

Financial statements

Italian and European Company Law – A.A. 2025/2026

Dott.ssa Giulia Serafin

Definition and purpose

- The financial statements are the accounting document that gives a true and fair view of the company's assets and the financial position at the end of each financial year, as well as the economic result for the year (i.e. profits made, or losses incurred during the year).
- Its essential function is to periodically verify the state of assets (static aspect) and profitability (dynamic aspect) of the company.

Applicable provisions

- Italian Civil Code (articles from 2423 to 2435-*ter*) and National accounting standards (issued by Organismo Italiano di Contabilità - OIC).
- International Accounting Standards: IAS/IFRS issued by the International Accounting Standards Board (IASB) and recognised by the European Union through EU regulations.

European Union Regulations

- Fourth Company Law Directive 78/660/EEC, on accounting standards, now replaced by Directive 2013/34/EU.
- Seventh Company Law Directive 83/349/EEC, on group accounts, now replaced by Directive 2013/34/EU.
- Regulation 2002/1606/EC of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IAS/IFRS).

General Principles

- “Financial statements must be drawn up in a *clear* way and must provide a *true and fair view* of the company’s assets, liabilities and financial position and of its result for the year.” (Art. 2423, par. 2, c.c.)
- “Financial statements shall present *fairly* the financial position, financial performance and cash flows of an entity. *Fair presentation* requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework)”. (IAS 1, par. 15)

General principles and their application

- The principle of clarity is developed in the rules governing the structure and content of financial statements.
- The principles of true and fair view find development in the rules that establish the valuation criteria for assets.

Additional accounting standards (art. 2423-*bis* c.c.)

Financial statements must...

- be prudently assessed (1), on a going concern basis (1), taking into account substance over formal aspects (1-*bis*)
- be referred to that financial year regardless of when collection or payment (3), taking into account only revenues which are sure (2), and also risks/losses which are unsure (4)
- assess different elements separately (5)
- drawn up without changing the valuation criteria from one year to the next (6)

Composition: documents (Italian Civil Code)

Internal documents

1. Balance sheet
2. Income statement
3. Explanatory notes
4. Cash-flow statement

External documents

1. Report of directors
2. Report of the internal control body
3. Report of the external legal Auditor

Composition: documents (International Accounting Standards)

Internal documents

1. Statement of financial position
2. Statement of profit or loss and other comprehensive income
3. Statement of cash flows
4. Statement of changes in equity
5. Notes to the financial statements

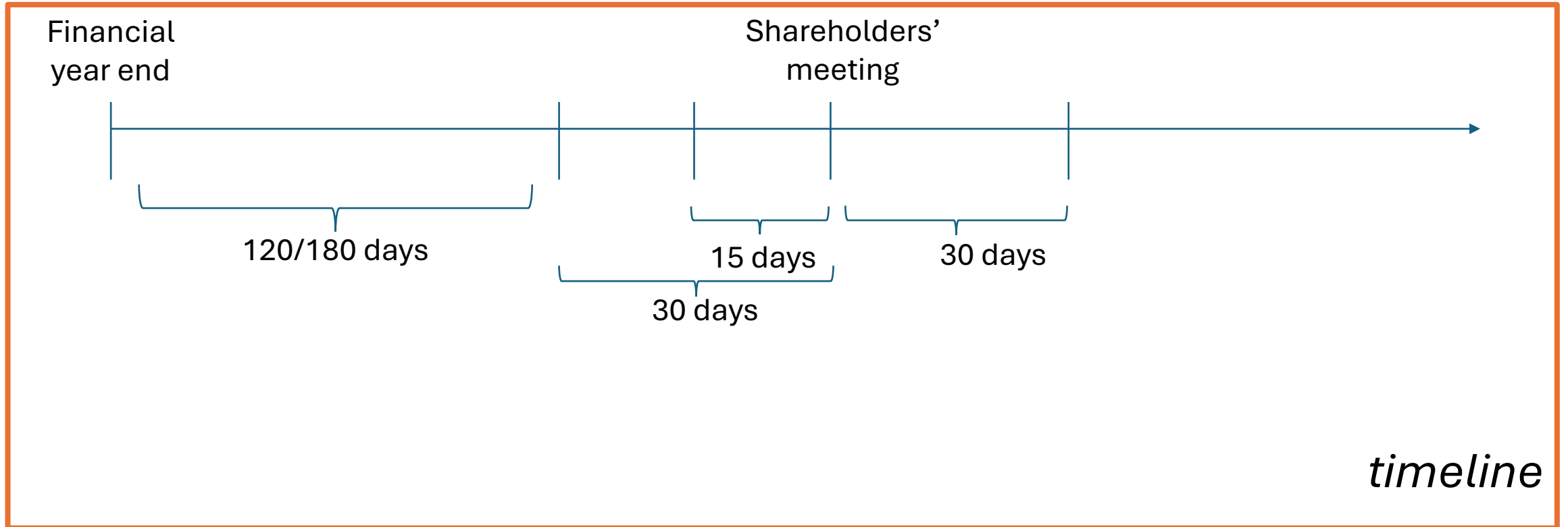
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Different types of financial statements

- Ordinary financial statements for the financial year and other financial statements.
- Abridged Financial Statements (art. 2435-*bis* c.c.).
- Financial statements of micro-enterprises (art. 2435-*ter* c.c.).

Procedure for the approval of the financial statements



Invalidity of the resolution passed to approve the financial statements

- No action for nullity or annulment may be taken if the financial statements of the following financial year have been approved (2377 and 2379 c.c.).
- If the external legal auditor issues a positive evaluation on the financial statements, then the resolution passed to approve the financial statements may only be contested by shareholders representing at least five per cent of the share capital.
- Listed companies: power of CONSOB to contest the financial statements.

The distribution of profits

- The resolution to approve the distribution of profits (dividends).
- Capital losses in previous years.
- Reserves (the legal reserve; the statutory reserves; optional reserves).
- Profits that may be distributed.
- Leonine pact limit and limits resulting from the existence of special categories of shares.
- Fictitious distribution of profits and its consequences.

Sustainability and the Accounting Law

- Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups
- Directive (EU) 2022/2464 as regards corporate sustainability reporting

