CURRENT ACCOUNTING PRACTICE IN THE NETHERLANDS[1]

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"The big Dutch companies and the Dutch accountancy profession have an enviable reputation in the international accounting world. Dutch company accounting standards are considered to be more or less in line with U.S. and U.K. thinking, while the Dutch accountancy profession has gradually been forced to adopt a leading role in accounting standard setting."

It is hardly possible to find more striking sentences which underline the importance of the accountancy profession in my country, the Netherlands. It would of course be very presumptuous for a Dutch accountant to express himself in such a way on his profession. Therefore I am glad that I am able to say that they were not mine. In fact, they were taken from a very authoritative foreign paper, the Financial Times of the 3rd of december '79. Only on the basis of these lines might it already seem worthwhile for our foreign guests to hear something about the current accounting practice in such an apparently highly reputed country as the Netherlands. However, I am convinced that their curiosity has been still more excited when they read in another reputed paper, the International Herald Tribune of the 11th of january 1980, about "A lone Dutchman's Crusade in Vintage Nader Style" against the annual accounts of Dutch companies.

I hope you will understand my rather delicate position: on the one hand my fellow countrymen would not be glad to see me destroy our apparently splendid international reputation. On the other hand, the saying: there is no smoke without fire, explains that I cannot simply pass over the "Crusade in Vintage Nader Style". Moreover, as members of this academic group, we are expected to study developments in all objectivity, knowing all relevant facts. So, let us first gather some historic facts about the development of the accounting practice in this country.

I. The historic facts

1) Until 1971 this country and its accounting profession lived entirely without legal prescriptions and accounting standards. Companies and accountants had only one general rule for guidance. This rule stated that the annual accounts had to be drawn up in accordance with sound business practice. The substance of this rule has never been written down.
2) In teaching and in literature in this country, the main subject has long been the valuation problem; an enormous amount of time has been invested in studying the pros and cons of nominalism and substantialism when

[1] After the presentation of this paper (March 1980) a number of important verdicts have been given by the Court.

measuring income, or, in other words, the importance of historic cost compared with replacement cost or current cost. Consequently, many other aspects of the annual statements have been somewhat neglected, e.g. the view that annual statements are a means of communication involving the importance of the users' point of view, did not get the attention it deserves.

3) The corresponding tendency towards insufficient disclosure in the published annual accounts has been opposed by the historically open character of this country. It has always followed an open door policy and a policy of free trade. Luckily enough, this situation gave us a relatively large number of international companies, which have to compete, as far as the quality of their annual accounts is concerned, with their international competitors. As soon as the former companies wanted their shares quoted on foreign stock exchanges, they had also to comply with foreign laws and accounting standards, of which the American and English standards deserve being mentioned separately. So, thanks to our open economy, standards for good or fair annual reports were nevertheless observed and more and more accountants became involved in foreign accounting standards. As a reaction purely national companies also engaged themselves for more and better disclosure. Two successive reports on the matter, issued by the Employers' Association in 1955 and 1962 have had a favourable influence.

4) In this stage of developments we obtained our law on the annual accounts in 1971, not because there were serious complaints about reporting practices, but as part of a general revision of company law creating employees' participation in management. Against the background of the historic development I do not expect anybody to be astonished about its main characteristics:

a) it gives no prescribed strict valuation rules; assets must be valued "according to principles which can be considered acceptable in society"; cost or market whichever the lower, lifo, base stock, replacement cost are all considered acceptable;

b) in approximately 40 rather short articles the law indicates what information must be disclosed as a minimum about assets and liabilities and revenue and expense.

This very liberal law is a logical consequence of the history described earlier: the government refused to decide the continuing debate on the valuation practices and it could not itself create elaborate accounting standards, indispensable for a set of strict and detailed regulations.

Behind all this was the general feeling that reporting practices were not really bad in this country, where financial scandals and lawsuits about unfair annual accounts had been very scarce. This feeling also explains the solution which was chosen for the supervision problem: how could compliance with the law be forced on public companies? To this end a twofold supervision was organized in the law:

a) compulsory audit of all annual accounts, creating the duty for the auditor to state in his certificate any deviation from the law;

b) in addition, any interested party can bring a company before a special

court of justice demanding that its annual accounts be made up according to instructions to be given by injunction.
So, a rather "soft" method of supervising compliance with the law has been preferred; a much stricter method, the creation of a body comparable with the SEC, has been politically considered but rejected.

5) As a byproduct of this process of law making, an impulse was given to the preparation of accounting standards. The government had expressed the expectation, that the organisations of trade and industry - e.g. employers and employees - together with the accounting profession would take stock of "the valuation principles, which can be considered acceptable in society" and to put them to the test of whether or not, in the present time, they can readily be considered acceptable to make annual accounts comply with the broad requirements of giving a true and fair view of the financial position and the profit for the period. The three groups - employers, employees and accountants - came together and set themselves a task which by far exceeded the expectations of the government. Instead of restricting themselves to the valuation principles, they tried to prepare a complete set of detailed accounting standards, not on the basis of a well prepared research programme but mainly on the basis of the experience of the accountants participating in the workgroups. Since december 1971, the standards have been regularly published under the name „Beschouwingen" which is Dutch for "Observations" on the law of annual accounts. Unfortunately, they did not receive a cordial welcome and were severely criticized. The main arguments concerned their unclear status, their linguistic weekness and their unbalanced way of expressing conclusions or even rules of conduct. The first point has proved to be very important. From the juridical point of view, the simple request from a minister does not lead to any official or legal status and among the three interested parties - employers, employees and accountants - only the latter could have been inclined and/or could have been able to give rules of conduct and could have made them observed by the members of the profession. However, the status of the „Beschouwingen" remained at least obscure.
They themselves describe their status in the following words: "The commissions publish their expressions of opinion under the title „Beschouwingen", thus letting it be known that these expressions cannot be understood as prescriptions. Giving prescriptions is not part of their assignment. With the „Beschouwingen" they aim at setting the trend for a practice which guarantees that the annual accounts will comply with the objective stipulated by the law".
The real character of the „Beschouwingen" can probably best be found by a process of elimination. They are not prescriptions, not even recommendations, only orientations in a general sense. After the event, it is easy to say that this indistinctness, probably based on an overdose of modesty and/or moderation, has seriously hampered the impact of the first step towards accounting standards in this country, exactly during a period when they were badly needed.
The status of the „Beschouwingen" continued to suffer after it became

clear that during the first legal proceedings the Court did not refer in its Judgements to the „Beschouwingen" and even made one or two pronouncements in contradiction to them. Moreover, in the first appeal case, the solicitor general of our Supreme Court explicitly approved of this attitude and these opinions of the Court.

6) In this period accounting standards were badly needed, because for the first time some annual accounts were seriously criticised in court and it is here that we meet the "Crusade in Vintage Nader Style", we already mentioned. This "Crusade" should, however, not be overestimated: out of the nine judgements pronounced up till now, five concern controversies between companies and genuine interested parties, such as shareholders or unions; only four of them fit in the "Crusade". The Dutch Nader is Mr. Lakeman, or officially the Foundation Inquiry Business Information (Sobi). His actions have been made possible by the very broad interpretation the Court has on successive occasions given to the concept of the "interested party" mentioned in the law. This concept has now been developed in such a way, that anybody only having the intention to buy a single share of a certain company, and actually does so later on, can put the annual accounts of that company on trial. So, spending two or three ten guilders-notes is the only sacrifice necessary! The four companies attacked by Mr. Lakeman have one striking characteristic in common. Two of them have since gone bankrupt, one is in serious financial difficulties and the last one has publicly shown serious losses, but its financial structure has so far been strong enough to prevent bankruptcy. So, it looks as if Mr. Lakeman prefers to attack the accounts of rather weak companies.
It is quite understandable that such companies, struggling for survival, have rather a strong tendency to prevent the creation of practically insurmountable difficulties, arising from a full disclosure of their real results and their real financial position. They are therefore tempted to anticipate revenues, to postpone expense items and to flatter equity capital. In practice they have to make a trade off between two conflicting interests of all the parties concerned, on the one hand the interest of knowing the real situation by full disclosure and on the other hand the interest of not destroying the chances of the continuing existance of the company. The auditor finds himself in the same situation, but of course, he has in the first place to serve the interest of full disclosure. As we shall see, this problem has really influenced the defaults in the accounts for which of course the court could not temper justice for grace.
After having found the main historic facts, we shall now have a look into the judgements pronounced up to now by the special Court, because to a certain extent they bring to the fore which accounting problems might be considered of special importance during the seventies.

Before doing so, we like to stress

1) that the selection of the companies whose accounts have been attacked in court, has not been made at random and
2) that their number is very small indeed compared with the thousands of annual accounts which are made up, audited and homologated every year.

II. The judgements pronounced up to now

The law on the annual accounts stipulates that where the complaints prove to be well founded the court can compel the directors of the company to observe exact instructions when making up the annual accounts. This compulsion concerns either the annual accounts in dispute, these accounts and one or more future accounts or only one or more future accounts. If the injunction concerns the annual accounts in dispute, it annihilates automatically their homologation. It is quite natural that the verdict of destroying the homologation of the accounts points to much more serious defects than giving instructions for future accounts. After this concise introduction we can give the following summary of the judgements pronounced up to the end of february 1980.

From this it follows broadly speaking that

- in three cases the accounts were annihilated;
- in three cases only instructions for future accounts were given;
- in two cases the complaints were rejected;
- in one case a simple instruction for further information on the accounts in dispute was given.

So the "Crusade in Vintage Nader Style" included four cases and has given rise to two annihilations of the accounts of two companies which have since gone bankrupt. In the two remaining cases of the "Crusade", instructions for future accounts were mainly given. In one of them, the instructions were to a great extent superfluous, because the company had already adequately improved the notes on its annual accounts for the following year. In the fourth case only instructions for following years were given. However, one of the shortcomings would normally have led to annihilation of the accounts, but for very special reasons this was omitted.

From this it follows, in our opinion, that our foreign colleagues should not overestimate the importance of the "Crusade" as a general indication of the average quality of the Dutch annual accounts. We shall now try to concisely discuss the main accounting contents of the judgements.

III. The shortcomings, which have appeared in court

Because we are interested in the necessity of having accounting standards and in their contents, we shall now investigate the more important shortcomings which have appeared in court. We shall classify them in two groups, viz.

a) those concerning the accounts of the four companies which have since gone bankrupt or were suspected to be in financial difficulty;

b) the accounts of the five remaining companies.

It should be acknowledged, that in the framework of this talk, we cannot give a complete review.

a) Accounts of companies gone bankrupt

1. Backservice pensionplan

The balancesheet of a company as per december 31st of a certain year, contained, as a contingent liability, an amount representing the backservice

Judgements pronounced up to the end of february 1980

Date *pronouncement*	*Company*	*Plaintiff*	*Verdict*
20/1/77	Douwe Egberts B.V.	Shareholders	Instructions for future accounts
14/4/77	Sekisui Systeembouw N.V.	Shareholders	Annihilation of Accounts
14/4/77	Homburg B.V.	Labour Unions	Rejection of complaints
26/5/77	N.V. Vulcaansoord	Sobi	Annihilation of accounts
26/1/78	Eggerding en Co B.V.	Shareholders	Instruction complementary information
26/3/78	Kon. Scholten-Honig N.V.	Sobi	Annihilation of accounts
26/10/78	Sekisui Systeembouw N.V.	Shareholders	Rejection of complaints
31/5/79	Pakhoed Holding N.V.	Sobi	Mainly Instructions for future accounts
7/2/80	Van Gelder Papier N.V.	Sobi	Instructions for future accounts
Total 9	8 companies	4 Shareholders	2 Rejections of complaints
		1 Labour Unions	4 Instructions for future accounts
		4 Sobi	3 Annihilations
		9	9

Appeal

17/1/79	Douwe Egberts B.V.	Shareholders	Instructions mainly maintained
31/5/79	Kon. Scholten-Honig N.V.	Sobi	Remitted to Court for re-examination of auditor

connected with an employee pensionplan. This liability did not appear in the following year's balance sheet, because it was credited to the profit and loss account. The notes indicated that - in imitating other companies - it was decided that in future the part of the premiums concerning the backservice would be charged directly to the profit and loss account, so that the contingent liability became redundant and could be credited to the profit and loss account. This case is a clear cut example of artificially creating a revenue in a certain year by violating the consistency concept. The Court considered that the contingent liability, consisting of the amount of the backservice, should continue to appear in the accounts because (I quote): "that liability exists, is important and can increase rapidly by inflation". So it rejected the change in accounting policy without saying anything about the fundamental and difficult problems of how to account for costs and liabilities connected with pensionplans. The poor argumentation also offers an example of the indispensability of thoroughly worded accounting standards for a well founded jurisdiction. The latter, it is true, supported this verdict but they did not give any argument against the new policy chosen by the company, which in itself does not seem unacceptable.

2. *Deferred Taxation*

a) This - according to experience (and students!) - very difficult problem has been judged on three occasions. Unfortunately, in one of them the data are so obscure and difficult to understand, that it is impossible to deal with it in a few minutes. Therefore we restrict ourselves to the remaining two cases; one of them may be very interesting, because it concerns valuation of assets at replacement cost. As usual, this company credited two accounts in case of revaluation because of increased replacement cost: first, the revaluation reserve as a part of equity capital and second, the provision for deferred taxations. In the annual accounts in dispute it had brought the balance of the latter account to the reserves, forming part of equity capital. In the notes this procedure was openly mentioned, however without stating any reason for it. An intelligent reader of the accounts could easily assume that this violation of the consistency concept was closely related to another one: the profit and loss account had been credited for only a slightly higher amount, which was debited to the revaluation account for

stocks, for which asset a rather simple system of valuation at replacement cost was applied. This latter system was abandoned at the end of the same fiscal year. The two procedures taken together resulted in a practically unchanged equity capital and an increase in profit, ultimately coming from the above mentioned reduction of the provision for deferred taxation.

It should be noted, that the difference between income for taxation and income for publication which arises from the application of replacement values for the latter is not a timing difference but a permanent difference. This problem has been dealt with by Mr. Van Hoepen during last year's conference; I refer to his paper.

In court, the company gave exactly the rather revolutionary argument of Mr. Van Hoepen, that a provision for deferred tax is not necessary as far as permanent differences caused by the application of replacement values for publication purposes are concerned, such tax becoming relevant only when sale of the respective assets is realized or contemplated. Normally, this is not the case, because fixed assets are acquired for continuing use in the process of production.

The Court unfortunately did not enter into the merits of this interesting argument, but simply ruled, that the system advocated by the company did not find application of some importance in practice and should therefore be rejected. The consequences of this ruling, e.g. correcting an artificial increase of equity capital, are much better than the underlying argument. Understandably the „Beschouwingen" did not supply any basis to reject the company's revolutionary argument that a provision for deferred tax is not necessary.

b) In a second case the Court has given an important judgement on the use (or abuse) of the amount available in the provision for deferred taxation in connection with the application of replacement value; more correct, with the "half way application" of replacement value. According to this "half way application", the tax payable on realised increases in replacement values is not charged to the profit- and loss-account, but instead to the provision for deferred tax, made on the moment of revaluation. If a tax rate of 50% is assumed, the consequences of applying replacement cost as compared with historic cost is thus halved. The „Beschouwingen" explicitly accept this way of applying replacement costs. The company in question found itself in a real loss-situation and therefore its rights of carry back and carry forward of tax losses were relevant.

We restrict ourselves to the latter. Generally speaking, taking the amount of tax connected with the loss carry forward as an asset is a violation of the prudence concept. However, this opinion can be changed as far as there is a provision for deferred tax because of timing differences that will reverse within the period during which the loss carry forward can be claimed as a tax benefit.

The company applied this latter view simply on the provision for deferred tax, originating from rising replacement values. So, actually it took as an asset an amount equalling the amount available in the provision and credited it to the profit and loss account.

The Court ruled first, that companies are free to select as an accounting

policy the "half way application" of replacement values, and second, that the company in question, its difficult financial position taken into consideration, acted in contradiction to the prudence concept by taking the amount of deferred tax originating from revaluation as an asset. In our opinion it is regrettable that the Court in this probably unique case referred explicitly to the company's difficult financial position in stead of rejecting this procedure in general terms. We think it is unacceptable in the present state of the art that any amount of unrealised value increase can be credited to the profit and loss account. This rejected accounting policy, probably being unique, is not dealt with in the „Beschouwingen".

c. Just to finish the subject of deferred tax, we mention a third judgement, in which a genuine timing difference, resulting in a debit balance, was plainly rejected with reference to the prudence concept. Again a judgement in contradiction to the „Beschouwingen". The company in question had decided to liquidate a subsidiary and had charged the expected loss net of tax to the profit and loss account. For tax purposes this loss on liquidation can only be taken into consideration after the subsidiary company is completely settled and such a settlement can easily take a few years. Even the argument of the company, that it had a larger credit balance of deferred tax because of timing differences could not convince the Court. Of course, the plain rejection in this case compared with the conditional rejection of the debit balance originating from revaluation shows a somewhat unbalanced opinion of the Court.

3. Release of revaluation reserve

Already we mentioned incidentally that one company abolished a simplified application of replacement value and consequently brought the credit balance of the revaluation account to the profit and loss account. This simplification boiled down to taking revaluation into consideration only once a year. The corresponding item in the profit and loss account was given a very clear subscription, viz.: "Released price difference reserve because of change in the application of replacement cost for stocks". Of course, this manifest flattering of the profit for the year has been rejected: the amount once considered a part of equity capital cannot be brought to the credit side of the profit and loss account. This manipulation looks so naive, that the simple fact that it has been applied raises serious doubts about the assumed capacity of readers of financial statements to understand or criticize these documents.

4. Proper matching of revenue and expense

An interesting judgement was made in a case in which a company acquired all the shares of a subsidiary; it appeared that the stocks and debtors of the subsidiary had been overestimated, but in order not to endanger other parts of the deal - a cheap lease contract and a loan at a low rate of interest - the parent company abstained from reopening the negociations. In the annual accounts the differences between the overestimated amounts and the correct ones were charged to the reserves; the plaintiff claimed that these amounts should be charged to the profit and loss account.

The Court considered that the sacrifices made by not reopening the

negociations to correct the overestimated items on the one hand and the advantages connected with the lease and the loan on the other hand should be treated in a wellbalanced way. To this end, the total amount of the differences should be taken as an asset which should be written off proportionally with the future realization of the benefits connected with the lease and the loan. In so doing, the Court stressed that a proper profit and loss account ranks above a proper balance sheet, because the latter now contains an artificial asset having no value in itself. Germans and Dutchmen might recognize in this verdict a preference for the "dynamic balance sheet" as opposed to the "organic balance sheet".

Now summarising our reflections on the accounts of the weak companies which have been attacked in court, we may conclude that the main shortcomings have probably been knowingly committed in order to flatter the view of the profit for the year as well as the financial position. In one case this was done quite openly. The Court had nevertheless to decide on some difficult problems, from which those of deferred tax were the most difficult ones. Generally accepted and detailed accounting standards on the subjects in question would have been very important, both for prevention and judgement.

We may now proceed to look at the main defects of the accounts of which the more sound companies were accused.

b) Accounts of other companies

1. "Economic stock"

Here the problem of the so called „economic stock" has raised much dust. It appeared in the very first judgement the Court had to make. Maybe this typical Dutch concept needs some explanation. Economic stock is that quantity of a certain product for which the company runs the risk of changing prices. So this stock equals the quantity in store plus the quantity bought but not yet received minus the quantity sold but not yet delivered. The economic stock changes only by purchase and sales contracts, not by receipts and deliveries. In the framework of the replacement value theory it has been strongly advocated to apply this concept in the accounts; its importance cannot be denied for commodities traded on a future market, securities quoted at a stock exchange, etc. For such goods it is acceptable that realization of revenue is considered to have taken place at the moment of sale. For other goods this anticipation of revenue is considered much less acceptable.

A group of shareholders of a well-known company selling brands of coffee, tea and tobacco complained that the notes neither indicated whether or not sales contracts were made on the future market nor the obligations connected with buying contracts for future delivery and how these obligations had been valued.

The Court considered that for a company such as the one in question, for which the development of raw material prices accounts for such a prominent part of the supply prices and therefore of profits, the position in futures is very important. The annual accounts in dispute, containing only information about goods in store and their valuation, did not give a true and fair view of profit

and of the financial position. Therefore the Court ruled that the annual accounts for following years should contain, in addition to the mention of the rights and obligations from future purchase and sales contracts of raw materials, an explanation of the way in which these goods have been valued and of the influence - if any - on profit or loss. So, practically speaking and taking the accounts and the notes together, the Court ruled for this special company that the "economic stock" should underly the annual accounts.

This judgement also contradicted the „Beschouwingen", where it was simply mentioned that it is common practice to take only the goods in store into consideration. If, on the contrary, the accounts were based on the economic stock, this fact should be disclosed in the notes. Here again a more thoroughly prepared accounting standard seems indispensable.

It should pay attention to the fact that real life offers a whole range of different kinds of contracts and of goods. It should also pay attention to the question in which circumstances it is either allowed or appropriate to anticipate the moment of realization of sales revenue.

c) Inflation accounting

As "Sandilands" has been characterised as "going Dutch", we could not possibly pass by inflation accounting in silence. It must be admitted that in this country we do not see an important advance in the application of either current value accounting or purchasing power accounting. For many years there has been a certain number of companies applying current values. To my knowledge the companies did not show spectacular changes. Royal Dutch Shell offers the only example of purchasing power accounting, which, however, had its origin in the U.K. after ED 8. In addition, only a small number of companies gives information in the notes about current values and their influence on equity and profit.

We shall now examine the treatment of inflation accounting by the „Beschouwingen" and in Court. In the issue of june 1975, the „Beschouwingen" indicated that in case the cost of goods sold on a historic cost basis differs materially from the cost of goods sold on a current cost basis, additional information must be given. According to the issue of febr. 1979, information about the current value of assets sacrificed in the production process ought to be given either in the accounts themselves or in the notes. If the difference between historic cost and current cost is material, both sets of figures must be given. We are afraid that the Beschouwingen already overplayed their hand with their 1975 ruling. As already indicated, it did not receive an important response in practice. It is too early to judge whether the same will occur with the 1979 ruling.

In a judgement of March 1978 the Court also dealt with this problem. The Dutch Mr. Nader claimed that in addition to historic cost figures for raw materials used, the corresponding figures on the basis of current costs should be stated in the notes. The Court rejected this claim, considering that each of the two bases, if correctly applied and explained, contributes to a true and fair view. The Court has thus probably attached more significance to the hesitation in practice concerning current cost than the „Beschouwingen" have. This is

again a regrettable difference of opinion between jurisdiction and what should have been generally accepted accounting standards.

It is, of course, entirely impossible to give a well considered opinion on the difficult problem of inflation accounting in a few minutes. I therefore restrict myself to recalling your attention to the well known Sandilands Statement that inflation cannot be measured by one general index. From the very start I have felt opposition to this statement because it in fact simply ignores inflation and acts as if only specific price-increases are at stake. In my view, accounting cannot pass in silence by the question of whether or not the monetary unit is acceptable for accounting measurement. If there is inflation, e.g. continuous decreasing purchasing power of money, and if inflation can be measured, purchasing power accounting will - as it has probably already started to do - retake an important role in the continuing developments. I am glad that some statisticians from my University are going to tell you something about their research on the measureableness of inflation in the Netherlands.

Conclusion

I now like to finish this talk with some conclusions, and I shall also try to say a few words on the importance of the Dutch experience for Europe. Our history has brought to the fore that the accounting standards issued in the „Beschouwingen" did not find the response they need and have not strongly enough engaged the members of the accounting profession. Probably therefore they have up to now not influenced the jurisdiction to the desired degree. For the sake of legal security on the side of companies as well as auditors a fruitful interaction between the jurisdiction and standard-setting seems indispensable. Maybe it is to be regretted that judgements which contradict standards have not adduced arguments in support of them. Of course, it cannot be doubted that the Court must have the final say. To promote this process of interaction, accountants, when examined in court, should base their explanations as much as possible on the standards.

This experience after a new law on the annual accounts has come into force may be relevant for Europe, at least for the EEC countries. In all these countries, new laws based on the Fourth Directive are now prepared. Though these laws will be much more detailed than the present Dutch law, it seems beyond any doubt that accounting standards will be indispensable to realise the ultimate goal of harmonised annual accounts for the whole of Europe. For the new laws themselves will leave much room for interpretation and practice will show many problems not solved in the laws.

We can, for the latter, place our hope on the International Accounting Standards Committee, in which, since quite recently, all Member States participate. From the point of view of not spoiling scarce resources, it would be inefficient to create a new European body. It would probably be worthwhile for a European sub-group in the IASC to pay attention to the question whether or not the International Standards correspond to the rather detailed Directives. If not, this sub-group should indicate how the standards in question should be applied in the Member States. It seems confusing that the accounts themselves and/or the auditors' certificates should explain that a certain accounting

policy, though corresponding to the Directives, violates an international standard or vice versa. During the years of transition the general observation of the new laws based on the Directive could better not be endangered by this double set of criteria.

Anyway, I hope and expect that this academic association will follow and support the preparation of accounting standards in order to effectively promote the difficult process of harmonising the annual accounts in Europe. To this end it might, above all, pay attention to linking the standards to a general accounting theory because this link probably offers the best guarantee that different standards setting bodies do not produce standards that differ too greatly.