

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

## CHAPTER 2

### GENERAL PROVISIONS AND PRINCIPLES

#### *Article 6*

#### **General financial reporting principles**

1 Items presented in the annual and consolidated financial statements shall be recognised and measured in accordance with the following general principles:

- a the undertaking shall be presumed to be carrying on its business as a going concern;
- b accounting policies and measurement bases shall be applied consistently from one financial year to the next;
- c recognition and measurement shall be on a prudent basis, and in particular:
  - (i) only profits made at the balance sheet date may be recognised,
  - (ii) all liabilities arising in the course of the financial year concerned or in the course of a previous financial year shall be recognised, even if such liabilities become apparent only between the balance sheet date and the date on which the balance sheet is drawn up, and
  - (iii) all negative value adjustments shall be recognised, whether the result of the financial year is a profit or a loss;
- d amounts recognised in the balance sheet and profit and loss account shall be computed on the accrual basis;
- e the opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year;
- f the components of asset and liability items shall be valued separately;
- g any set-off between asset and liability items, or between income and expenditure items, shall be prohibited;
- h items in the profit and loss account and balance sheet shall be accounted for and presented having regard to the substance of the transaction or arrangement concerned;
- i items recognised in the financial statements shall be measured in accordance with the principle of purchase price or production cost; and
- j the requirements set out in this Directive regarding recognition, measurement, presentation, disclosure and consolidation need not be complied with when the effect of complying with them is immaterial.

2 Notwithstanding point (g) of paragraph 1, Member States may in specific cases permit or require undertakings to perform a set-off between asset and liability items, or between income

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and expenditure items, provided that the amounts which are set off are specified as gross amounts in the notes to the financial statements.

3 Member States may exempt undertakings from the requirements of point (h) of paragraph 1.

4 Member States may limit the scope of point (j) of paragraph 1 to presentation and disclosures.

5 In addition to those amounts recognised in accordance with point (c)(ii) of paragraph 1, Member States may permit or require the recognition of all foreseeable liabilities and potential losses arising in the course of the financial year concerned or in the course of a previous financial year, even if such liabilities or losses become apparent only between the balance sheet date and the date on which the balance sheet is drawn up.