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Accounting Profession in Argentina, Second Edition Revised; Professional Accounting in Foreign Country Series

Coopers & Lybrand, Argentina

Steven F. Moliterno

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Recommended Citation

Coopers & Lybrand, Argentina and Moliterno, Steven F., "Accounting Profession in Argentina, Second Edition Revised; Professional Accounting in Foreign Country Series" (1994). *Guides, Handbooks and Manuals*. 680.

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SECOND EDITION, REVISED

The Accounting Profession in Argentina

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

AICPA

American Institute of Certified Public Accountants

The Accounting Profession in Argentina Second Edition, Revised

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

AICPA

NOTICE TO READERS

The Professional Accounting in Foreign Countries series is designed to be educational and used as reference material for the members of the Institute and others interested in the subject. It is not intended to establish standards.

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The International Booklets Task Force gratefully acknowledges the contributions made to the development of this series by Howard Keefe, Harvey Moskowitz, James Flynn, and Susan Sgromo, and by the accounting firm of Arthur Andersen & Co. The Task Force would also like to acknowledge the fine editorial efforts of Carrie Vaccaro and the production work of Robert DiCorcia, Jeanmarie Brusati, and Ingrid Anderson.

SECOND EDITION, REVISED

The Accounting Profession in Argentina

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

Prepared by
Coopers & Lybrand, Argentina

STEVEN F. MOLITERNO, CPA
Series Editor

AICPA

American Institute of Certified Public Accountants

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New York, NY 10036-8775
First Edition 1989. Second Edition, Revised 1994.

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Department, AICPA, Harborside Financial Center, 201 Plaza Three,
Jersey City, NJ 07311-3881.

1 2 3 4 5 6 7 8 9 0 T I 9 9 8 7 6 5 4

Library of Congress Cataloging-in-Publication Data

(Revised for vol. [11] 2nd ed., rev.)

The Accounting profession in Argentina

“Steven F. Moliterno, series editor.”

Includes rev. editions of some vols.

Includes bibliographies.

Contents: [1] Canada/prepared by Fuller Jenks
Landau—[2] Netherlands/prepared by Ernst &
Whinney—[etc.]—[11] Argentina/prepared by
Coopers & Lybrand, Harteneck, Lopez & Cia—[etc.]

1. Accounting. 2. Comparative accounting.

I. Moliterno, Steven F. II. American Institute of
Certified Public Accountants. III. Professional
accounting in foreign countries series.

HF5611.A34 1987 657 87-150526

Preface

This booklet is one of a series on professional accounting in foreign countries. The material is current as of January 1994. Changes after this date in the standards of either the United States or Argentina may alter the comparisons and references detailed in this publication.

Included are descriptions of the accounting profession, auditing standards, and accounting principles in Argentina. The booklet also presents brief descriptions of the various forms of business organizations, taxes, and requirements for stock exchange listings and securities offerings. Checklists comparing Argentine auditing standards and accounting principles with those generally accepted in the United States are appendixes to the text.

This booklet is not intended to be a comprehensive discussion of auditing standards and accounting principles in Argentina but is designed instead to focus primarily on differences from those of the United States.

John F. Hudson
Vice President—Technical
Standards and Services

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The Accounting Profession

REQUIREMENTS FOR ENTRY INTO THE PROFESSION

Domestic Functions and Licensing Requirements

1. Throughout Argentina, public accounting is governed by Law 20488, which is applicable to the practice of all economic science professions and sets two basic requirements for those practicing public accounting. Practitioners must –

- a. Hold a *Contador Público* (Public Accountant) degree that has been issued by an officially recognized national, provincial, or private university and falls within the framework of Laws 14557 and 17604 and related regulations.
- b. Be licensed to practice in a jurisdiction (City of Buenos Aires or province) by (1) filing an application based on presentation of the *Contador Público* degree with the Professional Council, (2) registering his or her name, and (3) paying an annual license fee.

Firms may be registered only when all the individuals whose names are included in the firm name hold an Argentine *Contador Público* degree.

Foreign Reciprocity

2. Law 20488 provides that public accounting may be practiced by anyone holding a *Contador Público* degree issued by a foreign university or a professional institution that has been revalidated by an Argentine national university. Such revalidation is subject to the following requirements:

2 The Accounting Profession in Argentina

- a. The foreign degree can be issued to the candidate only after he or she has completed a school curriculum and shown proof of having fulfilled the same requirements and attained the same knowledge as that of a recipient of the *Contador Público* degree from an Argentine national university.
- b. Unless the candidate holding the foreign degree is an Argentine citizen, he or she must have two years of continuous residence in Argentina.

ROLES AND RESPONSIBILITIES OF STANDARD-SETTING BODIES

Professional Standards Promulgated by Each Body

3. Authority for issuing professional standards is vested in the Professional Councils that function in the various jurisdictions (for example, the City of Buenos Aires or the provinces). The background research and drafting of technical accounting standards, however, are handled by the *Centro de Estudios Científicos y Técnicos (CECYT)*, or Center of Scientific and Technical Studies, which is a branch of the *Federación Argentina de Concejos Profesionales de Ciencias Económicas (FACPCE)*, or Argentine Federation of Professional Councils in Economic Sciences. The *FACPCE* can be reached at the following address:

Viamonte 1145, 3.A
Buenos Aires 1053

4. The *Instituto Técnico de Contadores Públicos (ITCP)*, or Technical Institute of Public Accountants, which is a branch of the *Federación Argentina de Graduados en Ciencias Económicas (FAGCE)*, or Argentine Federation of Graduates in Economic Sciences, also issues technical standards. The *FAGCE* can be reached at the following address:

Viamonte 1592 Piso 3
Buenos Aires 1055

These standards are guidelines rather than obligatory requirements.

5. An agreement reached between the *FACPCE* and the *FAGCE* sets a procedure for coordinating the issuance of technical standards pertaining to the accounting profession. Under the agreement, although the *FACPCE* is responsible for issuing and promulgating standards, it must first consult the *FAGCE*.

6. Standards issued by the *FACPCE* are known as *Resoluciones Técnicas*, or Technical Resolutions. When issued, each of the provincial professional councils decides whether to adopt the standards within its province; compliance is obligatory within the jurisdictions whose professional councils have approved the standards. The *FACPCE* also issues reports on topics of professional interest.

Ethics Requirements

7. The most common ethical rules governing the profession are contained in the Argentine Code of Ethics issued by the *FACPCE*, which aims to safeguard the public. The *FACPCE* also protects professionals against dishonest competition and helps to promote self-discipline, moral integrity, and independence, as well as contribute to resolving cases. The existing Code of Ethics contains rules of professional conduct governing general aspects, relationships between practitioners, publicity, the confidentiality of client information, independence, matters relating to fees, and other topics.

8. A disciplinary court is responsible for monitoring compliance with the Code of Ethics. Its members are elected based on the direct vote of all registered professionals.

PROFESSIONAL PUBLIC ACCOUNTING ORGANIZATIONS

9. The two basic organizations of public accountants are:

- *Colegios de Graduados en Ciencias Económicas* (Colleges of Graduates in Economic Sciences)
- *Concejos Profesionales de Ciencias Económicas* (Professional Councils of Economic Sciences), or *CPCE*

Requirements for Membership

10. The *Concejos Profesionales de Ciencias Económicas* are public entities not controlled by the state and have the authority to monitor public accounting practice and issue obligatory technical standards. The only membership requirement is that members must hold the degrees of Public Accountant, Bachelor of Business Administration, and Bachelor of Economics or Actuary, issued by an Argentine university. Further competitive examinations or public accounting experience are not required.

11. There is a *Concejo Profesional* for the City of Buenos Aires, Tierra del Fuego, Antarctica, the South Atlantic Islands, and each province.

12. The *Colegios de Graduados en Ciencias Económicas* are civil associations with voluntary membership that do not necessarily belong to the *FAGCE*. They look after members' interests, organize cultural activities, and issue technical guidelines. There may be more than one in a province.

Rights of Membership

13. A *contador público* must be a member of the appropriate *Concejo Profesional* in order to be licensed to practice in a given jurisdiction.

14. As a member of the professional organizations, a *contador público* is entitled to receive professional literature and attend continuing professional education courses at preferential rates, as well as receive the benefits associated with being represented by a union.

15. Membership in a *Colegio de Graduados en Ciencias Económicas* does not entitle a *contador público* to engage in independent practice.

Number of Members

16. Membership in the *FAGCE* is estimated at 11,000, while that of the *FACPCE* is estimated at 70,000, of which about 40,000 are members of the City of Buenos Aires *CPCE*.

CPE Requirements

17. Although continuing professional education is not mandatory for *contadores públicos*, it is greatly encouraged by the professional organizations, which have set up committees for the following:

- a. Accounting, auditing, and systems
 - Preparation, analysis, and auditing of financial statements and financial forecasts
 - Organization and implementation of accounting and data processing systems
- b. Tax services
 - Tax advice
 - Representation before fiscal courts
- c. Judicial
 - Receivership and insolvencies
 - Settlement of damages and claims
 - Dissolution and liquidation of partnerships and companies
 - Expert appraisals

2

Auditing Requirements

STATUTORY AUDITING AND REPORTING REQUIREMENTS

Purpose of the Statutory Audit

18. An independent audit of financial statements consists of an examination by an independent *contador público* with the objective of issuing an opinion as to whether the statements present fairly the entity's financial position and results for the period, thereby increasing the reliability of the accounting information. The general consensus is that the financial statements should at least provide information on—

- a. The net worth at a given date.
- b. The changes in net worth over a given period.
- c. The activities that affected the financial structure during the period.

19. Although the information that should be presented in financial statements is not as extensive as in other countries, the balance sheet, the statement of income, and the statement of changes in net worth are mandatory. Presentation of a statement of changes in financial position is in most cases optional, except for companies meeting one of the following criteria:

- a. Shares or debt securities are publicly traded.
- b. Capital exceeds U.S. \$2,100,000.
- c. The state owns part of the company's share capital.
- d. The company solicits cash or securities and in return provides future benefits or services.
- e. The company utilizes public utility concessions.

f. The company controls or is controlled by another company that meets one of these criteria.

20. In all cases, the independent auditor's responsibility is limited to the issuance of a professional opinion. The financial statements constitute management representations for which management assumes responsibility. Under a number of different special legal provisions, independent audits are required for many companies. However, under the Argentine Company Law, corporations are required to have one or more *syndics* (statutory auditors) and an equal number of alternate *syndics* appointed at the stockholders' meeting by the stockholders, who exercise supervisory functions over the corporation.

21. The *syndics* may be *contadores públicos* or lawyers. They have, among others, the following rights and duties: to examine the company's books and records and verify its funds, commercial paper, and securities at least once every three months; to attend board meetings and stockholders' meetings (at which they may voice an opinion, but have no right to vote); to report on the annual board report and financial statements; and to check that the corporate bodies abide by the bylaws and the decisions of stockholders.

Entities That Are Required to Be Audited

22. An independent audit is required by the Argentine Company Law only in exceptional cases. However, general corporations are required to have one or more *syndics* (companies not covered by Article 299 need not have a *syndic*, if this is expressly provided in their bylaws). In practice, the two functions are often combined, for example, by having one or more partners of the engaged auditing firm act as *syndics*, while another partner signs the independent audit report. However, the auditor and *syndic* may be the same individual.

23. The following laws or regulations include provisions requiring independent audits or accountants' certificates for certain entities:

- a. Resolution No. 6/80 of the *Inspección General de Justicia*, or Corporation Control Authority, which specifies that financial statements that meet certain conditions require an accountant's certificate
- b. Tax Department Resolution No. 2710, which requires special forms with key financial statement data, covered by an accountant's certificate, to accompany tax returns

- c. Regulations issued by the Argentine Securities Commission regarding corporations whose shares are publicly traded
- d. Financial Entities Law 21526
- e. Law 20091, governing insurance companies
- f. Law 20337, governing cooperative societies

Appointment and Qualifications of Auditors

24. The *syndics* and alternate *syndics* are appointed by the shareholders at their annual general meeting. Independent auditors are usually appointed by the board of directors or at the shareholders' meeting. Most companies in Argentina do not have an audit committee.

25. In the case of companies whose shares are quoted on the Buenos Aires Stock Exchange, the appointment of auditors and approval of their fees is done at the shareholders' meeting. In the case of banks and other financial entities, the auditors are appointed by the board of directors, which must inform the control authority (*Banco Central*) of the appointment. The reappointment of auditors must also be reported to the *Banco Central*.

Auditing and Reporting Responsibilities

26. The financial statements constitute representations made by the management of an entity, which is responsible for their contents. The auditor's responsibility is limited to giving an opinion on the fairness of the financial statements. The auditor has the right of access at all times to the books, records, and vouchers of the entity to carry out his or her duties.

27. The *syndics* are held responsible to an unlimited extent for the failure to fulfill their duties and are jointly responsible with the directors for any acts or omissions of the latter causing damages that would not have occurred if the *syndics* had properly discharged their duties. The responsibility associated with the *syndics'* report is limited to the fairness of the statements in the board report and the financial statements.

28. Failure by the auditor to perform his or her duties, with regard to the examination of financial statements, may lead to monetary, criminal, professional, or other consequences applicable

under the regulations of the control authorities involved. Because of negligence on his or her part, the auditor, in the event of deception or fraud, may be responsible for paying damages to the client or others. In the case of fraud, an auditor may be held criminally responsible, not necessarily for the perpetration of crimes, but rather for complicity or concealment, such as providing false or misleading examinations of financial statements. Failure to observe ethical requirements regarding other accountants and methods of work may lead to warnings, private or public admonitions, suspensions, or expulsion.

Filing of Reports

29. The Argentine Company Law requires that the financial statements of corporations with the related board report must be submitted to and approved by the shareholders at the shareholders' meeting.

30. The shareholders' meeting must be held within five months of the financial closing date. The approved financial statements must be filed with the *Inspección General de Justicia* within fifteen working days of the shareholders' meeting.

31. The board report must refer to the company's present situation, past activities, and future prospects, in addition to (a) mentioning the reasons underlying significant changes in assets or liabilities, (b) describing and explaining extraordinary income or expenditures and prior-period adjustments, (c) detailing relationships with controlling, controlled, and related companies and changes in equity and receivables and payables involving them, and (d) explaining any proposed reserve allocations or noncash dividend payments.

32. The audit report must be addressed to the party responsible for engaging the auditor and should accompany the financial statements. The basic financial statements discussed in the opinion must be signed by the auditor. Accompanying supplementary schedules may be either signed or initialed.

33. The financial statements of corporations must be filed with the *Inspección General de Justicia* whose jurisdiction encompasses the area where the entity is domiciled.

34. Branches of foreign companies must file their annual financial statements with the *Inspección General de Justicia* within sixty working days of their annual closing date. In the case of specific industries subject to a special control authority, the filing requirements differ. For example—

- Publicly listed corporations must file quarterly and annual financial statements with the Argentine Securities Commission.
- Banks are required to file certain monthly statements of position and quarterly and annual financial statements with the *Banco Central*.
- Using a June 30 annual closing date, insurance companies are required to file quarterly and annual financial statements with the *Superintendencia de Seguros de la Nación*, or National Insurance Superintendency, which supervises insurance companies.

SUMMARY OF SIGNIFICANT AUDITING STANDARDS AND COMPARISON WITH U.S. GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

Standards Issued

35. In Argentina, GAAS are issued by the professional organizations. In 1985, the *FACPCE* issued Technical Resolution No. 7, *Auditing Standards*. Its provisions cover both general auditing standards and those relating specifically to audits of financial statements. Additionally, the resolution governs audit practice, with specific reference to independence and guidelines for audit assignments and the preparation of audit reports.

36. In Buenos Aires, as well as in those provinces whose professional councils have adopted the Resolution, adherence to its provisions is mandatory.

37. Argentine GAAS are substantially similar to U.S. GAAS. However, while the U.S. standards are fairly detailed and, in general, codified, Argentine standards are more general and do not address the following:

- a. Quality control considerations
- b. Training and proficiency
- c. Due care in the performance of work
- d. Communications between predecessor and successor auditors
- e. Impact on financial statements due to illegal acts by clients
- f. Procedures for identifying related-party transactions and disclosure thereof
- g. Using the work of a specialist

38. Argentine auditing standards do not require an auditor's report to express an opinion on consistency, unless an exception exists involving consistency in the application of prevailing accounting standards.

General Standards

39. Argentine standards regarding independence are based on a definition of *lack of independence*, and are similar to U.S. standards.

Standards of Fieldwork

40. In Argentina, work papers need not include an audit program, although existing standards indicate that written documentation of work programs is preferred. Furthermore, although the Argentine GAAS provide that auditors may use statistical methods, the standards do not explain which statistical methods should be applied.

Standards of Reporting

41. The purpose of an audit is to issue a professional opinion as to whether the financial statements present fairly the financial position of an entity and the changes therein during the period covered.

42. The audit report is addressed to whomever engaged the audit services and provides users with assurance about the fairness of the information included in the financial statements.

43. There are standard audit-report formats that have been issued by the City of Buenos Aires *CPCE*. Although they are not mandatory, they are generally used. Furthermore, *FACPCE* Technical

Resolution No. 7 sets the minimum data that must be included in an audit report. An example of a standard report on financial statements follows:

We have examined the balance sheet of ABC *Sociedad Anónima* at December 31, 19XY and 19XX, and the related statements of income, changes in shareholders' equity and funds for the financial years then ended, as well as the notes and schedules that form an integral part of the aforementioned financial statements.

Our examination was conducted in accordance with prevailing auditing standards and, therefore, included such tests of the accounting records and documents and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the attached financial statements mentioned above in paragraph 1 present fairly the net worth and financial position of ABC *Sociedad Anónima* at December 31, 19XY and 19XX, and the results of its operations, changes in shareholders' equity, and sources and use of funds for the financial year then ended in accordance with professional accounting standards.

44. Variances from the standard report do occur for qualifications regarding accounting treatment, uncertainties, scope limitations, disclaimers, and adverse opinions.

45. When consistency has not been observed, the exception underlying the reasons for the change and its quantitative effect must be described. Moreover, the auditor must state whether he or she agrees with the change.

46. The date of the report is generally when the audit work at the premises of the audited entity is concluded.

47. The pages containing the basic financial statements referred to in the opinion must be signed by the auditor, while accompanying supplementary schedules may be signed or initialled. The audit report is signed by an individual partner of the accounting firm.

3

Accounting Principles and Practices

SOURCES OF ACCOUNTING PRINCIPLES

48. Until 1969, Argentine accounting principles comprised technical recommendations from the National Assemblies of Graduates in Economic Sciences. The VII Assembly (a periodic meeting of the Argentine accounting profession) approved a set of generally accepted accounting principles and technical standards for the preparation of financial statements. These disclosure and valuation principles are still used.

49. In 1969 and 1973, two different entities were created: the *ITCP*, which is subordinate to the *FAGCE*; and the *CECYT*, which reports to the *FACPCE*. Both entities began preparing opinions or technical resolutions, recommendations, and reports designed to form GAAP.

50. Depending on the geographic location involved (for example, the *ITCP*'s pronouncements apply in the City of Buenos Aires, whereas those of the *CECYT* are obligatory in most of the provinces), their pronouncements have gained acceptance as GAAP.

51. The Argentine Company Law also contains disclosure rules, and further regulations have been issued by the control authorities. Basic accounting principles (such as going concern, consistency, and prudence) are similar to those in the United States.

52. The Argentine accounting principles concerning the currency in which transactions and financial statement items are expressed

differ from those in the United States. Standard practice requires constant-currency financial statements. Thus, financial statements are presented in terms of the local currency value prevailing at the closing date.

FORM AND CONTENT OF FINANCIAL STATEMENTS

Presentation of Statements

53. The Company Law specifies the general reporting requirements for financial statements. The *Inspección General de Justicia* has issued detailed regulations governing their presentation that are contained in the Authority's Resolution 6/80. The *Inspección General de Justicia* generally adopts the professional accounting standards issued by the *FACPCE* regarding disclosures and valuations.

Types of Statements Prepared

54. As required by the Argentine Company Law, the basic financial statements, which must be prepared in constant currency and released annually within specified time limits, consist of a balance sheet, a statement of income, and a statement of changes in shareholders' equity (or net worth).

55. Although various technical pronouncements call for presentation of a statement of cash flows, in practice, very few companies include this statement in their financial package. For most companies that are not covered by Article 299 of Law 19550, it is not necessary to file this statement with the *Inspección General de Justicia*.

56. For companies governed by the National Securities Commission, certain supplementary information must be disclosed in the annual financial statements. This includes:

- Fixed assets. Detail providing the following data by major captions: opening balance, additions, deletions, closing balance, accumulated depreciation at beginning of period, eliminations, depreciation rate and depreciation for the period, accumulated depreciation at year-end, and net carrying value.

- Intangibles. Detail similar to that for fixed assets.
- Investments in shares, debentures, and other serially issued securities and equity in other companies. Detail disclosing the type, face value, number of shares or bonds held, acquisition cost, year-end quotation (if available), and certain information on the investee (capital, net income, and total shareholders' equity reported in the most recent financial statements).
- Other investments. Detail similar to above, but excluding the data on the investee.
- Allowances and reserves. Detail showing the opening balance, increases, decreases, and closing balances of each allowance or provision account.
- Cost of sales. Detail disclosing the method used to determine the opening inventory, purchases and expenses, and closing inventory.
- Foreign currency assets and liabilities. Detail by account caption and currency.
- Detail showing the expenses for the reporting period by caption (such as salaries, maintenance, depreciation, and interest) and final allocation (such as cost of sales, cost of fixed or other assets, administrative expenses, marketing expenses, and financial charges).

It is predominant practice that companies not governed by the *Comisión de Valores* regulations also present this information in schedules to the financial statements.

57. Since the 1983 amendment of the Argentine Company Law, corporations that control other corporations must include consolidated financial statements as supplementary data. Such consolidated financial statements may be limited to the basic financial statements and footnotes; supplementary schedules are not required.

58. Significant footnote disclosures required by the regulations follow:

- Any restricted assets, with details of the restriction
- Valuation criteria for the principal assets and liabilities
- Any assets covered by mortgages, pledges, and so forth, with details of the commitments that they guarantee
- Inventory valuation method
- Fixed asset depreciation method

- Asset revaluations, the related procedures utilized, and effect on net income
- Changes in accounting principles or disclosure as compared with the previous year, with explanations thereof, and disclosure of the effect on net income
- Significant subsequent events occurring between the financial statement closing date and the date of the board report that could significantly alter the entity's financial position or results
- Gain or loss arising from intercompany transactions
- Restrictions on profit or dividend distributions
- Details of contingent liabilities, such as surety bonds or guarantees granted on behalf of other parties

59. Following are some differences that exist between the financial statement presentation rules promulgated by the professional organizations and those established by legal regulations (Company Law No. 19550):

- Although comparative financial statements are a requirement of professional rules, they are not a legal requirement.
- Although professional rules require that when there is a choice between alternative accounting policies the footnotes to the financial statements should disclose the valuation criteria followed, legal regulations require this disclosure only for inventories.

60. Since the legal regulations are concerned with *minimum disclosure*, there is no real incompatibility. Nevertheless, the two sets of rules differ with regard to—

- Income tax allocation.* Technical Resolution No. 8, *General Rules Governing Accounting Disclosures*, requires the income tax charge to be allocated to ordinary income, extraordinary income, or prior period adjustments, depending on the underlying taxable income, whereas the legal regulations require the income tax charge to be shown as a one-line item.
- Prior period adjustments.* According to Technical Resolution No. 8, these should be shown as a separate item in the Statement of Changes in Shareholders' Equity. However, the legal regulations call for their inclusion in the Statement of Income for the reporting period in which the adjustment is recognized.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES
AND COMPARISON WITH U.S. GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

61. From the latter part of the 1980s through March 1991, the economic environment in Argentina was characterized by triple-digit inflation (on occasions exceeding 30 percent in a single month). Consequently, one of the major goals of both the accounting profession and the business community has been achieving a financial statement presentation that reflects fairly the net worth, financial position, and operating results of the reporting entities. Accounting principles have therefore departed from using an historical-cost accounting method towards using a current-cost accounting method. Although current value is the basic valuation method, the cost method is still appropriate in certain circumstances.

62. The circumstances in which alternative valuation criteria coexist, and are accorded acceptance provided they do not exceed market value, are the following:

- a.* Either valuation method may be used for inventories, provided year-end replacement cost does not exceed net realizable value.
- b.* Publicly listed securities not subject to the equity method must be valued at their year-end market quotation less estimated selling expenses, provided the quotation is not inordinately high due to temporary market fluctuations.
- c.* Readily saleable commodities must be valued in the same way as current investments, that is, using the quotation on the market in which the entity normally operates.
- d.* Investments in controlled and related companies, when significant influence is exercised, must be valued using the equity method.
- e.* Fixed assets and investments in properties may be valued using one of the following methods:
 - (1) Replacement cost at year-end
 - (2) Original cost restated at closing-currency values, less accumulated depreciation
 - (3) Technical appraisal values

63. Using closing-currency values leads to a current gain or loss that may be included in the statement of income together with the financial gain or loss in an account entitled “financial or holding gain or loss (including gain or loss on exposure to inflation)” [*trans.*].

64. One exception to this rule concerns the increase in valuation of fixed assets and investments in properties stemming from a technical appraisal. In this case, the difference between the carrying value of the assets and the appraisal valuation must be allocated to a special reserve that is part of the shareholders’ equity. This reserve should not have a debit balance and should be reversed based on the use of the revalued assets for which it was originally created.

65. Following are additional generally accepted accounting principles prevailing in Argentina that differ from those used in the United States.

Price-Level Adjustment

66. The price-level adjustments are oriented towards stating all accounts in terms of currency, with the purchasing power prevailing at the end of the reporting period.

67. Monetary items represent rights and obligations in closing-currency values (cash and banks, local currency receivables, payables not subject to indexation, and so forth) and therefore do not require adjustment.

68. Nonmonetary items are adjusted for inflation. In general, because they fluctuate with inflation, their maintenance leads to neither a gain nor a loss on account of inflation. Nonmonetary captions comprise index-linked accounts receivable and payable, inventories, and fixed assets.

69. Net worth must also be adjusted for inflation. The capital, reserves, and retained earning accounts are adjusted for inflation so that the net worth is based on constant purchasing power.

70. In Argentina, certain financial statement items are determined in constant currency and at current cost. However, this information is disclosed as supplementary data accompanying the basic financial statements presented under the historical cost convention. Cost basis valuation (inflation-adjusted cost) is only used when the current value cannot be determined.

71. The gain or loss on exposure to inflation corresponding to the current period is included as a special caption in the income statement. Income and expenditure items are adjusted from the dates they were generated or incurred, except in the case of assets consumed, such as inventories and depreciation, which are recognized as charges to income at amounts based on the inflation-adjusted values of the underlying assets.

Income Tax Accounting

72. Technical Resolution No. 10, *Professional Accounting Standards*, recognizes the deferred tax allocation method as an alternative approach to accounting for income taxes. Although it does not specify the procedure to be used for determining the deferred tax, the Technical Institute's Recommendation No. 7, *Accounting for Taxes—Procedure Applicable to Taxes on Profits [trans.]*, is mentioned as support for the Resolution.

73. Recommendation No. 7 provides that the tax effect (at the prevailing rate) of timing differences must be allocated to a deferred tax asset or liability account and disclosed under deferred charges or accruals depending on whether it has a debit or credit balance. Depending on when the underlying timing differences are expected to reverse, the timing difference is classified as either current or noncurrent. In other words, the link with the assets or liabilities generating timing differences is not considered as a basis for their current or noncurrent classification. Recommendation No. 7 also provides that, when there is a change in the general tax rate, the balances deferred must be adjusted based on the new rate and the resulting difference recognized as a charge or credit to income in the financial year in which the change becomes known.

74. Under the Argentine income tax law, losses may be carried forward for five years to offset against future taxable income. Any loss carryforwards utilized are recognized as income in the period of utilization (when absorption occurs), and there is no carryback. Recommendation No. 7 considers that the gain arising from a loss carryforward should be accounted for in the fiscal year in which it is used as extraordinary income of that period. It should only be recognized earlier, in exceptional circumstances, when its utilization is assured beyond doubt. Only then may the gain be recognized in the year in which it arises or the conditions are met.

75. Recommendation No. 7 states that, when there are recurring losses for tax purposes, the situation should be carefully analyzed to determine the advisability of continuing to use the deferred tax allocation method. When the method is first adopted, its initial effect must be treated as a prior period adjustment.

Equity Method of Accounting for Permanent Capital Investments

76. This is governed by *FACPCE* Technical Resolution No. 5, *Valuation of Investments in Controlled and Related Companies [trans.]*, and is applicable throughout Argentina. The use of the equity method of accounting for such investments is obligatory when the investor exercises control or significant influence over the investee.

77. Technical Resolution No. 5 does not define a minimum ownership percentage for assuming that significant influence exists, but merely provides guidelines deemed indicative of the existence of such influence. These guidelines, similar to those provided by U.S. GAAP, follow:

- a. To influence the approval of financial statements and the distribution of profits
- b. To be represented on the board of directors or top governing body of the entity and be able to change or replace the board members involved
- c. To participate in the setting of policies
- d. Existence of significant transactions between the investor and investee or dependence of the latter on the former

78. Additionally, Technical Resolution No. 5 states that it is necessary to consider how the remainder of the capital is held and whether there are any agreements or situations under which the management is vested in minority groups.

79. The financial closing dates should be the same, and the investee's financial statements must be restated in closing-currency values.

80. When the financial closing dates are not the same, a difference of up to three months is acceptable, and the investee's financial statements must be restated in currency values prevailing at the

investor's closing date. When the time difference is greater, the investee must prepare special financial statements.

81. When circumstances no longer require the equity method to be used, the investment must be valued in accordance with the applicable Argentine GAAP that refers to inflation-adjusted acquisition cost or market quotation.

82. The difference between this new value and the equity value must be currently recognized in income in the year in which the equity method is discontinued.

83. As required by Technical Resolution No. 5, disclosure includes the investee's name, percentage of equity held, mention of the financial statements used, and whether the investee follows the same accounting policies as the investor or others.

Consolidated Financial Statements

84. In 1984, the *FACPCE* simultaneously issued Technical Resolution No. 5 and promulgated Technical Resolution No. 4, *Consolidation of Financial Statements* [*trans.*]. The latter calls for the presentation of consolidated financial statements of a controlling entity and its subsidiaries when the controlling entity holds sufficient voting rights to make policy decisions regarding the subsidiaries (no set percentage is specified). These consolidated financial statements constitute additional or supplementary data with respect to the controlling entity's financial statements.

85. When a subsidiary's business differs substantially from that of the group as a whole, Technical Resolution No. 4 calls for the use of the equity-value method, including footnote disclosure of the circumstances.

86. Unless dividends are anticipated (in which case part of the minority interest is classifiable as a current liability), minority interest must be presented in a separate section of the balance sheet (between liabilities and shareholders' equity). The minority interest in the net income or loss must be shown after net operating income, extraordinary items, or prior period adjustments, as applicable.

87. When an investor ceases to control an investee, consolidation for that financial year is no longer required, but footnote disclosure

is necessary. Footnote disclosure is also necessary when a new entity is consolidated.

88. In special circumstances, when effective control is lost or impaired (for example, because of agreements or court intervention) consolidation, with appropriate footnote disclosure of the facts, is still required.

89. When the entities forming the economic group operate in different business segments, segment information must be provided.

90. Other disclosure requirements of Technical Resolution No. 4 are similar to those in Technical Resolution No. 5.

Implicit Financial Components Included in Asset, Liability, and Operating Accounts

91. The term *implicit financial components* includes two clearly distinct items that in practice are difficult to segregate, namely, inflationary overpricing and implicit financial interest.

92. Since the issuance of Technical Resolutions No. 6, *Constant Currency Financial Statements [trans.]* and No. 10, *Professional Accounting Standards*, it has been mandatory to segregate the implicit financial components of asset and liability balances and disclose them separately when they are significant and can be reasonably estimated.

93. When the cost of hedging against inflation can be segregated from the true interest component, the hedging cost is included in the gain or loss on exposure to inflation, while the interest is included with other interest charges or income.

94. The segregation applies to both short- and long-term transactions. Therefore the implicit financial components must be segregated regardless of the period covered by the underlying transaction.

4

Business Environment

FORMS OF BUSINESS ORGANIZATION

95. The types of business organizations recognized in Argentina are defined in the Argentine Commercial Code, which includes the Argentine Commercial Company Law of 1972. The only company entities with corporate attributes are the *sociedad anónima* (SA), or corporation, and the *sociedad en comandita por acciones*, or stock-issuing partnership, which is rarely used.

96. Each is formed on the basis of an incorporation agreement that must be registered with the Commercial Court of Records, after which the *Inspección General de Justicia* (or, in the case of listed companies, the Argentine Securities Commission) has supervisory faculties over them. The rules governing the formation of companies and partnerships are uniform throughout Argentina.

Entities With Corporate Attributes

97. The *sociedad anónima*, deemed a legal entity in its own right, receives its authorization to incorporate from the province (or the federal district) in which it is domiciled and is the only business entity entitled to issue shares or *share deeds*, the face value of which must be uniform and stated in Argentine currency. In addition, the share deeds may be registered in the name of the shareholders or they may be open (“bearer” shares).

98. An annual general meeting of shareholders must be held within five months of the fiscal closing date. During this meeting, matters such as the corresponding board report, financial statements,

distribution of profits and appointment, and removal and compensation of the managing and control bodies are handled. Shareholders' meetings must also be convened to increase the capital of the SA or to deal with matters not usually discussed at shareholders' meetings.

99. Management is vested in a board of directors. The board represents the SA and is responsible for conducting its business in accordance with legal requirements. Should the board fail to properly fulfill its functions, all the directors are held jointly responsible and to an unlimited extent.

100. Private supervisory functions are normally vested in one or more *syndics* appointed by the shareholders' meeting. The directors, *syndics*, and general manager have the right and duty to attend shareholders' meetings. The incorporators are completely responsible for all commitments undertaken regarding the incorporation of the SA. Shareholders' liability is limited to the contribution of the subscribed capital.

101. Board members may be held liable for any breach of law, including violations of tax laws, which could result in arrest and imprisonment for providing tax authorities with misleading statements or filing fraudulent tax returns.

102. At least 5 percent of the profits reported in the constant-currency financial statements must be appropriated to a legal reserve until it equals 20 percent of the corporate capital. The appropriation to the legal reserve is compulsory, regardless of any other reserves, including those required under special laws (such as those governing insurance companies and banks).

103. Permanent government supervision is exercised over—

- a. Publicly listed companies.
- b. Companies whose capital is above a certain limit.
- c. State-controlled corporations.
- d. Savings and loan associations and similar companies.
- e. Companies operating government concessions or public utilities.
- f. Companies that control or are controlled by another company covered by the permanent government supervision requirement.

All other SAs are subject to the control of the appropriate corporation control authority. However, control is exercised only in connection

with the incorporation agreement, subsequent amendments to it, changes in capital, and the filing of financial statements and certain other filings relating to the annual shareholders' meeting.

Branches of a Foreign Company

104. Foreign companies are subject to the laws of the country in which they were formed regarding their existence and formation. They are specifically authorized to carry out isolated business operations in Argentina and to be parties in legal suits.

105. To form a branch office, a foreign company must fulfill the following requirements:

- a. Provide evidence of the existence of the foreign company under the laws of its country.
- b. Establish a domicile in Argentina and fulfill the publication and registration requirements for local companies.
- c. Appoint an individual to be responsible for its management. An assigned capital might also be established.

106. The management and representation of a foreign branch is vested in the person appointed, or his or her successor, in the deed of formation. The appointment must be recorded in the Commercial Court of Records. In general, branch managers have the same responsibilities as directors of corporations.

107. Foreign companies operating in Argentina are required to keep separate accounting records for their Argentine operations. Branch offices of foreign companies are also required to file their annual financial statements with the appropriate corporation control authority.

Partnership Entities

108. Various forms of partnerships are used and provided for by Argentine Company Law. The *sociedad de responsabilidad limitada (SRL)*, or limited partnership, is somewhat similar to a limited liability partnership.

109. In general, the formation and administration of an *SRL* is relatively uncomplicated. However, because majority and, in some

cases, unanimous consent is required for changes, continuity of an *SRL* is dependent upon relations existing among its members. Corporations may not be partners of *SRLs*.

110. Capital is divided into quotas of equal value and equal voting rights, and the responsibility of the partners (there must be between two and fifty) is limited to paying the subscribed quotas. *SRLs* may be formed through a public or private deed, which must be registered in the Commercial Court of Records after notice of formation is published in the *Official Bulletin* [*trans.*], a government newspaper in which all acts need to be published to be deemed official.

111. If the partnership contract does not contain specific rules for meetings, the rules for *SA* meetings must be applied, except that rather than convene the meetings by use of published notices, the notices must be sent to the partners. The partners must appoint one or more managers, who need not themselves be partners, to assume direct responsibility for the business' operations. The managers have the same rights and duties as the directors of corporations. One or more *syndics* must be appointed when the *SRL* has twenty or more partners, and such appointment is optional when there are fewer. The *syndics* are governed by the applicable portions of regulations for *SAs*.

Other Forms of Business Organization

112. Other forms of Argentine business organization include—

- General partnerships (all partners are held responsible jointly and severally to an unlimited extent).
- Partnerships in which some partners contribute capital and others furnish services.
- Stock-issuing partnerships (similar to limited partnerships, but the “silent” part of the capital is represented by shares).
- State-controlled corporations (similar to *SAs* but subject to certain specific regulations because of the state's majority holding).
- Mixed ownership companies (similar to state-controlled corporations).
- Cooperative societies (profits are not always distributed in proportion to the capital contributions).

- Temporary unions of companies (*Union Transitoria de Empresas*), which are similar to joint ventures but are not deemed legal entities in their own right.

REQUIREMENTS FOR PUBLIC SALES OF SECURITIES AND REQUIREMENTS FOR LISTING SECURITIES ON THE STOCK EXCHANGE

Registration Requirements for Public Sale

113. The *Comisión Nacional de Valores (CNV)* specifies the corporate, business, and financial information to be furnished by companies applying for their shares, negotiable bonds, or other securities to be listed for public offering on either the stock exchange or over-the-counter market. The application for public listing must be filed, together with certain supplementary documentation, with the entity where the public listing is sought. That entity evaluates the documentation and forwards a prequalifying opinion to the *CNV*, which is ultimately responsible for approving the application.

114. When it applies for its securities to be publicly listed, the issuer must already be an established entity possessing an administrative structure able to handle the requirements inherent in the public listing of securities.

Requirements for Listing Securities on the Stock Exchange

115. Applications must include the following information:
- a. Identification of the issuer, stating type of company, line of business, legal domicile, telephone and fax numbers
 - b. Company data—information on its registration with the *Registro Público de Comercio*, incorporation agreement and bylaws, as well as any amendments
 - c. Ownership of shares; names and addresses of shareholders possessing more than 5 percent of the share capital; description of any rights or preferences to which the shares are entitled; irrevocable contributions made to the company
 - d. Reference to the self-regulated entity or entities in which listing is sought

- e. Personal information on the members of the company's administrative and control bodies
- f. Financial closing date
- g. Information on the business group to which the company belongs, if applicable; details of controlled and affiliated companies
- h. Financial statements for the last three financial years, or since the inception of the company (the most recent financial statements may not date back more than five months from the date on which the application is submitted)
- i. Prospective financial statements for the next three financial years, prepared following the guidelines included in the prospectus
- j. Reference to any important or major fact or event which could affect the performance of the issuer
- k. General description of the company:
 - Structure and organization of the company or the business group to which it belongs
 - Market in which it conducts its business
 - Plans, factories, or business units
 - Brief outline covering each business area, presented in comparative format for the last three financial years
 - Future prospects
 - Public ownership of the securities concerned
 - Details of contractual relationships between the issuer and any directors, managers, employees, or shareholders holding more than 5 percent of voting rights
- l. Any additional information requested by the *CNV* or self-regulated securities trading entities

116. An applicant must submit a prospectus to the self-regulated entity concerning the public offering of the shares, negotiable bonds, or short-term debt securities involved.

Filing Financial Reports and Other Information

117. Publicly listed companies are required to submit their annual financial statements to the *Comisión de Valores* and the securities trading entity on which they are listed. The annual financial statements submitted to the Buenos Aires Stock Exchange and the *CNV* must include the following:

- a. Summarized information containing the highlights of the business and fluctuations in key figures
- b. Balance sheet, statement of income, statement of changes in shareholders' equity and statement of source and application of funds, footnotes and required attachments
- c. Consolidated financial statements for the business group to which the listed company belongs
- d. A supplementary and explanatory statement from the Board of Directors

118. The quarterly financial statements must include similar information, although the requirement concerning schedules to the basic financial statements is waived when the schedules are not significant.

Accounting Principles

119. The financial statements of companies whose securities are publicly listed must be prepared in accordance with professional accounting standards. Nevertheless, the *CNV* has specific criteria regarding certain matters, namely:

- a. Listed companies may not give accounting recognition to technical revaluations of fixed assets
- b. In determining the legal reserve (Law 19550, Article 70), the maximum of 20 percent of the capital adjusted for inflation must be observed. Five percent of the annual profit as reported in the financial statements must be allocated to the legal reserve until the reserve equals 20 percent of capital.

SELECTED ECONOMIC DATA

120. Key demographic and social factors, based on 1992 Argentine census data (unless otherwise indicated), follow:

Area (in millions of square kilometers)	2.79
Population (in millions)	32.6
Annual population increase	1.4%

(Continued on next page.)

Population under age 15	30.3%
age 15–64	61.5%
over age 64	8.2%
Labor force (in millions)	13.1
Unemployment	8.5%

121. The major Argentine trading partners for 1992 and 1991 are as follows:

	<i>Exports</i> (US\$ millions)		<i>Imports</i> (US\$ millions)	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Europe	3,691	4,621	3,632	2,240
Brazil	1,590	1,486	3,336	1,519
Other Latin American countries	2,163	1,930	1,631	1,401
United States	1,395	1,205	3,212	1,784
Asia	601	1,843	897	925
Other	2,584	879	2,129	224
	<u>12,024</u>	<u>11,964</u>	<u>14,837</u>	<u>8,093</u>

122. Argentine primary export and import products for 1992 and 1991 are as follows:

	<i>Exports</i> (US\$ millions)	
	<u>1992</u>	<u>1991</u>
Animal and vegetable products	5,096	5,015
Food and beverages	2,397	2,216
Minerals	941	789
Metals and manufactured metal products	626	911
Chemicals	584	569
Furs, hides, and leather	537	591
Machinery	502	562
Other	1,341	1,311
	<u>12,024</u>	<u>11,964</u>

	<i>Imports</i> (US\$ millions)	
	<u>1992</u>	<u>1991</u>
Machinery and electrical appliances	4,771	2,206
Transportation equipment	2,277	678
Chemicals	1,797	1,461

	<i>Imports</i>	
	<i>(US\$ millions)</i>	
	<u>1992</u>	<u>1991</u>
Metals and manufactured metal products	1,055	598
Plastics	803	558
Minerals	601	621
Other	<u>3,533</u>	<u>1,971</u>
	<u>14,837</u>	<u>8,093</u>

TAXES

Principal Types

123. Taxes are levied at the national, provincial, and municipal levels. The major sources of revenue for the federal government are the income tax (corporate and individual), value-added tax, tax on assets, excise taxes, and customs duties. The provinces may also levy taxes on income, gross revenue, estates, real property, and the like. For the sake of efficiency, however, most provinces have relinquished their major levies to the federal government, which in turn distributes its receipts among them. The primary taxes actually levied by the provinces are taxes on gross revenue. The provinces and municipalities also impose minor indirect taxes and charges for services to taxpayers.

124. Argentine tax legislation is based on the worldwide principle. Argentine corporations are required to report their taxable income on a worldwide basis, and are granted relief from Argentine income tax for foreign income tax paid.

Corporations

125. The tax rate applicable to the taxable income of Argentine corporations is 30 percent.

Branch Offices of Foreign Companies

126. The income tax rate for branch offices and other permanent establishments belonging to foreign companies or nonresidents is

30 percent. There are no differences between the tax treatment of branch offices and corporations.

Limited Liability Partnerships

127. Limited liability partnerships are required to report their taxable income, showing its allocation to the partners, who must report their share in their personal income tax return and pay tax thereon at the applicable progressive rates. The same treatment applies to stock-issuing partnerships.

Individuals

128. A calendar-year basis is used for individual taxpayers. Individuals who have been residents in Argentina at least six months of the year may claim personal allowances. Deductions may be taken for contributions to Social Security funds and medical plans, life insurance premiums, and certain other items.

129. Resident individuals are taxed at progressive rates, which have a current range of 6 to 30 percent on taxable income. Salaries and wages are subject to income tax withholding at the source. Payments of rents, interest, fees, and commissions above certain limits are subject to income tax withholding. Nonresident individuals who work temporarily in Argentina (that is, those who work less than six months of the year) are entitled to an allowance equivalent to 30 percent of their Argentine source income. Nonresidents are taxed at a straight 30 percent rate on the excess, bringing the effective tax rate to 21 percent.

Nonresidents

130. Dividends are not subject to any income tax withholding. The remittance of profits by branch offices or other permanent establishments belonging to foreign companies is not taxed, but the branch office is taxed on the profits at 30 percent. Any other Argentine source profits paid to nonresident beneficiaries (including those collected in Argentina while the beneficiaries have not established permanent residence in the country) are subject to a 27 percent income tax withholding, if they are of Argentine source and are not covered by any other special provision.

131. Under the special provisions covering payments to non-resident beneficiaries, royalties covering technical assistance, engineering, or consulting services actually rendered in Argentina are subject to an effective withholding rate of 18 percent. Royalties for operating patents are subject to an effective withholding of 24 percent. Royalties paid to nonresidents under copyrights registered with the Argentine National Copyright Board are taxed at 10.5 percent; interest payments to nonresidents are taxed at 12 percent.

132. In cases such as payments for international freight services, container services, international news services, underwriting premiums, and license fees for the use of films, special rules establish the taxable portion of income deemed to be of Argentine source (without allowing any proof to the contrary). For certain remittances, the regular withholding rates are reduced under the provisions of double-taxation treaties with Austria, West Germany, Sweden, France, and Italy.

Value-Added Tax (VAT)

133. VAT is levied at a standard rate of 18 percent at all stages of production and trading, including retailing, as well as on a wide range of services. Exports are not subject to VAT, and exporters may recognize a tax credit for the VAT billed to them for exported goods. Imports are subject to an additional VAT payment of 8 percent, making the total rate for imports 26 percent.

Tax on Assets

134. Corporations, branches of foreign companies, joint partnerships and sole proprietorships are subject to a tax on assets. Individuals and undivided estates that own rural properties not being used by sole proprietorships are also subject to this tax.

135. The tax rate is 1 percent, but it was increased to 2 percent for the first fiscal year ending after February 19, 1991. For fiscal years ending after February 1991, income tax paid is recognizable as a tax credit for asset tax purposes.

136. In computing this tax for rural real estate property, the law allows a 50 percent reduction in the value of unimproved land. In the case of insurance companies, banks, and consignees, the tax

basis is 40 percent of the sum of the assets (recognizing a deduction of 60 percent to cover their liabilities). No other taxpayers are allowed to take a deduction for real or assumed liabilities.

Tax on Personal Nonproductive Net Worth

137. Individuals and estates are subject to an annual wealth tax of 1 percent on personal nonproductive assets over a certain limit.

Taxes on Payroll (Social Security)

138. Following are the main Social Security rates levied in Argentina:

	<i>Employer Contributions (%)</i>	<i>Employee Withholdings (%)</i>
Pension fund	18.0	13
Family subsidy fund	7.5	—
Health program	6.0	3
National housing fund	1.5	—

The obligatory legal bonus of one month's salary per year is subject to similar contributions.

Stamp Duty

139. Stamp duty is levied by the provinces on documents supporting legal transactions, such as deeds, mortgages, and contracts. The rates and rules for assessment are determined in each jurisdiction, but, depending on the type of document, generally range from 1 to 2.5 percent.

Excise Taxes

140. These nationwide federal taxes are levied on the manufacturers or importers of tobacco, alcoholic beverages, tires, fuel, and lubricants, as well as on the manufacturers, importers, bottlers, packagers, and finishers of toiletries, luxury articles (such as jewelry and furs), soft drinks, television sets, radios, and automobiles.

141. Insurance companies are taxed based on the premiums they charge. Excise taxes are paid via returns or through stamps affixed to products sold. In the case of cigarettes, rates vary considerably, ranging up to 70 percent of the retail selling price.

Taxes on Gross Revenue

142. The provinces and the City of Buenos Aires levy taxes on gross receipts from business activities and services rendered within their jurisdictions. Deductions from gross sales are usually allowed for discounts, returns, and excise taxes, as well as VAT.

143. Rates vary from one province to another. The standard rate levied by the City of Buenos Aires is 3 percent. The following rates also apply: 1 percent for primary production activities; 1.5 percent for manufacturing and processing activities; 4.5 percent for financial entities, savings and loan associations, insurance, advertising, and brokerage; and 15 percent for entertainment establishments.

Land and Property Taxes

144. Land and property taxes are levied by the provinces and the municipality of Buenos Aires, based on the assessed valuation of the property. Rates vary from one jurisdiction to another. Although the assessed valuation is adjusted annually for inflation, it is usually below the current market value.

Tax on the Transfer of Liquid Fuels and Petroleum and Natural Gas By-Products

145. The parties responsible for this tax are oil refiners, importers, and traders. Transfers between refiners and traders are not considered. The tax is based on the unit amounts per liter or cubic meter. Exports are exempt from this tax.

146. The tax rates vary according to the type of fuel or by-product (for example, 55 percent for premium). Payments are made on set dates (seven times a month), and tax returns are filed monthly.

Tax Returns

147. The tax law is administered at the federal level by the *Dirección General Impositiva*, or the General Tax Department, a semi-autonomous agency connected with the *Secretaría de Hacienda*, or Treasury Department. The *Dirección Impositiva* issues special resolutions that explain various areas of taxation. The Director General of the *Dirección* is authorized to issue formal and informal rulings on specific tax problems for taxpayers. Usually, unofficial rulings are easier to obtain and more practical than formal written rulings.

Disputes with tax authorities are usually settled at the administrative level, but procedures are available when appeals are made to the Fiscal Court. If necessary, appeals may be taken to the Supreme Court of Justice.

148. Stiff penalties for violations of fiscal laws exist and include interest, fines, and the arrest of taxpayers who fail to comply with formal requirements within a specified period after being served with official notices. Taxpayers who make misleading statements or file fraudulent tax returns may be imprisoned for up to six years. Such imprisonment provisions not only extend to taxpayers, but also include the directors, managers, attorneys, or other legal representatives of companies or other legal entities.

149. For income tax and tax on asset purposes, companies and other business entities must use a fiscal period that coincides with their financial closing date. The filing and payment deadline is approximately five months after the financial closing date. Corporations and branches of foreign companies are required to make eleven monthly prepayments toward their annual income tax liability. The procedure regarding the tax on assets is similar, but the prepayments need only be made when their amount exceeds the amount of the related income tax prepayment.

150. VAT payments are determined monthly by deducting the fiscal credits, billed by suppliers of inputs connected with taxable revenue, from the fiscal debits (computed on taxable revenue at the applicable tax rate). The deadline for paying the net tax liability arising from each monthly position computation is approximately twenty days after the corresponding month end.

151. The net operating loss of a particular year may be deducted from the taxable income of future years. Loss carryforwards are available for five years. There is no loss carryback.

Use of Forms and Related Schedules

152. All national, provincial, and municipal tax returns are filed by using special forms designed by the appropriate tax authority. Taxpayers are required to register with the appropriate tax authorities. They are then assigned a registration number that must be shown on all subsequent tax returns and deposit slips.

Requirements for Preparing Accompanying Financial Statements

153. Companies, partnerships, and sole proprietorships are required to file special forms (Nos. 526 and 526A) with their income tax and capital tax returns. The tax returns must agree with the net income or asset and liability figures reported in the financial statements and show the various adjustments required to arrive at the applicable tax basis. The forms submitted must be certified by a *contador público*, whose signature must be countersigned by the appropriate *Concejo Profesional de Ciencias Económicas*.

Computation of Taxable Income

154. Traditionally, only income of Argentine source has been subject to income tax. However, the April 1992 tax amendment adopted a worldwide basis of taxation, to be implemented for fiscal years beginning on or after April 1, 1992. To determine the net income subject to tax, the law permits the deduction from gross taxable income of all necessary expenses incurred to obtain, maintain, preserve, and collect it, as well as expenses incurred to preserve the source that produces the taxable income.

155. Depreciation taken for tax purposes is normally determined using the straight line method at varying rates established for the asset classification involved, based on the probable useful life. Other depreciation systems may be used, provided they are technically correct.

156. Depletion charges may be computed on the basis of units extracted in relation to the estimated productive capacity. The Tax Department may also authorize other technically justifiable methods for computing depletion charges.

OTHER MATTERS OF IMPORTANCE

157. Income tax exemptions and allowances may not be claimed when they would indirectly lead to a transfer of revenue to any foreign taxing authority (except in the case of the exemptions covering gains arising from interest on governmental bonds and those granted to certain types of interest on foreign credits).

Currency and Exchange

158. The *Banco Central* is responsible for all matters concerning exchange controls. Its regulations call for all foreign exchange operations to be channelled through banks, authorized financial institutions, or exchange houses. In December 1989, the Argentine government lifted all exchange controls and adopted a single foreign exchange market, on which the rate fluctuates based on supply and demand. Effective April 1, 1991, the National Government passed a law declaring the convertibility of the Argentine currency, and the Argentine Bank has maintained backing for the currency.

159. Private individuals may hold foreign currency, keep accounts in foreign currency with local banks, collect interest in foreign currency, or sell property against payment in foreign currency.

APPENDIX A

Publications of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE)

The following is a list of the translated titles of publications that have been issued.

- Technical Resolution No. 1: *Financial Statement Presentation Model* (superseded by Technical Resolution No. 8)
- Technical Resolution No. 2: *Indexation of Financial Statements* (superseded by Technical Resolution No. 6)
- Technical Resolution No. 3: *Auditing Standards* (superseded by Technical Resolution No. 7)
- Technical Resolution No. 4: *Consolidation of Financial Statements*
- Technical Resolution No. 5: *Valuation of Investments in Controlled and Related Companies*
- Technical Resolution No. 6: *Constant Currency Financial Statements*
- Technical Resolution No. 7: *Auditing Standards*
- Technical Resolution No. 8: *General Rules Governing Accounting Disclosures*
- Technical Resolution No. 9: *Specific Rules Governing Accounting Disclosures*
- Technical Resolution No. 10: *Professional Accounting Standards*

APPENDIX B

Publications Issued by the City of Buenos Aires Professional Council of Economic Sciences

The following is a list of the translated titles of the accounting and auditing publications that have been issued:

Accounting

- Report No. 1: *Analysis of Accounting Standards*
Report No. 2: *Standards Relating to Accounting and Documentation Pursuant to the Company Law*
Report No. 3: *Valuation Accounting Standards*
Report No. 4: *Inflation Adjustment*
Report No. 5: *Accounting for Investments in Controlled and Related Companies*
Report No. 6: *Consolidation of Financial Standards*
Report No. 7: *Accounting Disclosure Statements*
Report No. 8: *Effects of Decree No. 1096/85 on the Valuation of Local Currency Receivables and Payables* (superseded by Report No. 11)
Report No. 9: *Proposed Professional Accounting Standards* (superseded by Report No. 13)
Report No. 10: *Comments on Accounting Matters Dealt With in the Draft Law Covering the Unification of the National Civil and Commercial Legislation*
Report No. 11: *Disclosure of Accounting Information*
Report No. 12: *Application of the Technical Resolutions Nos. 4, 5 and 6 (examples)*
Report No. 13: *Proposed Professional Accounting Standards*
Report No. 14: *Application of the Technical Resolutions Nos. 8 and 9 (examples)*
Report No. 15: *Disclosure for Not-for-Profit Organizations*
Report No. 16: *Effect of Exchange Rate Changes After December 31, 1990 on Financial Statements*
Report No. 17: *Applicability of Convertibility Law for Financial Statements Prepared in Constant Currency*

- Report No. 18: *Comments Regarding Revision to CECYT Report No. 13*
Report No. 19: *Conversion of Accumulated Loss Carry-Forwards into Tax Credits*
Report No. 20: *Calculation of Equity Value: Special Cases*
Report No. 21: *Accounting Treatment of Listed Option Agreements*
Report No. 22: *Accounting Treatment of VAT Tax Credit Certificates Purchased by Promoted Companies*

Auditing

- Report No. 1: *Reports and Certificates Covering Financial Statements*
Report No. 2: *Auditing of Cost Structures for Price Certificates*
Report No. 3: *Standards for the Review of Financial Statement Projections*
Report No. 4: *Auditing of Technical Revaluations*
Report No. 5: *Application of Auditing Standards at Small and Medium-Sized Entities*
Report No. 6: *Limited Review*
Report No. 7: *Internal Auditing*
Report No. 8: *Reports and Certificates (1st version)*
Report No. 9: *Auditing of Consolidated Financial Statements*
Report No. 10: *Report on the Approach Towards the Independent Auditor's Assessment of Internal Control*
Report No. 11: *Reports and Certificates (2nd version)*
Report No. 12: *Auditor's Report on Comparative Financial Statements*
Report No. 13: *Written Confirmation of the Management Representation Letter*
Report No. 14: *Audit of Medical Plans, Unions, Mutual Benefit Associations, and Other Civil Associations and Foundations*
Report No. 15: *Audit Risk and Materiality*
Report No. 16: *Report Request from Legal Council*
Report No. 17: *Not Issued*
Report No. 18: *The Work of the External Auditor and the Internal Audit Function*
Report No. 19: *Audit of the Report on Management*
Report No. 20: *Organization of the Co-Proprietors of a Condominium*
Report No. 21: *The Independent Public Accountant and the Business Community*

APPENDIX C

Illustrative Auditor's Report and Financial Statements

The following translated financial statements are intended for illustrative purposes only. The statements presented are not intended to include all information that Argentine law requires.

AUDITOR'S REPORT

To the Chairman and Members of
the Board of Directors of
A.B.C. Sociedad Anónima

1. Financial Statements Audited

We have examined the balance sheet of A.B.C. Sociedad Anónima at December 31, 19XX and 19XY, and the statement of income, changes in shareholders' equity, and sources and use of funds corresponding to the financial years then ended, as well as the notes and schedules that are an integral part of these financial statements.

We have also examined the consolidated financial statements of A.B.C. Sociedad Anónima and its controlled companies, which are presented as supplementary information for the financial years ended December 31, 19XX and 19XY, as well as notes 1 to 3, which are an integral part of the consolidated financial statements.

2. Scope of the Audit Work

Our examination of the financial statements was conducted in accordance with prevailing accounting standards approved by the Professional Council of Economic Sciences of the Federal Capital.

3. Prior Explanations

In the current financial year the Company changed the disclosure of the information presented in the financial statements.

4. Opinion

In our opinion, the financial statements present fairly the net worth and financial position of A.B.C. Sociedad Anónima at December 31, 19XX and 19XY, and the results of its operations, the changes in shareholders'

equity and the sources and use of funds for the financial years then ended, as well as the consolidated net worth and financial position and the results of its operations, sources and use of consolidated funds in accordance with professional accounting standards consistently applied, except for the change in the disclosure of the information presented in the financial statements mentioned in paragraph 3, with which change we are in agreement.

5. Special Information Called for by Current Regulations

In order to fulfill the requirements of the National Securities Commission and the Buenos Aires Stock Exchange, we report that:

- a. The accompanying financial statements have been prepared in accordance with the requirements of Laws 19550 and 22903 and the National Securities Commission's Resolution No. 195, and agree with the accounting entries in the registered books of account of the Company, which have been recorded in the book of inventories balance sheets and such entries are consistent with the data in the subsidiary books and other supporting documents.
- b. We have read the Informative Report and the Supplementary and Explanatory Statement of the Board of Directors regarding which we have no observations to make.
- c. As required by the provisions of article 10 of Law 17250, we report that at December 31, 19XX, any liabilities accrued in favor of the National Social Security Department amounted to \$2,672,910 according to the Company's accounting records, no part of which was overdue at that date.

Buenos Aires
March 5, 19XZ

Certified Public Accountant (U.B.A.)

REPORT OF THE SURVEILLANCE COMMITTEE

To the Shareholders of
A.B.C. Sociedad Anónima

Dear Sirs,

In accordance with the requirements of clause 5 of article 294 of Law No. 19550 and Article 51 of the Buenos Aires Stock Exchange Regulations in force, we have examined the annual report and the inventory and balance sheet of A.B.C. Sociedad Anónima at December 31, 19XX, as well as the related statement of income, statement of changes in shareholders' equity, and statement of funds for the year then ended. We have also examined the supplementary and explanatory statement of the Board of Directors.

On the basis of the examination we performed, which was carried out on the basis of selective tests, and considering the opinion issued by the independent auditors who reported on the financial statements, we have found that they agree with the accounting records contained in the Company's registered books.

In our opinion, the aforementioned financial statements present fairly the net worth and financial position of the Company at December 31, 19XX, in all its significant aspects, in accordance with professional accounting standards.

We have no observations to make regarding the annual report and supplementary statement of the Board.

Consequently, and in view of the work done, we recommend the approval of these documents by the shareholders.

Buenos Aires
March 5, 19XZ

A.B.C. SOCIEDAD ANÓNIMA
BALANCE SHEET
At December 31, 19XX and 19XY
(in pesos)
(Notes 1 to 3)

	<u>19XX</u>	<u>19XY</u>
<i>Assets</i>		
<i>Current Assets</i>		
Cash and banks (Note 4 and Schedule E)	1,644,023	1,224,994
Investments (Schedules B and E)	61,183,815	15,951,117
Receivables (Note 6 and Schedule E)	30,015,553	22,660,608
Other receivables (Note 7 and Schedule E)	21,495,550	17,234,792
Inventories (Note 8 and Schedules C and D)	95,351,407	77,047,011
Total current assets	<u>209,690,348</u>	<u>134,118,522</u>
<i>Noncurrent Assets</i>		
Other receivables (Note 7 and Schedule E)	5,588,498	4,764,570
Fixed assets (Schedule A)	51,728,211	48,306,873
Investments (Note 5 and Schedule B)	7,967,693	8,303,340
Total noncurrent assets	<u>65,284,402</u>	<u>61,374,783</u>
Total Assets	<u>274,974,750</u>	<u>195,493,305</u>

	<u>19XX</u>	<u>19XY</u>
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Payables (Note 9 and Schedule E)	15,531,754	17,466,087
Loans (Note 10 and Schedule E)	41,869,835	24,878,823
Salaries and Social Security	11,188,191	8,530,625
Taxes payable	54,690,274	31,088,062
Other liabilities (Schedule E)	12,688,993	3,738,865
Total current liabilities	<u>135,969,047</u>	<u>85,702,462</u>
<i>Noncurrent liabilities</i>		
Loans (Note 10 and Schedule E)	6,133,412	8,156,544
Other liabilities	14,386	573,100
Total noncurrent liabilities	<u>6,147,798</u>	<u>8,729,644</u>
Total liabilities	<u>142,116,845</u>	<u>94,432,106</u>
<i>Shareholders' Equity</i> (as per statement of changes in shareholders' equity)	<u>132,857,905</u>	<u>101,061,199</u>
Total Liabilities and Shareholders' Equity	<u><u>274,974,750</u></u>	<u><u>195,493,305</u></u>

The accompanying notes and schedules are an integral part of these financial statements.

[Signature]* Certified Public Accountant See separate professional report.	[Signature]* Vice President & Acting President
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[Signature]*
Surveillance Committee

*These signatures appear at the bottom of each financial statement. For editorial purposes, they are not shown on the other financial statements.

A.B.C. SOCIEDAD ANÓNIMA
STATEMENT OF INCOME
For the Financial Years
Beginning on January 1, 19XX and 19XY and
Ended on December 31, 19XX and 19XY
(in pesos)
(Notes 1 and 2)

	<u>19XX</u>	<u>19XY</u>
Net sales (Note 11)	286,293,015	219,417,433
Cost of goods and products sold (Schedule D)	<u>169,341,572</u>	<u>154,588,030</u>
Gross profit	116,951,443	64,829,403
Administrative expenses	39,885,267	31,390,085
Marketing expenses	<u>47,648,294</u>	<u>42,148,202</u>
Operating profit (loss)	29,417,882	(8,708,884)
Effects of financing		
Financial income (expense) generated by assets (Note 12)	6,859,584	(8,070,296)
Financial income generated by liabilities (Note 12)	544,914	22,543,578
Other income	3,161,765	9,295,033
Other expenditure	<u>(1,237,585)</u>	<u>(4,101,374)</u>
Income (Loss) for the year before taxes	38,746,560	10,958,057
Income tax	<u>(6,949,854)</u>	<u>(3,765,347)</u>
Income for the year from ordinary operations	31,796,706	7,192,710
Extraordinary loss	<u>—</u>	<u>(3,446,089)</u>
Final Net Income	<u><u>31,796,706</u></u>	<u><u>3,746,621</u></u>

The accompanying notes and schedules are an integral part of these financial statements.

A.B.C. SOCIEDAD ANÓNIMA
STATEMENT OF FUNDS
For the Financial Years Beginning on
January 1, 19XX and 19XY and
Ended on December 31, 19XX and 19XY
(in pesos)
(Notes 1 and 2)

	<u>19XX</u>	<u>19XY</u>
<i>Changes in Funds</i>		
Funds at beginning of year	17,176,111	18,152,613
Increase (Decrease) in funds	<u>45,651,727</u>	<u>(976,502)</u>
Funds at end of year	<u>62,827,838</u>	<u>17,176,111</u>
<i>Sources of Funds</i>		
Profit from ordinary operations	31,796,706	7,192,710
Plus:		
Items not involving outlays of funds (Note 13)	172,551,895	188,236,980
Items not representing sources of funds (Note 13)	<u>(36,338,637)</u>	<u>(60,561,219)</u>
Funds generated by ordinary operations	168,009,964	134,868,471
Extraordinary loss	—	<u>(3,446,089)</u>
Funds generated by operations	<u>168,009,964</u>	<u>131,422,382</u>
Other sources:		
Reduction of capital in investments		
Article 33 companies	—	10,065,041
Increase in long-term debt	—	8,729,644
Increase in short-term debt	1,234,577,338	1,061,563,713
Collection of receivables for sales at beginning of year	<u>21,994,442</u>	<u>13,148,402</u>
Total sources	<u>1,424,581,744</u>	<u>1,224,929,182</u>
<i>Funds Used</i>		
Payment of short-term debt	1,180,556,020	1,012,830,850
Capital reduction	—	18,368,054
Purchase of inventories	95,455,413	86,203,524
Acquisition of fixed assets	13,032,490	17,275,351
Production expenses paid	79,807,763	66,200,804
Acquisition of investments	—	1,402,461
Other application of funds	<u>10,078,331</u>	<u>23,624,640</u>
	<u>1,378,930,017</u>	<u>1,225,905,684</u>
Increase (decrease) in funds	<u>45,651,727</u>	<u>(976,502)</u>

The accompanying notes and schedules are an integral part of these financial statements.

A.B.C. SOCIEDAD ANÓNIMA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Financial Years Commenced January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
(in pesos)

	<i>Shareholders' Contributions</i>			<i>Noncapitalized</i>
	<i>Outstanding Shares</i>	<i>S.E. Resolution No. 61/83</i>	<i>Capital Adjustment</i>	<i>Irrevocable Contributions on Future Issue of Shares</i>
Balance at				
January 1, 19XY	10,678	46	87,305,130	2,025,816
Effect of specific adjust- ment per Note 2c	—	—	—	1,494,900
Absorption of retained earnings resolved by shareholders' meeting held on October 29, 19XY	—	—	—	—
Redemption of 2nd issue of preferred shares resolved by shareholders' meeting held on October 11, 19XY	(10,000)	—	(5,990,748)	—
Redemption of 1st issue of preferred shares resolved by shareholders' meeting held on October 11, 19XY	(1)	—	(3,850)	—
Income for the year	—	—	—	—
Balance at				
December 31, 19XY	<u>677</u>	<u>46</u>	<u>81,310,532</u>	<u>3,520,716</u>
Capitalization adjustment resolved by shareholders' meeting held on April 29, 19XX	40,625,469	—	(40,625,469)	—
Income for the year	—	—	—	—
Balance at				
December 31, 19XX	<u><u>40,626,146</u></u>	<u><u>46</u></u>	<u><u>40,685,063</u></u>	<u><u>3,520,716</u></u>

The accompanying notes and schedules are an integral part of these financial statements.

<u>Contributions</u>	<u>Reserved Profits</u>			<u>Retained Earnings</u>	<u>Total</u>
<i>Overall Adjustment of Irrevocable Contributions</i>	<i>Legal Reserve</i>	<i>Free Reserve</i>	<i>Reserve as per Communique “A” 1056</i>	<i>Income (Loss)</i>	
5,252,728	13,725,883	23,288	6,923,664	(11,948,056)	103,319,177
(1,494,900)	—	—	—	—	—
—	—	(23,288)	(6,923,664)	6,946,952	—
—	—	—	—	—	(6,000,748)
—	—	—	—	—	(3,851)
—	—	—	—	3,746,621	3,746,621
<u>3,757,828</u>	<u>13,725,883</u>	<u>—</u>	<u>—</u>	<u>(1,254,483)</u>	<u>101,061,199</u>
—	—	—	—	—	—
—	—	—	—	31,796,706	31,796,706
<u><u>3,757,828</u></u>	<u><u>13,725,883</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>30,542,223</u></u>	<u><u>132,857,905</u></u>

A.B.C. SOCIEDAD ANÓNIMA
NOTES TO THE FINANCIAL STATEMENTS
For the Financial Years Ended
December 31, 19XX and 19XY

1. Presentation of the Financial Statements

The financial statements of the Company at December 31, 19XX and 19XY, are presented as called for by Resolution 195/92 of the Comisión Nacional de Valores (National Securities Commission).

Amounts are stated in pesos without cents, in accordance with the provisions of National Securities Commission Resolution 192/92.

The figures for the financial year ended on December 31, 19XY, included for comparison purposes, have been restated in currency with purchasing power of December 31, 19XX.

2. Overall Adjustment for Inflation

This includes the adjustments arising from computing the effect of inflation in accordance with the provisions of National Securities Commission Resolution No. 195/92.

The basis followed for determining these adjustments is as follows:

- a. All the financial statement captions are stated in December 31, 19XX, currency values, except for those that for legal reasons must be stated at their face values, together with their related supplementary adjusting accounts. The adjustment utilized factors derived from the General Wholesale Price Index published by the National Statistics and Census Institute.
- b. The Corporate Capital account has been adjusted from the subscription date. The difference between the Corporate Capital restated in closing currency values and the Corporate Capital without any restatement is shown in the "Overall Capital Adjustment" account.
- c. The account captioned "Irrevocable Contributions for Future Share Subscriptions" has been updated from the date on which the corresponding funds were received. The difference between the irrevocable contributions for future share subscriptions without any restatement plus specific adjustment is shown in the account captioned "Overall Adjustment of Irrevocable Contributions for Future Share Subscriptions." As called for by the National Securities Commission, the negative balances of the "Overall Adjustment of Irrevocable Contributions for Future Share Subscriptions" account were reclassified using the Retained Earnings account.

3. Valuation Criteria

The valuation criteria followed for December 31, 19XX, financial statement purposes are as follows:

- a. Cash and banks, placements of funds, receivables, and liabilities to be settled in Argentine currency: these are stated at their face value.
- b. Cash and banks, receivables, and liabilities to be settled in foreign currency: these are stated at the closing rate of exchange.
- c. Government bonds have been valued at their market quotation, net of estimated selling expenses, at the year-end closing date.
- d. Inventories are valued at the lower of their replacement or reproduction cost, or market value.
- e. Permanent investments in controlled and related companies (Article 33 of Law No. 19550 and its amending laws): these are valued at their equity value, as described in Note 5.
- f. Fixed assets and investments in properties not fully depreciated at December 31, 19XX, are valued at their restated original cost, less depreciation, except for the production plant located in the Merlo District, Province of Buenos Aires, acquired in February 19XX, whose valuation was adjusted according to the technical report of Organización Levin S.A. dated September 30, 19XX.

The restated value of these assets, taken as a whole, is not in excess of their current market prices and/or value to the business.

Depreciation is determined following the straight line method, the rate of which is determined on the basis of the useful life assigned to the property from the month of acquisition.

4. Cash and Banks

As at December 31, 19XX and 19XY, cash and banks were as follows:

	<u>19XX</u>	<u>19XY</u>
Cash	210,515	1,212,325
Banks	<u>1,433,508</u>	<u>12,669</u>
	<u>1,644,023</u>	<u>1,224,994</u>

5. Noncurrent Investments—Article 33 Law No. 19550 Companies

The permanent investments in the controlled companies EEE S.A. and MMM S.A. and related companies TNT S.A. and TBX S.A. at December 31, 19XX and 19XY, have been valued at their equity value.

In determining their equity value, the following facts were considered:

- a. A.B.C. Sociedad Anónima's equity in the controlled and related companies is as follows:

<u>Company</u>	<u>Equity</u>
EEE S.A.	98.00
MMM S.A.	99.99
TNT S.A.	50.00
TBX S.A.	50.00

b. These percentages were applied to the equity reported in the published balance sheets of these companies for the periods ended December 31, 19XX and 19XY.

The accounting principles observed for preparing the financial statements of the investees are similar to those applied by A.B.C. Sociedad Anónima.

6. Trade Receivables

At December 31, 19XX and 19XY, trade receivables were as follows:

	<u>19XX</u>	<u>19XY</u>
<i>Not documented:</i>		
Article 33 Law 19550 companies	19,555	—
Ordinary	30,241,167	22,996,608
Under legal action	125,812	35,914
	<u>30,386,534</u>	<u>23,032,522</u>
<i>Documented:</i>		
Ordinary	—	10,303
Subtotal	30,386,534	23,042,825
<i>Less:</i>		
Provision for doubtful accounts	370,981	382,217
	<u>30,015,553</u>	<u>22,660,608</u>

7. Other Receivables

At December 31, 19XX and 19XY, other current and noncurrent receivables were as follows:

	<u>19XX</u>	<u>19XY</u>
<i>Current receivables</i>		
Advances to suppliers for services	1,069,681	928,445
Article 33 Law 19550 companies	7,766,685	6,385,664
Interest and amortization receivable	1,824,242	177,885
Chattel mortgage and mortgage debtors	183,491	41,752
Security deposits for legal actions	112,280	106,614
Loans to staff	470,193	192,050
Prepaid expenses	510,603	877,273
Miscellaneous advances	1,631,862	4,631,477
Foreign debtors	1,039,356	61,412
Sundry	6,887,157	3,832,220
	<u>21,495,550</u>	<u>17,234,792</u>

	<u>19XX</u>	<u>19XY</u>
<i>Noncurrent receivables</i>		
Solidarity bond	63,938	65,875
Other savings	341,116	326,892
Sundry	<u>5,183,444</u>	<u>4,371,803</u>
	<u>5,588,498</u>	<u>4,764,570</u>

8. Inventories

At December 31, 19XX and 19XY, inventories were as follows:

	<u>19XX</u>	<u>19XY</u>
Finished goods	5,905,904	4,724,250
Goods in process	2,731,459	2,146,857
Raw materials	77,537,248	63,252,430
Materials in transit	<u>1,998,513</u>	<u>1,023,802</u>
Subtotal	88,173,124	71,147,339
Plus:		
Advances to suppliers	8,093,655	6,814,432
Less:		
Allowance for devaluation of inventories	<u>(915,372)</u>	<u>(914,760)</u>
	<u>95,351,407</u>	<u>77,047,011</u>

9. Payables

At December 31, 19XX and 19XY, payables were as follows:

	<u>19XX</u>	<u>19XY</u>
Not documented	11,328,814	15,031,822
Article 33 Law 19550 companies	<u>4,202,940</u>	<u>2,434,265</u>
	<u>15,531,754</u>	<u>17,466,087</u>

10. Loans

At December 31, 19XX and 19XY, loans were as follows:

	<u>19XX</u>	<u>19XY</u>
<i>Current</i>		
Documented	17,890,759	23,340,122
Not documented	<u>23,979,076</u>	<u>1,538,701</u>
	<u>41,869,835</u>	<u>24,878,823</u>
<i>Noncurrent</i>		
Documented	<u>6,133,412</u>	<u>8,156,544</u>
	<u>6,133,412</u>	<u>8,156,544</u>

11. Net Sales

At December 31, 19XX and 19XY, net sales were as follows:

	<u>19XX</u>	<u>19XY</u>
Gross sales	1,143,303,893	982,639,393
Less:		
Taxes included in the sales price:		
Internal taxes	758,876,896	619,114,983
Special fund	93,844,235	73,363,778
Temporary fund Law 23562	10,568	67,725,694
Gross income	<u>4,279,179</u>	<u>3,017,505</u>
Subtotal	<u>857,010,878</u>	<u>763,221,960</u>
Net sales	<u>286,293,015</u>	<u>219,417,433</u>

12. Financial Results

At December 31, 19XX and 19XY, financial results were as follows:

	<u>19XX</u>	<u>19XY</u>
Financial income (expense) generated by assets:		
Loss arising from holding of nonfinancial assets	3,711,455	4,702,600
Interest income	2,624,139	2,363,919
Gain (loss) on exposure to inflation	(201,254)	(19,824,274)
Exchange gain (loss)	213,019	3,613,555
Income from government bonds	<u>512,225</u>	<u>1,073,904</u>
	<u>6,859,584</u>	<u>(8,070,296)</u>

	<u>19XX</u>	<u>19XY</u>
Financial income (expense) generated by liabilities:		
Interest paid	(807,883)	(5,229,724)
Gain (loss) on exposure to inflation	1,641,782	30,706,837
Exchange gain (loss)	(122,400)	(2,513,706)
Other expenses	(166,585)	(419,829)
	<u>544,914</u>	<u>22,543,578</u>

13. Charges Not Involving Outlays of Funds and Items Not Representing Sources of Funds

At December 31, 19XX and 19XY, the breakdown of these items of the statement of funds was as follows:

	<u>19XX</u>	<u>19XY</u>
Losses not representing outlays of funds:		
Depreciation of fixed assets and investments	8,898,940	10,298,837
Residual value of retirement of fixed assets and investments	912,254	18,026,154
Cost of sales before depreciation of fixed assets allocated to production	161,949,458	146,630,437
Exposure to inflation generated by:		
Trade receivables	666,166	7,410,309
Other receivables	—	5,871,243
Loss in Article 33 Law 19550 Company	125,077	—
	<u>172,551,895</u>	<u>188,236,980</u>
Gains not representing sources of funds:		
Exposure to inflation generated by:		
Other receivables	2,611,629	—
Liabilities	—	30,706,837
Profit in Article 33 Law 19550 Company	—	2,491,175
Holding of inventories	3,711,455	4,702,600
Sales not collected	30,015,553	22,660,607
	<u>36,338,637</u>	<u>60,561,219</u>

A.B.C. SOCIEDAD ANÓNIMA
For the Financial Years Beginning January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
Fixed Assets
(in pesos)
Schedule A

<i>Original Values</i>					
	<i>Opening Value</i>	<i>Additions</i>	<i>Transfers</i>	<i>Retirements</i>	<i>Closing Value</i>
Land	2,221,137	—	—	36,069	2,185,068
Buildings	22,809,721	130,867	65,252	89,374	22,916,466
Installations	11,443,794	47,443	81,532	—	11,572,769
Machinery and equipment	83,292,923	6,450,853	7,534,425	501,961	96,776,240
Data processing equipment	5,183,099	213,584	93,694	—	5,490,377
Furniture and fittings	2,869,992	22,028	28,037	—	2,920,057
Vehicles	8,843,232	279,233	63,267	2,811,251	6,374,481
Improvements on leased assets	199,919	1,515,766	22,134	—	1,737,819
Work in progress	9,177,287	800,541	(4,236,575)	—	5,741,253
Fixed assets in transit	568,861	3,572,175	(3,651,766)	—	489,270
TOTAL AT					
DEC. 31, 19XX	<u>146,609,965</u>	<u>13,032,490</u>	<u>—</u>	<u>3,438,655</u>	<u>156,203,800</u>
TOTAL AT					
DEC. 31, 19XY	<u>157,936,633</u>	<u>17,275,351</u>	<u>—</u>	<u>28,602,019</u>	<u>146,609,965</u>

<i>Depreciation</i>					
<i>Accumulated at Beginning of Year</i>	<i>Retirements</i>	<i>Current Year</i>		<i>Accumulated at End of Year</i>	<i>Net Book Value</i>
		<i>Rate (%)</i>	<i>Amount</i>		
—	—	—	—	—	2,185,068
8,595,829	39,211	2 & 3.33	719,676	9,276,294	13,640,172
9,322,291	—	10	1,064,634	10,386,925	1,185,844
66,488,996	30,083	10 & 12.5	5,269,238	71,728,151	25,048,089
4,070,068	—	20	658,539	4,728,607	761,770
2,447,472	—	10	146,462	2,593,934	326,123
7,201,169	2,451,843	10	688,448	5,437,774	936,707
177,267	—	20	146,637	323,904	1,413,915
—	—	—	—	—	5,741,253
—	—	—	—	—	489,270
<u>98,303,092</u>	<u>2,521,137</u>		<u>8,693,634</u>	<u>104,475,589</u>	<u>51,728,211</u>
<u>99,944,567</u>	<u>11,698,676</u>		<u>10,057,201</u>	<u>98,303,092</u>	<u>48,306,873</u>

A.B.C. SOCIEDAD ANÓNIMA
December 31, 19XX and 19XY
Other Investments
(in pesos)
Schedule B

	<u>Cost</u>	<u>Depreciation</u>	<u>Book Value</u>
<i>Current Investments</i>			
Nontransferable certificates of deposit	30,508,841	—	30,508,841
Placements abroad	1,674,821	—	1,674,821
Argendollars	<u>13,020,030</u>	—	<u>13,020,030</u>
Subtotal	45,203,692	—	45,203,692
<i>Noncurrent Investments</i>			
<i>Other</i>			
Land	1,442,795	—	1,442,795
Buildings	6,224,009	2,118,512 ⁽¹⁾	4,105,497
Works of art	<u>174,749</u>	—	<u>174,749</u>
Subtotal	<u>7,841,553</u>	<u>2,118,512</u>	<u>5,723,041</u>
TOTAL AT DECEMBER 31, 19XX	<u>53,045,245</u>	<u>2,118,512</u>	<u>50,926,733</u>
TOTAL AT DECEMBER 31, 19XY	<u>20,334,046</u>	<u>1,913,189</u>	<u>18,420,857</u>

⁽¹⁾ The portion accrued during the year is included in the statement of income under the caption "Other Income."

A.B.C. SOCIEDAD ANÓNIMA
Fiscal Years Beginning January 1, 19XX and 19XY-
and Ended December 31, 19XX and 19XY
Provisions
(in pesos)
Schedule C

	<i>Opening Balance</i>	<i>Increases</i>	<i>Applications</i>	<i>Gain/Loss on Exposure to Inflation</i>	<i>Balance at Year End</i>
Bad debts	382,217	—	—	(11,236)	370,981
Devaluation of materials	914,760	407,178	(406,566)	—	915,372
TOTAL AT					
DEC. 31, 19XX	<u>1,296,977</u>	<u>407,178</u>	<u>(406,566)</u>	<u>(11,236)</u>	<u>1,286,353</u>
TOTAL AT					
DEC. 31, 19XY	<u>843,022</u>	<u>669,352</u>	<u>—</u>	<u>(215,397)</u>	<u>1,296,977</u>

A.B.C. SOCIEDAD ANÓNIMA
Fiscal Years Beginning January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
Cost of Goods and Products Sold
(in pesos)
Schedule D

	<u>19XX</u>	<u>19XY</u>
Inventory at commencement of financial year:		
Goods in process and finished goods	6,871,107	5,360,184
Raw materials	63,252,430	51,603,912
Materials in transit	<u>1,023,802</u>	<u>3,037,398</u>
	71,147,339	60,001,494
Purchases and production costs during the period:		
Purchases	95,455,413	86,203,524
Production costs	<u>87,607,055</u>	<u>74,827,751</u>
	183,062,468	161,031,275
Subtotal	254,209,807	221,032,769
Holding gain	3,711,455	4,702,600
Devaluation of inventories	<u>(406,566)</u>	<u>—</u>
Subtotal	257,514,696	225,735,369
Inventory at year-end		
Goods in process and finished goods	8,637,363	6,871,107
Raw materials	77,537,248	63,252,430
Materials in transit	<u>1,998,513</u>	<u>1,023,802</u>
	88,173,124	71,147,339
Cost of goods and products sold	<u><u>169,341,572</u></u>	<u><u>154,588,030</u></u>

A.B.C. SOCIEDAD ANÓNIMA
Fiscal Years Beginning January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
Foreign Currency Assets and Liabilities
(in pesos)
Schedule E

	<i>Amount and Type of Foreign Currency (1)</i>	<i>Exchange Rate</i>	<i>Amount</i>	
<i>Assets</i>				
<i>Current Assets</i>				
<i>Cash and Banks</i>				
Banks	U.S. dollars	130,451.03	0.99800	130,190
Cash	U.S. dollars	81,213.11	0.99800	81,051
	Bolivares	203.00	0.01350	3
	German marks	13.00	0.61776	8
	Pesetas	5,000.00	0.00868	43
	Uruguayan pesos	24,020.00	0.00027	6
	Chilean pesos	120,250.00	0.00260	313
	Dominican gold pesos	35.00	0.99800	35
	Cruzeiros	1,572,365.10	0.00008	127
	Pounds sterling	148.07	1.50800	223
<i>Investments</i>				
Fixed term deposits	U.S. dollars	13,046,122.59	0.99800	13,020,030
External bonds 1989 Series	(2)	19,532,300.00	0.66212	12,932,662
Treasury bonds	(3)	3,731,200.00	0.70155	2,617,609
Other short-term placements of funds	U.S. dollars	1,678,177.77	0.99800	1,674,821
<i>Receivables</i>				
Trade—Companies Section 33				
Law 19550	U.S. dollars	19,594.00	0.99800	19,555
—Ordinary	U.S. dollars	2,276,573.25	0.99800	2,272,020
Other:				
Companies Section 33				
Law 19550	U.S. dollars	510,850.00	0.99800	509,829
Interest and amortization receivable	U.S. dollars	1,675,460.00	0.99800	1,672,109
Foreign debtors and miscellaneous	U.S. dollars	2,944,509.35	0.99800	2,938,619
	Uruguayan pesos	3,000,000.00	0.00027	816
Total Current Assets				37,870,069
<i>Noncurrent Assets</i>				
<i>Noncurrent Receivables</i>				
Sundry	U.S. dollars	4,824,244.23	0.99800	4,814,596
Total Noncurrent Assets				4,814,596
TOTAL AT DEC. 31, 19XX				42,684,665
TOTAL AT DEC. 31, 19XY				23,790,326

(Continued on next page.)

A.B.C. SOCIEDAD ANÓNIMA (cont.)

		<i>Amount and Type of Foreign Currency (1)</i>	<i>Exchange Rate</i>	<i>Amount</i>
<i>Liabilities</i>				
<i>Current Liabilities</i>				
<i>Payables</i>				
Accounts payable	U.S. dollars	3,886,611.07	0.99900	3,882,725
Not documented	Pounds sterling	149,993.95	1.51350	227,016
Art. 33 Law 19550				
Companies	U.S. dollars	2,626,869.00	0.99900	2,624,242
	German marks	91,737.67	0.61968	56,848
Banks				
Documented	U.S. dollars	17,908,668.02	0.99900	17,890,759
Other liabilities	U.S. dollars	384.13	0.99900	384
Total Current Liabilities				<u>24,681,974</u>
<i>Noncurrent Liabilities</i>				
<i>Loans</i>				
Banks				
Documented	U.S. dollars	6,139,551.50	0.99900	6,133,412
Other liabilities	U.S. dollars	14,400.00	0.99900	14,386
Total Noncurrent Liabilities				<u>6,147,798</u>
TOTAL AT DEC. 31, 19XX				<u>30,829,772</u>
TOTAL AT DEC. 31, 19XY				<u>39,157,289</u>

(1) Banco Nación transfer exchange rate

(2) US dollars, Bonex 1989 Series

(3) US dollars, National Treasury Bonds

A.B.C. SOCIEDAD ANÓNIMA
SUPPLEMENTARY ACCOUNTING INFORMATION
CONSOLIDATED BALANCE SHEET
At December 31, 19XX and 19XY
(in pesos)
(Notes 1 to 3)

	<u>19XX</u>	<u>19XY</u>
ASSETS		
<i>Current Assets</i>		
Cash and banks	1,663,127	1,240,499
Investments	61,449,517	16,485,409
Receivables	30,819,734	22,727,608
Other receivables	22,903,041	17,873,155
Inventories	95,351,407	77,047,011
Total Current Assets	<u>212,186,826</u>	<u>135,373,682</u>
<i>Noncurrent Assets</i>		
Other receivables	5,588,503	4,764,575
Fixed assets	51,735,311	48,315,305
Investments	7,604,570	7,817,595
Total Noncurrent Assets	<u>64,928,384</u>	<u>60,897,475</u>
TOTAL ASSETS	<u><u>277,115,210</u></u>	<u><u>196,271,157</u></u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	17,154,835	18,012,739
Loans	42,121,856	24,893,210
Social Security payable	11,253,666	8,577,263
Tax payable	54,804,800	31,174,341
Other liabilities	12,772,749	3,821,403
Total Current Liabilities	<u>138,107,906</u>	<u>86,478,956</u>
<i>Noncurrent Liabilities</i>		
Loans	6,133,412	8,156,544
Other liabilities	14,386	573,100
Total Noncurrent Liabilities	<u>6,147,798</u>	<u>8,729,644</u>
TOTAL LIABILITIES	<u>144,255,704</u>	<u>95,208,600</u>
<i>Minority Interest in Controlled Companies</i>	1,601	1,358
<i>Shareholders' Equity</i>	<u>132,857,905</u>	<u>101,061,199</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>277,115,210</u></u>	<u><u>196,271,157</u></u>

The accompanying notes are an integral part of these financial statements.

A.B.C. SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF INCOME
For the Financial Years
Beginning January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
(in pesos)
(Notes 1 to 3)

	<u>19XX</u>	<u>19XY</u>
Net sales	286,706,687	219,513,300
Cost of goods and products sold	<u>170,022,695</u>	<u>155,153,158</u>
Gross profit	116,683,992	64,360,142
Administrative expenses	40,398,935	31,920,521
Marketing expenses	<u>47,001,975</u>	<u>41,333,985</u>
Operating profit (loss)	<u>29,283,082</u>	<u>(8,894,364)</u>
Effects of financing		
Financial income (expense) generated by assets:		
Gain (loss) on holding of nonfinancial assets	3,711,455	4,702,600
Interest income	2,650,561	2,919,479
Gain (loss) on exposure to inflation	(647,191)	(21,728,498)
Exchange gain (loss)	213,484	4,580,809
Income from government bonds	<u>511,082</u>	<u>2,578,343</u>
	6,439,391	(6,947,267)
Financial income (expense) generated by liabilities:		
Interest paid	(813,230)	(5,416,488)
Gain (loss) on exposure to inflation	2,079,084	32,566,513
Exchange gain (loss)	(108,879)	(2,518,483)
Other expenses	<u>(168,933)</u>	<u>(428,126)</u>
	988,042	24,203,416
Other income	3,151,544	6,707,013
Other expenditure	<u>(1,115,257)</u>	<u>(4,113,199)</u>
Income (loss) for the year before income tax and extraordinary item	38,746,802	10,955,599
Income tax	(6,949,854)	(3,765,347)
Minority interest in controlled companies	<u>(242)</u>	<u>2,458</u>
Income for the year before extraordinary item	31,796,706	7,192,710
Loss for the year on extraordinary item	<u>—</u>	<u>(3,446,089)</u>
FINAL NET INCOME	<u><u>31,796,706</u></u>	<u><u>3,746,621</u></u>

The accompanying notes are an integral part of these financial statements.

A.B.C. SOCIEDAD ANÓNIMA
STATEMENT OF FUNDS
For the Financial Years Beginning
January 1, 19XX and 19XY
and Ended December 31, 19XX and 19XY
(in pesos)
(Notes 1 to 3)

	<u>19XX</u>	<u>19XY</u>
<i>Changes in Funds</i>		
Funds at beginning of year	17,725,908	19,933,231
Increase (decrease) in funds	<u>45,386,736</u>	<u>(2,207,323)</u>
Funds at end of year	63,112,644	17,725,908
<i>Changes in Funds</i>		
Profit from ordinary operations	31,796,706	7,192,710
Plus:		
Losses not involving outlays of funds	172,430,603	190,706,960
Less:		
Items not representing sources of funds	(37,142,818)	(60,628,219)
Third-party equity in controlled companies	<u>242</u>	<u>(2,458)</u>
Funds generated by ordinary operations	167,084,733	137,268,993
Extraordinary loss	<u>—</u>	<u>(3,446,089)</u>
Funds generated by operations	167,084,733	133,822,904
<i>Other Sources</i>		
Increase in long-term debt	—	8,729,644
New short-term debt	1,235,990,040	1,061,582,680
Collection of receivables for sales at beginning of year	<u>22,061,442</u>	<u>13,462,276</u>
<i>Total Sources of Funds</i>	<u>1,425,136,215</u>	<u>1,217,597,504</u>
Payment of short-term debt	1,180,606,358	1,013,173,365
Capital reduction	—	18,368,054
Purchase of inventory	95,455,413	86,203,524
Acquisition of fixed assets	13,032,490	17,275,351
Production expenses paid	79,807,763	66,200,804
Acquisition of investments	—	1,402,461
Other application of funds	<u>10,847,455</u>	<u>17,181,268</u>
<i>Total Funds Used</i>	<u>1,379,749,479</u>	<u>1,219,804,827</u>
INCREASE (DECREASE) IN FUNDS	<u><u>45,386,736</u></u>	<u><u>(2,207,323)</u></u>

The accompanying notes are an integral part of these financial statements.

A.B.C. SOCIEDAD ANÓNIMA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Years
Ended December 31, 19XX and 19XY

1. Presentation of the Financial Statements in Pesos

In accordance with the provisions of Resolution 192/92 of the Comisión Nacional de Valores (National Securities Commission), the consolidated financial statements of the Company at December 31, 19XX and 19XY are stated in pesos with no cents.

2. Consolidation of Financial Statements

The consolidated financial statements of related companies, due to the common control exercised by A.B.C. S.A., have been prepared as called for by the National Securities Commission Resolution No. 195/92, incorporating the balance sheet and income (loss) of the following controlled companies following the consolidation method:

Interest in the Controlled Company:

<u>Controlled Co.</u>	<u>Class of Shares</u>	<u>Total</u>	<u>Held</u>	<u>% of Capital Held</u>
EEE S.A.	Ordinary	100,000	98,000	98.00
MMM S.A.	Ordinary	143,000	142,986	99.99

<u>Controlled Co.</u>	<u>Votes per Share</u>	<u>Total of Possible Votes at Year End</u>	<u>Votes Held</u>	<u>Percentage of Possible Votes Held</u>
EEE S.A.	5	500,000	490,000	98
MMM S.A.	1	143,000	142,986	99

3. Uniformity of Accounting Criteria

The accounting policies used in the financial statements of the controlled companies mentioned in Note 2 are similar to those of the holding company. These policies are described in the notes to the basic financial statements of which this supplementary information is part.

APPENDIX D

Checklist for Comparison of Generally Accepted Auditing Standards (GAAS) in the United States With Auditing Standards in Argentina

General Information

1. Is a primary purpose of an audit—
- a. To attest to information used by investors, creditors, etc.?

Answer

Yes

- b. To satisfy statutory requirements (for example, the Companies Act)?
- c. For tax purposes?

Yes

Yes

Comments

1a. The purpose of an audit is to issue a professional opinion as to whether the financial statements present fairly the financial position of an entity and the changes therein. The audit report is addressed to whomever engaged the audit services and provides users with assurance about the fairness of the information included in the financial statements.

1c. In cases covered by the National Tax Department's General Resolutions 1024 and 2710.

Notes:

Checklist was completed from the perspective of performing a local audit, not a referral audit. AU numbers refer to sections in the *Codification of Statements on Auditing Standards*, unless otherwise noted. This checklist does not include the latest GAAS pronouncements issued in the United States.

ITCP = Technical Institute of Public Accountants [trans.]; RT = Technical Resolutions issued by the *FACPE*.

General Information

2. A. The United States has ten generally accepted auditing standards including general standards, standards of field-work, and standards of reporting. Those standards and their interpretations constitute U.S. generally accepted auditing standards, which have been published in *Codification of Statements on Auditing Standards*. Do generally accepted auditing standards exist in Argentina?
- B. If so, are they published?
- C. If auditing standards exist in Argentina, are they similar to U.S. standards?

Answer

Yes

2A. Argentine generally accepted auditing standards are contained in *FAPCE's* RT 7.

Comments

2B. In *FAPCE's* RT 7.

3. Who is responsible for promulgating auditing standards (for example, the profession, a governmental body, etc.)?

3. See paragraph 35 of text.

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done		Comments
				Done	Comments	
4. Do auditors confirm receivables? (AU 331)	Yes. RT 7 para. III.B 2.5.5	✓				
5. Do auditors observe inventory counts? (AU 331)	Yes. RT 7 para. III.B 2.5.4	✓				
6. Do auditors receive written representations from management? (AU 333)	Yes. RT 7 para. III.B 2.5.12	✓				

- | | | | |
|--|--|---|--|
| 7. Do auditors receive written representations from management's legal counsel? (AU 337) | Yes. RT 7 para. III.B 2.5.5 | ✓ | 8A. Para. III.B 7 of RT 7 provides that the working papers should contain — |
| 8. A. Do auditors prepare and maintain working papers? (AU 339) | Yes. RT 7 para. III.B 6, 7, and 8 and II.B 2 and 3 | ✓ | 7.1 A description of the work done. |
| | | | 7.2 Information on the background data gathered during the conduct of the assignment. |
| | | | 7.3 The conclusion drawn from the examination of each caption or area and the final overall conclusions for the assignment. |
| B. If so, do they include a written audit program outlining procedures to be performed? (AU 339) | No. RT 7 para. III.B 6 and para. III.B 2.4 and 3.4 | ✓ | 8B. Para. III.B 3.4 of RT 7 provides that it is preferable to document the audit planning in writing, and if warranted, this should include detailed work programs. |
| 9. Do auditors obtain a sufficient understanding of the internal control structure to plan the audit and determine the nature, extent, and timing of tests to be performed? (AU 319) | Yes. RT 7 para. III.B 2.5.1 | ✓ | 9. Para. III.B 2.5.1 of RT 7 calls for an assessment of the controls whenever the auditor decides to place reliance on the systems. It also recommends carrying out the assessment in the initial stage of the audit because it serves as a basis for improved planning regarding the nature, extent, and timing of the audit tests to be performed. |

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
10. A. Do auditors communicate reportable conditions in the internal control structure to the audit committee? (AU 325)	Yes. RT 7 para. III.B 2.5.1.5	✓			10A. The professional pronouncement mentions that, if appropriate, a report on the findings of the audit work and suggestions for improving the controls relating to the system examined may be issued.
B. If so, is the communication documented? (AU 325)	Yes. RT 7 para. III.B 2.5.1.5 and para. IIC.2	✓			10B. Para. IIC.2 states that the reports should be in writing, but if justified by the circumstances, they may be oral, in which case they should later be confirmed in writing.
11. In obtaining evidential matter, does the auditor apply either statistical or nonstatistical procedures? (AU 350)	Yes. RT 7 para. III.B 2.5 and II.B 5	✓			11. Para. II.B 5 states that the auditor can apply audit procedures on a selective basis, determined solely according to his or her own judgment or by use of statistical methods.
12. Is the auditor responsible for designing the audit to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements? (AU 316)	Yes. RT 7 para. III.B 2.3 and III.B 2.7	✓			12. Para. III.B 2.3 requires the auditor to evaluate the significance of what must be examined, considering its nature, the significance of possible errors or irregularities, and the risk involved.
13. A. Does the auditor perform procedures to identify related-party transactions and their effects on the financial statements? (AU 334)	Yes. Law 19550 (art. 65, point g)	✓			

B. If so, list the procedures.		13B. See paragraph 37 of text.
14. Does the auditor consider the adequacy of cutoff procedures to ensure that movements into and out of inventories are properly identified in the accounting records? (AU 313)	✓	Yes. RT 7 para. III.B 2.5.4
15. A. Are specific auditing procedures applied to transactions occurring after the balance sheet date? (AU560)	✓	15A. Para. III.B 2.5 provides that, to the extent applicable, the audit procedures should also be applied to events subsequent to the closing date for the financial statements audited.
B. Are other auditing procedures applied to ascertain the occurrence of subsequent events that require adjustment to or disclosure in the financial statements? (AU 560)	✓	No
16. The concept of "joint auditors" in certain countries (e.g. U.K., Canada, and Australia) is that two auditors or audit firms jointly audit the financial statements of a company and issue a single report signed by the two firms. This practice is not generally followed in the U.S. Does the concept of "joint auditors" exist in Argentina?	✓	Yes. Code of Ethics art. 22
17. When a principal auditor is reporting on financial statements that include one or more subsidiaries, divisions, branches, or investees: (AU 543)		

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
<p>A. Must the principal auditor assume responsibility for the work of the other auditor as it relates to the principal auditor's opinion?</p>	No. RT 7 para. III.C.11.3	✓	✓		
<p>B. May the principal auditor decide not to assume that responsibility by making reference to the other auditor and indicating the division of responsibility?</p>	Yes. RT 7 para. III.C.11.3	✓			
<p>18. A. Is there a standard form of auditor's report? (AU 508)</p>	Yes. RT 7 para. III.C 1, 2 and 3; III.B 2.9 and III.C 1 to 36	✓			18A. RT 7 sets the minimum data that must be included in an audit report.
<p>B. List the circumstances that require a departure from the standard report and indicate the type of report required. (AU 508)</p>					18B. See paragraph 44 of text.
<p>19. A. Does the auditor's report require an explanatory paragraph for a change in accounting principles or in the method of their application? (AU 508)</p>	No. RT 7 para. III.C 22	✓			19A,B. The pronouncement states that it is not necessary for the auditor to state that the accounting information is consistent with that of prior years, because the absence of a statement to the contrary implies that consistency has been observed. When it has not been observed, the exception must be described, in relation to the accounting guidelines or criteria followed in the previous period, mentioning
<p>B. If not, does it imply that either consistency exists or the financial statements disclose the inconsistency?</p>	Yes	✓			

the underlying reasons and quantitative effect. Moreover, the auditor must state whether he or she agrees with the change.

20. A. Is the auditor's report dated as of the last day of fieldwork? (AU 530) ✓
Yes. RT 7 para. III.C 33

B. If not, what date is used? ✓

21. To express an opinion, must the auditor be independent? For the purpose of this checklist, independence is defined as not having a financial interest in or connection with the client. (Code of Professional Conduct, rule 101 and its interpretations.)

21. Para. III. A 1 of RT 7 states that the auditor must be independent with regard to the entity to which the financial data relate. There are rules specifying when independence is lacking, namely—

- When the auditor is an employee of the entity whose accounting data are audited
- When the auditor is a spouse or close relative of any of the directors or managers of the entity audited
- When the auditor is a partner, associate, director, or manager of the entity audited
- When the auditor has significant interests in the entity audited
- When the audit fees are contingent or dependent on the findings or results of the audit work

22. Please describe any standards in Argentina for which there are no corresponding U.S. standards.

22. None

APPENDIX E

Checklist for Comparison of Generally Accepted Accounting Principles (GAAP) in the United States With Accounting Principles in Argentina

<u>General Information</u>	<u>Answer</u>	<u>Comments</u>
1. Are there generally accepted accounting principles in Argentina? If so, are they codified?	See Comment	1. Generally accepted accounting principles do exist in Argentina. However, they have not been codified; rather, they consist of a collection of pronouncements and technical resolutions issued by the professional bodies.
2. Who is responsible for promulgating accounting principles (for example, the profession, a governmental body, etc.)?	See Comment	2. See paragraphs 48 and 49 of text.
U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice
3. Are assets and liabilities recorded on the historical cost basis?	No	Minority Practice
		Not Done
		✓
		3. Law 19550, art. 62, and <i>FAPCE</i> RT 6 require financial statements to be prepared in constant currency, which gives recognition to the effects of

inflation in the financial statements, RT 10 establishes current value as the basic valuation principle.					
4. RT 10 provides that net expenses relating to indebtedness incurred to finance construction, production, or completion of an asset spanning a period of time should be deemed cost elements until the asset is ready to be marketed or started up, as applicable.		✓	Yes, RT 10, item II.4b	4. Are interest costs, incurred while activities that are necessary to get an asset ready for its intended use are in progress, capitalized as part of the historical cost of an asset? (167)	
5A. General revaluation is permitted for fixed assets and is mandatory for other assets.		✓	Yes, RT 10, item III. 13b.3	5. A. Is a general revaluation (either upward or downward) of assets permitted? (D40)	
5B. Certain assets (such as inventories and fixed assets) may be restated at current values through the use of specific indices pertaining to the revalued items. When "technical revaluations" are recognized (for fixed assets and inventories), they must be determined and supported by a report made by experts. Companies subject to the Argentine Securities Commission are not authorized to make technical revaluations after October 1992.				B. If so, define the basis.	

Notes:

References to the U.S. Generally Accepted Accounting Principles column are to sections in the *FASB Current Text*, unless otherwise noted. This checklist does not include the latest GAAP pronouncements issued in the United States.

CNV = National Securities Commission. RT = Technical Resolutions issued by the FACPCE.

<u>U.S. Generally Accepted Accounting Principles</u>	<u>Required by Government or Professional Pronouncement</u>	<u>Predominant Practice</u>	<u>Minority Practice</u>	<u>Not Done</u>	<u>Comments</u>
6. Are nonmonetary transactions that culminate an earnings process accounted for on the basis of the fair market value of the assets involved when the value is determinable within reasonable limits? (N35)	Yes. RT 10, item B.2.4	✓			
7. Is revenue recognized when it is earned and its realization is reasonably assured (rather than when money is received)? (Statement of Financial Accounting Concepts No. 5)	Yes. RT 10, item II.6	✓			7. Revenue should be recognized in the period in which the fact or event generating it occurred.
8. Are costs recorded when incurred rather than when money is paid? (Statement of Financial Accounting Concepts No. 5)	Yes. RT 10, item II.6	✓			8. If the cost is related to a specific revenue item, it should be charged to income in the same period in which the revenue is recognized. If not, the cost should be charged currently.
9. A. Are consolidated financial statements required when one company has a controlling financial interest over another company? (C51)	Yes. Law 19550, art. 62, and RT 4	✓			9A. See paragraph 84 of text.
B. Is control usually indicated by ownership of over 50 percent of the outstanding voting shares? If not, how is control indicated?	Yes. Law 19550, art. 33, clause 1, and RT 4	✓			9B. RT 4 and the Company Law both require consolidation when one entity holds sufficient votes to make decisions at board or shareholders' meetings. In this connection, it is deemed that such control exists when

50 percent of the voting rights are held directly or indirectly at the controlling entity's annual closing date.

10. A. Are there instances when an entity would not be consolidated even though control is present? (C51)
B. If so, list them.

Yes. RT 4



10B. As a rule, the financial statements of all the companies forming the economic group should be consolidated; however, if any has a very different line of business, the advisability of including its investment on a single line, particularly if this would provide clearer information to users of the consolidated financial statements, should be considered. In such cases, the investment should be valued on an equity basis and supplementary data should be furnished on —

- a. The reasons justifying the treatment followed.
- b. A summary of asset and liability position, financial condition, and profit or loss.

11. If consolidation is not otherwise appropriate, is the equity method used for unconsolidated subsidiaries, corporate joint ventures, and other investees if the investments give the investor the ability to exercise significant influence

Yes. RTs 5 and 10, items B.3.9 and B.3.10



U.S. Generally Accepted Accounting Principles

over the investees' operating and financial policies? (I82)

12. Are there two methods of accounting for business combinations: the pooling-of-interests method and the purchase method? (B50)

13. Is the method used to account for a business combination disclosed? (B50)

14. A. Do criteria exist for treatment of business combinations as a pooling of interests? (B50)

B. If so, list the criteria.

15. A. Is goodwill arising from a business combination accounted for as an asset? (I60)

B. If so, is it amortized as a charge to income over the period estimated to be benefited?

16. Are the following disclosures

made for related-party transactions: (R36)

a. The nature of the relationship?

b. A description of the transactions for the period presented?

Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
No	✓	✓		
No	✓			
No	✓			
Yes. RT 10, item B.3.15, and RT 5, item II C.4.1c	✓			
Yes. RT 10, item B.3.15, and RT 5, item II C.4b	✓			
Yes. Required by Law 19550, art. 65, clause 1, item g; and RT 9, item VI A.1c.	✓			16a-d. RT 9 requires a description of the balances with controlling, controlled, and related companies. Moreover, art. 65, clause 1, item g, of Law 19550 calls for footnote disclosure of the profit or loss on transactions with controlling, controlled, and related companies, segregated by company.
Yes. Required by Law 19550, art. 65, clause 1, item g; and RT 9, item VI A.1c.	✓			

- c. The amounts of the transactions for the period presented? Yes. Required by Law 19550, art. 65, clause 1, item g; and RT 9, item VI A.1c.
- d. The amounts due to or from related parties at the balance-sheet date? Yes. Required by Law 19550, art. 65, clause 1, item g; and RT 9, item VI A.1c.
17. Is an estimated loss from a loss contingency accrued only if it is probable that an asset has been impaired or a liability incurred and the amount of loss can be reasonably estimated? (C59) 17. Recognition must be given to all items that at the date of the financial statements meet the following conditions: it is highly probable that the contingency will materialize and its effect can be properly quantified.
18. If a loss contingency is not accrued because both conditions for accrual listed in question 17 are not met, is disclosure of the contingency required when there is at least a reasonable possibility that a loss may have been incurred? (C59) Yes. RT 10, item II.7
19. Are guarantees of the indebtedness of others or other loss contingencies disclosed in financial statements even though the possibility of loss may be remote? (In the U.S., guarantees are usually disclosed as loss contingencies even if the possibility of loss is remote.) (C59) Yes. Required by Law 19550, art. 65, clause 1, item I; and RT 9, item VI A.1b

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
20. Are the following items disclosed in a public enterprise's financial statements for each industry segment: (§20)					
a. Sales to outsiders and inter-segment sales?	Yes. Required by Law 19550 and recommended by RT 9, item VI A.10	✓			20a-f. It is general practice to provide segment information only for revenue and costs entering into the entity's gross profit.
b. Operating profit or loss?	No		✓		
c. Identifiable assets and related depreciation, depletion, and amortization expense?	No		✓		
d. Capital expenditures?	No		✓		
e. Equity in net income and net assets of unconsolidated subsidiaries and other investees?	No		✓		
f. Effect of a change in accounting principle?	No		✓		
21. A. Are there any requirements or recommendations to disclose the effects of inflation? (C28)	Yes. Required by Law 19550, art. 62, and RT 6	✓			21B. Financial statements are required to be presented in constant currency only. Accordingly, all financial statement components are restated in the currency values prevailing at the closing date.
B. If so, list the disclosures required.					

22. Are assets segregated into current and noncurrent classifications with a total for current assets presented? (B05) ✓
 Yes. Required by Law 19550, art. 63, clause 4, item a; and RT 8, item III A.3 and 3b
23. A. Are noncurrent assets those not expected to be realized within one year or the current operating cycle? (B05) ✓
 Yes. Required by Law 19550, art. 63, clause 4, item a; and RT 8, item III B
- B. If not, how are noncurrent assets defined?
24. A. Is an allowance established for uncollectible receivables? (C59) ✓
 Yes. Required by RT 10, item B.2.7
- B. If so, what is the basis (e.g., percentage of sales, aging of receivables, etc.) for calculating the allowance?
- 24B. There are no specific standard requirements. In practice, however, the allowance for bad debts is generally based on aging of receivables, prior years' experience, future collection prospects, and analysis of specific customer's situation.
25. Are receivables and payables not arising in the normal course of business or subject to normal trade terms recorded at an amount that takes imputed interest into account? (I69) ✓
 Yes. Required by RT 10, item B.3.1
26. A. Is inventory stated at the lower of cost or market (or net realizable value)? (I78) No
 No
- B. If not, how is inventory stated?
- 26B. Inventory is stated at the lower of replacement, purchase or reproduction cost, or market (net realizable value).

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
C. Is the basis disclosed?	Yes. Required by Law 19550, art. 65, clause 1, item c; and RT 9, item VI B.2	✓			
27. Does cost for inventory purposes include: (I78)	Yes. All the items are required to be included in inventory costs under RT 10, item II.4a	✓ ✓ ✓ ✓			
a. Materials?					
b. Direct labor?					
c. Factory overhead?					
d. If the answer to c. is yes, is an allocable share of all factory overhead included?					
28. A. Are the following cost methods permitted for reporting purposes: (I78)		✓			
a. First-in, first-out (FIFO)?	No		✓		
b. Last-in, first-out (LIFO)?	No		✓		
c. Average cost?	No		✓		
B. Are the same methods permitted for tax purposes?					28B. The following methods are available for tax purposes (in some cases the option is dependent on the type of inventory): <ul style="list-style-type: none"> Resale merchandise, raw materials, and supplies: cost of most recent purchase (which must be within the last two months of the fiscal year end or price-level-adjusted cost, if earlier)

- Finished products; price of most recent sale, less selling expenses and profit margin

29. Is the inventory costing method used disclosed? (178)	No	✓
30. A. Are fixed assets depreciated over their estimated useful lives by systematic charges to income? (D40)	Yes. Required by Law 19550, art. 65, clause 2, item a; and by RT 10, item III.13c	✓
B. If so, is an accumulated depreciation account used?	Yes. Required by Law 19550, art. 65, clause 2, item a; and RT 10, item III.13c	✓
31. Are disclosures made of— (D40)		
a. Depreciation expense for the period?	Yes. Law 19550, arts. 64 and 65	✓
b. Balances of major classes of depreciable assets?	Yes. Law 19550, arts. 64 and 65, and RTs 8 and 9	✓
c. The methods used to compute depreciation for the major asset classes?	Yes. Law 19550, arts. 64 and 65, and RT 9, item 6b.3	✓
d. Accumulated depreciation, either by major class of assets or in total?	Yes. Law 19550, arts. 64 and 65, and RTs 8 and 9	✓
		31a. Depreciation charges are shown in an expense schedule that also discloses allocation to cost centers (administration, marketing, manufacturing).
		31b. RTs 8 and 9 call for presentation of a financial statement schedule showing major fixed-asset classes with related original cost, activity, accumulated depreciation, and current depreciation data.
		31c. The depreciation method used is disclosed in a footnote that describes fixed asset valuation criteria.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
32. A. Do criteria exist for classifying leases as operating leases? (L10)	No	✓			32A. There is no legal or professional standard guideline for classifying leases as operating or nonoperating. The usual practice is to account for all leases as operating leases.
B. If so, list the criteria and disclosure requirements.					
33. A. Do criteria exist for classifying leases as other than operating leases for the lessor and lessee? (L10)	No		✓		
B. If so, list the criteria, type of lease, and disclosure requirements.					
34. Are liabilities segregated into current and noncurrent classifications with a total for current liabilities presented? (B05)	Yes. Required by Law 19550, art. 63, clause 4, item a; and RT 8, item III.b	✓			
35. A. Are noncurrent liabilities those whose liquidation is not expected to require the use of current assets or the creation of current liabilities? (B05)	Yes. Required by Law 19550, art. 63, clause 4, item a; and RT 8, item III B.3	✓			
B. If not, how are noncurrent liabilities defined?					
36. For notes payable, is disclosure made of—(C32)					

a. Interest rates?	Yes. Required by RT 9, item VI A.1b	✓
b. Maturities?	Yes	✓
c. Assets pledged as collateral?	Yes. Required by Law 19550, art. 65, clause 1, items a and b; and RT 9, item VI A.1b	✓
d. Covenants to reduce debt?	No	✓
e. Minimum working capital requirements?	No	✓
f. Dividend restrictions?	Yes. Required by Law 19550, art. 65, clause 1, item h	✓
37. A. For long-term construction-type contracts, are the percentage-of-completion and completed contract methods used? (Co4)	Yes. RT 10, item 3.7	✓
B. If so, what are the criteria for determining the method to be used?	37B. When uncertainty exists, the completed contract method is used. For other situations, the percentage-of-completion method is followed.	
38. A. Are research costs charged to expense when incurred? (R50)	No	✓
B. Are such costs disclosed?	38A. Prevailing accounting principles permit research and development expenses to be capitalized in a deferred asset account when it is likely they will lead to future income. They are then amortized to provide a better matching of income with expenditure.	✓

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
39. A. Are development costs charged to expense when incurred? (R50) B. Are such costs disclosed?	No	✓	✓		39A. Same as for research expense.
40. A. In the U.S., events and transactions are presented in the income statement as extraordinary items when they are unusual in nature and are of the type that would not reasonably be expected to recur in the foreseeable future. Do similar criteria for identifying extraordinary items exist in Argentina? (117) B. If not, what are the criteria?	Yes. Required by Law 19550, art. 63, clause 2, item d Yes. Required by Law 19550, art. 64, clause 1, item c; and RT 9, item IV A.2	✓	✓		
41. Are material events or transactions that are unusual in nature or expected to occur infrequently, but not both (and thus do not meet the criteria for classification as extraordinary), shown as a separate component of income or expense? (122)	Yes. Required by Law 19550, art. 64, and RT 9, item IV A.1.h	✓	✓		
42. A. Are disclosures required for— a. Extraordinary items (117)	Yes. Required by Law 19550, art. 64, and RT 9, item VI A.12	✓	✓		

<p>b. Material events or transactions not classified as extraordinary items? (I22)</p>	<p>Yes. Required by Law 19550, art. 64, and RT 9, item VI A.11</p>	✓
<p>c. Disposal of a segment of a business? (II3)</p>	<p>No</p>	✓
<p>B. Indicate the financial statement presentation of these items.</p>		
<p>43. A. Are pension costs provided for covered employees over the term of employment? (P16)</p>	<p>Yes. Based on the State Pension Fund instituted by Law 18037</p>	✓
<p>B. If so, do they include charges for costs assigned under the actuarial method used for years prior to the plan's inception?</p>		✓
	<p>42c. Except when the disposal is considered an extraordinary item. 42B. Extraordinary items are presented on a separate line in the income statement before net income, and a footnote is required. Other material transactions are disclosed as part of ordinary results.</p>	
	<p>43A. In Argentina, there is a national pension system governed by special laws setting mandatory employee withholdings from all remunerations and employer contributions thereon for the pension fund, which is responsible for paying retirement pensions when the employees become eligible. It is unusual for a company to be involved in any additional private pension plan. 43B. The responsibility attached to employers is limited to withholding the employee contributions and paying them to the pension fund together with employer contributions within the legally set time limit. The contribution then constitutes a charge to income, and the liability must be reflected as such until the required deposit in the fund's account has been made.</p>	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
<p>44. A. Are specific disclosures required relating to pension plans? (P16)</p> <p>B. If so, list them.</p>	No			✓	
<p>45. A. When accounting income and taxable income differ, are deferred income taxes recorded for temporary differences (as opposed to permanent differences)? (I25)</p> <p>B. If so, are deferred taxes provided for all temporary differences (as opposed to only those meeting certain criteria)?</p>	No			✓	45A,B. See paragraphs 72 through 73 of text.
<p>46. A. Are deferred taxes determined on the basis of current tax rates? (I25)</p> <p>B. If not, on what basis?</p>	No		✓		46A,B. The deferred income tax account balance is arrived at by extending the net amount of timing differences by the applicable tax rate. When there is a change in the standard tax rate, the balance of the deferred tax account is adjusted, and the effect is recognized currently.
<p>47. A. Is specific information related to income taxes required to be disclosed? (I25)</p> <p>B. If so, list the requirements.</p>	Yes. Required by RT 9, items IV A.1.j and VI.B6	✓			47A,B. Professional pronouncements provide that the deferred income tax effect of ordinary and extraordinary income or losses must be disclosed separately. Companies must indicate in a footnote the method used to account for income tax changes.

The tax effect of prior period adjustments is usually disclosed in the statement of changes in shareholders' equity together with the underlying adjustment. Under general disclosure rules, tax commitments are shown under current liabilities, captioned accrued taxes, or tax liabilities. When the deferred tax allocation method is applied, *ITCP* Recommendation No. 7 provides that the balance of the deferred tax account should be shown in the balance sheet as a deferred charge or an accrual. Utilization of loss carryforwards, at the current rate, should be disclosed as extraordinary income.

48. A. Are operating losses reported on the income tax return allowed to be carried back to earlier periods? (125) Not allowed by Income Tax Law No. 23260
- B. If so, are the tax effects of a loss carryback included in the income in the period? Yes. Income Tax Law No. 23260
49. A. Are operating losses reported on the income tax return allowed to be carried forward? (125) Yes
- B. If so, are the tax effects of a loss carryforward included in the income in the period realized? Yes

49A. See paragraph 74 of text.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
50. Are financial statements of a foreign entity prepared for consolidation purposes measured in the currency of the primary economic environment in which the entity operates? (F60)	No	✓			50. Normally a foreign entity's financial statements are first measured in the currency of the foreign country and then are translated into the reporting currency at current exchange rates.
51. Are all elements of financial statements translated at current exchange rates? (F60)	No	✓			51. See comment for question 50.
52. A. Are translation adjustments reported separately? (F60)	No			✓	
B. Are they accumulated in a separate component of stockholders' equity until ultimately realized?	No			✓	
C. Is there an analysis of the changes during the period in the component of stockholders' equity relating to translation adjustments?	No			✓	
53. A. Are gains and losses resulting from transactions denominated in a currency other than that of the environment in which the entity operates included in determining net income for the period in which the exchange rate changes? (F60)	Yes. Under RTs 6 and 10	✓			
B. Is the aggregate transaction gain or loss included in determining net income for	Yes. Required by RT 9, item IV A.1.i	✓			53B. It is shown in a separate caption within the statement of income.

- the period disclosed in the financial statements or notes?
54. Are gains or losses on foreign currency transactions that are intended to hedge a foreign currency commitment deferred and included in the related transaction? (F60) No ✓
55. What information is disclosed about foreign currency restrictions? (F60) See comment ✓
55. Footnote disclosure regarding exchange restrictions is required when such information contributes to a better understanding of the financial statements. This information would include restricted amounts and the reasons therefor.
56. Are significant events arising subsequent to the balance sheet date reflected in the financial statements or notes thereto? (C59) Yes. Law 19550, art. 65, clause 1, item f; and RT 10, item B.2.8 ✓
56. RT 10 calls for footnote disclosure of events occurring between the financial closing date and the date on which the entity's management approves the financial statements when, although not requiring adjustment to the financial statements, they do or could significantly affect the entity's net worth or profitability.
57. Please list any standards for Argentina for which there are no corresponding U.S. standards. The standards are as follows: ✓
57. Legal Reserve Law 19550, art. 70 – SAs and SRLs must appropriate 5 percent of their net profits each year to create a legal reserve, until such reserve equals 20 percent of the subscribed capital.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncement	Predominant Practice	Minority Practice	Not Done	Comments
					<p>In the case of banks and other finance companies, special regulation requires the appropriation of 20 percent of their net profits (before income tax) to the legal reserve, without any limitation in relation to their capital.</p>
					<p><i>b.</i> Adjustment to Constant Currency Law 22903, RT 6, and <i>GNV</i> Resolution No. 110. The purpose of constant-currency adjustments consists of stating all the financial statement captions in terms of currency with the purchasing power prevailing at the end of the reporting period, thus recognizing the effects on the entity's net worth and operating results of increases in general price levels.</p>
					<p><i>c.</i> RT 10 calls for the recognition in an asset account of gain contingencies when it is highly probable that they will materialize and they can be properly quantified.</p>

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