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US GAAP and Annual Reporting by Dutch Companies Listed in the United States

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1 Introduction

Several Dutch companies are listed on stock exchanges in the United States. Listing requirements include filing an annual report with the Securities and Exchange Commission (SEC) compiled in accordance with Form *20-F.* Although the financial statements to be included in Form 20-F should as a rule comply with Generally Accepted Accounting Principles in the United States (US GAAP), they may also be compiled in accordance with reporting requirements in the Netherlands (Dutch GAAP), in which case differences with US GAAP having a significant effect on equity and net income should be quantified.[1] This can be done in the form of reconciliation statements.

Analysis of the reconciliation statements not only provides an understanding of the differences between Dutch GAAP and US GAAP, but also of the effects of these differences on the disclosed equity and net income. In that context, the author (1991) researched the Form 20-F annual reports for the financial year 1990 of eight Dutch companies. Similar research has been conducted abroad by, among others, Weetman & Gray (1990, 1991), Cooke (1993) and Hellman (1993). The research of Weetman & Gray included companies from the United Kingdom (1990, 1991), Sweden (1991) andthe Netherlands (1991). Cooke's research related to Japanese companies, and that of Hellman to Swedish companies. Weetman & Gray (1991) studied the Forms 20-F of six Dutch companies for the financial years 1986, 1987 and 1988. In their paper, however, they confine themselves to discussing the effects of differences between Dutch GAAP and US GAAP on'the net income of those years. *The development over time* of the effects of the differences in figures between Dutch GAAP and US GAAP were not specifically dealt with.

To begin with, this paper briefly discusses the most significant differences between Dutch GAAP and US GAAP as apparent from the annual reports *on* Form 20-F for the financial year 1993. The manner in which these have affected equity and net income over the past ten years is then looked into, and the developments analysed. This provides an understanding on at least one matter, namely the extent to which the Dutch companies concerned were prepared to comply with US GAAP. This paper could also serve as a basis for investors and investment analysts who wish to compare the figures of Dutch companies not listed in the US with those of companies that apply US GAAP.

2 Differences between Dutch GAAP and US GAAP

The shares of a total of 25 Dutch companies are traded in the United States.[2] The annual report on Form 20-F is only required to be filed, however, by companies whose shares are actually listed in the United States. In March 1995, the following Dutch companies had their shares listed on the New York Stock Exchange or via NASDAQ (National Association of Securities Dealers Automated Quotation System):[3]

- Advanced Semiconductor Materials International NV (ASMI),
- AEGON NV (AEGON),
- Koninklijke Ahold NV (Ahold),
- Akzo Nobel NV (Akzo),
- ASM Lithography Holding NV (ASML),
- Elsevier NV (Elsevier),
- Heidemij NV (Heidemij),
- Koninklijke Luchtvaart Maatschappij NV (KLM),
- NV Koninklijke Nederlandsche Petroleum Maatschappij (KNPM),
- Océ-van der Grinten NV (Océ),
- Philips Electronics NV (Philips),
- PolyGram NV (PolyGram), and
- Unilever NV (Unilever).[4]

ASMI, ASML and KNPM opted to report under US GAAP, which means that the Forms 20-F of these companies do not include any reconciliation statements concerning equity and net income. It follows that these companies will not be discussed further. The table below is based on the reconciliation statements as included in the 1993 annual reports on Form 20-F of the remaining ten companies.

Table 1: Equity and net income under Dutch GAAP and US GAAP (amounts in millions of guilders or pounds sterling)

Company	Equity at 31 December 1993		Effect of adjustments		Net income for 1993		Effect of adjustments	
	Dutch GAAP	US GAAP	in ƒ/£	in %	Dutch GAAP	US GAAP	in ƒ/£	in %
AEGON	8.669	9.476	+ 807	+ 9	1.004	650	- 354	- 35
Ahold	2.137	3.244	+ 1.107	+ 52	343	347	+ 4	+ 1
Akzo	6.152	9.015	+ 2.863	+ 47	549	135	- 414	- 75
Elsevier	£ 1.714	£ 2.420	+ £ 706	+ 41	£ 396	£ 294	- £ 102	- 26
Heidemij	143	234	+ 91	+ 64	19	17	- 2	- 7
KLM	3.515	4.300	+ 785	+ 22	103	73	- 30	- 29
Océ	998	1.110	+ 112	+ 12	62	62	0	0
Philips	11.449	12.683	+ 1.234	+ 11	1.965	1.663	- 302	- 15
PolyGram	2.023	2.929	+ 906	+ 45	614	534	- 80	- 13
Unilever	13.504	26.263	+12.759	+ 94	3.612	2.676	- 936	- 26

Table 1 shows the effect, in both millions of guilders (or pounds sterling) and in percentages, that application of US GAAP had on the equity and net income of the companies referred to. Application of US GAAP has resulted in these companies disclosing higher equity, varying from 9% to 94X, and, in most cases, lower net income, varying from 75% down to 1% up.

Perusal of the reconciliation statements shows that the adjustments relate, among other things, to the following:

- the treatment of goodwill,
- the valuation of intangible fixed assets,
- the valuation of tangible fixed assets,
- the determination of the pension provision and pension costs,
- the determination of the provision for insurance commitments,
- the accounting treatment of dividends.

Except for Philips and PolyGram, all the companies mentioned in Table 1 charge purchased goodwill direct to equity, which is permissible under Dutch GAAP. Under US GAAP, however, purchased goodwill must be capitalised and amortised over a period of at most 40 years. Philips and PolyGram treat the goodwill purchased since 1992 and 1993 respectively in accordance with US GAAP, whereas goodwill purchased earlier was charged to equity. In all cases - hence including for the time being Philips and PolyGram - adaptation to US GAAP results in an increase in equity and a decrease in net income.

More and more companies in the Netherlands are capitalising intangible fixed assets without amortising them systematically as required under US GAAP. Since PolyGram does not systematically amortise all its catalogues of recorded music, application of US GAAP results in decreases in equity and net income for both PolyGram itself and for its parent, Philips.[5] The same applies to Elsevier which has capitalised publishing rights which are generally not amortised.

In the United States, unlike in the Netherlands, tangible fixed assets must be carried at historica1 cost. AEGON, Ahold, Elsevier, Heidemij and Océ have included adjustments for this in their reconciliation statements since they carry certain categories of tangible fixed asset at current cost. In general, such adjustments result in a decrease in equity and an increase in net income.

There are a number of differences between Dutch reporting practice and US GAAP in the area of detennining the pension provision and pension costs. In the Netherlands, the calculation is basedupon present salaries, while, inthe United States, allowance must be made for future changes in salaries. There is also a difference regarding the discount rate to be used. In the Netherlands it is normal to use a low, fixed discount rate while, in contrast, in the United States the rate to be used has to be derived from market interest rates. The reconciliation statements of six of the ten companies (Ahold, Akzo, Elsevier, Heidemij, KLM and Unilever) disclose adjustments with different effects on equity and net income.

The provision for insurance commitments is a matter relating specifically to AEGON. This provision which mainly affect8 the life insurance business is determined by reference to the present value of future benefits to be paid less the present value of premiums stil1 to be received. Since AEGON uses mortality tables and discount rates which differ from those to be used under US GAAP, an adjustment is required which results in increased equity and decreased net income.

In the Netherlands, dividends stil1 to be declared at the year-end are carried as a current liability, whereas in the United States it is shown as part of equity until it is declared due for payment. Ahold, Akzo, Elsevier, Heidemij, Philips and Unilever have made adjustments for this which result in increased equity. Net income is, of course, unaffected. KLM explicitly states that such an adjustment is not applicable to it, since no dividend was distributed for the financial year 1993. The reconciliation statements for AEGON, Océ and PolyGram do not include adjustments for dividends stil1 to be declared.

Other differences which have given rise to explicit adjustments relate to the treatment of foreign exchange translation, capitalisation of interests expense, valuation of deferred tax liabilities and the treatment of the cumulative effect of changes in accounting policies.[6]

3 Development of the effects on figures of differences between Dutch GAAP and US GAAP [7]

The differences shown in the reconciliation statements in the Forms 20-F for 1993 were discussed briefly above. The effect of these differences over a period of ten years for each of the companies will be addressed below. The first companies to be considered are those which have filed Forms 20-F for the entire period under review, followed by those *for* which this is not the case. Elsevier and Heidemij are not included since they only recently began filing Forms 20-F with the SEC.

Graphs are used to illustrate the development of the percentage differences between equity and net income under Dutch GAAP and US GAAP for the period 1984 to 1993.[8] The percentage differences on equity were calculated as follows:

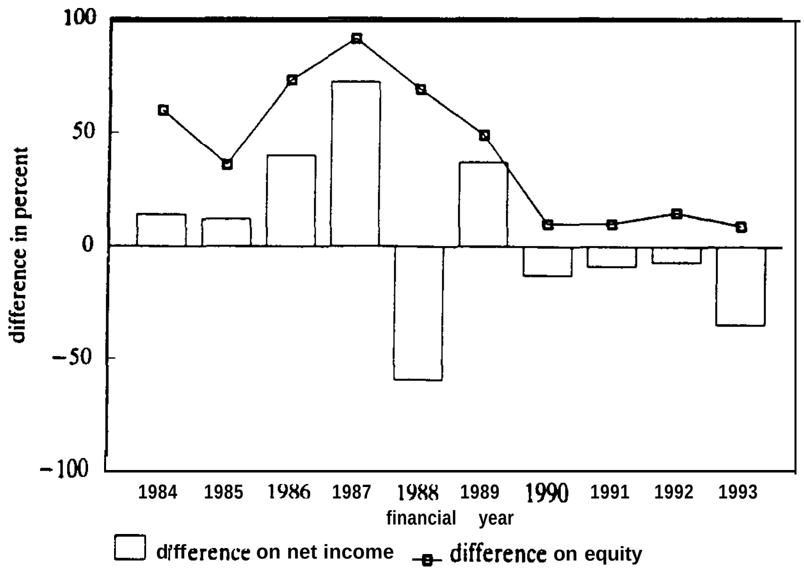
$$\frac{\text{equity under US GAAP} - \text{equity under Dutch GAAP}}{|\text{equity under Dutch GAAP}|} \times 100\%$$

Consequently, the percentages indicate the amount that equity under Dutch GAAP would increase or decrease if US GAAP were applied. A similar calculation was applied to net income.

AEGON NV

In Figure 1, the line graph shows the development of the percentage difference in equity under Dutch GAAP and US GAAP and the bar chart shows the development of the percentage difference in net income under Dutch GAAP and US GAAP.

Ffgure 1: Differences AEGON



It is clear from Figure 1 that from 1987 the differences in equity decreased. With the exception of 1988 and 1993 the same pettern could be seen in net income. The difference in 1988 is partly connected with a non-recurring tax charge relating to the equalisation reserve. AEGON accounted for this item through reserves whereas under US GAAP it had to be taken to the income statement. The large difference in net income in 1993 was caused mainly by a change in the calculation of taxes following the introduction of Statement of Financial Accounting Standards *No.* 109 (SFAS 109) *'Accounting for income taxes'*. The cumulative effect of the change on prior years had to be charged to the income statement. There is no such effect in AEGON's financial statements drawn up under Dutch GAAP, since the liability method, required by SFAS 109, was already applied.

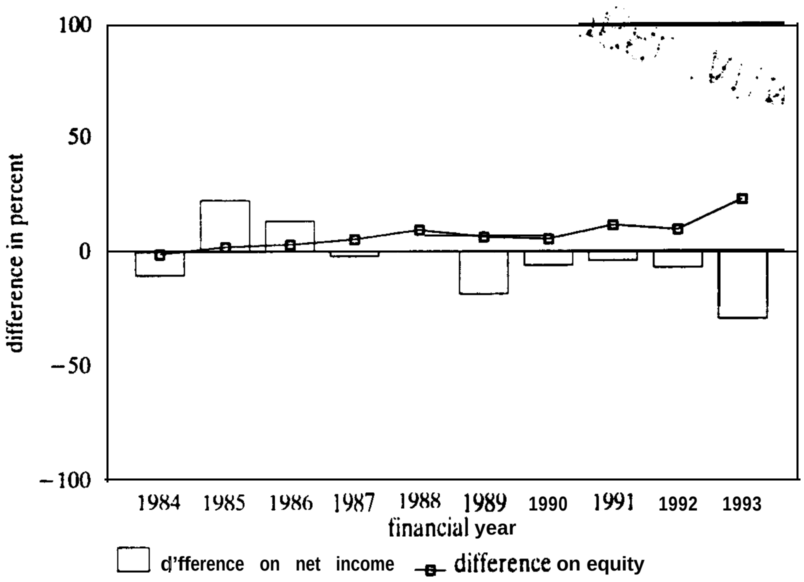
The reduction in the differences over time is mainly a result of the ever-increasing application of accounting policies which are more inline with US GAAP. Principally in 1990, but also in 1985, 1986 and 1993, AEGON changed its accounting policies in this direction. The changes of accounting policy in 1990 related among other things to the treatment of costs which vary with and are directly linked to new insurance business (initial costs) and the treatment of gains and losses on the sale of investments in shares and real estate. Initial costs were no longer charged in the first year but spread over the period during which the premiumwould be received. Gains andlosses on the sale of investments in shares and real estate were no longer taken direct to equity but to the income statement.[9]

The adjustments for US GAAP mainly affecting AEGON's equity and net income throughout the period (1984-1993) relate to the treatment of goodwill, the valuation of tangible fixed assets and the determination of the provision for insurance commitments. Net income can also be considerably affected by adjustments relating to realised gains and losses on fixed-interest securities. These gains and losses are accounted for by AEGON over the remaining term of the security while under US GAAP they should be taken in one go to the income statement. Since by their nature, realised gains and losses on fixed-interest securities show large fluctuations, the adjustments which have to be accounted for over time in the reconciliation statements may vary considerably.

Koninklijke Luchtvaart Maatschappij NV

With the exception of 1993, the percentage differences in KLM's equity under Dutch GAAP and US GAAP are small. After three years of relatively small differences in net income, there was a difference of some 29% in 1993.

Figure 2: Differences KLM



The relatively large differences in 1993 were the result of KLM only then quantifying the effects on its equity and net income of the reporting requirements of SFAS *87, 'Employers' Accounting for Pensions'.* These had not been included in the Forms 20-F for earlier years.

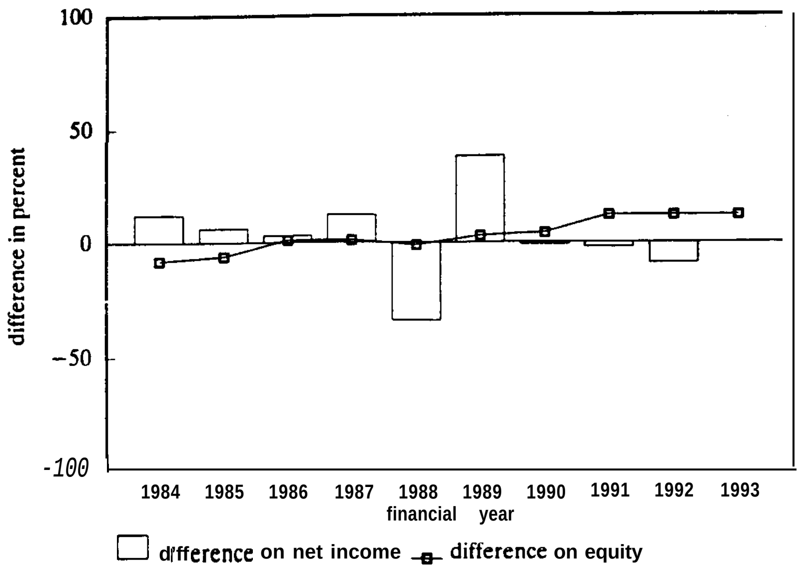
The 17% difference in net income in 1989 is the result of the non-recurring effects of two changes in accounting policies which led to adjustments for US GAAP. Since 1989, as required by US GAAP, gains and losses on long-term long-term liabilities and fixed asset investments are taken to the income statement in the year in which they arise and no longer, in the case of net gains at the balance sheet date, at the same time as these items are settled. Further to this change in accounting policy, KLM treats the balance of capita1 gains and losses as an exceptional item. However, for the purposes of determining net income under US GAAP, this item was eliminated since under US GAAP it should have been accounted for at an earlier stage. The treatment of these gains and losses before 1989, which was not in accordance with US GAAP, led to the fluctuations in differences in net income under Dutch GAAP and US GAAP.

The changes in accounting policy introduced in 1989 reduced the number of material differences to one, relating to goodwill. However, the Form 20-F for 1993 includes adjustments relating to pensions (as discussed above) and dividends to be declared. KLM has now decided with effect from its financial year 1994 to change its accounting policy on goodwill to the effect that "Purchased goodwill on acquiring participating interests will, in accordance with an increasing international trend, be capitalised and amortised. This complies with US requirements. ...The goodwill charged direct to equity up to 31 March 1994 will not be capitalised".[10] KLM is following Philips and PolyGram in taking first steps towards treating goodwill under US GAAP. The reconciliation statements to the Forms 20-F will probably continue to include adjustments for goodwill since the change of accounting policy is not retroactive.

Océ-van der Grinten NV

The main adjustments in Océ's Forms 20-F related to the treatment of goodwill and the valuation of tangible fixed assets. The *joint* effect of these two adjustments on equity and net income was nevertheless relatively quite small.

Figure 3: Differences Océ

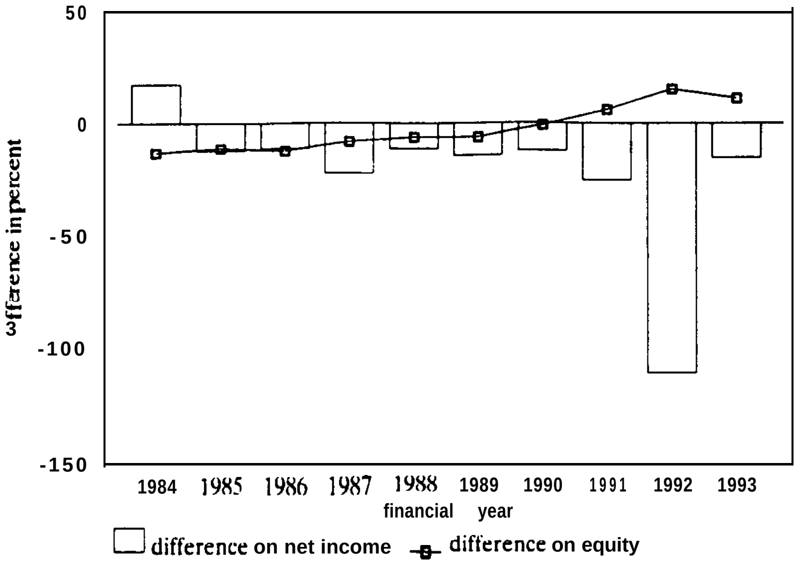


The large differences in net income under Dutch and US GAAP in 1988 and 1989 relate to the disposal of participating interests. In 1988, the effect was from the translation differences on an overseas participating interest which had been taken direct to equity in earlier years. Under US GAAP, however, such differences shouldbe accounted for through the income statement at the disposal of overseas participating interests. In 1989 purchased goodwill on the sale of a participating interest was taken direct to equity whereas under US GAAP this should have been through the income statement.

Philips Electronics NV

Figure 4 shows the development of the differences at Philips. Application of US GAAP led to lower equity in the first seven years of the period under review and higher equity in the last three years. Under US GAAP, net income was almost always lower than under Dutch GAAP.

Figure 4: Differences Philips



The **principal** adjustments **relate** to treatment of goodwill and the valuation of tangible fixed **assets.** The effect of the former in particular gained in **importance** over the period under review, increasing equity and decreasing net income. The exceptionally large decrease in net income in 1992 (-109%) was mainly the effect of non-recurring extra amortisation of purchased goodwill following a permanent diminution in value. The goodwill involved, purchased before 1992, was accounted for direct through equity. Under US GAAP, this should **however** have been capitalised and amortised through the income statement. .

In 1992 and **1989,** Philips made a number of important changes which led to the application of accounting **policies** more closely in line with US GAAP. In 1992 the following changes were implemented:

- replacement of the current **cost principle** by the historical **cost principle;**
- use of the US dollar **rather** than the local currency as the functional currency in countries suffering from **hyperinflation;**[11]
- capitalisation and amortisation (over a maximum of 40 years) of goodwill on acquisition of participating interests from 1992;
- capitalisation and amortisation (over a maximum of three years) of certain expenditure on the development of certain software **products** if it is determined that those **products** are marketable over a **longer** period.

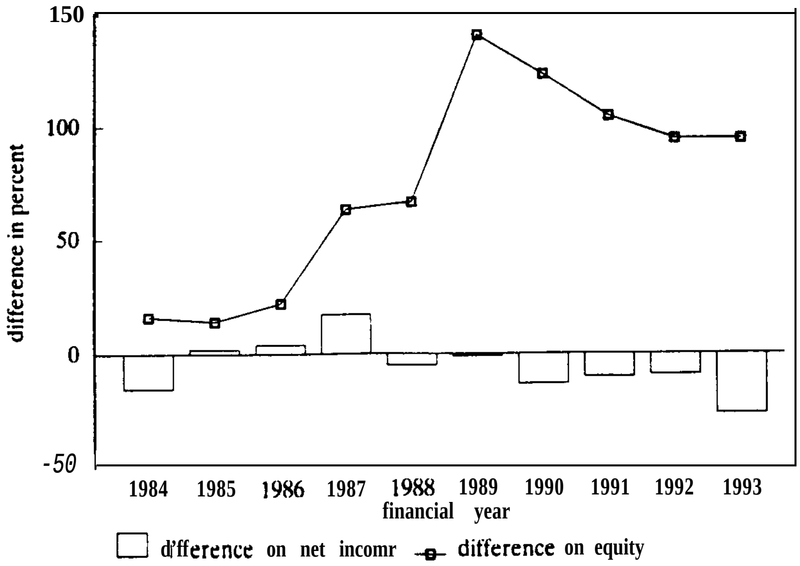
In addition to these changes, Philips has stated that, with effect from 1993, it **will** apply the provisions of SPAS 106, *'Employers' Accounting for Postretirement Benefits Other Than Pensions.'* The change of accounting policy regarding goodwill has not been applied retroactively, which means that the reconciliation statements in Philips' future Forms 20-F will stil1 include adjustments for goodwill. These adjustments will, however, decline over time.

In contrast to the changes of accounting policy in 1992, those of 1989 have not resulted in a clear reduction in the differences in equity and net income under Dutch GAAP and US GAAP. They related, among other things, to the determination of pension costs and the gearing adjustment for countries suffering from hyperinflation. With effect from 1989, Philips has based the determination of pension costs on SFAS 87, *'Employers' Accounting for pensions'*, the reconciliation statements before 1989 do not however contain any adjustments for departures from SFAS 87. The changes relating to the gearing adjustment for countries suffering from hyperinflation were a refinement of the current cost accounting policy applied by Philips.

Unilever NV

Application of US GAAP mainly affects Unilever's equity, with increases of more than 100% in the second half of the period under review. Unilever's treatment of goodwill causes by far the most significant adjustment. Other significant adjustments are for capitalisation of interest expense and dividends stil1 to be declared. In comparison with the adjustments to equity, the adjustments to net income in accordance with US GAAP are relatively small. With the exception of a few non-recurring adjustments, the differences are mainly caused by the treatment of purchased goodwill.

Figure 5: Differences Unilever



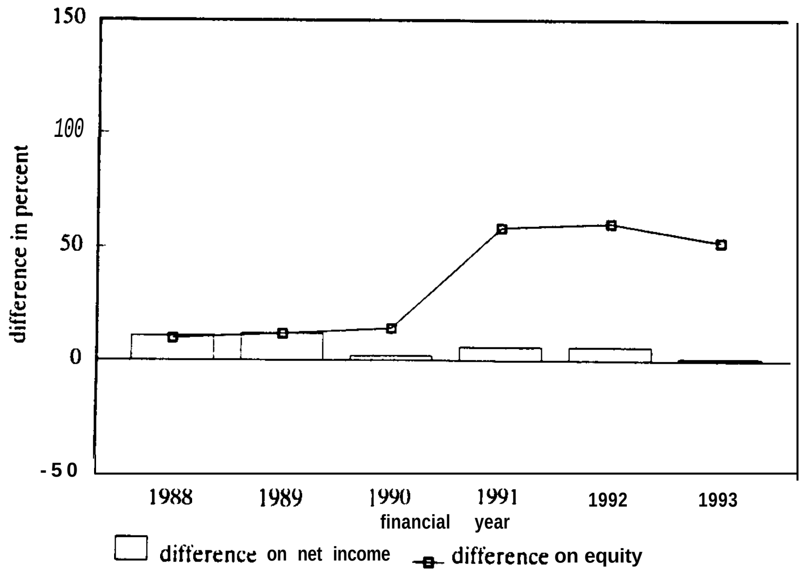
The relatively large differences between net income under Dutch GAAP and US GAAP in 1987 (+17%) and 1993 (-26%) are the cumulative effect of changes in accounting policy made in those years. Under US GAAP, such effects should, generally, be accounted for in the income statement, whereas Unilever has taken them direct to equity. In 1987, the accounting policy for the amortisation of tangible fixed assets was changed and in 1993 there was a change in connectionwith the introduction of SFAS 106, *'Employers' Accounting for Postretirement Benefits Other Than* Pensions'. In line with SFAS 106, Unilever no longer charges reimbursements of health care costs for retired employees to the income statement in the year in which they are incurred but has built up a provision so that these reimbursements can be accounted for during the period of the employees' service. Furthermore, Unilever's net income was subject to a non-recurring adjustment relating to a change in the computation of the tax charge following the introduction of SFAS 109. There was no equivalent effect in the financial statements drawn up under Dutch GAAP, since the liability method, required by SFAS 109, was already applied (see AEGON).

In 1990 and 1991, Unilever made changes to accounting policies on the treatment of foreign exchange differences which brought the policies used more in line with US GAAP. With effect from the financial year 1990, income statements of group companies in foreign currencies were translated, for compilation of the financial statements in guilders, at average rates rather than year-end rates, in accordance with SFAS 52, *'Foreign Currency Translation'.*

Koninklijke Ahold NV

Ahold has been listed in the United States since 1991. The first Form 20-F submitted to the SEC by Ahold was for the financial year 1989.[12] Figure 6 shows the developments in the period 1988-1993; the differences relating to 1988 are derived from the comparative figures included in the 1989 Form 20-F.

Figure 6: Differences Ahold



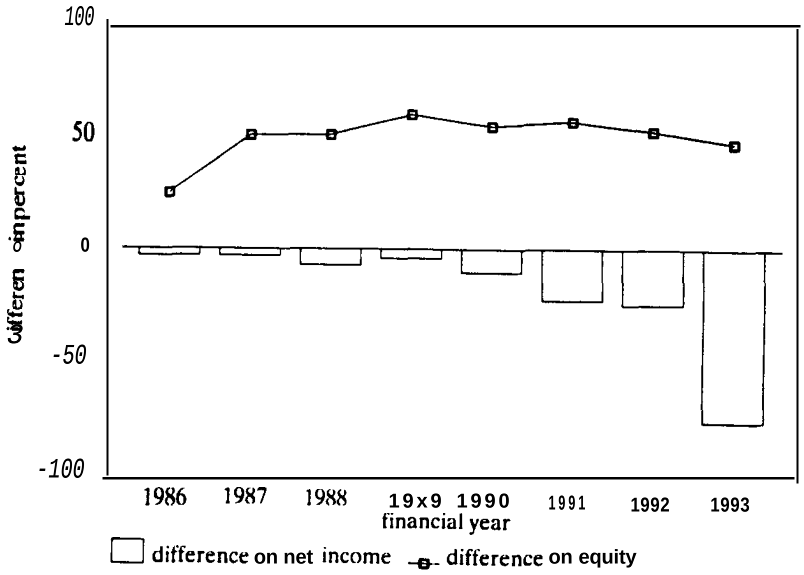
Also for Ahold, the treatment of goodwill is by far the most significant adjustment. This adjustmenthas increased five-fold since 1988. Over time, the effect of applying SFAS *87, 'Employers' Accounting for* Pensions', has had an increasing, positive effect on equity. Another material adjustment, with a negative effect on equity, relates to the valuation of tangible fixed assets.

The effects of the adjustments on net income are, on balance, relatively limited. In addition to the above adjustments, the reconciliation statements include an item affecting net income relating to the application of SFAS 52, *'Foreign Currency Translation'.* This item arises from the exchange rate differences which Ahold takes direct to equity while under US GAAP these should be taken to the income statement. In some years, the adjustment to net income under SFAS 52 is positive and in others negative. The relatively large differences in 1988 and 1989 are mainly the result of book profits on the sale of participating interests, which Ahold has taken direct to equity, whereas under US GAAP, this should have been accounted for through the income statement.

Akzo Nobel NV

Akzo has been listed in the United States since 1989. The first Form 20-F submitted to the SEC by Akzo was for the financial year 1987 and the first nine months of the financial year 1988.[13] Figure 7 shows developments in the period 1986-1993; the differences relating *to* 1986 are derived from the **comparative** figures included in the Form **20-F** for that year.

Figure 7: Differences Akzo



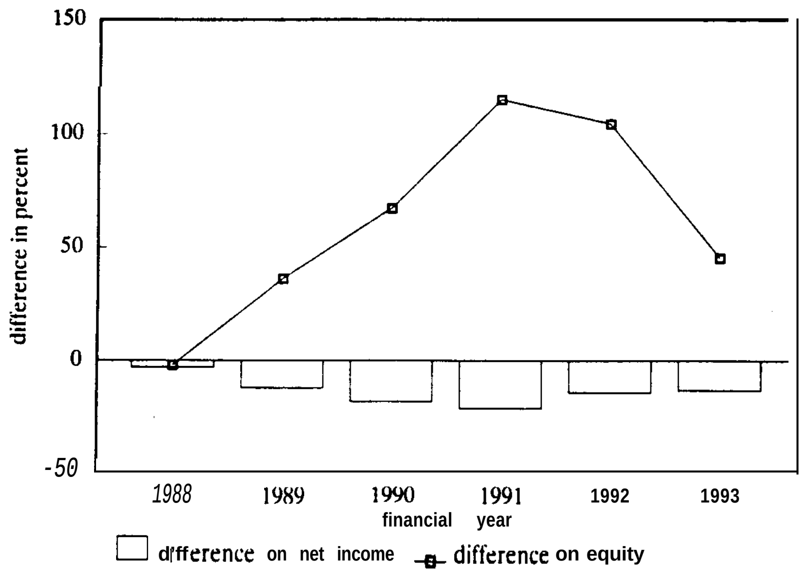
The differences in equity under Dutch GAAP and US GAAP have been **very** stable over **time.** The **difference** was **caused** mainly by the adjustment for goodwill. Furthermore, there is an adjustment relating to the treatment of dividends stil1 to be declared. Until 1990, the **difference** between net income between Dutch GAAP and US GAAP is mainly the **result** of the adjustment for goodwill. Significant adjustments to net income in the later years related mainly to the application of SFAS 87, *'Employers Accounting for* Pensions', and the treatment under US GAAP of unamortised goodwill on the sales of participating interests. The **latter** adjustment is, of course, connected with taking purchased goodwill direct to equity.

As **can** be seen in Figure 7, in 1993 net income under Dutch **GAAP** was significantly different from that under US GAAP, mainly as a **result** of SFAS 106, *'**Employers'** Accounting for Postretirement Benefits Other Than Pensions',* which was first used in 1993 for computing net income under US GAAP. In addition to the negative effect on net income in 1993, which was from a non-recurring catching up exercise, application of SFAS 106 **also** had a negative effect on equity. In contrast to e.g. Philips and Unilever, Akzo has not yet changed its accounting policies in line with SFAS 106.

PolyGram NV

PolyGram has been listed in the United States since 1989. Figure 8 shows the developments in the period 1988-1993; the differences relating to 1988 are derived from the comparative figures included in the Form 20-F for that year.

Figure *8: Differences PolyGram*



The differences in both equity and net income are determined particularly by adjustments for goodwill and the capitalisation of catalogues of recorded music. PolyGram only amortises these catalogues if and to the extent that their indirect realisable value falls below book value. Under US GAAP, however, all intangible assets must be amortised systematically.

In 1993, PolyGram changed its accounting policy on the treatment of goodwill. Purchased goodwill is no longer taken direct to equity but capitalised and amortised over a maximum of 40 years. As at Philips, its parent company, this change in accounting policy was not given retroactive effect. In addition, also in 1993, PolyGram changed its accounting policies in line with SFAS 106 coming into force in the United States.

4 Evaluation

It is clear that the application of US GAAP can have a significant effect on the figures presented by a company. In the second half of the period under review (1989-1993), application of US GAAP led mainly to higher equity and lower net income for the companies concerned. The picture in the first half of the period (1984-1988) is less clear. The adjustments required for the different treatment of goodwill, particularly during the later years, increasingly affected equity positively and net income negatively. This can be seen clearly in Figure 9 for equity and Figure 10 for net income. These figures show the percentage increase or decrease in the figures presented by the companies studied as a result of applying US GAAP, including and excluding the goodwill adjustments.

*Figure 9: **Average difference** on equity, including and excluding the effect of adjustments for goodwill*

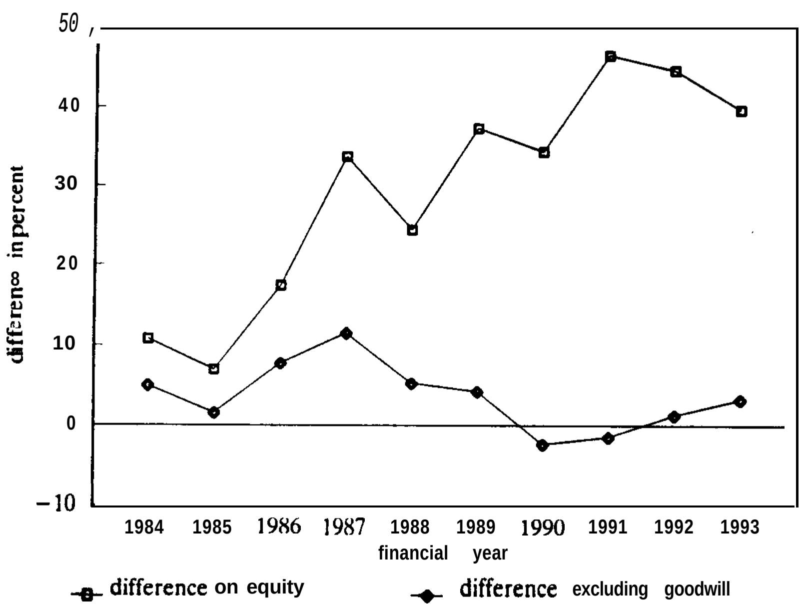


*Figure 10: **Average difference** on net income, including and excluding the effect of adjustments for goodwill*

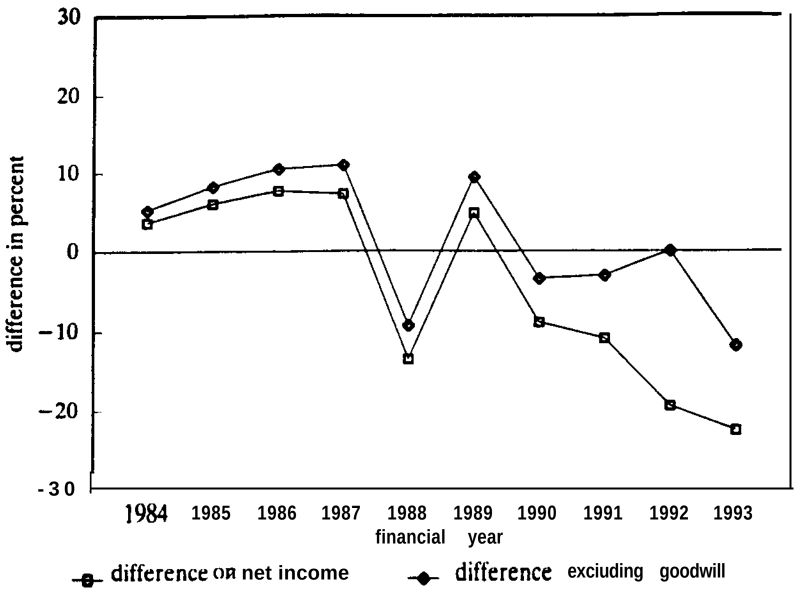


Figure 9 shows that eliminating the goodwill adjustment smoothes the **average** percentage **difference** in equity under Dutch GAAP and US GAAP. Before eliminating the goodwill adjustments, the **difference** varied between +7X and **+47%** while **after** elimination the variation was between -3% and **+12%.** There is a **much less** marked smoothing in the case of net income. Figure 10 shows that before eliminating the goodwill adjustments the variation was between -23 and **+8%** and **after** elimination between -12% and **+11%.** This **can** be explained by non-recurring adjustments which frequently **caused** exceptionally large differences **in net** income under Dutch GAAP and US GAAP. Examples of these are the **effects** of **changes** of accounting policy *or* gains and **losses** on disposal of participating interests. The impact on net income of the remaining adjustments for US GAAP **can** in genera1 be regarded as **very** limited.

The reporting **policies** of the **companies** studied show a **clear** trend towards greater compliance with US GAAP. **Such** a reporting policy is possible because of the conceptual and interpretational **nature** and consequent flexibility of Dutch GAAP. Although **many companies** have **changed** accounting **policies** as a **result** of international developments, they have only done this if the figures presented are not **affected** too negatively. **Such** reluctance **can** be seen from the change to the treatment of goodwill by **KLM,** Philips and **PolyGram.** The new policy - capitalisation and amortisation - is only applied to "new goodwill". In other words it is not applied retroactively. This prevents goodwill purchased earlier, which had been taken direct to equity, from **having** a depressing effect on future net **income.**[14]

In contrast to the reduction in differences on equity and net income under Dutch GAAP and US GAAP through changes in accounting policies, in some cases, increases have been caused by the introduction of new SFASs, for example at Akzo in the case of SFAS 106, *'Employers' Accounting for Postretirement Benefits Other Than Pensions'*, and at KLM in the case of SFAS 87 *'Employers' Accounting for Pensions'*.[15] Other companies apply new SFASs immediately, for example Philips and Unilever in the case of SFAS 106.

The flexibility of Dutch GAAP does not make it possible to apply rules of thumb on the effect of applying US GAAP to financial statements drawn up under Dutch GAAP. As can be seen from the above, investors and investment analysts who wish to compare Dutch companies which are not listed on a US stock exchange with companies which apply US GAAP must consider the following matters:

- equity and profitability figures of Dutch companies can differ significantly because of taking purchased goodwill direct to equity;
- profit figures presented by Dutch companies can differ significantly as a result of non-recurring items being taken direct to reserves;
- the introduction of new SFASs can significantly affect the profit figures of companies applying US GAAP.

In addition to these more or less general items, account must be taken of items which are industry specific such as the different approach under US GAAP of publishing rights for publishers and the valuation of real-estate and provisions for insurance commitments in the insurance industry.

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Notes

1. For simplicity, in the rest of this article, Dutch reporting requirements are described as Dutch GAAP. Strictly speaking, this is not entirely correct since in Dutch reference is made to *acceptable* accounting principles and not, as in the United States, to *accepted* accounting principles.

2. ***See Het Financieele Dagblad*** of 17 March 1995.
The shares are often traded in the form of American Depositary Receipts (ADRs). An ADR is a certificate representing shares of non-US companies deposited at a US bank.

3. ***See Het Financieele Dagblad*** of 17 March 1995.

4. KLM and Océ have financial years which are not conterminous with the calendar year, ending on 31 March and 30 November respectively. References to financial year 1993 are to the financial years 1993/1994 and 1992/1993 respectively.

5. Philips owns 75% of PolyGram.

6. See Moliterno (1991, chapter 3 and appendix D) for an analysis of the differences between Dutch GAAP and US GAAP unrelated to the matters reported in the reconciliation statements.

7. 1 am grateful to members of the finance departments of the companies referred to in this section for their comments on the section on their companies.

8. The starting point for the calculations are'the figures presented in the Forms 20-F for the relevant financial years. It is of course possible that comparative figures in later years' Forms 20-F are restated for changes in accounting policy.

9. See Vergoossen (1991, pp. 462-463) for a discussion of the quantitative effects of the changes in AEGON's accounting policies.

10. See KLM's press release of 2 February 1995 (p. 2) on the financial results for the first nine months of the 1994/1995 financial year.

11. It should be pointed out that this treatment is not in accordance with US GAAP, which requires the reporting currency to be the functional currency in countries suffering from hyperinflation. This departure has not however led to material differences.

12. In addition to serving as a report for the annual filing requirement with the SEC, the Form 20-F can also be used as a registration document for the securities. Ahold's first Form 20-F was so used.

13. See m.m. note 12.

14. In my opinion, this treatment is not in line with Dutch regulations; from the point of view of consistency, changes in accounting policy should be implemented retroactively. The International Accounting Standards

Committee however permitted and permits this change in accounting policy to be implemented non-retroactively (see the old International Accounting Standard 8 (para. 15) and the revised International Accounting Standard 22 (para. 79)).

15. Changes in accounting policy which lead to application of US GAAP do not by definition lead to smaller differences. The effects of the adjustments required to bring equity and net income into line with US GAAP can in part cancel each other out.