

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 423 final.

Brussels, 24 July 1979

Recommendation for a

COUNCIL DECISION

concerning the Community position to be adopted in discussions on
the development of international accounting and reporting standards
within the United Nations Organization

(submitted to the Council by the Commission)

COM(79) 423 final.

Explanatory Memorandum

1. The Economic and Social Council (ECOSOC) of the United Nations Organization (UNO) adopted a resolution on 11 May 1979 setting up a special inter-governmental working party. Its terms of reference concern the development of international accounting and reporting standards. The working party will commence work in the Autumn of 1979 in Geneva. In 1980, it is to report to the Committee on Multinational Enterprises on the measures to be adopted in the field of international accounting and reporting standards particularly in relation to the proposed information system and code of conduct.

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/EEC)¹⁾ which is concerned inter alia, with 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 on the 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 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.

1) OJ L 65 of 14 March 1968, p. 8.

2) OJ L 222 of 14 August 1978, p. 11.

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⁾. This proposal is founded on the same legal basis as the fourth directive and deals with 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 that 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 discussions undertaken within the UNO have the same object, the Community as such should take part in the discussions and accept, where necessary, any agreements or arrangements arising from them, whatever form these may take.

Community provisions concerning standards should not be prejudiced by instruments drawn up within the UNO. This applies to the provisions of the fourth directive but also, in view of the close links between the latter and the amended proposal for a seventh directive, to the subject matter of that proposal.

1) OJ C 14/2 of 17 January 1979, p. 2.

2) OJ L 334 of 24 December 1977, p. 13.

The UNO recommendations or agreements on international accounting and reporting standards could directly affect the content of the fourth directive.

Similarly, Council Regulation (EEC) 2830/77 should not be prejudiced by UNO instruments.

The Commission therefore recommends the Council to take the attached decision concerning the Community position to be adopted in the discussions on the development of international accounting and reporting standards within the UNO.

Recommendation for a
COUNCIL DECISION

concerning the Community position to be adopted in discussions on the development of international accounting and reporting standards within the United Nations Organization.

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community,

Having regard to the recommendation by the Commission,

Whereas a decision should be taken on the Community position to be adopted in the discussions on the development of international accounting and reporting standards within the United Nations Organization

HAS DECIDED AS FOLLOWS:

Sole Article

1. During the discussions of the special working party of the United Nations Organization on the development of international accounting and reporting standards, set up by the Economic and Social Council on 11 May 1979, the Commission shall express the Community position insofar as these discussions relate to subjects covered by common rules.

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

2. The Commission shall ensure that the proposals for greater harmonization of company law which it has submitted to the Council are presented in such a way during the discussions of the working party referred to in paragraph 1 that they clearly show the importance which the Community attaches to such harmonization.

3. The Member States and the Commission shall coordinate their positions with a view to reaching a common position in the meetings of the working party referred to in paragraph 1, in particular on the desirability of action by the United Nations Organizations in the field of accounting standards.

For the Council,

The President

Done at Brussels,