Albanian accounting trends in accordance with EU standards

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Abstract

A lot of work has gone to standardize the financial accounts of insurance and requirements of reimbursement ability. These projects are made by various international organizations. This will alter the way the insurance companies keep their accounts and how they design strategies. All this work in accounting is being done to increase transparency and provide the most realistic accounts of insurance. This is an indirect form to protect the policyholders. Even the regulation on repayment ability is a method of protecting policyholders.

Accounting is the process of collecting and reporting financial information about entity or about a group of units. Accounting practices are developed over time and they reflect the traditional national accounts. With the development of EU and increased activity of insurance companies or other companies outside the national borders, finding of a common way to present financial data of companies is becoming more critical. In connection with commercial enterprises, accounting information users include managers, investors, potential investors, lenders, investment analysts, regulators and consumers.

The accounting changes outlined here, will be mandatory for insurance companies listed on stock exchange. However it is expected that other companies will adopt these rules as they aim to clearly present the true situation of the company, critical for managing a company.

Key words : Accounting, standard ,insurance industry, supervision, regulation, solvency, risk. insurance products, directive, information, financial reporting, etc.

Abstrakt

Shumë punë është bërë për të standardizuar llogaritë financiare të kompanive të sigurimit dhe për kërkesat e rimbursimit. Këto projekte janë bërë nga institucione të ndryshme ndërkombëtare. Kjo do të ndryshojë mënyrën se si kompanitë e sigurimeve mbajnë kontabilitetin dhe si të modelojnë strategjitë e tyre. E gjithë kjo punë në kontabilitet bëhet për të rritur transparencën dhe për të siguruar një kontabilitet sa më real të kompanive të sigurimeve. Kjo është një formë e tërthortë për të mbrojtur të siguruarit. Edhe rregullorja për aftësinë e ripagimit është një metodë e mbrojtjes së të siguruarit.

Kontabiliteti është një proces i mbledhjes dhe raportimit të të dhënave financiare të një entiteti apo një grupi njësish. Praktikat e kontabilitetit janë zhvilluar me kalimin e kohës dhe pasqyrojnë kontabilitetet tradicionale kombëtare. Me rritjen e kredibilitetit të BE-së dhe rritja e aktivitetit të kompanive të sigurimeve ose kompanive të tjera jashtë kufijve kombëtarë, ka dalë në pah gjetja e një mënyre të përbashkët për të prezantuar të dhënat financiare e kompanive, e cila po bëhet gjithnjë e më kritike. Në lidhje me kompanitë tregtare, përdoruesit e informacionit kontabël përfshijnë menaxherët, investitorët, investitorët potencialë, huadhënësit, analistët e investimeve, rregullatorët dhe konsumatorët.

Ndryshimet e kontabilitetit të përshkruara në këtë punim, do të jenë të detyrueshme për kompanitë e sigurimeve të listuara në bursë. Por, pritet që edhe kompanitë e tjera t'i miratojnë këto rregulla pasi ato synojnë të paraqesin në mënyrë të qartë situatën e vërtetë të kompanisë, në mënyrë kritike për menaxhimin e një kompanie. Në përgjithësi, zgjidhja e kontabilitetit IAD pasqyron gjerësisht nevojën për monitorim. Shtetet e zhvilluara kanë mësuar të menaxhojnë përdorimin e opsioneve. Kjo alternativë do të ishte një mënyrë pragmatiste në drejtim të sqarimit të opsioneve të ndryshme ndërmjet Shteteve anëtare për shumë çështje të kontabilitetit ligjor. Megjithatë, me mundësitë aktuale, IAD nuk mund të sigurojë krahasueshmërinë dhe harmonizimin e përmirësuar, gjë të cilën jemi duke e kërkuar për ta reflektuar aftësinë e ripagimit II.

Fjalët kyçe: *kontabilitet, standard, industri sigurimesh, mbikëqyrje, rregullore, likuiditet, rrezik, produktet e sigurimit, direktivë, informacion, raportim financiar, etj*

Апстракт

Многу работа е вложено за стандардизирање на финансиските сметки на осигурувањето и барањата за способност за надоместок. Проекти од ваков вид се реализирани од разни меѓународни организации. Ова ќе го смени начинот на кој осигурителните компании го водаат сметководството и ги дизајнираат стратегиите. Сета оваа работа во сметководството е направена за да се зголеми транспарентноста и да се обезбедат најреални сметки на осигурување. Ова е индиректена форма за заштита на осигурениците. Дури и прописите за можност за отплата се метод за заштита на осигурениците.

Сметководството е процес на собирање и известување на финансиските информации за субјект или за група на субјекти. Сметководствените практики се развиени со текот на времето и тие се одраз на традиционалните национални сметководства. Со развојот на ЕУ и зголемената активност на друштвата за осигурување или други компании надвор од националните граници, изнаоѓањето на заеднички начин да се претставaт финансиските податоци на компаниите станува се покритично. Во соработка со трговските претпријатија, сметководствените информации ги користат менаџери, инвеститори, потенцијални инвеститори, заемодавачи, инвестициски аналитичари, регулатори и потрошувачи.

Сметководствените промени наведени во овој труд, ќе бидат задолжителни за осигурителните компании кои котираат на берзата. Сепак се очекува дека и другите компании ќе ги применат овие правила бидејќи тие имаат за цел јасно да се претстави вистинската состојба на компанијата, која е од суштинско значење за управувањето со компанијата.

Клучни зборови: *Сметководство, стандард, индустрија на осигурување, надзор, правилник, ликвидност, ризик, осигурителни производи, директива, информации, финансиско известување, итн.*

1.1 Why are accounting standards important? Who uses this information?

a. First of all, information's are important for companies, as they demonstrate the state of the company and should serve as a basis for strategic decisions.

b. Accounting information's are of great importance to the insurance supervisors. Insurance commissioners are charged with reviewing the financial condition of insurance companies, doing business in their jurisdiction and they get meaningful financial information, statistical and operating for insurance companies. This information is used for a meticulous financial analysis of insurance companies. That financial supervision is designed to help policyholders and to fully compensation from insurance policies sold to victims. Often timed these products have been sold years or decades prior to the claimed profits. Regularly its regulatory perspectives vary significantly with the perspectives of other users of insurers accounting information. In support of this particular concern and responsibility, statutory accounting principles rooted in statute, regulation, and practice.

c. Although most of commercial enterprise financial costumers do not have any direct financial interest in the company, mostly they are just concerned on the price placed on the product or the service they are purchasing, they can use accounting information to determine the goal with which they are entering in financial transactions. This is especially critical for the purchase of insurance products, as insurance contracts include a promise for payment that may extend over many years. Insurance products can offer higher profits than the premium price. Current profits are almost always greater than the premium paid and can only be assessed at the time the product is purchased (the police).

d. Information is also used by competitors or by the rating agencies; therefore the information quality and the clarity of its presentation are critical. In many countries there is a difference between financial accounting offered by the company and the report provided to the supervisory authority.

1.2 The relationship between accounting and solvency.

A joint effort in the calculation of minimum required capital, for insurers to is to enforce the predetermined factors used to measure risk exposure, taken by the insurer's accounting framework. So, different demands on the repayment are often closely related to the insurer's accounting system. There are various systems in accounting. Different requirements over the surplus will be determined by different systems. As a result of the way that different accounting systems define the values of assets and liabilities, they may create hidden surplus or deficit. Capital requirements arising from these systems, means that one must know exactly the hidden values.

A correct determination of the true financial strength of an insurer will require an assessment of its balance sheet under a system based on true values and that does not generate hidden surplus. IASB is currently developing a system like this. It's important to remember that the traditional accounting systems are based on the notion that they will exist in the future. However, in determining capital requirements to protect the repayment ability - this does not necessary mean the same thing keeping the continuity of the organization. Repayment ability standards can be defined in terms of liquidation. In this case the object would be to ensure that the insurer has sufficient funds on hands, to pay claims and the nonprofit premiums in order to satisfy other creditors. This standard would be appropriate for the types of small insurances in the insurance business.

Run-off is based on the second attempt of repayment ability. In this effort, a main goal is the continuity of all long term insurance coverage. Accounting identifies financial progress from one period to the other it gives great importance to the statement of income and losses and then makes careful regulatory changes. A positive financial progress is a good sign for the future repayment ability, careful monitoring focuses on the balance, for example; the capacity of providers to meet their obligations towards present and future claims of the policyholders. It would be better to define the requirements in terms of total balance; for example- for the required amount for liabilities and capital (repayment ability). Using the total balance requirements, calculations allow it to be independent of the accounting system. Capital requirements can be accessed as a difference between the total required the balance the demands total liabilities determined on the basis of the accounting system.

Currently, on monitoring and calculating the repayment ability, some vigilant supervisors have adapted other requirements beside those imposed by the Third Life Directive. This can cause difficulties in determining the relative financial strength of insurance companies in the EU, and between different providers within the same group. Increasing global financial groups may provide an advantage in harmonizing the efforts of careful supervision. Using the regulations in accordance with IAS while choosing among different options, could be a strong tool for achieving this.

The use of IAS within repayment ability framework would imply that most financial assets would be included with real value (although some still use amortized cost for certain portfolios of bonds). Use of subjects specific (insurers contract) or the methodology for determining the real value of technical reserves is designed to mirror the evaluation of other financial instruments as much as possible. Compliance with IAS-in will enable to clarify the discrepancies between assets and liabilities. This would be beneficial to insurance companies when examining their problems and liquidity needs.

1.3 Differences in accounting purposes.

Differences between financial accounts and supervisory returns, can be summarized as follows:

a. Accounting question's how much capital a company has? (What are its assets and liabilities?)

b. Supervisors and managers question: how much money a company must have? (What assets and liabilities should the company contain in order to protect the policyholders interest?)

1.4 The links between accounting purposes.

Which are the relations between financial reports and the reports received by the surveillance agency? What are the links between solvency repayment calculations and other analytical tools used by supervisors? This issue is critical for the repayment ability II project of the EU, since it raises the issues of supervisors needs for accounting information, or to identify possible alternatives on where to find such information.

1.5 Supervisors need for accounting information.

a. Use of accounting information from supervisors.

Supervisors' need for accounting information reflect their responsibility to protect the interests of policyholders. They use accounting information for a variety of reasons, including:

- Supervisors' financial analysis (the repayment ability monitoring, early warning systems, the calculation of ratios for the intervention of supervisors, etc.)
- Repayment ability adequate statutory capital and calculation.
- Input for other surveillance systems and statistics.

b. The respective goals of financial reports, and the returns of supervisors.

Often, supervisors' needs for accounting information are different compared to other users. Supervisors are required to be able to assess an insurer's ability to meet its obligations at all times, while other users (especially in financial markets) want to measure a company's revenue from one period to the next. When it comes to repayment ability requests for supervisory authorities, typically arise when insurance companies have security problems. Rules are formulated as a result of emerging problems. This is a proactive response towards the financial reporting rules.

Repayment ability II shows important changes of both international and EU level in the supervision of issues that are related to accounting information. Choosing a general reporting framework ; is a very controversial issue in the EU and beyond. There are two main efforts in this direction. The driven model and the unionized one, attempts to match revenues and cost for the respective periods, and the effort on the assets and liabilities puts emphasis on determining the current values of assets and liabilities on the balance sheet. This election is very important, since it would be followed by other findings of these large elections (i.e. use of deductions, the principles of assessment, equalization of reserves and deferred acquisition costs.)

1.6 Financial reporting.

What is the foundation of a company's accounts? The starting point of producing accounting information on the accounting system is the holding company's account. This information is presented later in accordance with certain rules and conventions of accounting in order to form part of an accounting report. Companies in regulated sectors, such as banks and insurance, produce an annual report and are also required to implement the so called prudential reporting requirements, as i.e.:

- Returns from supervisions, supervisory statements, regulatory statements, statements carefully for insurance supervisory authorities.
- A separate statement for taxes.

The strong interrelationship between financial reporting and monitoring returns in many Member States should be considered in the other elections, for a future sustainable repayment ability of the EU. Currents developments in EU and international accounting, should be also analyzed in the perspective repayment ability; in order to see whether the financial statements can be used as the basis for the monitoring returns.

2. International accounting standards for insurance companies.

It's important that an insurance IAS, to meet the following requirements:

- It should reflect and take into consideration accurately, the characteristic elements of the insurance business (i.e. risks accumulation, diversification of risks, long-term nature of the business, changes in the production cycle). Normally, it is not the last goal of the insurance company to sell its portfolio (as assets covering technical reserves and technical reserves), but to keep technical reserves or assets attached to maturity. In many countries, should be taken an approval of the regulatory after transferring a portfolio of risks.
- To not charge more than needed, the insurance companies, which previously must meet additional information to other interested parties (i.e. policyholders, financial analysts, regulators).

- Other providers of financial services, such as banks and securities firms; as well as firms in other sectors should be treated equally in accordance with the accounting methods used. In contrast, the ultimate goal of enabling investors to the compare the annual accounts of insurance companies, with commercial and industrial companies, can not be realized.
- The following standards must be constant enough, to provide the presentation of reliable information, verifiable and essential. In controversy, the objectives of transparency and comparability would not be met.

The main idea behind the changes in accounting practices is to increase transparency. The work is done in two phases. The first phase includes the following items and the second phase will further develop a number of other issues.

a. New standards would apply at the insurance contracts (and all the risks that they entail) and not to the insurance companies. Have to make the difference between insurance contracts (which are contracts where we have a transfer of risk associated with a specific future event) and other contracts (i.e. many European savings contracts) to be defined as financial instruments.

b. The IAS will become mandatory for companies listed on the account that is showed in 2005 or later. As currently they are formulated actually, the new standards that are proposed, ensure that all assets and liabilities are valued at current market value. All changes in value are reflected in the income statement. Insurance derivatives contracts (such as interest warrants) in different circumstances should be shared and evaluated separately under IAS 39. All this effort will increase the complexity of insurance accounts. Results will also be predictable.

c. The new standard will apply an attempt to measure assets and liabilities in contrast to the traditional efforts of delay and compliance. Items such as deferred costs will be disappeared.

d. Assets and liabilities will be measured based on the perspective, measuring the present value of all cash flows, arising from the closed book of insurance contracts at the reporting date. Measurement of insurance liabilities should reflect the risks and uncertainties, either through cash flows or through the discount rate. Variations on the present value of liabilities and assets, are included in the income statement, in which they arise. As a result, there will be higher volatility of liabilities and expenses.

e. The non-profited reserves for premiums and reserves for catastrophes or draws, will also not be permitted. This means that the results would vary more from one year to another.

f. Insurance liabilities will be evaluated independently of the investment strategy of the individual insurance company.

3. EU harmonized rules for financial reporting and from oversight.

Financial reporting rules for the following companies are included in Directive IV and VII. For financial institutions and insurance companies there are special guidelines for the accounting sector (Directive on banking accounts-BAD-and insurance accounts directive-IAD). IAD has been implemented in 1991. The Directive harmonizes accounting of insurance companies in the EU, but there are still many national alternatives. An important option is concerned with the possibility that Member States allow or require the evaluation of investment at historical cost and current value (values dealing with unresolved options should still be included in the notes). Another important option allows Member States to require or allow the reduction of technical reserves for non-life insurance, under certain conditions. Prudential directives emphasize that each Member State shall require every insurance company based in its territory, to provide an annual report, covering all types of operations, its financial situation, the repayment ability.... There is no general requirement that the annual group accounts must be established in accordance with IAD-in. In specific areas, such as evaluation of non-life technical reserves, prudential guidelines make a special reference to the rules of the IAD.

4. The situation in Member States.

Member States have used the financial reporting requirements and reporting of supervisors to achieve a situation where the same accounting rules are used for both purposes. Consequently, many Member States use most of AID's regulations also for supervising accounts, and all Member States appear to use the specifications to assess the prudential guidelines for financial statements.

4.1 Current and future developments. Developments in the EU financial reporting .

Rules on the use of international accounting standards, the Commission has proposed that all EU listed companies, must submit the accounts under IAS since 2005. For unlisted companies will continue to apply the accounting directives. Member States may add to the requirements of IAS also for other types of companies. International standards should be sanctioned, before they become mandatory in the EU.

4.2 Modernization of IV and VII Directives on the Law on Companies and the Insurance Accounts.

Commission intends to streamline certain accounting guidelines in order to align them with current accounting practices and to avoid current and future differences with IAS-in. The Commission will propose certain amendments to the Insurance Accounts Directive. A general review of insurance accounts directive will be needed when you know the outcome of international discussions of accounting and when the repayment ability II project have progressed more. The guideline for banks accounts has improved in order to allow a fair assessment of IAS 39 limited.

4.3 International financial reporting developments.

There are a number of committees and professional organizations involved in work on the revision of accounting standards. Among these organizations are active organizations of actuaries.

4.4 International developments of repayment ability, in Member States and in several other jurisdictions.

a. **Developments in the sub - Committee of the IAIS repayment ability Sub – Committee.** The IAIS reimbursement ability, together with the sub - Committee of the IAIS Accounting are preparing a paper on insurance technical reserves.

b. **Developments in Regulatory Committee of IAIS.** One of the main tasks of the regulatory committee of IAIS is to cooperate on the International Association of Insurance Supervisors (IAIS) on the related issues to regulation and supervision of insurance companies, and also work with accounting standards committee of the IAA , in connection with exchanges between accounting standards and supervisory requirements for insurance companies. Recently has been prepared a discussion of the regulatory committee of the IAA's repayment ability issues.

c. **Developments in Great Britain (UK).** The Financial Services Authority is presenting a new manual. "Measure the source" will be implemented in 2004. It will include international developments such as project accounting fair value of the IAIS and the repayment ability II of the EU, regarding the revision of capital requirements for insurance firms.

d. **Developments in Denmark.** Denmark has introduced new accounting rules for life insurance companies to build real values or market values. From the 2002 the bonds will be valued at market value (it exists for the shares),and since 2003 also for the liabilities of life insurance companies. The rules have to be applied as for financial accounts and statutory accounts.

4.5 Contents of Project II repayment ability.

The EU Commission is proposing the strengthening of protection of the amendment policyholders required repayment solvency margins. Proposals for life insurance and non-life, aim to strengthen the solvency margins required repayment ability insurance companies in order to serve as a protective policy holders interests.

These proposals are key measures of the action plan of financial services that the Council of Europe in Lisbon said that should be implemented in 2005. The action plan has three strategic objectives: to create a single market for wholesale financial services, to ensure that retail markets are enter safely and easily, and offer modern prudential rules and supervision.

There are two proposals: one covering life insurance, and the other covering non-life insurance. The two proposals have many common elements. The two proposals represent a package of measures that should be respected by all insurance companies qualified under the guidelines of the EU insurance for a single passport to sell policies across the EU, based on a common recognition surveillance of a host country company. Taken as a whole, the proposals will reinforce and significantly improve the current rules dating respectively since 1973 (non-life) and 1979 (life). With the new proposals:

- The Member States would be free to impose tougher rules than the harmonized rules on the reports of the repayment capacity set by the Directives, so that they can take into account local risks faced by companies they supervise;
- Rules on the absolute minimum amount of capital required (the so-called minimum guarantee fund) will power and indexed in line with inflation, what threshold of premiums and claims for the following categories, which required a greater safety margin. For non-life insurance, the number of different funding guarantee will be reduced from four to two and the rules will be simplified. The new minimum will be moving three million € (two million € for certain categories of non-insurance - life). There should be generous transition rules for implementing the new minimum levels. With the accession of new EU countries, one of the most critical aspects of the negotiations will be a transitional period.
- Supervisors will have an increased power to intervene earlier, to take remedial action when policy holders interests are threatened, i.e. in situations where an insurance company currently meets the requirements but its financial position is worsening rapidly ;

The request for a higher margin of repayment ability, will be decided for certain categories of non-life insurance, subject to large movements of the results (navy, aviation and responsibilities). Besides reinforcing the required solvency repayment, goal is better coordination between regulatory capital and risk company profile. Those real proposals aim to clarify, simplify and improve the rules MDI minimum amount of capital that insurance companies should hold.

5. The main proposals.

- A required margin of repayment solvency of 50% higher grade applied to 11 (charge of aviation), 12 (responsibility of the Navy) and 13 (overall responsibility) non-life business that have a risk profile very unstable.
- Reduce the required solvency margin for reinsurance repayment is based on an average three-year (unlike that one year) to report reimbursement damages incurred. More significantly, supervisors have the power to reduce the margin required when the nature of the reinsurance program, or when its quality is impaired, or when there is no risk to be transferred.
- Calculation of required margin of solvency current repayment non-life insurance may not provide satisfactory results when the volume of business falls drastically. Reduction of margin required can not be reduced proportionally more than the technical reserves.
- To reserve assets to cover the required margin of safety have occurred. Generally assets are treated in accordance with their relative financial strength. Powerful assets received without any limit, others with some restrictions, and the lowest accepted only with the approval of supervisors.
- Levels of minimum guarantee fund (the absolute amount of capital required minimally) increased and indexed in line with inflation, such as thresholds for the degree of separation rates for premiums and claims. For non-life insurance, simplified regulations reduce the potential number of minimum funding guarantee two (of four); point of departure to a new level of guarantee was put € 2 million or 3 million € will be entitled to any of the classes the following: 10 (motor liability), 11 (responsibility of aviation), 12 (responsibility for marine resources), 13 (overall response), 14 (credits) and 15 (relationship of warranty) non-life business. For life insurance point of departure was put 3 million €.

- For companies common continues to have 25% reduction.
- The required margin of solvency must be maintained repayment all the time (not just the balance sheet date to be filled).
- Member States are free to impose more stringent rules for companies that are authorized by their own rules than the required margin set in the Directive.
- There will be transitional periods to give companies time to enhance the ability repayment margins.
- Small joint claim not to receive the benefits of a single passport (for the whole EU), are not subject to the Directive and thus can be monitored less rigorist. Annual contribution threshold is increased to 5 million € (of 100 000 that was).

How changes will cause the implementation of these proposals? Since many companies currently working with margins that are much higher than the actual margins required, they expect not to be affected by these changes in the required margin.

Perhaps most importantly is the right of supervisors to impose higher margins when threatened policyholders' risk capital, to assess the need for a higher margin required and ensure their implementation by each insurance company.

5.1 Deadlines.

In accordance with the action plan of financial services, the proposed Directive was implemented in 2002-n. The Commission has proposed to implement a Directive by Member States within 18 months from putting into use.

5.2 Further developments.

Repayment ability is only one aspect of the financial position of the insurance company. The Commission now intends to launch a large-scale testing of the overall financial position of insurance companies to see if it needed any further improvement.

5.3 Possible solutions to insurance accounting in IAS-in current and future.

Currently there are around 40 international accounting standards. Most of them also apply to insurance companies. Some standards are particularly interesting for certain insurance companies. IAS 37 excludes claims arising from insurance companies to enter into contracts with policy holder. IAS 39 excludes the rights and responsibilities of insurance contracts from their goal, but the standard covered the most important assets of insurance. IAS 39 was amended in 2002, and an important new element is that further assessment of the assets and liabilities of the companies could become possible. The exact contents of a future international standard of insurance accounting are not known yet. Based on available information, a future standard may have the following key elements:

- The target should be the measurement of assets and liabilities arising from insurance contracts (an attempt to measure assets and liabilities), rather than defer costs and revenues so that they unite with each other (an effort extension and unification).
- Measurement of insurance liabilities should not be influenced by the type of assets held or returns from those assets.
- Assets and liabilities arising from insurance contracts should be measured with specific value in the contract.
- Insurance liabilities (both general insurance and life insurance) should be deducted.
- Reserves for disasters and dead-heats are not liabilities under the IASB's framework. Necessary can be seen on the specific findings of low frequency, high risks of severe.
- Acquisition costs should be deferred as an asset.
- All changes to the assessment of insurance liabilities should be accounted for as soon emerge. To decide which components of these changes will be presented or displayed separately, the IASB has to monitor developments on performance reporting projects and further developments on financial instruments accounting.

5.4 In what direction should be conducted on the accounts of insurance Directive?

Today, insurance accounts Directive provides rules for insurance accounting harmonization in the EU. Significant developments in EU financial reporting may vary directive role. Regulation on the use of IAS by listed companies of the EU, is seen as a reduction of its importance for these companies, as well as makes the changes necessary to keep in line with international accounting standards.

So the future of the Directive is linked to general decisions on accounting for non-listed companies on the stock exchange, as well as the extension to which each Member State chooses to apply IAS accounts for all the institutions have financial. Would have some possible developments for IAD-in. More reasonable might be a possibility that could also amend Directive IV and VII to provide financial reporting rules for companies not listed. At that moment will not be directly relevant for listed companies. However a review of IAD's future will be aimed at reducing the differences between this Directive and the IAS. This review will be almost vital.

5.5 Extraction of several possible options for the ability repayment II.

At least 6 of the possible alternatives to the project's ability repayment II, grouped in three classes can be formulated thus:

1. Solutions "with a group of accounts" (with additional requirements for surveillance revelations)

1.1-IAS's accounts

1.2-IAD's accounts

2. Amendment of financial reports for the use of monitors

2.1-accounts of the amended IAS

The revised 2.2-IAD for financial reporting purposes of Supervisors amended

3. Develop a reporting system monitors specific

3.1 wording of statutory accounting principles of the EU

3.2-IAD-keeping of accounting rules as surveillance

These run the range between three alternatives: virtually any amendment to IAS standards supervisors and a group of totally different accounting rules. The first two alternatives will benefit from the fact that IAS has to be an internationally defined framework. Although not all supervisors can agree with all the details of the IAS framework, there will be a common starting point. Based on this common point additions and amendments can be made transparent. The goal will be finding a common group and add amendments. Although it would not be possible, it would be necessary to develop two independent alternatives (i.e. one for Member States to prefer a framework of real value to others based on a classical accounting framework). This question will be raised on the use of the capability options repayment II package, which seems to be going beyond the goals of this document.

If the number of amendments that are needed for surveillance purposes is great, than we can use the third option. Different viewpoints among EU states on the principles of accounting oversight and the nature of the amendments can be a barrier to such choices. In light of the IAS Regulation on the use of 2005-s, normally the next reporting rules of supervision will not be built on the current-IAD. There are several reasons for this:

a. Seems more desirable amendments or supplements to develop new surveillance, clear and consistent on EU level.

b. Relates to the issue of applicability of the surveillance reporting system for small companies and medium. Most of these companies can not prepare IAS accounts and so will continue to do reporting in accordance with the amended IAD-in for financial reporting purposes. Generally, an IAD future will probably evolve in the direction of the IAS, perhaps with certain amendments to SME' s.

c. This would make it easier for insurance companies seeking to be listed in the future. A similar pattern can also be used for surveillance purposes of reporting.

d. It is also necessary to differentiate between companies that prepare IAS financial statements and other companies. Some Member States have shown that certain intended to require all companies to file financial sector's IAS accounts. Others think that it would not be practical or appropriate.

5.6 Possible options for project accounting capability repayment II.

a. Solutions, "a set of accounts".

It is practical and efficient to use financial reports for both supervisory purposes. This reduces the administrative burden on companies. This model is used in a number of Member States. But do not claim that all supervisors needs to be provided by a set of accounts to reflect mainly the capital market needs.

b. IAS accounts (with the additional requirements of supervision acceptable) will be required from all EU listed companies from 2005, including insurance companies listed. So it is logical to require or at least allowed the IAS accounts for surveillance purposes.

Using the IAS may lead to a convergence of various traditional accounts in the EU, financial reporting, as in the surveillance report. IAS has not primarily takes into account the problems of surveillance. Some of the proposed accounting treatment would not be acceptable for certain oversight. It may not be sufficient to require additional admissions requirements watchers. Not seen as possible that the EU can deliver a system with "a set of accounts" on the basis of the IAD. IAD's role will probably change in the future. IAD has contains more options and does not lead to increased harmonization of the project provided the ability repayment.

Conclusions

These are pragmatic solutions appear as they use financial reporting rules and potential limits amend only items that are not acceptable to the supervisor. Such solutions are widely used in the present days. However days if these amendments are not kept to an absolute minimum, companies will be subject to a double job.

A revised IAD for financial reporting can be amended for the purposes of surveillance. This option would provide a practical solution for companies not listed. A revised IAD for financial reporting purposes will focus on accounts of insurance companies to small and medium enterprises. This may not be a useful basis for reporting, surveillance, or at least not for the insurance companies listed. A set of rules collected for surveillance needs can be met. Quality of reporting of surveillance will be increased significantly. Such solutions would require a great job at EU level. It is not clear whether the consensus necessary for detailed accounting solutions.

- Formulation of Statutory Accounting Principles of the EU. EU level harmonization statutory reporting would increase too. It can also have positive effects on financial analysis of surveillance. Statutory Declarations must be audited.
- A future IAS would necessitate a large number of amendments to the surveillance and reporting in this way must be done consistently and comprehensively.
- There is no agreement among Member States on key issues of accounting oversight. It would require enormous resources and an increasing number of specialized staff at EU level.
- Keeping the IAD for surveillance purposes.

In general, IAD accounting solutions broadly reflect the needs for monitoring. There is significant experience in implementing the directives and the Member States have learned to manage the use of options. This alternative would be a pragmatic way toward clarifying the different opinions between Member States on many issues of statutory accounting. However, with current options, IAD did not may provide improved comparability and harmonization that we are seeking to project the repayment ability II.

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