

State Coaxes Investors With Numbers

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Transparency and investor interest will increase for domestic companies reporting consolidated earnings after they are required to implement international accounting standards next year, Finance Minister Alexei Kudrin said Tuesday at a Presidium meeting chaired by Prime Minister Vladimir Putin.

Companies with consolidated accounts will switch to International Financial Reporting Standards by Jan. 1 and will be able to report their 2012 financial results according to the new rules, Kudrin said.

"In case we complete this procedure by the end of this year, all the companies with consolidated accounts will report their results for 2012 according to the IFRS," Kudrin said. "That means all consolidated groups will compulsorily use these standards in 2013 for the first time to report their results for 2012."

Other firms, including public companies and small and medium-sized businesses, will have to follow suit shortly afterward, switching to international accounting standards "during

the transition period," he said.

A law on consolidated financial accounting, passed last year, stipulates the switch to the international accounting standards. In April, the government signed an agreement with the IFRS Foundation, allowing it to use these standards locally.

Under the agreement, the government obtained the copyright for the Russian translation of the IFRS requirements, enabling the use of the international standards in all Russian-speaking countries.

Putin said that adopting such standards was "an important step in developing our financial system, increasing its transparency."

Analysts agreed the switch was a positive step that would increase the attractiveness of Russian companies.

"It is a positive step for the investment climate to mandate the use of accounting standards that are recognized and understood across the globe," said Andrew Cranston, senior partner at KPMG in Russia and the former Soviet Union.

"Many large companies have already been using IFRS for a number of years to enable them to access international financing, therefore there is already a very strong body of experience in Russia in using these standards," he said in e-mailed comments. "For those that have not used IFRS before, there is quite a steep learning curve."

Adopting international standards in such a short period could prove challenging for some companies, said Galina Ryltsova, a partner at PricewaterhouseCoopers. "Switching to IFRS is a complex task for any firm and includes different aspects like hiring qualified personnel, working out a registration policy according to IFRS and reconfiguring the accounting system to prepare for the switch to IFRS," she said.

Ryltsova said, however, that it's a manageable task because some domestic companies already have experience with IFRS.

Kudrin said earlier this year that about 160 of the country's top 400 companies are already using international accounting standards.

The banking sector was required to adopt the standards a couple of years ago to mixed results. The transition was not successful because, in practice, a mixed system was adopted that did not effectively increase transparency, Alfa Bank chief economist Natalya Orlova said. In addition, "monitoring is still based on Russian standards," she said.

"It is an additional burden for companies — but the information cannot be used by the market," she said.

Among other issues discussed at the Presidium meeting were government measures to support employment in the regions. A total of 28 billion rubles (about \$1 billion) has been set aside in this year's budget to stimulate employment, Putin said, adding that "the situation on the labor market is rather stable."

Only 17.6 billion rubles of the funds has been spent, with the rest put in reserves that might be used later this year if the situation changes, said Health and Social Development Minister Tatyana Golikova.

The measures to stimulate employment in the regions include supporting employment in single-factory towns, providing grants for startups, personnel training and organizing internships for university graduates.

In addition, the government has earmarked more than 70 billion rubles this year for unemployment benefits in the regions, Golikova told reporters after the Presidium meeting.

The number of unemployed stands at 5.4 million people, which is still too many compared with the pre-crisis April 2008 figure of 4.5 million, she said.

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