items of revenue and expense recognised in a period shall be included in surplus or deficit unless an EU accounting rule requires otherwise.

9.2 Information to be presented on the face of the statement of financial performance

As a minimum, and if applicable and material the face of the statement of financial performance should include line items, which present the following amounts:

(a) Revenue;
(b) Finance costs;
(c) Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;
(d) Pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
(e) Surplus or deficit.

This accounting rule does not prescribe the order or format in which items have to be presented. The presentation should always be adapted to the nature of activity of the entity.

Additional line items, headings and sub-totals should be presented on the face of the statement of financial performance when required by an accounting rule, or when such presentation is necessary to present fairly the entity's economic result for the year. Factors to be taken into consideration include materiality and the nature and function of the various components of revenue and expenses.

9.3 Information to be presented either on the face of the statement of financial performance or in the notes

When items of revenue and expense are material, their nature and amount shall be disclosed separately.

An EU institution, agency or body should present, either on the face of the statement of financial performance or in the notes, a sub-classification of total revenues, classified in a manner appropriate to its operations.

An EU institution, agency or body should present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within that entity, as appropriate.

Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

10. Statement of Changes in Net Assets

10.1 Presentation of the main rules to be applied

Each consolidated entity has to prepare this statement. An entity should present, as a separate component of its financial statements, a statement showing:
(a) The economic result for the year;
(b) Each item, which, as required by other standards, are recognised directly in net assets and the total of these items (e.g. fair value reserve);
(c) Total revenue and expense for the period (calculated as the sum of (a) and (b)); and
(d) The cumulative effect of changes in accounting policy and the correction of errors dealt with under the related accounting rule.

The presentation should always be adapted to the nature of activity of the entity.

### 10.2 Information to be presented either on the face of the Statement of changes in net assets or in the notes

In addition, an entity should present, either within this statement or in the notes:

(a) If applicable, contributions and distributions to Member States;
(b) The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the movements for the period; and
(c) To the extent that components of net assets are separately disclosed a reconciliation between the carrying amount of each component of net assets at the beginning and the end of the period, separately disclosing each movement.

### 11. Cashflow statement

#### 11.1 Presentation of the main rules to be applied

Cashflow information is useful in providing users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents, and the needs of the entity to utilise those cashflows. To ensure a uniform and comparable quality and quantity, all consolidated entities should present a cashflow statement.

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

The cashflow statement can be set up by using either the direct or the indirect method. The cashflow statement at the level of the European Commission and at consolidated level is prepared by using the indirect method. The presentation should always be adapted to the nature of activity of the entity.

For the purpose of preparing financial statements on a single entity basis, entities are allowed to use the method they consider as the most appropriate.

The cashflow statement should report cashflows during the period classified by operating, investing and financing activities.
• Operating activities are the activities of the entity that are not investing or financing activities. Loans granted to beneficiaries (and the related borrowings) cannot be completely considered as financing activities. Indeed, the objective of these activities is to participate in the achievement of policy targeted outcomes. Consequently, a distinction is made between these transactions and financing or investing activities.

• Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Investing activities do not include loans granted to beneficiaries. The objective is to show the real investments made by the Commission.

• Financing activities are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity. Borrowings do not include the borrowings related to loans granted to beneficiaries. The EU institutions, agencies and bodies do not have the possibility to borrow money from external parties except in the context of loans and borrowings activities (back-to-back operations) and for the acquisition of property, plant and equipment that are included under operating activities.

11.2 Information to be presented either in the cashflow statement or in the notes

An EU institution, agency or body should disclose, together with a commentary by management in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity.

Foreign currency cashflows:
Cashflows arising from transactions in a foreign currency should be recorded in the EU’s reporting currency (euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cashflow. The cashflows of a foreign controlled entity should be translated at the exchange rates between the reporting currency and the foreign currency at the date of the cashflows. These treatments should be disclosed.

Acquisitions and disposals:
The aggregate cashflows arising from acquisitions and from disposals of controlled entities or other operating units should be presented separately and classified as investing activities.

An entity should disclose, in aggregate, in respect of both acquisitions and disposals of controlled entities or other operating units during the period, each of the following:

(a) The total purchase or disposal consideration;
(b) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;
(c) The amount of cash and cash equivalents in the controlled entity or operating unit acquired or disposed of; and
(d) The amount of the assets and liabilities other than cash or cash equivalents recognised by the controlled entity or operating unit acquired or disposed of, summarised by each major category.
Non-cash transactions:
Investing and financing transactions that do not require the use of cash or cash equivalents. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Other disclosures:
An entity should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cashflow statement with the equivalent items reported in the balance sheet.

12. Segment Report
Segment information shall be presented, in the notes to the financial statements, on the basis of the figures of the statement of financial performance. It will be presented for the EU institutions, agencies and bodies on a consolidated level and also for the European Commission.

The current objective of the segment report at consolidated level is as a minimum to provide the user of the financial statements with information regarding the EU activities. As the EU activities are split in terms of budgetary programming into headings of the multi annual financial framework (MFF), it has been decided to reflect the structure in the segment report accordingly. As assets and liabilities are not always directly attributable to activities, segment reporting of balance sheet items would not provide relevant information to the user.

The segment report provides information on revenues (exchange and non-exchange) and expenses. In terms of presentation the segments can be grouped in the following MFF categories:

1) Smart and inclusive growth;
2) Sustainable growth;
3) Security and citizenship;
4) Global Europe;
5) Administration; and
6) Not assigned to MFF heading

Individual EU institutions, agencies and bodies may present a segment report in their financial statements, if appropriate. This information should be disclosed taking into account the materiality of each segment and the specificities of the activities.

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources.

Segment revenues are revenues reported in the entity’s statement of financial performance that are directly attributable to a segment and the relevant portion of the entity’s revenues that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity.
Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion of expenses that can be allocated on a reasonable basis to the segment, including expenses relating to the provision of goods and services to external parties and expenses relating to transactions with other segments of the same entity.

At consolidated level such segment revenues and expenses should be disclosed that are directly attributable to a segment. It is considered that assets and liabilities are not directly attributable to a segment and should not be reported.

13. Disclosures

13.1 Content

The EU institutions, agencies and bodies shall:

(a) Present information in the notes about the basis of preparation of the financial statements and the specific accounting policies used;

(b) Disclose the information required by EU accounting rules that is not presented on the face of the balance sheet (statement of financial position), statement of financial performance, statement of changes in net assets or cashflow statement; and

(c) Provide additional information that is not presented on the face of the balance sheet, statement of financial performance, statement of changes in net assets or cashflow statement, but that is relevant to an understanding of any of them.

The notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, statement of financial performance, statement of changes in net assets and cashflow statement shall be cross-referenced to any related information in the notes.

13.2 Presentation of the notes to the financial statements

Notes disclosure require, in general, information about the basis of preparation of the financial statements, specific accounting policies, and the disclosure of information that is not presented elsewhere and of additional information.

Management should select and apply accounting policies so that the financial statements comply with all the requirements of each applicable EU accounting rule. Where there is no specific requirement, management should develop policies to ensure that the financial statements provide information in accordance with the fair presentation principle (see 5.1 above) and the qualitative characteristics (see point 6 above).

Each consolidated entity and the economic entity of the EU (i.e. consolidated financial statements) have to be conscious of the required level of information and detail. The procedure to build up a structure to collect the desired financial information is as follows:

- General information about the entity:
  - The domicile and legal form of the entity, and the jurisdiction within which it operates;
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- A description of the nature of the entity’s operations and principal activities;
- A reference to the relevant legislation governing the entity’s operations; and
- The name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable).

- Information in compliance with the applicable accounting framework;
- Information on the accounting policies and criteria applied;
- Additional information on financial statement items;
- Non-financial information.

Concerning policies, criteria and general information, the objective is to review, which information is already given to avoid repetition; and to ensure that only additional information will be provided.

An entity shall disclose in the summary of significant accounting policies:

a) The measurement basis (or bases) used in preparing the financial statements;

b) The extent to which the entity has applied any transitional provisions in any EU accounting rule; and

c) The other accounting policies used that are relevant to an understanding of the financial statements.

An entity shall disclose, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations, management has made in the process of applying the entity’s accounting policies that have the most significant effect on the amounts recognised in the financial statements.

An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the annex shall include details of:

(a) Their nature; and

(b) Their carrying amount as at the reporting date.

14. Effective date

This rule shall be effective for annual financial statements covering periods beginning on or after 1 January 2015.

15. Reference to other rules

EU accounting rule 2  Consolidation and accounting for joint arrangements & associates
EU accounting rule 14  Accounting policies, changes in accounting estimates and errors
EU accounting rule 13  The effects of changes in foreign exchange rates
EU accounting rule 17  Revenue from non-exchange transactions
IPSAS 1  Presentation of Financial Statements
IPSAS 2  Cash Flow Statements
IPSAS 18  Segment Reporting