Accounting in Uruguay

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Eduardo Torres explains the most significant changes to local accounting principles, which affect small and medium-sized entities

The Uruguayan government approved Decree No. 372/015 in December 2015, amending and complementing Decree No. 291/014 from October 2014. This includes Uruguay's generally accepted accounting principles (NCA is its acronym in Spanish) in regards to Financial Reporting Standard for small and medium-sized entities (SMEs IFRS).

Changes introduced by Decree No. 291/014

Decree No. 291/014 introduced major changes to the accounting standards in Uruguay. It includes the adoption of the SMEs IFRS - issued by the International Accounting Standards Board (IASB) as a mandatory policy.

The SMEs IFRS applies to small and medium companies that have no public accountability and publish their financial statements for external users' general information purposes.

For relatively minor issuers (EMIR), only some sections of the SMEs IFRS will be applicable. EMIRs have no public accountability, annual net operating incomes of less than UR$200,000 and no state participation, among other characteristics. Both financial statement issuers and EMIRs applying the IFRS SMEs can always apply the IFRS in full.

Decree No. 291/014 applies to fiscal years beginning on or after 1 January 2015.

With regard to the application of SMEs IFRS, Decree No. 291/014 contains some modifications to the following topics:

- Financial statement issuer applying SMEs IFRS can use the valuation method provided in IAS 16 as an alternative: property, plant and equipment.
- A statement of changes in equity is required in all cases.
- To apply Section 25: Borrowing Costs for SMEs IFRS, capitalisation loans from IAS 23: Borrowing Costs can be requested.
- EMIRs may choose to select the Uruguayan peso as an independent functional currency applying Section 30: Foreign Exchange criteria.

> "Companies must ensure a complete understanding of local laws and regulations"

Amendments introduced by Decree No. 372/015

Decree No. 372/015 modified some articles of Decree No. 291/014:

- It establishes that issuers of financial statements applying the SMEs IFRS can use IAS 38: Intangible Assets as an alternative.
- It establishes the mandatory application of IAS 12: Income Taxes instead of Section 29: Income Taxes, for issuers of financial statements under SMEs IFRS.
- The values of capital balances, contributions to capitalise, profit reserves and currency translations resulting from the application of the rule mentioned will be considered 'opening values' of the respective accounts on the date of transition to the SMEs IFRS.
- The first time of presenting financial statements in accordance with Decree No. 291/014, it may be arranged as required in Section 35 of the SME IFRS or as per a simplified solution that involves at least:
  - o Identifying, evaluating and adjusting the amount of assets and liabilities at the beginning of the first year. The differences generated in equity are presented in the Statement of Changes in Equity as modifications to the beginning balances. For the purposes of presentation in equity, differences will be adjusted in retained earnings or heritage items.
  - o Presenting comparative information for the Statement of Financial Position.
  - o Presenting in a note or addendum the reconciling of differences between the amount of assets of the last financial year - as presented in previous legislation - and the amount of equity arising from the figures prepared for comparative purposes.

According to the amendment introduced by Decree No. 372/015, investments will be valued as follows:

Investments in controlled entities must be valued under the application of the equity method (VPP).

Associates and jointly controlled investments may be chosen addition to the valuation policies set out in paragraph 9.26 (cost less impairment or fair value through results) of the SMEs IFRS for their valuation at VPP.

Companies must ensure a complete understanding of local laws and regulations. Otherwise they could face risks to their reputation, fiscal penalties, loss of business opportunities and legal action.

This is a brief summary of the generally accepted accounting principles in Uruguay. For more details, visit the ***Internal Audit Office website***. ■

URUGUAYAN PAYROLL

For more information read
Global Payroll Association fact cards

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