

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Croatia**



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This Profile provides information about the application of IFRS Standards in Croatia. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisations	Financial Reporting Council (FRC) of the Ministry of Finance of the Republic of Croatia Računovodstvo i financije (RiF) [Croatian Association of Accountants and Financial Experts]
Role of the organisations	The Ministry of Finance of the Republic of Croatia has authority to set accounting standards in Croatia. The FRC is a committee established under the Ministry by the Accounting Act. The FRC is an expert body with nine members appointed by the Minister of Finance with approval of the Croatian government. The Croatian Association of Accountants and Financial Experts is the national professional body of accountants. It advises the Ministry of Finance with regard to accounting standards.
Websites	http://www.rif.hr/naslovnica
Email contacts	rif@rif.hr

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	<p>Yes.</p> <p>Refer to the IAS Regulation adopted by the European Union in 2002: http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</p>
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	<p>Yes.</p> <p>Refer to the IAS Regulation adopted by the European Union in 2002: http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</p>
What is the jurisdiction's status of adoption?	<p>Croatia has already adopted IFRS Standards for the consolidated financial statements of all companies whose securities trade in a regulated market.</p>
Additional comments provided on the adoption status?	<p>As a member state of the European Union, Croatia is subject to the IAS Regulation adopted by the European Union in 2002.</p> <p>The EU IAS Regulation requires application of IFRS Standards as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRS Standards as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade on a regulated securities market. See the Profile for the European Union for more detailed information about the EU IAS Regulation.</p> <p>There is one regulated market in Croatia – the Zagreb Stock Exchange.</p> <p>Croatia used the option under the IAS Regulation as follows:</p> <p><u>Companies whose securities trade in a regulated market</u></p> <ul style="list-style-type: none">• Require IFRS Standards as adopted by the EU in the consolidated financial statements of companies whose securities trade on a regulated market.• Require IFRS Standards as adopted by the EU in the separate company financial statements of companies whose securities trade on a regulated market. <p><u>Companies whose securities do not trade in a regulated market</u></p> <ul style="list-style-type: none">• Require IFRS Standards as adopted by the EU in both the consolidated and separate company financial statements of all banks, insurance companies, leasing companies, and other financial institutions including those whose securities do not trade in a regulated market.• Require IFRS Standards as adopted by the EU in both the consolidated and separate company financial statements of all “large entrepreneurs”. According to the Accounting Act to be classified as “large entrepreneurs” the companies have to fulfil two of the following three conditions in their previous financial year: (1) total revenue greater than 260 million HRK (approximately US\$45 million); (2) total assets greater than 130 million HRK (approximately US\$23 million); and (3) an average number of employees in excess of 250. Also, all banks and saving institutions, pension funds, insurance companies, leasing companies, and companies that manage pension and insurance funds are considered “large entrepreneurs” regardless of their actual size. This is a requirement of the Croatian Accounting Act. The Act may be found here: http://pak.hr/cke/propisi,%20zakoni/en/AccountingAct/Accounting.pdf

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.
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EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
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If YES, are IFRS Standards REQUIRED or PERMITTED?	In accordance with the EU Accounting Regulation, IFRS Standards as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Croatia.
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Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	All.
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Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
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For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	IFRS Standards as adopted by the EU are required in the separate company financial statements of companies whose securities trade on a regulated market.
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For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?	Required for some and permitted for others. Specifically: <ul style="list-style-type: none">• IFRS Standards as adopted by the EU are required in both the consolidated and separate company financial statements of all "large entrepreneurs" (as defined above).• All other companies are classified as either "medium entrepreneurs" or "small entrepreneurs" and are required to prepare their standalone and consolidated financial statements in accordance with Croatian Financial Reporting Standards.
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If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?	Not applicable.
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For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required for some and permitted for others. Foreign companies whose securities trade in a regulated market in Croatia (and generally in the EU) are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their local accounting standards to be equivalent to IFRS Standards, in which case they may use their local standards.

http://ec.europa.eu/finance/company-reporting/legal-framework/index_en.htm#legal-acts-equivalence

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

IFRS Standards as adopted by the European Union, which are IFRS Standards as issued by the IASB Board with some limited modifications such as the temporary 'carve-out' from IAS 39. However, the resulting financial statements of the majority of companies can still be in full compliance with IFRS Standards.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

IFRS Standards as adopted by the European Union.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?

No.

Are IFRS Standards incorporated into law or regulations?

Yes. Reference to IFRS Standards as adopted by the EU is made in the respective national laws and regulations.

If yes, how does that process work?

The Accounting Act lists IFRS Standards as adopted by the European Union as standards to be applied by "large entrepreneurs". Accounting Act: <http://pak.hr/cke/propisi,%20zakoni/en/AccountingAct/Accounting.pdf>

If no, how do IFRS become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?

Endorsement is done at the EU level. There is no national process for endorsement of IFRS Standards.

If yes, what is the process?

The EU process is described in the Profile of the European Union.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	Details are in the Profile of the European Union.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	Yes. The European Union has 24 official and working languages. They are: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish and Swedish. Before they are published in the <i>Official Journal of the European Union</i> , and therefore become binding under EU law, individual IFRS Standards must be translated into all of those languages (other than English and Irish).
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS?	Pursuant to a copyright waiver agreement with the Directorate-General for Translation of the European Commission, the Commission takes care of the translation into the official languages according to their own translation process. The translation only covers the standards and mandatory guidance, which is then published in the <i>Official Journal of the European Union</i> . In addition, some countries (usually the standard setter or institute) have a translation contract with the IFRS Foundation to produce an 'official translation' for publication of a bound volume of IFRS Standards (usually the 'Red Book') and publication, in some cases, of individual standards and exposure drafts.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	SMEs and other corporate entities that are not required to use IFRS Standards as adopted by the EU (as explained above) prepare their financial statements in accordance with the Croatian Financial Reporting Standards.
Other comments regarding use of the IFRS for SMEs Standard?	None.