

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (78) 487 final

Brussels, 29 September 1978

Recommendation for a

Council Decision

Concerning the Community position to be adopted during international
Negotiations relating to the harmonization of international
accounting standards within the Organization for
Economic Co-operation and Development

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(submitted to the Council by the Commission)

COM(78) 487 final

Explanatory memorandum

1. The Committee on International Investment and Multinational Enterprises (CIME) of the Organization for Economic Co-operation and Development (OECD) adopted a decision on 4 July 1978 to set up an ad hoc Working Party whose terms of reference are to consider the work that could be undertaken by the OECD concerning the harmonization of international accounting standards. The Working Party will commence work in October 1978. It is to report to the CIME in 1979 on its findings and recommendations. It is in the Community interests to encourage this work, since it appears desirable that arrangements be made within the OECD for publication of the annual accounts of companies.

In accordance with Additional Protocol No. 1 to the Convention establishing the OECD concerning the relationship between the EEC and that international organization, Commission representatives were present at the meetings of CIME leading up to the establishment of the ad hoc Working Party.

2. On the basis of Article 54(2) and (3)(g) of the EEC Treaty, the Council adopted the First Directive of 9 March 1968 (68/151/EEC¹⁾ which requires the disclosure of the balance sheet of limited companies. In accordance with Article 2(1)(f) of that directive, the Member States have adopted the measures necessary to ensure that the compulsory disclosure by companies covers the balance sheet and profit and loss accounts of limited companies. In the case of sociétés à responsabilité limitée the application of this principle was postponed until the date of implementation of a directive concerning coordination of the contents of balance sheets and profit and loss accounts.

This, the fourth directive, on the annual accounts of certain companies, was adopted by the Council on 25 July 1978²⁾. It establishes a legal framework for accounting standards in the Community. There are more than fifty articles comprising detailed provisions on the structure of balance sheets, profit and loss accounts, rules of valuation, the

1) OJ L 65/8 of 14 March 1968.

2) OJ L 222/11 of 14 August 1978.

content of the annex to annual accounts and disclosure. Some articles deal with the problems of the annual accounts of a company which has links with other companies in a group.

The recitals to the fourth directive stress that where a company belongs to a group, only the presentation of the consolidated accounts of the group can give a faithful and comprehensive picture of the position of the undertakings in question. For this reason the Commission has proposed a seventh directive, concerning group accounts ¹⁾, with the same legal basis as the fourth directive and settling the specific problems of the annual accounts of groups. The two instruments are therefore closely linked.

3. On the basis of Article 75 of the EEC Treaty the Council adopted Regulation (EEC) 2830/77 of 12 December 1977 on the measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertakings ²⁾. As is shown by Article 2 of this regulation, some of these undertakings are organized as companies.
4. According to the decisions of the Court of Justice (Judgment of 31 March 1971 in the AETR Case 22/70) the effect of all the decisions thus adopted at Community level in respect of the annual accounts of certain companies is to empower the Community alone to enter into commitments with non-member countries on these subjects. In view of the fact that the Community provisions referred to above, and the negotiations commenced within the OECD, have the same object, the Community as such should take part in the negotiations and accept, where necessary, any agreements or arrangements, arising from them, whatever form these may take.

Community provisions concerning accounting standards should not be prejudiced by instruments drawn up within the OECD. This applies to the provisions of the fourth directive, but also, in view of the close links between it and the proposal for a seventh directive, to the

1) Bulletin of the EC, Supplement 9/76.

2) OJ L 334/13 of 24 December 1977.

subject matter of that proposal. The OECD recommendations or agreements on the consolidation of annual accounts in a group could also directly affect the content of the fourth directive since consolidation is of necessity based on the annual accounts of individual companies which were regulated in the fourth directive.

Similarly, Council Regulation (EEC) 2839/77 should not be prejudiced by OECD instruments.

The Commission therefore recommends the Council to adopt directives to this effect concerning the Community position which the Commission will be instructed to adopt within the OECD. The negotiations will be conducted by the Commission in consultation with the representatives of the Member States in accordance with the customary procedures.

5. The Commission reserves the right to suggest alterations or clarifications to be made to the directives in circumstances where the progress of the negotiations necessitates it.
6. In conclusion, the Commission recommends the Council to adopt the attached decision concerning the position of the Community when conducting international negotiations concerning the harmonization of international accounting standards with the OECD.

RECOMMENDATION FOR A COUNCIL DECISION.

concerning the Community position to be adopted during international negotiations relating to the harmonization of international accounting standards within the Organization for Economic Co-operation and Development

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the recommendation from the Commission,

Whereas certain directives should be adopted on the Community position to be taken during the international negotiations relating to the harmonization of international accounting standards within the Organization for Economic Co-operation and Development,

HAS DECIDED AS FOLLOWS:

Sole Article

During the international negotiations relating to the harmonization of international accounting standards within the Organization for Economic Co-operation and Development, the Commission shall express the Community position in accordance with the directives annexed to this Decision.

The Commission shall conduct the negotiations in consultation with the representatives of the Member States.

For the Council

The President

Done at Brussels,

ANNEX

Directives for the negotiations

1. In the interest of the Community, the Commission shall promote the harmonization of international accounting standards within the Organization for Economic Co-operation and Development.

2. The Commission shall ensure however that the provisions of Community law, and in particular those of the fourth Directive on the annual accounts of certain companies, are not affected by instruments drawn up within the abovementioned Organization.